Broader diversification, the road to full service

Aberdeen Asset Management PLC

Annual Report and Accounts 2016






Aberdeen
Simply asset management

Highlights

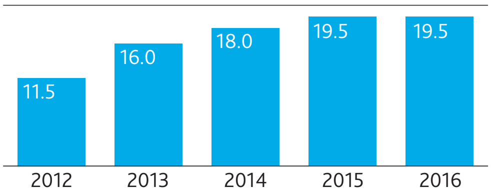
2016 in context

Our industry is experiencing a number of persistent themes, with investors globally broadening their requirements as they look to diversify risk. The shift from products to solutions requires a full investment suite and scale to deliver cost effective answers and while investing globally adds complexity, it is better supported by managers who can combine global investment with local engagement.

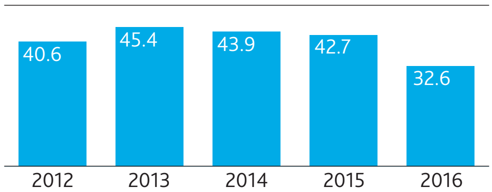
To address these trends, over the last few years, we have developed our capabilities and built Aberdeen to be a diversified global asset manager.

We close the year with £312.1 billion of AuM and are confident that, with the measures taken to develop strong product capabilities across all asset classes and to develop our distribution team, we remain well positioned to identify and grasp opportunities to deliver further profitable growth.

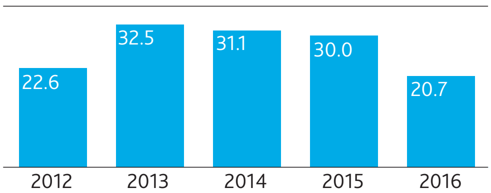
Dividend per share 19.5p



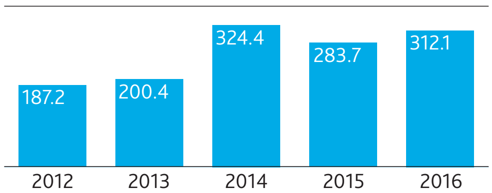
Operating margin 32.6%



Underlying diluted EPS[1] 20.7p



Assets under management ("AuM") £312.1 billion



Net revenue

£1,007.1m -13.8%

2015: £1,169.0m

Statutory profit before tax

£221.9m -37.3%

2015: £353.7m

Underlying profit before tax[1]

£352.7m -28.3%

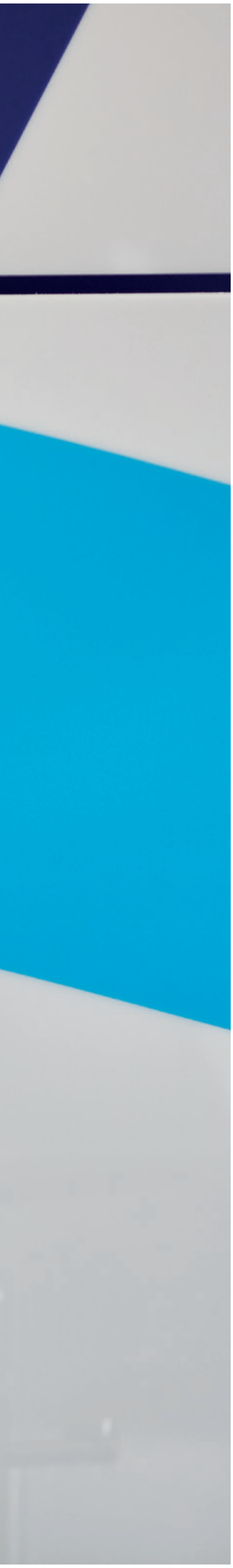
2015: £491.6m

Dividend per share

19.5p

2015: 19.5p

[1] Underlying figures are stated before amortisation, restructuring and acquisition-related items.



Our focus, your advantage

Aberdeen Asset Management is a global asset manager with a broad range of investment capabilities.

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

By managing our business to the same standards we demand of the companies in which we invest, we ensure the interests of our clients and our shareholders are aligned.

Key facts

- Founded in 1983
- Listed on the London Stock Exchange since 1991
- 38 offices in 26 countries
- Over 2,700 employees
- Over 700 investment professionals
- £312.1 billion in assets under management (as at 30 September 2016)

Overview
Strategic report
Corporate governance
Financial statements
Corporate information

Chairman's statement

Simon Troughton
Chairman

I am pleased to present my first statement as Chairman, following Roger Cornick's retirement on 30 September.

The early part of 2016 saw the continuation of the volatile and challenging market conditions experienced in 2015. In part, our exposure to developed market equities, fixed income and property assets cushioned us from some of this volatility. By mid-year, sentiment rallied strongly. The benefits of improved markets, especially for our emerging market and Asian focused asset classes, and the depreciation of sterling supported assets under management ("AuM") and profit for the year.

Recognising that markets and investor sentiment may continue to fluctuate, we have remained resolute on the objectives that we outlined last year: diversification of our business, cost management and cash management, and these will remain in focus in 2017.

We ended the year with AuM of £312.1 billion, an increase of 10% over September 2015. The acquisitions of FLAG Capital Management ("FLAG"), Arden Asset Management ("Arden"), Advance Emerging Capital Ltd ("Advance") and Parmenion Capital Partners LLP ("Parmenion") have brought wider capabilities and resource to our alternatives business, as well as the opportunity to develop our digital distribution capacity to meet the future needs of our clients. Alongside alternatives, we have continued to promote our multi asset capability with the launch of several new funds.

Our investment teams have remained dedicated to following our fundamental investment processes in pursuit of consistent long term performance and we have seen a recovery in equity performance. However, the US election is another in a series of political events which continue to impact markets.

Net outflows were £32.8 billion, which included £8 billion of multi asset and quantitative investment outflows from lower margin insurance books, some of which are in long-term run-off. The level of equities outflows declined steadily throughout the year, although we do still expect some fluctuation from quarter to quarter. We will have outflows in the first quarter of 2017 from two lower margin, but large blocks of AuM. It has been pleasing to see more positive investor sentiment towards emerging markets as the year progressed and, while industry flows have initially favoured passive and Exchange Traded Funds ("ETF") strategies, we saw healthy net inflows to our emerging markets equities in the final quarter.

We have maintained tight control of costs throughout the year and are well advanced in our programme to achieve longer term efficiencies. We had implemented £50 million of annualised savings by the year end and remain on track to achieve the full £70 million target by March 2017. The balance sheet remains strong with healthy levels of cash generation which has enabled the Board to propose an unchanged dividend for the year.

The management team has been strengthened with a number of highly regarded external appointments, including Campbell Fleming who joined the Group as Global Head of Distribution just before the year-end. Hugh Young has taken on the role of Head of Investment, with responsibility for the oversight of the entire investment division across all asset classes.

Financial highlights
Net revenue for the year of £1,007.1 million was 14% lower than in 2015; recurring management fee income was also 14% lower, while performance fees increased slightly to £15.8 million (2015: £13.5 million). The blended average management fee rate was 33.6 basis points.

We have implemented the first £50 million of our cost efficiency programme during the year and, on a constant currency basis, the phasing of these savings has reduced 2016 costs by £28 million, thus negating the additional costs introduced by the FLAG, Arden, Advance and Parmenion acquisitions. However, the effect of sterling weakness has increased our overseas costs, such that, overall, costs have increased by 1%.

Conversion of underlying operating profit to cash has remained robust with core operating cash flow of £362.9 million (2015: £531.7 million), representing a conversion rate of 111% (2015: 107%). The balance sheet remains strong with a year-end net cash position of £548.8 million (2015: £567.7 million) and, despite an increase in the requirement during the year, we retain healthy headroom above our regulatory capital requirement.

The blended fee rate has reduced from 36.1bps to 33.6bps. This is principally due to product mix, given outflows from higher margin equities, emerging market debt and high yield products and inflows into money market funds. Fee margins within individual investment capabilities remain constant year-on-year.

As a consequence of lower revenues, underlying earnings per share were 20.7p, compared to 30.0p in 2015.

Dividend
The Board is recommending a final dividend of 12.0p per share, making a total payment for the year of 19.5p per share, which is unchanged from 2015. The final dividend will be paid on 9 February 2017 to qualifying shareholders on the register at 9 December 2016.

Acquisitions
During the year we completed the acquisitions of Arden, Advance and Parmenion adding £9.5 billion of assets under management. Arden and Advance, together with FLAG which was completed in August 2015, have been integrated with Aberdeen's wider alternatives business.

Parmenion will continue to operate as a distinct business under our ownership, as part of our strategy to capitalise on advancements in financial technology systems and to become a leader in using technology to provide investors with portfolios appropriate to their needs.

Investment review

Whilst this has been another tough year for flows overall, the mix effect of these outflows has varied within strategies and asset classes from 2015 when we saw significant outflows from equities mainly due to macroeconomic factors towards Asia and emerging markets.

Equity net outflows have reduced to £13.6 billion this year from £16.4 billion in 2015, with much of the improvement being in the second half year. Emerging market equities recorded a small net inflow of £0.6 billion for the final quarter, albeit negative for the year overall with net outflows for the year of £0.8 billion (2015: £4.0 billion). We have also been encouraged by new business wins with growing traction from broader based asset classes into diversified growth strategies within multi asset and in equities from North American and Australian small cap and Japanese equities.

Gross new business of £39.0 billion was added during the year, sourced from investors in EMEA ex UK 35%, the Americas 13%, the UK 46% and Asia Pacific 6%. Net outflows for the year were £32.8 billion.

Equity performance has improved during the year as a consequence of some of our long-term holdings recovering. Whilst we set our objectives around longer term performance, it is pleasing that Global Equities has performed well in 2016, which is gradually feeding into the longer term performance numbers. Our consistent priority is to adhere to our investment process and we believe that our longer term investment approach of investing in higher quality companies, together with a strong focus on engagement with the companies we own is fundamental. Although some strategies remain slightly behind benchmark over some shorter time periods, longer term track records remain healthy. Assets under management increased to £89.1 billion (2015: £80.1 billion).

Fixed income performance continues to be solid, albeit the continuing low yield environment is a difficult one in which to excel with more traditional products. The fixed income teams now manage AuM of £70.0 billion and we provide clients with dedicated fixed income portfolios and a range of pooled funds, as well as incorporating these investments into bespoke/tailored multi asset solutions. Our strongest areas of performance are credit and emerging market debt, but the latter suffered outflows as a result of sentiment.

Negative net flows of £0.8 billion from property were the result of a reduction in appetite for UK assets, especially after the Brexit vote and the successful realisation for our clients of some of the fixed-life Nordic funds. Following the UK referendum, the Aberdeen UK Property Fund was one of only a few open end funds that did not close for an extended period. Our focus was to treat all customers fairly by providing liquidity to those who requested to redeem, whilst protecting the interests of long-term investors and we suspended dealing for a few days, solely to enable investors to consider and understand our proposals. More generally, we successfully increased our capabilities in the residential sector across UK and Europe, generating a strong pipeline of committed investments of over £1 billion and continue to see strong demand for European assets.

We made our multi asset capability a separate asset class, reflecting the £89.9 billion managed for insurance, pension and wealth clients. We are developing our fund offerings where we have a good performance track record in our diversified growth strategy which has helped to receive a number of buy recommendations from consultants during the year. This has not yet turned into significant inflows, albeit we have won a significant pensions mandate funding after the year-end, and we are optimistic about future growth. Whilst the structural outflow

Highlights

	2016	2015
Net revenue	**£1,007.1m**	£1,169.0m
Underlying results: before amortisation, restructuring and acquisition-related items		
Profit before tax	**£352.7m**	£491.6m
Diluted earnings per share	**20.7p**	30.0p
Statutory results		
Profit before tax	**£221.9m**	£353.7m
Diluted earnings per share	**12.6p**	21.8p
Total dividend per share	**19.5p**	19.5p
Gross new business	**£39.0bn**	£42.5bn
Net new business	**(£32.8bn)**	(£33.9bn)
Assets under management at the year-end	**£312.1bn**	£283.7bn

from SWIP amounted to £8 billion, flows into this fund will be at considerably higher fee rates than the average.

Much of the £22.8 billion managed by the quantitative investments team is for the benefit of larger multi asset mandates, where the team is able to offer lower volatility and lower cost investment options. The recently launched low volatility equity and equity income strategies aim to outperform global equities indices over the longer term, whilst only capturing 75% to 85% of the volatility.

The acquisitions that we have made in alternatives serve to round our offerings by both investment capability and geographic coverage. The integrations have gone very well and we are pleased to report good stability across the investment teams, and importantly retention of the focus and expertise that we have acquired in areas such as venture capital, real assets, lower mid-market private equity, liquid alternatives and managed account solutions.

A strategic priority for the Group has been to broaden out our solutions role within the wider business such that it now works across all of our investment departments to provide bespoke solutions and portfolios to clients and strategic partners. This central solutions team has leading skills in research and the design and build of client solutions across multiple asset classes for large and complex clients.

We are focused on our distribution capabilities where our strengths match market demand and develop new channels in order to attract new clients. We recognise that not only do we need to have best in class products but that we need to build strong relationships across multiple channels. This approach has led us to build out specialist distribution teams covering investment and client solutions across insurance, closed-end and wealth channels as well as consultant driven opportunities together with more proactive client engagement.

Brexit

Until the negotiation begins formally, expected by the end of March 2017, the terms of the withdrawal and any impact will be largely unknown. We do not expect either our non-UK or UK businesses to be affected in a substantive way by the result of the referendum, although there may be regulatory and/or legal changes in the longer term.

Our principal cross-border fund range for European investors outside the UK has been domiciled in Luxembourg for many years. Beyond the fund range, the core issue is how we will be able to provide our investment management skills from the UK into the EU market - whether through the benefit of passporting, acceptance that the UK forms an 'equivalent' regime or through co-operation agreements with member states.

The Board

I would like to thank my colleagues on the Board who have, once again, made valuable contributions to its effective operation during the year. We have added further strength during the year with the appointment of Gerhard Fusenig as an independent non-executive director.

As had been reported previously, Roger Cornick retired following close of business on 30 September 2016, having served on the Board for 12 years, the last seven years of which as Chairman. On behalf of myself and my fellow directors, I would like to thank and pay tribute to Roger for his leadership of the Board throughout his tenure and the invaluable advice and support he always provided. I would also like to thank Anne Richards and Jim Pettigrew, who both stepped down from the Board this year, for their contribution to Aberdeen over many years.

On behalf of the Board I would like to welcome all new colleagues who have joined Aberdeen over the past year and to thank all of our staff for their dedication and commitment to the Group's continuing success.

Outlook

Our primary objective remains unchanged – to ensure that our clients achieve the long term outcomes that they expect – and we remain fully focused on this goal. We enter the new financial year with a healthy balance sheet and as a full-service asset manager with a strong distribution focus, and a broad range of capabilities which can adapt to changing investor appetites to enable us to remain competitive in a rapidly adapting market.

The asset management sector is facing three head winds: fee pressure, increased investment in technology and regulatory capital requirements. We will continue to seek further cost efficiencies, whilst also being prepared to make appropriate investment in innovation and otherwise supporting the future growth of the business and motivating our diverse workforce.

We welcome the FCA's interim report on its review of the competitiveness of the UK investment sector as it focuses attention on some key industry issues impacting customers. Asset managers play a vital role in helping investors achieve their financial goals and the FCA's proposals will help deliver this for the UK industry, making it more attractive on the global stage by leading the way in best practice. There is a need for increased transparency in relation to the services provided, the costs of such services and also for ensuring value for money.

Future political and economic events, including the UK's negotiations to exit the EU, the start of President-elect Trump's term in office and European elections, will contribute to ongoing volatility in global markets in the short term. However, until there is greater clarity, it is difficult to predict the impact on markets over the medium and longer term. We will not allow any such volatility to distract us from our long term approach to investing, and we remain well positioned to identify and grasp the opportunities that may arise to deliver further profitable growth.

Simon Troughton

Simon Troughton
Chairman

27 November 2016


Aberde

Strategic report

The strategic report brings together an overview of our business model and strategy, as well as looking at how we performed during the year. It includes details of the Group's financial position and discusses our key risks and how we seek to mitigate them.

2016 in context

The asset management sector is at a critical point. We face an increasingly competitive market with the rise of passive and smart investing putting pressure on traditional business models. This, combined with greater regulatory requirements, has resulted in downward pressure on margins and increasing complexity.

Throughout 2016, markets and investor sentiment were volatile. The beginning of the year was extremely challenging in Asian and emerging markets but as the year progressed sentiment rallied strongly and our AuM and revenues benefited from market movements and currency fluctuations.

In a challenging year for flows, and therefore profits, we have continued to make progress in achieving our goal of becoming a leading global diversified asset manager. To do so, we need to have a clear vision of our clients' needs, together with a focus on risk management and a disciplined approach to controlling costs.

In this section

M J Gilbert
Chief Executive
27 November 2016

W J Rattray
Finance Director

Business model

Who we are

Aberdeen Asset Management is a full-service, pure-play asset management group. We are focused on meeting the worldwide investment needs of institutions, private investors and the advisers who serve them.

Formed in 1983, we have around 2,700 employees, manage £312.1 billion of assets as at 30 September 2016, and are one of Europe's largest investment managers.

What we do

We have grown and developed into a full-service asset manager, with capabilities across a range of traditional and non-traditional asset classes. Today the Group has six asset classes covering equities, fixed income, multi asset, alternatives, quantitative investments and property.

Our Aberdeen solutions team works across all six asset classes to help clients achieve their investment objectives.

This year we have added a digital distribution capability in the UK following our acquisition of Parmenion.

Our skills across all investment classes enable us to meet the increasingly diversified needs of our clients.

Who our clients are

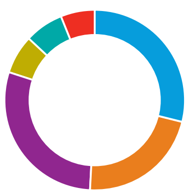
We manage assets solely on behalf of third-party clients who span the full spectrum of institutional to retail investors.

We are the chosen investment partner of pension funds, insurers, sovereign wealth funds, governments and local authorities, charities and financial institutions, to which we provide both pooled and segregated investment management.

In the retail investment market, we support wealth managers, private banks, financial advisers, as well as making our investment products available directly to private investors in some markets.

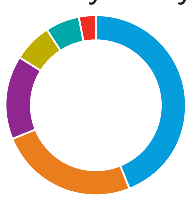
The role of our distribution team is to access potential investors and develop trusted, long-term relationships founded on high quality client service. The role of our product team is to ensure we have the right products to meet client demand.

Overall AuM



Equities	29%
Fixed income	22%
Multi asset	29%
Alternatives	7%
Quantitative investments	7%
Property	6%
Total	**£312.1bn**

Assets by client type



Insurance	44%
Open-ended funds	25%
Pension funds	15%
Other institutional	7%
Closed-end funds	6%
Central banks & government agencies	3%
Total	**£312.1bn**

Investment divisions

Equities
- Specialist markets
- Proprietary research

First-mover advantage in new markets

Fixed Income
- Global reach
- Wide range
- Liability driven investments (LDI)

Global market exposure across the risk spectrum

Multi asset
- Unconstrained
- Strategic and tactical
- Top-down and bottom-up

Risk- and cost-control

Alternatives
- Counter-cyclical
- Specialist insights
- Universal provider

Returns despite market cycle

Quantitative investments
- Index
- Low cost active
- Enhanced beta

Value for money

Property
- Bond-like risk; equity-like returns
- Local and macro view

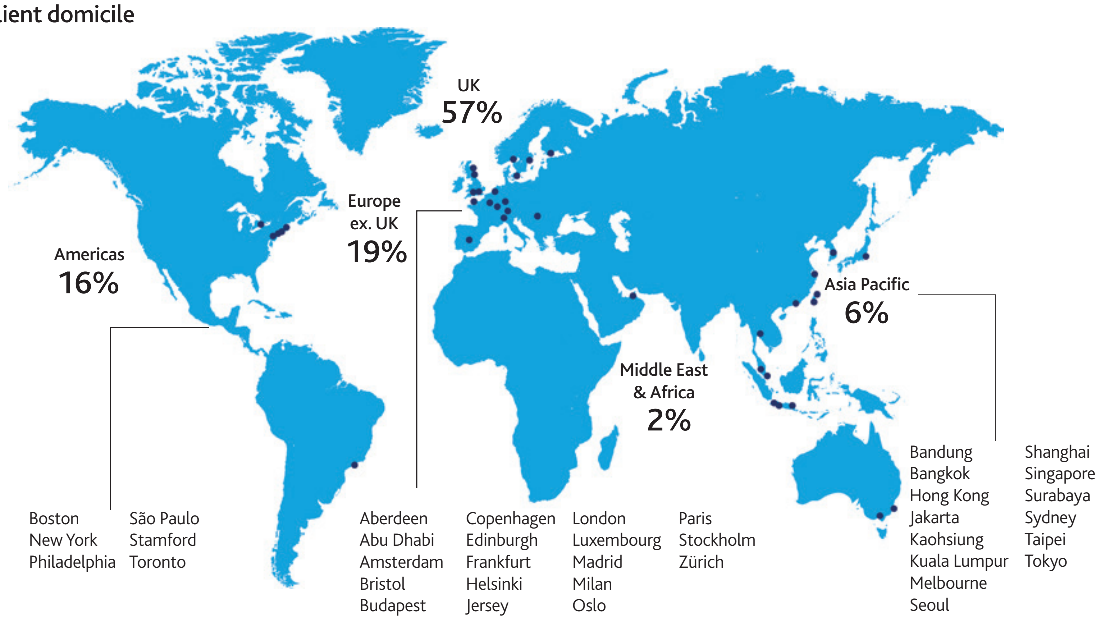
Income in low-yield environment

Strategic report

Where we operate

With a network of 38 offices in 26 countries, we are close to our clients. Our global operating model allows us to manage assets locally, while enabling teams to apply consistent processes globally.

AuM by client domicile



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 high yield team, as well as being an important office for many of our clients. The acquisitions of FLAG and Arden strengthened our alternatives capability in the US.

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

We manage 16% of our AuM on behalf of clients throughout the Americas and have developed a strong platform on which to service institutional and wholesale channels.

Europe, Middle East and Africa

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, multi asset and quantitative investments; and UK property teams.

We have a significant presence across Continental Europe with 12 regional offices in 12 countries. Luxembourg is the domicile for the flagship Aberdeen Global fund range which has AuM of £23.6 billion at the end of September 2016.

The Middle East and Africa are important sources of institutional funds and we have a recently opened an office in Abu Dhabi to build on our existing client base. Around 2% of our AuM was managed for institutional and sovereign wealth entities in those regions.

Asia Pacific

Singapore is the Asia Pacific headquarters for the Group. We have other full-service offices located in Bangkok, Hong Kong, Jakarta, Kuala Lumpur, Sydney and Tokyo with distribution teams also based in Korea and Taiwan. We are also working through the necessary regulatory approvals required for our Wholly Foreign Owned Enterprise in Shanghai to enable us to manage and market privately placed funds in China.

In line with the Group's diversification strategy, Asia Pacific is now also home to investment professionals for property, multi asset solutions and a range of alternative asset classes, in addition to the investment teams for equities and fixed income.

Our Asian client base, which accounts for around 6% of our AuM, compromises of institutions, private banking and wholesale clients. In Thailand, where the Aberdeen brand is well known and well regarded by retail investors, we also distribute through our direct to consumer channel.

How we generate value

Clients

We manage assets on behalf of third-party clients who span the full spectrum of institutional to retail investors

Enhance, develop and grow our investment capabilities to meet the changing profile and needs of our clients and end-customers

- Full-service capability and disciplined investment processes
- Long term view
- Breadth of expertise and first hand research
- Team approach

Provide high levels of client service and access new pools of capital

- Product specialist distribution teams
- Proactive client engagement
- Global operating model

Achieve long term business efficiencies and maintain a healthy balance sheet

- Rigorous cost management
- Adoption of improved technology where appropriate
- Commitment to invest in the business to enhance longer term efficiency

Recruit, develop and retain talented and motivated employees

- Focus on collaboration and openness
- Continuous personal development
- Innovation and challenge promoted

These link through to our strategic priorities on pages 17 to 21.

Value generated for our clients, end-customers and shareholders

Revenue

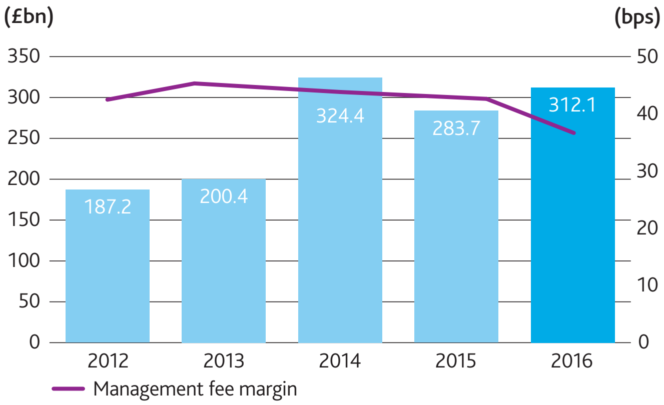
Our revenues are principally generated from the management fees we charge based on the value of AuM managed for clients. These fees are expressed as basis points (bps) and largely depend on the investment strategy, amount of money managed and the channel. Product mix therefore has an impact on levels of revenue growth. Our policy is to recognise revenues as services are provided and this is described in more details on page 94.

AuM

Our objective is to achieve AuM growth organically and through selective acquisitions, recognising that it may also increase and decrease due to market movements.

We aim to grow organically by increasing the assets we manage for existing clients and by offering capabilities, products and solutions that meet the needs of new and existing clients.

AuM and average management fee margin



We gain and retain clients through our investment processes, long-term focus, client service, full-service capability and track record for managing assets and generating long-term performance.

Along with organic growth, we may acquire businesses to add scale, develop new products or add new products or add new distribution partners.

Cost and efficiency

The costs we incur in running the business vary with the level of AuM but are not directly correlated.

Staff salaries, variable pay and related staff costs comprise 62% of our cost base. For the remaining non-staff costs, our largest suppliers include the major outsourcing providers for investment back office and transfer agency; software and market data costs; and marketing and sponsorship costs to promote the brand and specific products and capabilities.

One of the challenges asset managers face is that revenues vary with markets and investor appetite for certain products, whereas most costs remain relatively fixed.

Given the risks of market volatility, we seek to control our costs to be efficient across different cycles. We have a strong track record of managing costs in a controlled manner and increasing long-term business efficiency.

On an ongoing basis we review, develop and deepen our capabilities to meet our clients' needs. We also make selective acquisitions and recruitment decisions to diversify our expertise, markets, channels and clients to deliver a more resilient business model.

What makes us different

Our culture

The scale of Aberdeen's operations, locally and internationally, has changed dramatically since it was founded in 1983. Through multiple acquisitions and organic growth, our strong culture of supporting investment quality, long-term focus, high standards of service and fostering an inclusive, supportive and rewarding working environment has prevailed. We seek to recruit talented and motivated people and give investors worldwide the confidence to entrust their financial future to us. We are committed to adding value everywhere; being the best we can; pooling collective talent; doing the right thing; and bringing a fresh perspective.

Unlike many of our competitors, Aberdeen is not part of a big bank or life assurer. We are able to concentrate on doing what we do best, without the distractions of other activities. We are passionate about being clear and straightforward which is a key part of our competitive offering.

First hand research

With a network of 38 offices and investment centres in 26 countries, we are situated close to our clients and our investment professionals are always in or near to the territories in which they invest. We have the scale to provide global coverage of financial markets, yet are flexible enough to focus on each and every portfolio decision.

Our skill as an asset manager lies in our willingness to ask questions, to challenge consensus if needs be and do our own research to arrive at clear judgements. It can take a long period of time to establish credibility and demonstrate that expertise to clients. Long-term performance track record, as well as consistency and sustainability of our approach, are some of the features that clients value as indicators of our investment expertise.

By conducting first hand research, we get a complete picture of financial trends, risks and opportunities – from the local level up.

> Across all asset classes, we seek to use our information advantage to increase potential return, reduce risk or both.

Breadth of expertise

We are a full-service asset manager, ready to harness all asset classes to create optimal solutions for our clients. We offer distinctive investment strategies, founded on high quality proprietary research, aimed at maximising investment performance net of charges whilst meeting the risk tolerance and investment parameters of our clients.

Breadth of expertise is important especially for multi asset products, where we offer diversified portfolios which blend together a broad range of asset classes aiming to provide investors with income and long-term growth.

We follow investment processes that are clear and systematic and believe that our team approach leads to better outcomes than if star fund managers were in charge.

Focus on value

We are focused on providing products which deliver demonstrably good value for our clients and end-customers – be that a specific return, outperforming an index or achieving returns at lower risk.

Through achieving value for the clients whose assets we manage, efficiently controlling our costs and operating as a responsible business, we deliver value to our shareholders and wider stakeholders.

Long-term view

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.

Equally, the urge to crystallise profits can cause quality assets to be sold significantly 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.

While always retaining flexibility to be tactical, we take a long-term view of companies, markets, and economic trends. That is how we built our historical track record and how we will continue to generate value for our clients, end-customers and shareholders.

The market context

The changing profile and needs of clients, growing popularity of passive funds, a shift to diversified investment solutions, and the impact of regulation remain some of the most pressing issues shaping asset management.

These are not new trends, but the momentum behind them continues to grow.

Macro overview

This year has been one of relative calm punctuated by dramatic bouts of volatility. No one element was solely responsible, but the year has been characterised by surprise. While low growth, low inflation and low interest rates prevailed, shock waves resulted from the stock market rout at the start of the year, the UK's decision to leave the European Union (EU) and the strength of reaction to the explosive campaigns for the next US President.

The common threads across many of the trends show little sign of abating. This was the year in which simmering income inequality broke into the open with the rise of populist, anti-establishment political movements. Ageing populations in the West, an excess of savings over investment, weak productivity and shrinking interest rates are all prevailing themes. However, glimmers of hope exist: China stabilising, Brazil and Russia's impending exit from recession and potential pick up in the US are all possible in the months to come.

In the UK, the single most influential event was Brexit. However, until formal negotiations commence the resulting impact is largely unknown. Much of current sentiment is driven by uncertainty, not by a considered assessment of the post-referendum realities. Breaking a bond of more than forty years - one that encompasses trade and economic ties as well as legislative, environmental, educational, research and a whole host of other connections - to move to a new and yet unclear relationship, is a long-term economic issue.

In the US, the impact of the Trump administration will start to be felt in 2017. There are many uncertainties ahead. One concern is the possibility of increased trade barriers and winding back of trade agreements. The other pertinent factor will be the impact on the US dollar and the Fed's monetary policy. But most emerging economies are in a better position to weather the uncertainty than they were during the 'taper tantrum' in 2013. In addition, many of these countries – such as Brazil, India, and Indonesia – still have room to ease rates to help spur economic activity.

In this environment, dominated by macro themes and government and central bank policies, the performance of an asset can have more to do with liquidity flows than the genuine investment case. But amidst all the turmoil, it is possible that the very real strengths of the developing world are finding favour on fundamental grounds.

For Aberdeen, the macro environment has a significant impact on the demand for our products and investment performance. This year, our equities performance has recovered, and the short-term impact of the weakening pound has been a boost to revenues.

Changing client needs

Large global institutions still represent the majority of our clients but the landscape is changing, forcing us to broaden our focus. There is a gradual withdrawal of governments as pension providers and increasingly the need for individuals to save for their retirement.

With the move towards individual wealth management, the removal of assets from third-party managers by large sovereign wealth funds, and insurers and larger institutions taking capabilities in house. There are opportunities as well as challenges for us to access new and growing sources of assets.

These shifts mean that increasingly the buyers of asset management services are individuals rather than the institutions of the past. In the US and the UK, changes in legislation have also empowered retirees to make more of their own investment decisions. And individuals are increasingly demanding immediacy, simplicity, transparency and personalisation.

> Our clients want access to capital markets for three reasons: capital preservation, income and growth. Additionally, they want this access within their own risk parameters, determined by both liquidity and volatility.

Different generations have different needs and expectations. The world's wealth currently lies with the baby boomer generation, who are focused on capital preservation. Younger generations, however, unlikely to receive much state support when they retire, will have to start saving for their future as early as possible. They want outcome oriented products designed to accumulate and grow their contributions over a thirty to forty year period so they have a sizable pot of money when it comes to retirement. They also have a different approach to technology, transparency and risk, which cannot be ignored. Customisation of services and products is therefore essential.

Advances in innovation and technology

While historically the costs of accessing the mass market were prohibitive, advancements in technology allow this market to be more easily served, at low cost in large volumes. Our acquisition of the Parmenion platform illustrates our belief that technology is likely to have a transformative impact on the asset management industry and the means by which investments are made available to investors.

Applying data to investment processes and risk management is also a competitive advantage. As the range of capabilities needed broadens to meet diversification, continued investment is also required.

Active versus passive

The growth in passively run index trackers continued to gain pace this year, propelled by the US market and the inability of many active strategies to consistently outperform their benchmarks net of fees. Market access to passive investing is cheap and ubiquitous through passive funds and ETPs. Low cost products are attractive in a low return environment.

This shift is also being driven by the move towards outcome oriented investments. Many institutions such as pension funds and insurers are liability driven. They have fixed obligations which must be met on a regular basis and so delivering performance against a specific need has become far more pressing than simply beating the benchmark. This trend is resulting in a move in focus away from investment performance towards asset allocation.

In the UK, the unbundling of fee structures for Independent Financial Advisers (IFAs) has also had an impact. With IFAs now paid directly, rather than through receiving rebate commissions, they may have a greater incentive to look for more cost effective ways to deliver returns, especially in an environment in which there is an ever increasing number of funds to choose from.

In the US too, the Department of Labour has provided guidance to advisors on their fiduciary requirements when providing retirement account investment. If implemented, like the retail distribution review in the UK, this is expected to facilitate a shift to fee based advice, rather than commission sharing arrangements, and may support lower cost strategies.

Yet trackers have had it good in a period of unprecedented easy money and low market dispersion. They are untested in down markets and there are concerns some may not be liquid enough to meet redemptions when the appetite for cheap market exposure turns.

When there is greater dispersion among companies' investment returns, it is easier for active managers to outperform. The period since the financial crisis has not been such a time. Interest rates fell near to zero and have stayed at record lows, resulting in lower dispersion among stock returns. If interest rates normalise, dispersion among company returns should increase and the quality of individual companies should become a more important driver of investment returns.

One evolution over recent years, which seeks to bridge the gap in the active versus passive debate, has been the emergence of smart beta products. They offer some of the benefits of both, using factor based attributes such as style biases or volatility. Multi factor models, where the manager chooses which 'tilt' to apply, are especially popular in Europe. The factors are selected to be different from the market cap indices such as FTSE or S&P, but seek to match attributes such as volatility, quality, value which are tailored to needs of clients.

For Aberdeen, offering leading products across the active - smart beta - passive spectrum, is a strategic priority.

New solutions to provide diversification

Investment markets are inherently cyclical and different asset classes perform well at different times. Multi asset investments provide a strategy to capitalise on this, offering a range of benefits to investors, including greater confidence in being able to generate long-term growth, enhanced returns, reduced volatility and, in some cases, additional tail protection. They also allow investors to move away from regular equities and bonds, making them a key part of corporate strategy across the investment management field.

The demand for multi asset strategies has fuelled a growth in alternative products. Alternatives covers a broad range of capabilities. Whereas once investing in hedge funds used to dominate discussions, increasingly favour has turned to private investments notably private equity, infrastructure and private debt. It is now vital to have these skills to provide a truly diversified offering to clients and meet the wide spectrum of needs.

The question for many asset management groups is whether to pursue these opportunities, and if so, how? For Aberdeen there has been no dilemma. Following our purchase of SWIP in 2014, we have made a series of acquisitions which clearly show our belief that incorporating a far wider universe of asset classes into our investment proposition will allow us to serve our clients better.

Strategic acquisitions have allowed us to obtain the particular skills in funds screening, sourcing, portfolio modelling and execution that cannot be built in-house overnight.

Regulation

The financial crisis changed the regulatory landscape for asset managers. Globally, regulators are focused on protecting investors and trying to restore confidence in the integrity of markets. But the uptick in regulatory scrutiny, across common themes such as market abuse, investor protection, transparency, cyber security, culture and governance, is also adding to industry complexity and requiring managers to be agile in responding to change.

In the UK, the FCA's extensive review into competition in the asset management industry sought to address whether the industry operates in the most efficient and effective way possible for the benefit of clients and end-customers. It covered how asset managers compete to deliver value; how they manage costs along the value chain; and the impact of consultants on competition. The FCA's suggested remedies should help to strengthen confidence and competition in the UK asset management industry, making it more attractive on the global stage by leading the way in best practice.

In Europe, the updated Markets in Financial Instruments Directive (MiFID II) comes into force in 2018. These new rules are the most comprehensive the industry has ever seen and include transaction and trade reporting, market, research, product development and distribution changes which will improve transparency to the market, regulators and clients and will bring improved investor protection.

We are preparing for the application of the Senior Managers and Certification Regime, which currently applies to the banking sector and is to be extended across investment companies in 2018. This work will support our continuing drive to strengthen conduct principles throughout the business and accountability within the first line.

Aberdeen's response

We face many challenges – a change in the profile and demands of clients; a move towards passive; and a shift to multi asset and alternatives investment solutions, all in an increasingly scrutinised operating environment.

Our key response to these challenges is to become a full-service asset manager with the breadth and depth of capabilities across active and passive, multi asset and alternative investments to serve all investor audiences.

To stay competitive we must invest in the business. We know some trends may prove short-lived while others are here to stay. Listening and responding to client needs is critical to our success.

In an uncertain political and economic environment, we are convinced investors will need more diversification not less; that they will need more guidance; and that aligning investment results to real-life goals not an unrelated market benchmark will become the acid test against which asset managers will be measured.

We aim to be honest, upfront and to say what we believe really matters to investors. We are confident that a full-service Aberdeen is the answer to the commercial challenges facing our industry and to what investors require in today's investment climate.

Strategic priorities

As outlined in the market review, there are a number of key market trends which are having a significant impact on the asset management industry.

To stay competitive we need to respond to these changes and remain focused on servicing our clients; delivering value to end-customers; providing high quality investment expertise across all asset classes; recruiting and retaining talented and motivated employees; and operating an efficient business.

By doing so, we will grow our assets under management and create long term value for our shareholders and wider stakeholders.

Our strategic priorities to be a leading diversified asset manager are therefore to:

- Enhance, develop and grow our investment capabilities to meet the changing profile and needs of our clients and end-customers
- Provide high levels of client service and access new pools of investor capital
- Achieve long term business efficiencies and maintain a healthy balance sheet
- Recruit, develop and retain talented and motivated employees

Such strategies inevitably have associated risks – macro, industry wide and Aberdeen specific. A joined up approach, from the Board through to all employees, and from front-office to internal audit, is therefore fundamental to our ability to deliver on our objectives.

Over the next four pages we set out how we aim to achieve these strategies over the near and longer term; the progress we have made during the year; the risks associated with each; and the KPIs we use to measure and monitor performance. These link through to our Remuneration report on p68.

Strategic priorities to generate long-term value

Enhance, develop and grow our investment capabilities to meet the changing profile and needs of our clients and end-customers

- Provide expertise and capabilities across a range of traditional and non-traditional asset classes
- Remain dedicated to our disciplined investment processes and deliver consistent long term performance
- Enhance our commitment to core equity strategies and our stewardship approach
- Develop our multi asset, alternatives and quantitative investment capabilities globally and raise awareness of our size, scale and expertise
- Globalise our property coverage and build on leading residential capabilities

Progress:

- We have remained committed to our equity investment process and enhancements were made during the year to aid cross-team collaboration and further develop our leading stewardship and engagement approach. In a difficult macro environment, we demonstrated the benefits of our fundamental, bottom-up stock selection process and delivered a strong recovery in performance.
- There was a small improvement in net outflows in equities year on year; more importantly, the rate of outflows reduced as the year progressed.
- We expanded our multi asset, alternatives and quantitative investment range, notably through our diversified growth strategies, which are currently building a good investment track record and have accumulated strong investment consultant support in 2016.
- Our solutions team broadened its role within and across the business and now works across all investment departments to provide bespoke portfolios and strategic research to clients.
- FLAG and Arden teams integrated during the year, expanding our alternatives offering by both capability and geographic coverage. Our alternatives AuM is now £21.8 billion.
- A strategic review of the US fixed income business was performed. The results of which highlighted the need to focus on our strengths in credit and total return bond.
- The property team has developed a leading expertise for investing in European residential property, adding to an existing strong European franchise.

Associated risks

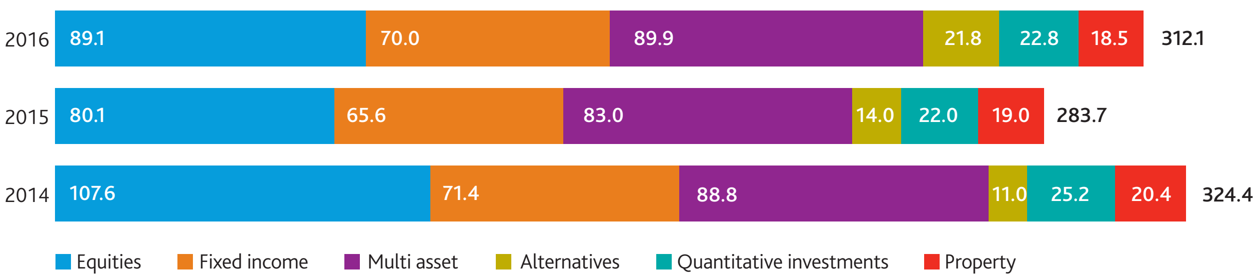
- Investment process and underperformance[1]
- Product risk[2]
- Acquisition risk[3]

KPIs:

Investment performance: percentage of AuM performing above benchmark over 5 years

2016	2015	2014
55%	64%	76%

AuM mix across asset classes (£bn)



[1,2,3] Please refer to the risk management section on pages 40 to 49.

Provide high levels of client service and access new pools of capital

- Build on our strong relationship with closed end, insurance and institutional channels to access the largest pools of capital
- Continue to develop product specialist resources across all capabilities so that our offering is better tailored to the specific needs of clients
- Increase proactive client engagement
- Invest in technology to improve client interactions, for example, grow our Parmenion platform to increase penetration with IFAs in the UK

Progress:

- Campbell Fleming was appointed as Global Head of Distribution strengthening the leadership of the function.
- In recent years our distribution teams have been challenged by our equity investment performance and client retention has been a significant challenge. However, we have remained dedicated to working with clients to explain performance in light of the market environment to build trust and transparency.
- Our distribution teams are fully equipped to sell and support a wider range of capabilities. We are harnessing collaboration across our business development and investment teams to identify new investment solutions to meet the needs of clients and provide clear communication about the breadth of our offerings in a holistic way.
- Specialist distribution teams are in place including investment specialists and client solutions specialists who look after client needs and requirements across the life of the client. We are prioritising matching investment strengths to client demand, to ensure our focus is aligned and we can capitalise on the opportunities available.
- Multi asset funds managed through the Parmenion platform grew to £2.7 billion. This platform gives us the ability to distribute multi asset products through a user-friendly digital service used by IFAs.

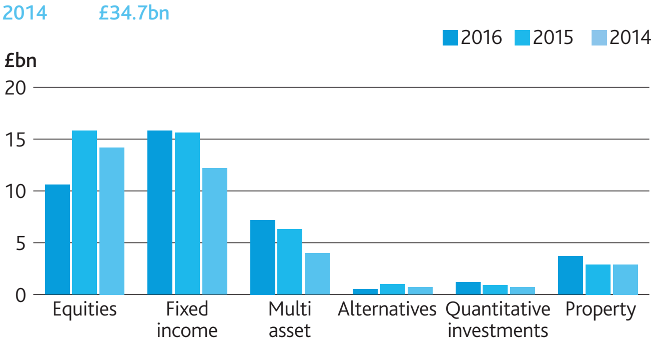
Associated risks

- Distribution and client management[4]
- Technology and digital innovation[5]
- Brand and reputation[6]

KPIs:

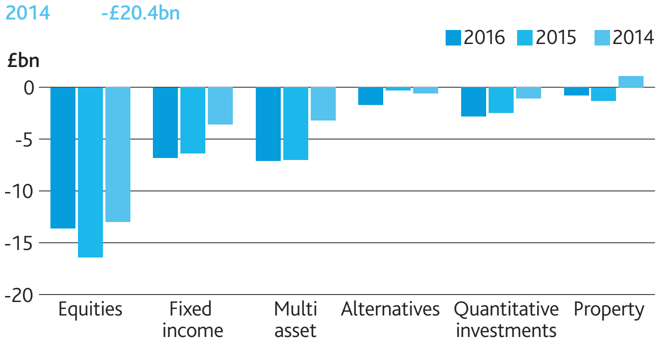
Gross business flows

Total
2016 £39.0bn
2015 £42.5bn
2014 £34.7bn



Net business flows

Total
2016 -£32.8bn
2015 -£33.9bn
2014 -£20.4bn



[4 5 6] Please refer to the risk management section on pages 43 to 44.

Achieve long term business efficiencies and maintain a healthy balance sheet

- Drive efficiencies through rigorous cost management; our target of £70 million savings will be in place by September 2017
- Manage risk, regulations and regulatory capital requirements with goal of maintaining a progressive dividend
- Remain committed to investing in our business to generate long-term shareholder rewards

Progress:

- We are on track to deliver a target of £70 million savings. We have implemented £50 million of the programme. Reflecting phasing of the implementation, £28.2 million savings are reflected in the 2016 results.
- Initiatives to deliver these savings include the removal of duplication in support services and back office; savings from major suppliers; and the outsourcing of our low margin property management services.
- We have Pillar 2 capital headroom of £60 million, which is 12.0% over the requirement, and net cash is £548.8 million even after our regulatory capital requirement increase.
- The Board has recommended a dividend of 19.5p, in line with 2015.
- Recognising the structural challenges in the asset management sector, the Board will keep the dividend payout for 2017 under review.
- We have identified areas of the business which need investment to support long-term growth and improve efficiencies. This balance will be a continuing theme for the next few years so that we remain fit to address the pressures described in the market review on page 14. We continue to hire people with key skills to supplement growth areas.

Associated risks

- External service providers[7]
- Market risk[8]
- Liquidity risk[9]
- Pricing pressure[10]

KPIs:

	2016	2015	2014
Dividend cover:			
Underlying diluted EPS*	20.7p	30.0p	31.1p
Diluted dividend per share	19.5p	19.5p	18.0p
Key financial returns:			
Operating margin	32.6%	42.7%	43.9%
Underlying profit before tax*	£352.7m	£491.6m	£490.3m
Conversion of operating profit to cash flow	111%	107%	111%
Post tax return on capital employed ("ROCE")	14.8%	21.1%	24.8%

[7 8 9 10] Please refer to the risk management section on pages 42 to 49.
* Underlying figures are stated before amortisation, restructuring and acquisition-related items.

Recruit, develop and retain talented and motivated employees

- Continue investment in, and expansion of, learning and development offering and talent management programmes
- Build and sustain a more diverse workforce and inclusive workplace
- Remain committed to entry level programmes
- Recruit externally where we do not have the required skill sets

Progress:

- We strengthened our senior management team with a number of highly regarded external appointments in strategy, distribution and operations.
- In our investment division, Hugh Young was appointed Head of Investments with oversight of all teams; Andrew McCaffery was appointed Head of Solutions; and Devan Kaloo appointed Head of Equities.
- We updated our remuneration policy which now incorporates both annual and 3-year trailing key performance indicators used to set awards.
- We formalised our global diversity and inclusion committee which includes representation from the Group management board ("GMB") and we signed the Women in Finance Charter.
- Employees used our innovation platform Ignite to collaborate, discuss, challenge and ultimately help shape the future of the business.
- Robust succession plans are in place.

Associated risks

- Loss of key personnel[11]

KPI:

Average hours of training per employee

2016	2015
28 hours	28 hours

General business risks that may also impact our strategy

- Business continuity and resilience[12]
- Internal process failure[13]
- Legal, regulatory and conduct[14]
- Technology and information security[15]
- Credit risk[16]
- Brexit[17]

[11 12 13 14 15 16 17] Please refer to the risk management section on pages 45 to 49.

Our people

Our success depends on the talent of the people we employ. Just as we recognise the benefits of diversifying our asset mix and client base, we value the diversity of thought mixed teams bring.

Recruiting, developing and retaining a diverse workforce and supporting an inclusive working culture remain key priorities.

Culture

Culture has played a fundamental role in our growth over the past 33 years and, as we grow, we want to ensure we maintain and enhance our culture both to differentiate ourselves in a competitive market, and to manage risks within our business.

Our culture is how we manifest our values as a company – the standards we set for ourselves and the attitudes we have to our work, our clients and each other. Through our distinct corporate culture we seek to attract the best people to work for us, and give investors worldwide the confidence to entrust their financial future to us.

Having a strong corporate culture does not mean putting people into boxes or trying to make everyone think identically. Quite the opposite. By sharing the same values and standards, we hope to promote a workplace in which different talents, opinions and personalities work even better together.

In a competitive industry, we want to keep building a global company where talented, dedicated people are committed to working together and delivering tangible results. A place where everyone's skills and ideas are valued and used to their full potential.

Our culture committee, which includes representation from all business divisions and geographies, is responsible for determining and implementing how we can better safeguard, manage, monitor and improve our culture.

This year, the committee undertook a number of initiatives, including a group wide employee opinion survey specifically focused on our culture. This survey will provide important evidence from which our executive team can gauge overall engagement and importantly highlight strengths and weaknesses in particular priority areas.

Recruitment and retention

As an investor in companies globally we know that the best companies draw on the widest pool of talent so it is important for us that the businesses in which we invest do not limit themselves in the way they recruit and how they develop their people, and this applies to our own business too.

At an entry level, we recruited 107 interns, 31 graduates, 10 apprentices and 7 participants from the Investment 2020 scheme. These programmes aim to equip recruits with a broad based knowledge of both Aberdeen and the asset management industry as a whole.

At a senior level, we have strengthened our management team with senior external appointments in distribution and operations, and internal promotions in our investment teams.

Morale has been impacted by flows but we remain focused on our team based approach. Senior employees, who have weathered previous financial cycles, play an important role in re-assuring more junior team members.

Our team-based approach to investing

- We have experienced, stable and well-resourced teams
- Teams have a blend of experience and youth
- Our approach builds resilience and succession
- We aim to share knowledge and enable relationships across all locations
- Retention of talent is a key focus globally
- Our approach is to be open, entrepreneurial and inclusive

Retention of talent is a focus globally and we have a number of initiatives in place to address our employees' diverse needs, including mentoring, maternity coaching and a range of development opportunities which are available via the Aberdeen Asset Management Academy. We also offer a range of flexible work opportunities, encourage agile working and offer equal shared parental leave to both parents in a number of our locations.

Fostering diversity, promoting inclusion

Aberdeen is committed to building and sustaining a diverse workforce and inclusive workplace. Our aim is to ensure that we provide our clients and wider stakeholders with the diversity of thought necessary to build long-term value.

We realise this needs to be an ongoing commitment and one which requires continual monitoring. As such we have formalised our global diversity and inclusion committee which includes representation from across the Group and several GMB members.

One commitment the committee has already made is to sign the Women in Finance Charter. Andrew Laing is our elected senior executive for this initiative. Our aim is for 42% to 45% of our UK employees to be female by 2022. Within this our goal is to increase female representation at UK senior management level to between 31% and 33%. We have set similar targets globally.

Performance objectives have been set at management level linked to the achievement of these targets and we will report on our progress on an annual basis.

During the year, we also launched four new employee networks, Balance, Capability, Liberty and Unity; rolled out unconscious bias training to employees globally; and participated in a number of industry initiatives focused on improving diversity in its broadest sense.

Where we are legally allowed, we now ask all employees to declare their age, ethnicity and disability status, which so far has allowed us to collate data for the Americas, UK and Asia Pacific. From this we can determine if there are areas of the business where we need to do more to promote diversity and inclusion.

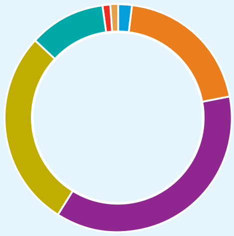
Diversity and inclusion is also considered as part of our sponsorship strategy as we want to align with events which promote a wide range of both participants and viewers. Our biggest sponsorship activity during the year is the Scottish Open and we remain proud sponsors of both the Men's and Ladies Open. This year, to coincide with the event, we held a Female Leadership in Business and Sport event the day before the Ladies Open started.

Learning, development and talent management

Last year we committed significant additional investment to our learning and development offering, by introducing the Aberdeen Asset Management Academy. This platform combines a wide range of learning and development initiatives and enables employees to record, explore and plan their careers and personal development. The learning is split into technical training and business skills.

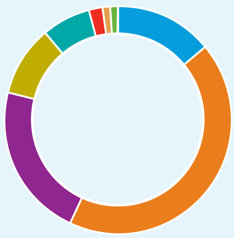
Total employees 2,700

Diversity of ages



20 and under	2%
21-30 years	20%
31-40 years	37%
41-50 years	28%
51-60 years	11%
61-64 years	1%
65 and over	1%

Length of service



less than 1 year	14%
1-5 years	43%
6-10 years	22%
11-15 years	10%
16-20 years	7%
21-25 years	2%
26-30 years	1%
over 30 years	1%

Total workforce: 2,700

56% 1,512 in total

44% 1,188 in total

Senior managers: 184

71% 131 in total

29% 53 in total

GMB: 21

90% 19 in total

10% 2 in total

Board of directors: 12

75% 9 in total

25% 3 in total

Unplanned employee turnover rate[1]

2016	2015
11.2%	10.3%

Retention rates after parental leave

2016	2015
100%	94%

[1] The average US employee voluntary turnover rate in 2014 for Banking and Finance was 13.3% (Source: Compensation Force), while in the UK voluntary labour turnover in Financial Services in 2013 was 11.8% (Source: XpertHR).

In addition to training for all employees, our senior leadership and emerging talent programmes continue to receive positive feedback. We invest significantly in the development of leadership skills and to date, 62 employees have completed the senior leadership programme and 188 the emerging talent programme. Employees selected for these programmes come from across our global offices. These programmes involve the identification of top talent and feed through to the succession planning process.

Average hours of training per employee

2016	2015
28 hours	28 hours

Innovation and engagement

As set out in our market review, the environment in which we operate is changing the way clients want to do business. The regulatory landscape is evolving and the growth of passive investing threatens our market share. As our business model adapts to these issues, we recognise that many ideas for improvement and innovation can come from within the business.

Led by the innovation committee and enabled by our platform Ignite, we want to harness the ideas of our employees to work more efficiently and effectively. Collaboration and knowledge sharing are fundamental to this. As such, we have continued to improve our internal communications through email bulletins, senior management videos and town halls.

Reinforcing positive business practices

We are committed to conducting our business to high ethical standards and in compliance with all relevant laws.

We continue to be an active member of the UN Global Compact and our operations and policies support and reflect the ten Global Compact principles. We uphold the Universal Declaration of Human Rights in all our operations, and respect collective bargaining and freedom of association.

We are committed to providing equal employment opportunities and although particular legal provisions and formulations may differ in the various locations in which we do business, our principles are the same worldwide. Concern for the personal dignity and individual worth of every person is an indispensable element in the standard of conduct that we have set for ourselves.

We continue to enhance and invest in our anti-bribery and corruption (ABC) approach, implementation and monitoring programme and have in place strong whistleblowing procedures.

The modern slavery act

For Aberdeen, stewardship is a fundamental element of our investment approach across all asset classes and a thorough assessment of governance and risk management, including those risks which could be classified as environmental, social or governance (ESG), is conducted before any investment decision is made. This approach also applies to the way in which our procurement decisions are made.

Our supplier due diligence questionnaire includes questions on key issues such as: risk management; anti-financial crime; outsourcing; information security; data privacy; business continuity; labour policies and environmental management. This Group-wide approach is a further development in our work to mitigate risk exposure, work with suppliers who share our business standards and encourage our suppliers to operate in a responsible manner.

We support, and adhere to, the UK Modern Slavery Act in all our operations. More locally, in the UK, Aberdeen is a Living Wage Foundation Employer, does not employ any individuals on zero hours contracts and continues to comply with the UK Government Prompt Payment Code, an initiative to promote best practice between companies and their suppliers.

Charitable foundation

Now in its fifth year, the Aberdeen Charitable Foundation continues to grow both through monetary contributions and employee engagement. The Foundation plays an important role internally, enhancing skills development and cross divisional collaboration, and externally having a positive economic and social benefit in the communities in which employees live and work.

At a local level, each of our global offices has the autonomy to select projects they would like to support, within global guidelines. Once again, our employees took the opportunity to volunteer with our emerging markets partners, taking five days of volunteer leave to experience on the ground how the Foundation's donations are being spent and the impact they are having.

By providing employees with the opportunity to volunteer we enhance the value of our financial contributions and actively help to tackle social challenges. On our 24 hour global volunteering day in May, over 400 employees from 23 offices took part, demonstrating the enthusiasm and value employees place on this aspect of our business. These activities enhance the interpersonal skills of our people and promote team spirit – ultimately strengthening our corporate culture.


Aberdeen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U.S. Dream Academy
Aberdeen
Asset management

AuM overview

AuM has grown to £312.1 billion, an increase of 10% from September 2015. We have benefited from stronger markets and the weakening of sterling.

Whilst outflows were £32.8 billion, the trend has been for quarterly outflows to decline from their peak in the second half of 2015.

Overview

The strength of markets and the weakening of sterling have been the major contributors to the increase in our AuM. Net outflows of £32.8 billion are marginally lower than last year (£33.9 billion), but the trend has been for these to fall from peak quarterly redemptions in the second half of 2015.

As we explain in the finance review, revenues and margins were impacted by net outflows and our blended fee rate reduced due to a change in product mix as outflows principally came from equity portfolios.

AuM

Closing AuM is £312.1 billion, 10% higher than £283.7 billion in September 2015.

Gross new business inflows for the period were £39.0 billion (2015: £42.5 billion) and gross outflows were £71.8 billion (2015: £76.4billion), resulting in net outflows of £32.8 billion (2015: £33.9 billion). The annualised revenue impact of these net outflows is £155 million.

Of the net outflows, £13.6 billion relates to equities (2015: £16.4 billion). While macroeconomic factors and investor sentiment towards Asia and emerging markets continued to significantly impact investor decisions, performance in our key funds has recovered strongly, as markets have again begun to favour the high quality stocks which populate our portfolios.

Equities outflows declined from £16.4 billion in 2015 to £13.6 billion. More significantly, outflows declined each quarter. H2 accounted for 28% of annual flows.

Whilst we have seen the rate of outflows reduce - and we have continued to win new money - we are not yet seeing positive flows. We are encouraged by the trend of reducing net outflows in each quarter of 2016, but we expect that there may continue to be fluctuation quarter on quarter.

Beyond equities outflows, there were also net outflows of £7.1 billion from multi asset and £2.8 billion from quantitative investment capabilities. Much of these flows (£8.0 billion) were from the assets managed for insurance clients, especially the closed book which is in run-off. We consider these outflows to be structural and we expect this level of attrition from the insurance book. The fee margins associated with these AuM are lower margin.

Approximately £8.0 billion of multi asset and quantitative investment outflows were from declining insurance books.

We have a good performance track record in the diversified growth fund, which has helped to win a number of buy recommendations from consultants during the year and while this has not yet turned into significant inflows, we are confident of future growth.

Negative net flows of £0.8 billion from property were a result of a reduction in appetite for UK property, especially after the Brexit vote and the end of life of some Nordic funds. We had a number of wins in residential property, of which £0.2 billion out of £1.0 billion of new commitments has funded.

Fixed income experienced positive flows in money markets (£0.8 billion), but unfortunately there were losses in all other categories. The negative sentiment towards emerging market debt (-£1.3 billion) continued for the second year, whilst investment performance contributed to outflows from high yield (-£1.1 billion), specifically the US mutual fund range. In a low yield environment there is strong competitive pressure from lower fee margin products, especially in capabilities such as Australian fixed income (-£1.4 billion) and US fixed income (-£1.6 billion).

Breakdown of AuM

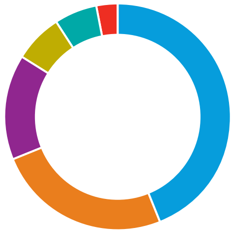
By asset class

Equities	29%
Fixed income	22%
Multi asset	29%
Alternatives	7%
Quantitative investments	7%
Property	6%
Total	**£312.1bn**

By client domicile

Americas	16%
Asia Pacific	6%
Europe ex. UK	19%
Middle East & Africa	2%
UK	57%
Total	**£312.1bn**

By client type



Insurance	44%
Open-ended funds	25%
Pension funds	15%
Other institutional	7%
Closed-end funds	6%
Central banks & government agencies	3%
Total	**£312.1bn**

AuM movement

	Equities £bn	Fixed income £bn	Multi asset £bn	Alternatives £bn	Quantitative investments £bn	Property £bn	Total £bn
30 September 2015	80.1	65.6	83.0	14.0	22.0	19.0	283.7
Net flows	(13.6)	(6.8)	(7.1)	(1.7)	(2.8)	(0.8)	(32.8)
Markets and performance	11.7	6.2	11.3	(0.9)	3.6	0.5	32.4
Exchange movements	10.9	5.0	0.7	2.9	–	1.5	21.0
Corporate transactions	–	–	2.0	7.5	–	(1.7)	7.8
30 September 2016	**89.1**	**70.0**	**89.9**	**21.8**	**22.8**	**18.5**	**312.1**

Flows by quarter

	Q1		Q2		Q3		Q4		2016	
	Gross flows	Net flows	Gross flows	Net flows	Gross flows	Net flows	Gross flows	Net flows	Gross flows	Net flows
	£bn	**£bn**	£bn	**£bn**	£bn	**£bn**	£bn	**£bn**	£bn	**£bn**
Equities	2.1	**(6.3)**	3.0	**(3.5)**	2.2	**(2.9)**	3.3	**(0.9)**	10.6	**(13.6)**
Fixed income	5.6	**0.4**	3.5	**(2.7)**	4.6	**(1.0)**	2.1	**(3.5)**	15.8	**(6.8)**
Multi asset	1.9	**(2.5)**	1.7	**(1.4)**	1.6	**(1.7)**	2.0	**(1.5)**	7.2	**(7.1)**
Alternatives	0.1	**(0.2)**	0.3	**–**	–	**(1.2)**	0.1	**(0.3)**	0.5	**(1.7)**
Quantitative investments	0.4	**(0.6)**	0.2	**(0.9)**	0.3	**(0.6)**	0.3	**(0.7)**	1.2	**(2.8)**
Property	0.8	**0.1**	1.8	**0.9**	0.5	**(1.5)**	0.6	**(0.3)**	3.7	**(0.8)**
Total	**10.9**	**(9.1)**	**10.5**	**(7.6)**	**9.2**	**(8.9)**	**8.4**	**(7.2)**	**39.0**	**(32.8)**

Asset class review

Our focus is to deliver clear and disciplined processes to every investment strategy, so performance is accountable and repeatable.

How we invest

Every asset class – and every strategy within it – has a transparent investment process developed over multiple market cycles. A robust focus on long-term value creation is at the heart of the investment approach. Although the processes vary, common features include:

First hand research	Team based investing	Risk focus	Long-term view
Our investment professionals are always in or near to the territories in which they invest. By conducting first hand research, we get a complete picture of financial trends, risks and opportunities – from the local level up.	We believe talented, diverse and close-knit teams deliver consistently better results than individuals. All stages of our investment processes rely on collegiate thinking.	Our goal is always to deliver return at an acceptable level of risk. Diversification, risk analysis at each stage, plus robust knowledge of every holding, help us smooth volatility and minimise potential loss.	While retaining the flexibility for tactical investing, we realise returns for our clients primarily by taking long-term, high-conviction positions in quality investments.

Our golden rules of investing:

- Understand limitations
- Appreciate what is predictable and, more importantly, what is not
- Research investments thoroughly and understand what we are buying
- Be benchmark agnostic
- Stick to established processes
- Invest for the long term, accepting that periods of short term poor performance may arise
- Be wary of over ambition
- Make sure any competitive advantage is sustainable
- Commitment to stewardship

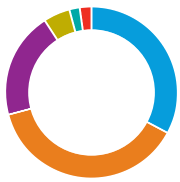
Stewardship: integrating Environmental, Social and Governance (ESG) factors into our investment processes across all asset classes

We invest on behalf of thousands of individuals who entrust their savings to us to protect and enhance over the long term, and act as stewards of their monies. Increasingly, this requires us to integrate ESG factors – both the risks they pose and the opportunities they provide – into our products and services.

While our approach differs by asset class, a review of the material ESG considerations impacting every investment decision is now a fundamental element of our investment processes.

In addition to the integration of material factors, we also offer clients bespoke ESG solutions to meet their investment needs. This process is led by our Stewardship Centre together with ESG specialists on each investment team to ensure a fully integrated approach.

Equities



Asia Pacific	33%
Emerging markets	38%
Global	20%
UK	5%
US	2%
Europe	2%
Total	**£89.1bn**

Investment process:

- We believe, given the inefficiency of markets, that superior returns are achieved by identifying good quality stocks at a reasonable price and holding for the long term.
- We estimate a company's worth in two stages, quality then price. Quality is defined in reference to management, business focus, balance sheet and corporate governance. Price is calculated relative to key financial ratios, market, peer group and business prospects.
- We enforce a disciplined evaluation of companies. No investment is made without having interviewed the company's management.
- Indices are not used as a starting point for building a portfolio and we are comfortable taking decisive positions away from the benchmark, underpinned by convictions from first hand proprietary research.
- We place an emphasis on traditional buy-and-hold, with top-slicing or topping up preferred to outright trades, resulting in low turnover of portfolios.
- All ideas are shared via formal committees and common databases, with desk heads enforcing consistency.

Review of the year:

Against a backdrop of macro and political uncertainty, the performance of our equity funds improved as our investment style emphasising quality and value came back into favour. Fund flows remained negative, but the scale of outflows declined, helped by improving performance and sentiment towards emerging markets.

We have remained committed to our bottom-up investment process, and the very active role we play, behaving as owners of our investee companies, not just investors.

Engagement, risk focus, and an in depth understanding of what we are buying, remain as central tenets of our global approach. Last year, we held more than 4,600 meetings with the companies in which we invest and voted at more than 4,400 shareholder meetings worldwide. In addition to core offerings, we also have strong capabilities in Japanese equities, US and Australian small cap which continued to have robust performance during the year.

Our equity teams are experienced, stable and well resourced; our investment process is clear and has yielded results over the long term; and we remain confident in the ability of our investment teams to negotiate a world of increasing uncertainty.

Fixed income

UK	43%
Money markets	20%
US	9%
EMD	9%
Australian	7%
High yield	3%
Global	4%
Asia	3%
European	2%
Total	**£70.0bn**

Investment process:

- We follow three simple investment principles: research, relative value and risk oversight.
- Intensive forward looking fundamental research is used to identify issuers with strong fundamentals while minimising the risk of deteriorating investment quality.
- We use relative value to determine the best portfolio construction.
- When we invest, we look beyond market indices and benchmarks as they provide little meaningful guidance to the prospects of the market or how securities might perform.
- Using a combination of qualitative and quantitative inputs, we have a disciplined and rigorous process for managing risk.

Review of the year:

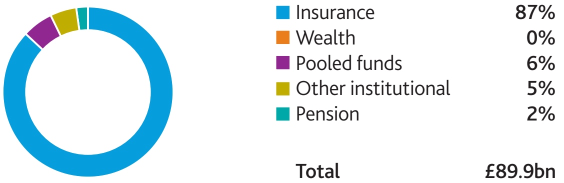
Fixed income investors globally remain challenged by the low interest rate regimes. In a difficult operating environment we focused on our capabilities which can deliver superior client outcomes.

Performance improved through the course of the year across most areas. Our credit franchise is strong, supported by good performance data and we have a robust track record in emerging market debt and European high yield. While we have recently experienced performance challenges in US and Global high yield, we have taken steps to address these.

We believe that with the clearer articulation of a common approach across all fixed income desks and a period of more consistent and strong investment performance, there is a stable base for this asset class to make a steady and improving contribution to the Group in future years.

Our key initiatives to deliver growth over the next three years are to: enhance our external profile with both consultants and clients; further develop our global fixed income product suite with the addition of global loans and unconstrained capabilities; extend our emerging market debt and high yield capabilities; grow and market our ESG offering; and support the development of Aberdeen's insurance business by helping to deliver better solutions.

Multi asset



Investment process:

- Our teams focus on markets and managers, rather than individual stocks or bonds which enable us to build genuinely diversified multi asset portfolios to meet a range of client objectives.
- We utilise the full universe of traditional and alternative asset classes, and actively manage the blend of assets to meet client needs.
- We are diversified and dynamic – top down insights coupling with the breadth of Aberdeen's bottom up investment capabilities.
- We are not tied to a benchmark mix of assets, nor forced to hold investments we believe are unattractive. This flexibility is a core part of our ability to target consistent long-term growth.
- We leverage the insights of our quantitative investment and alternatives specialists, as well as the experts within other teams.

Review of the year:

With the broadening mandate and cross divisional activity of our broader Aberdeen Solutions team, we took the decision to make our multi asset team more visible as a separate investment division. This capability is divided between diversified multi asset portfolios and more traditional, benchmark-driven portfolios.

In line with our strategy to grow our offering in this area we have significantly expanded our fund range. In the UK, the Aberdeen Diversified Growth Fund ("DGF") continues to generate good risk-adjusted performance and we extended this approach into our Luxembourg offering with multi asset growth and income funds available in the Aberdeen Global range.

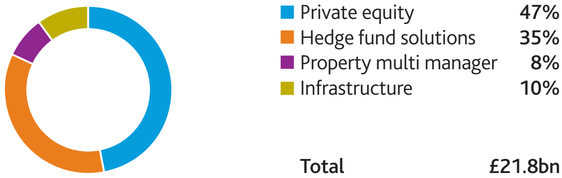
Our diversified multi asset funds are built around a clear philosophy of diversification and the team's expertise in managing the market risks of traditional and alternative assets. The team has continued to generate steady performance and, although not yet reflected in flows, this capability is well positioned to win new assets in future. Against this, the structural outflow from the closed insurance book acquired with SWIP will continue for the foreseeable future.

Aberdeen solutions

Our Aberdeen solutions team broadened its role within and across the business and is now a distinct function from multi asset.

The team works across all six investment departments to provide bespoke solutions and strategic research to our clients to help them achieve their investment objectives.

Alternatives



Investment process:

- All teams are focused on providing strong risk-adjusted returns and quality, cost effective solutions for our clients throughout the market cycle.
- We undertake in depth proprietary research to identify best-in-class managers and opportunities from across our network of specialist researchers. Our insights are shared within and across research groups.
- We recognise that risks in a portfolio are dynamic and multidimensional, and should therefore be continually assessed in multiple ways.
- We maintain independence in operational due diligence and if the legal, governance or administrative structure is not acceptable we do not invest.

Review of the year:

We are now a significant global alternatives investor with £21.8 billion of AuM covering private equity, infrastructure, hedge funds and liquid alternatives.

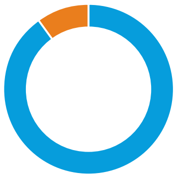
After some years of acquisition activity, this year has been one of integration. The additional capabilities acquired from FLAG, Arden and Advance serve to round our alternatives offerings by both investment capability and geographic coverage.

The integration has gone very well and we are pleased to report good stability across the investment teams, and importantly retention of the focus and expertise that we have acquired in areas such as venture capital, real assets, lower mid-market private equity, liquid alternatives and managed account solutions.

The diversification of our capabilities has naturally led to diversification of our fundraising pipeline across the globe, where we see many opportunities to grow assets in all of the areas noted above.

Looking forward to where and how we expect to deploy capital in the coming months, our clients are looking for investment exposures across the liquidity spectrum. For some, we are focused on customising liquid alternatives, using our managed account expertise to provide more liquidity and transparency than has traditionally been available in hedge fund strategies. For others, we see investors embracing the illiquidity premium in areas such as property secondaries, energy and resources, and smaller-sized private equity allocations.

Quantitative investments



Insurance	90%
Pooled funds	10%
Total	**£22.8bn**

Investment process:

- We are active in nature but our approach to alpha generation differs markedly from traditional active equity managers.
- We employ quantitative strategies to tilt our portfolio exposure towards attributes which our research has identified as being drivers of outperformance and against those attributes associated with underperformance without taking large stock specific risks.
- We offer a full range of systematic investment capabilities providing risk-adjusted performance, transparency, liquidity, and efficiency.
- Our systematic investment process focuses on smart factor design, combining factors through portfolio construction to maximise risk-adjusted returns, efficient implementation and rebalancing, and ongoing risk management.

Review of the year:

While our quantitative investment capabilities currently represent a relatively small proportion of total AuM this is a key growth area for Aberdeen. With the firm evolving into a full-service asset manager, alongside an ongoing industry wide structural shift into passive and quantitative orientated strategies, we have given greater priority to externalising our systematic investment capabilities and plan to launch a number of multi-factor smart beta strategies in the near future.

Our quantitative investment team has a demonstrable track record of success in managing passive and active systematic strategies together with smart beta 'fundamental indexation' strategies, for both external investors and internal multi asset portfolios.

During the year, we extended our range of constrained active quantitative (Enhanced Index) with the launch of the Aberdeen UK Equity Enhanced Index Fund and Aberdeen Asia Pacific Equity Enhanced Index Fund, taking the range to a total of six which has seen growing interest from the UK insurance channel. Enhanced index strategies are employed to outperform traditional indexing and endeavours to generate modest excess returns compared to index funds and other passive management techniques, but with lower volatility.

As with our alternatives proposition, a key priority for the coming year is to raise awareness of our size, scale, and capability and to continue to innovate our product offerings to be relevant to asset owners who are increasingly seeking more outcome-oriented products, greater portfolio diversification and less expensive products in core categories.

Property

UK	53%
Nordic	26%
Continental Europe	21%
Total	**£18.5bn**

Investment process:

- Our disciplined, team-based process focuses on quality then price with quality defined in terms of potential for durable and growing income.
- We focus on risk, not on market returns which we cannot control. At the core of our processes are the concepts of risk tolerance and risk budgeting and their use to define the extent of the risks which should be taken at different points in the cycle, within the context of our investors' objectives.
- Our investment process has three phases: the allocation, selection and management of risk. We build high-conviction portfolios and our process does not allow distraction from long-term goals.
- Advanced top-down research guides our local structured opportunity spotting.

Review of the year:

In the UK, Brexit grabbed the headlines across the property sector. Following the result, the Aberdeen UK Property Fund was one of only a few open end funds which remained open for investment. Our focus was to treat all customers fairly by providing liquidity to those who requested to redeem, whilst protecting the interests of long-term investors.

More generally, we continued to develop our direct property investment offering in Asia and increased our capabilities in the residential sector across Europe. Residential property includes private renting, student halls, social housing, care homes and serviced apartments. These assets offer secure income streams with minimal vacancy risk and the probability of long-term rental growth.

For example, we launched a new pan-European fund which invests in assets which have been changed from office use to residential and, in the UK, we introduced structure pension schemes to invest in the UK private rented housing sector. In Germany we created a new fund to invest in mixed use assets.

We also harmonised our operating model so that the same parts of the value chain are completed in house, and outsourced property management. This ensures we are able to focus on the areas where we are best placed to add value, without distraction.

Performance of mainstream products remains robust and investors' appetite reasonably strong. Pricing of assets remains a concern but with a systematic approach it is still possible to find value at the individual property level. We continue to look favourably at markets which offer positive structural demand characteristics such as residential and logistics and we retain a largely conservative approach to our strategies, favouring property with appropriate levels of durable income over capital speculation.

Financial review

The balance sheet remains strong with healthy levels of cash generation which have enabled the Board to propose an unchanged dividend of 19.5p.

Income statement

	2016	2015	Change
Net revenue	**£1,007.1m**	£1,169.0m	-13.8%
Underlying results: before amortisation, restructuring and acquisition-related costs:			
Underlying operating profit	**£328.1m**	£498.7m	-34.2%
Underlying profit before tax	**£352.7m**	£491.6m	-28.3%
Underlying diluted EPS	**20.7p**	30.0p	-31.0%
Statutory results:			
Statutory profit before tax	**£221.9m**	£353.7m	-37.3%
Statutory diluted EPS	**12.7p**	21.8p	-41.7%
Post-tax return on average capital employed ('ROCE')*	**14.8%**	21.1%	
Dividend per share	**19.5p**	19.5p	

Balance sheet and cash flow		
Core operating cash flow	**£362.9m**	£531.7m
Net cash at year-end	**£548.8m**	£567.7m

The Board considers that the Group's results are most meaningfully considered on a basis which excludes the effects of restructuring costs, acquisition-related items 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 99 has been presented in a manner which enables this distinction. The Board's monitoring of the Group's performance and its financial performance indicators is founded on the underlying results. As in previous years, this financial review focuses on the underlying figures.

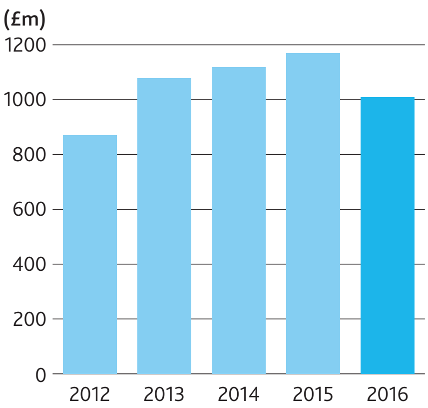
However, an analysis is also performed of acquisition-related items and restructuring costs shown on page 35.

The Group income statement discloses gross revenue less commissions payable to arrive at net revenue. Commissions are paid to intermediaries such as wealth managers, platforms and advisers 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 restructuring, 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.

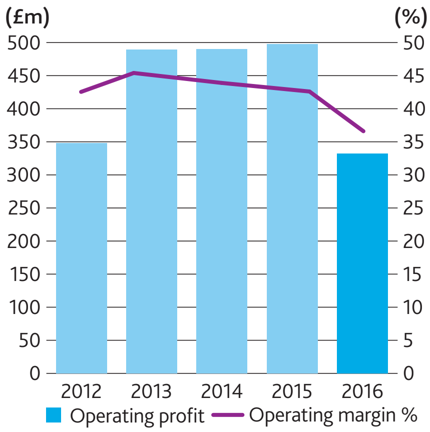
These financial KPIs are presented on the basis of the financial results used for management purposes, defined as the 'underlying' results.

Net revenue



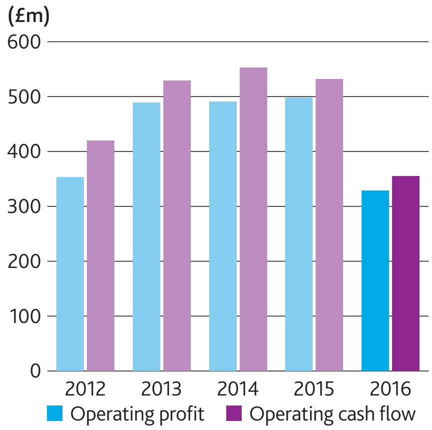
- Shows the growth of the business through an increasing asset base and/or product margins.
- Most of our revenues are generated by management fees rather than performance or non-recurring fees.

Operating profit and operating margin



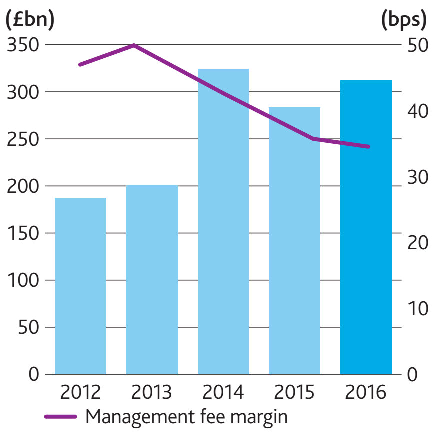
- Key profitability metric as we expect revenues to grow by more than costs through effective cost management.
- Operating margin is underlying operating profit as a percentage of net revenue.

Operating cash flow and operating profit



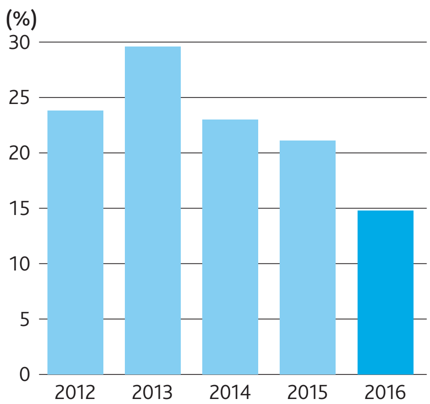
- Conversion of profits to cash to allow for operational growth, as well as strengthening the balance sheet and capital position.

AuM and average management fee margin



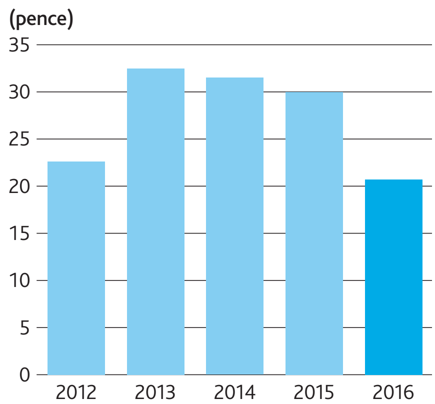
- AuM forms the basis on which recurring management fee revenue is generated.
- Changes in AuM reflect both net new business flows and market performance.
- Revenue growth can also be driven by product mix and ability to generate focus in higher fee margin capabilities.

Post tax return on average capital employed ("ROCE")*



- Measures growth relative to book value of 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 (less proposed dividend).

Underlying diluted EPS



- Includes all components of the Group's underlying performance, based on profitability and capital structure.
- Investors typically value the Group's shares as a multiple of underlying EPS.

* ROCE restated from presentation in prior years. Capital employed is now adjusted to deduct the proposed final dividend, to be consistent with capital recognised for regulatory purposes.

Revenue of £1,007.1 million, 13.8% lower than 2016. This reflects the full year impact of flows in 2H 2015 as well as this year.

Results

	2016 £m	2015 £m	Change
Net revenue	**1,007.1**	1,169.0	-13.8%
Staff costs	**(422.9)**	(404.3)	
Non staff costs	**(256.1)**	(266.0)	
Operating costs	**(679.0)**	(670.3)	+1.3%
Underlying operating profit	**328.1**	498.7	-28.3%
Net finance income	**1.6**	2.5	
Gain (loss) on investments	**23.0**	(9.6)	
Underlying profit before tax	**352.7**	491.6	
Tax expense	**(58.2)**	(74.7)	
Underlying profit after tax	**294.5**	416.9	-29.4%

Net revenue for the year decreased by 14% to £1,007.1 million, while operating expenses grew by 1.3% to £679.0 million. The reason for the decline in revenue was the revenue effect of outflows. Acquisitions added £37.6 million to revenues. Operating margin for the year was 32.6% (2015: 42.7%).

After net finance income and gains on investments totalling £24.6 million, underlying profit before tax is £352.7 million.

The balance sheet is strong and closing net cash is £548.8 million. This is 3% lower than last year, due principally to payments for the Parmenion and Arden acquisitions. Operating cash flow remains very healthy, with a conversion rate of 111% (2015: 107%) of operating profit to core operating cash flow.

Net revenue

	2016 £m	2015 £m
Management fees	**984.9**	1,146.9
Performance fees	**15.8**	13.5
Transaction fees	**6.4**	8.6
	1,007.1	1,169.0

Net revenue increased from £483.6 million in the first half to £523.5 million in the second half, supported by stronger markets and the weakening of sterling. Around 60% of revenues are earned in currencies other than sterling. There was also an impact from the acquisitions.

Recurring management fees were 98% of net revenues (2015: 98%) and continue to provide a high quality base on which to build. Performance fees represented 2% of net revenue (2015: 1%), and are likely to continue at this level.

Revenue margins

The average management fee margin for the year was 33.6bps, which compares to 36.1bps for 2015. This decrease is due to product mix caused by outflows from higher margin equities products.

	2016 bps	2015 bps
Equities	**66.2**	66.4
Fixed income	**19.1**	21.1
Multi Asset	**15.5**	15.3
Alternatives	**44.4**	53.3
Quantitative investment strategies	**8.7**	9.1
Property	**45.5**	49.4
Overall	**33.6**	36.1

Equities fee margins remain stable and we continue to win new business at strong margins.

Fixed income fee margins fell due to product mix. A higher proportion of closing AuM was invested in money markets and there were outflows from EMD and high yield which are our highest margin fixed income products.

The decline in the fee margins of alternatives is due to lower margins on the fund of hedge fund products book acquired from Arden.

Whilst multi asset fee margins have remained stable, property margins have reduced with outflows from the higher margin UK open end fund and end of life of a Nordic mandate.

Costs are flat year on year; on a constant currency basis, cost savings offset the acquisitions. On track to achieve £70 million savings target.

Operating expenses

Operating expenses have grown by £8.7 million (1.3%). Staff costs increased by 4.6%, with non-staff costs decreasing by 3.7%.

The comparability is impacted by the (i) savings, (ii) the acquisitions, which added £25.8 million to the cost base and (iii) the weakening of sterling, which added £17.8 million. Around 40% of the cost base is incurred in currencies other than sterling.

Operating costs were £327.7 million in the first half of the year, rising to £351.3 million in the second half. Costs normally rise in the second half due to salary inflation from the start of January. The depreciation of sterling also had a significant impact.

Expenses by category

	2016 £m	2015 £m
Staff costs	**422.9**	404.3
Third party administration	**64.0**	61.4
Accommodation	**31.9**	30.5
IT	**45.4**	39.9
Marketing	**21.7**	28.9
Depreciation	**8.1**	8.6
Professional fees	**22.6**	20.3
Travel & entertainment	**15.9**	18.3
Other	**46.5**	58.1
Non staff costs	**256.1**	266.0
Total costs	**679.0**	670.3

The compensation ratio, being total staff costs divided by net revenue, of 42.0% (2015: 34.6%) increased due to the decline in revenues.

Third party administration costs which cover the outsource of back office grew by 4.2%, but we expect to achieve savings in 2017 and beyond with new tariff arrangements.

IT costs have increased due to acquisitions and currency. A major element of data cost is invoiced in US dollars.

We received a one-off recovery offsetting costs previously incurred. This benefit reduced other costs by £6.7 million.

Savings have been achieved in marketing and travel where we curtailed discretionary spend.

Cost efficiencies

	£m
2015 costs	**670.3**
Acquisitions	25.8
Foreign exchange	17.8
One off recovery	(6.7)
Expected costs before savings	707.2
2016 costs	**679.0**
Savings to date	**28.2**

We have implemented initiatives covering around £50 million of the programme and will reach our target of £70 million in 2017. As a number of the actions were implemented during 2016, the benefit from these initiatives was £28.2 million, reflecting phasing.

A significant element of the savings are being achieved through reducing headcount, with focus on eliminating duplication across functions and consolidating teams in one location. We have also continued to control discretionary marketing spend, applying a greater concentration of the spend to priority markets, and renegotiated with larger suppliers.

Net finance costs

The main elements of net finance costs represent the unwind of the discount on the SWIP deferred consideration (before the change to liability discussed below), less interest received on cash balances. Excluding the unwind of the discount on the earn-out agreements, net finance income has decreased from £2.5 million in 2015 to £1.6 million, reflecting lower interest rates on cash deposits.

Restructuring, acquisition-related items and amortisation

We have incurred restructuring costs of £14.0 million in respect of the cost reduction programme. The majority of the costs relate to severance payments, as well as the acceleration of deferred compensation for good leavers involved in the programme.

Acquisition-related costs were £3.1 million for the year (2015: £24.5 million). There is a significant reduction with the SWIP integration completed by March 2016. The integrations for other acquisitions were considerably smaller in scale.

In addition, costs of £0.9 million arose on the acquisition of Parmenion, Advance and Arden. These mainly relate to advisers' fees.

	2016 £m	2015 £m
Redundancy costs related to cost efficiency programme	14.0	–
Acquisition costs:		
Costs related to migration & integration of SWIP	2.2	19.8
Costs related to other acquisitions	0.9	4.7
Acquisition costs	3.1	24.5
Amortisation and impairment of intangible assets	128.4	131.3
Reduction in fair value of deferred consideration (net of discount)	(17.8)	(24.4)
Unwinding of the discount on deferred consideration	3.1	6.5
Total charge	**130.8**	137.9

The amortisation charge of £128.4 million includes impairment of £7.7 million in relation to Artio management contracts following outflows in the global high yield and total return bond products. Notwithstanding, the 2016 charge is lower than 2015 as some of the older management contracts are fully amortised.

The estimate of the earn-out to be paid to Lloyds for the investment solutions business has reduced by £17.8 million. This is a benefit in the income statement. This liability is estimated based on fair value which is assessed at each reporting date based on the growth in AuM under the strategic relationship with Lloyds. AuM growth has been lower than initial expectations and therefore we have reduced the deferred liability to £18.1 million at 30 September 2016. The final amount payable will be determined according to the growth over the five year period to 31 March 2019.

Gain on investments

Gains on investments of £23.0 million (2015: £9.6 million loss) are largely unrealised gains and the impact of foreign exchange on seed capital investments. 70% of our seed capital is denominated in US dollars and euros.

Tax

Tax charge

The effective tax rate on the Group's underlying profit, defined as the tax charge divided by the underlying profit before taxation, was 16.5% for 2016 (2015: 15.2%).

Aberdeen's effective tax rate has been in the 15% to17% range in recent years. The rate will vary from time as tax computations are finalised with relevant tax authorities - which means refining calculations which may be preliminary at the time of the annual report.

The 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 investment 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 20% for the year under review (2015: 20.5%).

Tax paid

UK tax payable on the Group's underlying profit for the year is £32.7 million (2015: £37.6 million), together with overseas taxes of £25.7 million (2015: £28.9 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.

Cash tax paid was £50.0 million (2015: £62.2 million), which is 84% (2015: 97%) of the current tax charge. This is largely due to the timing of instalments.

Tax policy

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. Our dealings with tax authorities are conducted in an open and transparent manner and we aim to provide information that can be clearly understood.

Due to business requirements, Aberdeen has global operations and in a number of jurisdictions that have tax rates that are both higher and lower than in the UK.

BEPS readiness

We believe that our transfer pricing policy complies with the international tax changes being introduced by BEPS (Base Erosion Profit Shifting - the OECD's rules on transfer pricing). We are not making significant changes to our policy, but we are enhancing documentation for required master files and ensuring that we are ready for required disclosures to tax authorities.

EPS declined by 31% reflecting the reduction in underlying profit after tax.

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 restructuring and acquisition-related costs.

Underlying diluted EPS has decreased by 31% to 20.7p per share. The decrease is consistent with the reduction in profit.

Dividends

The Group has used the cash generated from operations to pay an unchanged dividend.

An interim dividend of 7.5p per share was paid to ordinary shareholders in June 2016 and the Board is recommending payment of a final dividend of 12.0p per share, resulting in a total payment for 2016 of 19.5p in line with 2015.

Cash flow

The year to 30 September 2016 has seen strong cash flow, with operating profit of £328.1 million converted into £362.9 million of core operating cash flow, a conversion rate of 111% (2015: 107%).

This ratio will typically exceed 100% due to the non-cash charge in the income statement for the deferred share element of the annual variable pay.

The Group's net cash position has decreased from £567.7 million to £548.8 million. This is mainly due to payments in respect of acquisitions, which totalled £73.4 million, including the acquisition of Advance, Arden and Parmenion. Consideration was £14.6 million for the acquisition of Advance, £10.4 million for Arden and £40.1 million for Parmenion.

Core operating cash flow is operating cash flow, excluding the effect of short term timing differences on the settlement of open end fund transactions (which are generally settled within four working days) and £7.2 million of restructuring and acquisition-related payments.

The Group's net cash has been impacted by the weakening of the sterling, particularly against the US dollar and Euro. Exchange rate fluctuation has benefitted the net change in cash by £68.7 million.

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

Cash flow performance

	2016 £m	2015 £m	2016 vs 2015
Cash generated from operations	**362.9**	531.7	-31.9%
Short term timing differences on fund settlements	**(0.5)**	(1.3)	
Net interest & tax paid	**(48.5)**	(60.1)	
Capital expenditure	**(6.0)**	(8.5)	
Free cash flow before acquisitions	**307.9**	461.8	-50.3%
Investments in seed capital	**11.7**	(101.4)	
Issue of preference shares	**–**	99.5	
Other investments	**(2.1)**	(16.5)	
Dividends & coupons paid	**(280.4)**	(265.8)	
Purchase of own shares by EBT	**(43.5)**	(37.0)	
Redemption of ordinary shares	**–**	(50.3)	
Restructuring and acquisition costs paid	**(7.8)**	(23.9)	
Acquisitions & disposals	**(73.4)**	(133.5)	
Dividends to non-controlling interests	**–**	(12.0)	
Exchange fluctuation	**68.7**	(7.1)	
Net change in cash	**(18.9)**	(86.2)	

The balance sheet remains strong and closing net cash is £548.8 million.

Balance sheet

Total equity decreased by £46.1 million to £2,111.9 million in the year to 30 September 2016. The main components of this decrease were as follows:

Changes in equity

	£m
Profit for the year	189.2
Share-based payment charge	39.2
Purchase of own shares by EBT	(43.5)
Coupon paid on perpetual capital notes	(19.8)
Ordinary dividends paid	(250.6)
Preference share dividend	(5.0)
Other movements in equity	44.4
Decrease in total equity	**(46.1)**

The other movements in equity have strengthened the balance sheet by a net £44.4 million. Translation of non-sterling balance sheet captions increased equity by £107.0 million as a consequence of sterling weakening against major currencies (US dollar -14%, euro -15%). Sensitivity of tangible assets to movements in exchange rates are shown in note 28 in the financial statements. This was offset by the reduction in the balance sheet from the increase to pension liabilities, described below.

Total equity of £2,111.9 million is stated before the deduction of the proposed final dividend of £154.2 million, which is subject to shareholder approval at the Annual General Meeting in February.

Balance sheet

	Sep 2016 £m	Sep 2015 £m
Net cash	**548.8**	567.7
Other net tangible assets	**150.5**	194.2
Intangible assets (net of deferred tax)	**1,412.6**	1,396.1
Total net assets	**2,111.9**	2,158.0
Shareholders' funds	**1,690.9**	1,736.5
Non-controlling interest	**(0.6)**	(0.1)
Perpetual capital securities	**321.6**	321.6
Preference shares	**100.0**	100.0
Total equity	**2,111.9**	2,158.0

Pension deficit

The Group's legacy defined benefit pension schemes reflect a net deficit of £48.0 million (2015: net surplus of £18.1 million). A large part of this change is due to a further, material decrease in the corporate bond yields which is used to estimate the value of liabilities to be reported under IAS 19; this discount rate was 2.45% for 2016 (2015: 3.9%).

The pension deficit was also increased in the Edinburgh Fund Managers scheme by the accounting effect of a risk-reduction exercise implemented by the trustees, under which the liabilities of all deferred members of the scheme were transferred to an insurer under a buy-in arrangement. The premium paid by the trustees for the transfer of this risk will be funded by the Group's ongoing deficit reduction contributions to the scheme; this has resulted in an increase in the accounting liability, but there has been no additional payment by the Group and the level of cash contributions remains unchanged.

Capital and liquidity

The Group aims to maintain a strong balance sheet and 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.

We were advised by the Financial Conduct Authority ("FCA"), following completion of its periodic review, that it is increasing the required minimum level of capital that should be held by Aberdeen for regulatory purposes. The Group's available capital remains comfortably above this new minimum requirement.

The increase in minimum regulatory capital had two roughly equal components. First, the FCA has removed the benefit of insurance mitigation when modelling operational risk for Pillar 2 purposes.

Secondly, the FCA included an allowance ("scalar") to cover any unsighted and unquantifiable risks that may emerge in addition to the risks included in the Group's Pillar 2 capital requirements. This is an area that Aberdeen has previously sought to address by way of a self-imposed level of headroom above the formal regulatory capital requirement.

As a result of these changes, Aberdeen's total regulatory capital requirement will now be approximately £475 million (previously £435 million, inclusive of self-imposed headroom of £100 million). Since the nature of the risks covered by the new scalar are similar to those previously provided for by Aberdeen through the self-imposed headroom, the Board has decided that there is no longer a requirement for an additional buffer.

Long-term viability

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three years to September 2019. This assessment has been made taking account of the current position of the Group, corporate planning process and the Group's principal risks, as detailed in the strategic report on page 9. The Board believes this is a reasonable time given the cyclical nature of the investment sector.

The corporate planning process includes our budget, strategy cycle and Internal Capital Adequacy Assessment Process ("ICAAP").

The strategy provides long-term direction and is reviewed on, at least, an annual basis, including three year forecasts showing expected financial impact. With the rate of change through market cycles, which has a significant impact on investor appetite and predictability of revenues, we believe that three years is a reasonable time horizon.

The strategy is further tested in a series of robust downside financial scenarios as part of the annual review of the ICAAP. The ICAAP is prepared to identify and quantify the Group's risks and level of capital which should be held to cover those risks. As part of the ICAAP, a risk assessment is carried out to identify the principal risks that may adversely impact the Group. These include operational, business, liquidity, market and credit risk. Statistical modelling is used to quantify these risks, which ensures that the Group holds sufficient regulatory capital to mitigate the impact of these risks.

This approach ensures a robust assessment of the principal risks, and mitigating actions, for the Group.

The Directors have therefore concluded, based on the extent of the corporate planning process and strong financial position, that there is a reasonable expectation that the Company and the Group have adequate resources and will continue to operate and meet its liabilities as they fall due over the period of their assessment and for the foreseeable future.

Risk management

Effective risk management is fundamental to Aberdeen delivering long-term value for our clients, end-customers and shareholders.

Role of the board
Overall accountability for risk management lies with the Board, who are responsible for maintaining and reviewing the effectiveness of the risk management, control and assurance frameworks and for determining the nature and extent of the risks it is willing to take in achieving the Group's strategic priorities. This is referred to as risk appetite and our statement is reviewed by the Board on an annual basis. It covers the key risks the Group is expected to encounter during the successful implementation of the strategy.

The Board is provided with management information and key indicators which allows it to monitor performance against set thresholds and limits, and to ensure our strategic objectives are consistent with, and can be met within, the boundaries of the risk appetite.

The Board also holds periodic sessions to consider emerging blue sky risks by exploring potential business challenges, threats, short term and horizon risks, and how wider industry trends may impact our strategy in the coming years.

There are also a number of management committees, chaired by, and consisting of, senior managers, which have responsibility for specific areas of risk. In addition, the principle of individual accountability and responsibility for risk awareness and risk management is an important element of Aberdeen's culture.

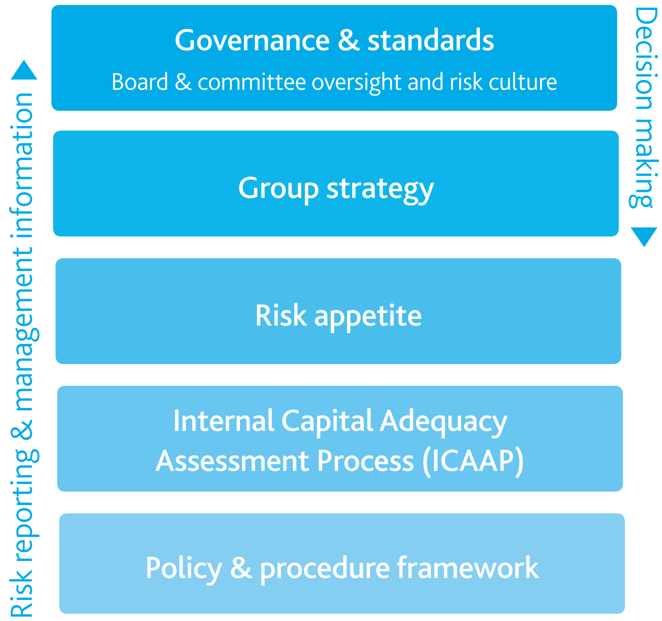
The Board believes it is of vital importance that there is a Group wide focus on risk management.

Risk culture
We seek to promote a strong risk management culture and encourage values and behaviours which steer how employees conduct their work and make decisions. Board members and senior management frequently communicate the importance of a strong risk culture to enhance employee understanding and knowledge of risk.

Risk management framework
The assessment of risks is conducted using a top down approach, complemented by a bottom up assessment process.

The top down approach considers the external environment and the strategic planning process to identify the most consequential and significant risks both to clients and shareholders.

The bottom up approach ensures a comprehensive risk assessment process which identifies and prioritises key risks; analyses data to verify key trends; and provides management with a view of events that could impact the achievement of business and process objectives.



The Group maintains a comprehensive risk management framework designed to identify, monitor and respond to principal risks and provide the structure necessary to ensure a consistent approach to risk management and risk reporting. The framework is reviewed regularly to ensure it supports the early identification of new and emerging risks so that they can be evaluated alongside known and continuing risks.

This is a key element of our business model and is designed 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. It also forms the basis upon which the Board reaches its conclusions on the effectiveness of the Group's risk management and internal controls.

Risk register

Our risk register represents the entire risk landscape reflecting the nature and scale of our business, including strategic, financial, operational and regulatory risks. The register describes the principal risks and their owners together 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. The register introduces a standard risk language and methodology for identifying, evaluating, measuring and reporting risks to ensure a consistent approach to risk management.

Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is a regulatory requirement for which we must prepare an internal assessment of our capital adequacy. The ICAAP is reviewed every two to three years by the FCA.

The process reassesses all principal risks to ensure their sound identification and quantification, allowing the determination of capital consistent with our risk profile.

The ICAAP is discussed and challenged by the Board at several stages throughout the year, from initial planning, to presentation of the initial findings, and consideration and approval of the final document. Consideration of the ICAAP is integral to significant business decisions, major changes to risk profile, changes to business strategy and merger and acquisition activity.

Three lines of defence

The overall risk management structure operates under a 'three lines of defence' model, which is supplemented by a range of risk related committees at divisional and operational business level. The Board and senior management have overarching responsibility to ensure the effective and strategic stewardship and risk management of the Group.

Risk and control attestation

The risk management framework is facilitated through the Group's risk management system, Sword, which supports risk identification, assessment, issue tracking, monitoring, assurance and reporting. Risk events are captured by the business and assessed and approved through a workflow by the second line of defence. Lessons learned from risk events can require specific reports and periodic updates. Issues can also be raised when there are control failings and inefficient processes identified or through regular continuous monitoring or deep dive reviews by the second and third line of defence teams.

The Risk and Control Self-Assessment ("RCSA") process is an integral part of the framework and is designed to integrate and co-ordinate risk identification and risk management efforts, and improve the understanding, control and oversight of operational risks.

Managers in the business undertake RCSAs to review the key operational risks and controls and the impact and likelihood of these risks arising. The risk assessments are monitored on a regular basis to ensure the business continually understands the risks it faces. First and second line assurance is provided through a quarterly control sign off and annual risk sign off. This assists the Group in improving our understanding, control and oversight of operational risks and in turn facilitates the achievement of both individual department and Group-wide objectives.

Risk reporting

The Board is provided with a number of risk reports, which it uses to review risk management arrangements and internal controls. The reports enable the Board to develop a cumulative assessment of the effectiveness with which internal controls are being managed and risks are being mitigated.

Board assessment of risk management and internal control

Applying the framework described above, the Board is able to confirm it has carried out a robust assessment of the principal risks facing the company, including those which would threaten our business model, future performance, solvency or liquidity.

We have included the viability statement in the finance review on page 39 which draws upon the risks described here to assess potential vulnerabilities.

The Board is able to confirm that this is operating effectively.

Principal risks and uncertainties

The Board believes that the risks and uncertainties described below, both those driven by delivering on our strategy and by external market forces, have the potential to have a significant impact on the long-term performance of the business.

We therefore continue to focus on mitigating these risks at all levels of the business.

Strategic and business risks

Strategic risks are those that arise from decisions taken by the Board and senior managers concerning our strategy. They relate to how we are positioned in the asset management industry as a whole, rather than just a particular part of the business.

Business risks materialise due to poor business implementation or a failure to respond appropriately to internal or external factors.

Investment process and underperformance

Risk profile: Unchanged

Risk description:
- Prolonged and/or significant investment underperformance relative to that of peer funds, due to poor investment decisions or adverse economic or market conditions.

Potential impact:
A decrease in the demand for our products and client losses, which affect our ability to retain and grow AuM, as well as reducing revenues.

Mitigation response:
- We adhere to disciplined investment processes, centred on team based decision making and first hand research.
- Investment decisions are based on the long term, which may occasionally lead to periods of underperformance.
- We are transparent with clients and our performance drivers are supported by relevant analysis of performance components.
- We have a market risk team, which reviews and challenges investment risks across all asset classes, independently of our fund managers.
- We aim to control inflows, where necessary, to avoid dilution in the quality of the portfolios. For example, we retain an initial charge on our UK and Luxembourg global emerging market funds strategies (for the benefit of the fund).

Trend and outlook:
As outlined in the market review we are currently operating in an environment dominated by macro themes including government and central bank policies. Investment markets are inherently cyclical and different asset classes perform well at different times. Our key response to the challenges we face is to become a full-service asset manager with the breadth and depth of capabilities across active and passive, multi asset and alternative investments to serve all investor audiences. Regulators are increasingly focused on the role played by asset managers with respect to liquidity which has implications for our portfolio management and risk management.

Pricing pressure

Risk profile: Increased

Risk description:
- Pressure on fees charged to clients for fund management services, as a result of growing competition within the industry; including the impact of (a) the growth of lower cost passive and ETF funds and (b) greater competition among active managers, which account for a smaller percentage of total global AuM due to the growth in allocation to passive managers. In addition regulation has and may continue to encourage the move towards lower cost products.

Potential impact:
Our revenues are principally generated by the management fees we charge based on the level of AuM managed on behalf of clients. Pricing pressure may result in fee reductions which can lead to a decline in our revenues, operating margin and profitability.

Mitigation response:
- Our management fees vary depending on the investment strategy selected and we have built up a good reputation and brand which enables us to remain robust in terms of our pricing.
- At the more expensive end of the spectrum, our active emerging market product remains attractive to clients, as passive investing is generally less attractive in this market.
- We also expanded our multi asset, alternatives and quantitative investment range, notably through our diversified growth strategies, which are currently building a good track record and have strong investment consultant support.

Trend and outlook:
The trends discussed in the market review section on pages 14 to 16 provides more detail on the changing needs of clients and active vs passive investment and how we are responding to these developments.

Distribution and client management

Risk profile: Unchanged

Risk description:

- Failure to respond to fundamental changes in distribution patterns; embrace new channels; or customise our service models to meet the changing profile and demands of clients.
- Poor management of client or distributor relationships.

Potential impact:

Inability to capture flows, grow assets and protect margins.

Mitigation response:

- We have a global network of offices and dedicated client relations and product specialists teams focused on local client relationships, sales and capabilities.
- Our investor protection committee, pricing committee, and conflicts of interest committees are part of our internal governance structure to oversee client interests.
- The compliance team ensures client marketing materials are consistent with products and capabilities.
- The re-structured Aberdeen solutions team will work with all investment divisions and distribution to provide bespoke client solutions and strategic research, which will enable us to meet the growing demand for outcome driven propositions.
- Our investment in digital technology, together with the existing fundamental strengths of our global platform and wide range of investment capabilities will create deeper relationships with clients and intermediaries within their target market segments and develop a more focused and productive dialogue based on client needs.

Trend and outlook:

The changing profile and demands of clients is a trend which will continue to have a significant impact on our business model. As the buyers of asset management services increasingly shift from institutions to individuals we need to be able to respond to the demands for immediacy, simplicity, transparency and personalisation. How we adopt and adapt our digital strategies will increasingly determine the success of our distribution reach.

Product risk

Risk profile: Unchanged

Risk description:

- Misleading or misrepresenting products to clients due to poor product design or complexity.
- Products are not managed in accordance with stated investment policy and objectives.

Potential impact:

Inability to capture flows, grow assets and potential regulatory censure and loss of business.

Mitigation response:

- We have a centralised product development team which oversees the assessment and launch of all new products across the Group.
- New fund proposals and strategies are evaluated and approved by the product development committee, which considers the risks, potential investor profiles and distribution channels to ensure suitability and commercial viability. Subsidiary boards are in place for management companies for the fund ranges.
- Our product specialist distribution team prioritises matching our investment strengths to client demand, so that our focus is aligned and we can capitalise on the opportunities available. Collaboration between business development and investment teams helps to identify new investment solutions to meet client needs.
- Ongoing product analysis is undertaken to confirm products are performing as expected and meeting the needs of our clients.

Trend and outlook:

Product risk continues to be an important area of focus for the regulator.

Loss of key personnel

Risk profile: Increased

Risk description:
- Inability to attract and prevent the departure of high calibre employees.
- Poor management of succession planning, talent and performance.
- The potential to misalign employee rewards with clients' and shareholders' interests.

Potential impact:
Our reputation and ability to retain clients may be damaged if there are significant changes in personnel. The potential for the biggest immediate loss of revenue is from departures of senior investment staff.

Mitigation response:
- We do not advocate star fund managers; we have teams with complementary skill sets who discuss investment decisions and take collective responsibility. This team based approach seeks to avoid reliance on any one individual.
- There is a strong development programme for fund managers and we seek to encourage performance and loyalty through appropriate remuneration and benefits packages, which include a significant deferred element.
- Succession plans are in place to ensure there is cover for key roles, and these are formally reviewed and updated annually.
- The global diversity & inclusion committee focuses on improving our diversity and inclusion programme with senior level sponsorship and governance and active participation from business areas.

Trend and outlook:
We are responding to the changing external environment with new business strategies, the implementation of which is bringing a significant amount of organisational change. The pace, coupled with the associated uncertainty, may lead to low morale, or cause experienced employees to leave and prospective employees not to join.

The bonus pool has been reduced in 2016 due to lower profitability. As we explain in the people section, we have increased the effort on internal communications and staff engagement and in recent years we have significantly upgraded training to aid employee development.

Technology and digital innovation

Risk profile: Increased

Risk description:
- Inability to keep pace with the software and infrastructure investment requirements and remain competitive in the market.

Potential impact:
Prolonged underinvestment in technology advancements will lead to a lack of corporate agility and affect our ability to successfully compete with new fintech firms. It may also affect our ability to adequately serve our clients and meet their needs.

Mitigation response
- The design and development of our operating model is performed in line with our business strategy.
- Analysing the role of information technology is essential to our efforts to implement new business strategies and reduce costs. We are executing a strategy using platforms that allow for globalisation and scale.
- The creation of a digital division, which incorporates Parmenion, allows us to develop our plans to use technology as a means of capturing a broader base of clients.

Trend and outlook
This risk is likely to increase and is high profile due to the advancements in technology within the asset management industry.

Brand & reputation

Risk profile: Unchanged

Risk description:
- Damage to our reputation if we do not keep pace with how increasing numbers of clients and stakeholders want, and expect, to interact with us.
- Brand or marketing activities are inconsistent with our culture or operations.

Potential impact:
Any damage to the brand caused by a single event, or series of events, could materially impact the willingness of customers to invest with us leading to a decline in AuM and revenue and / or litigation.

Mitigation response:

- We regularly monitor customer satisfaction through research and development of our products.
- We also allocate resources to build our brand and protect our reputation.
- A dedicated marketing team oversees all social media communications, to ensure we detect emerging trends at an early stage and develop our digital offering to help us communicate with client audiences in an engaging way.
- We track reputational change through a specialist company which analyses industry, media and social commentary to help us to understand what is influencing our reputation, how we compare to our peers, and the way our reputation is evolving.

Trend and outlook:

Press scrutiny, regulatory change and the impact of macro economics events means that the spotlight on the asset management industry is set to continue.

Acquisition risk

Risk profile: Decreased

Risk description:

- Aberdeen has grown some parts of its business by acquisition, seeking earnings accretive transactions that add investment capabilities and new distribution channels. However, they add integration risk and the potential for discovery of unknown issues.
- Acquisitions can change the culture and may lead to increased levels of stress as a result of the employees and resources required to integrate a new business or implement new processes.

Potential impact

A negative impact on operations, effectiveness and cost.

Mitigation response

- Acquisitions are only considered when they fit with the Group's strategic objectives. A robust due diligence process is undertaken, which includes a careful analysis of all strategic, financial, operational, and technological requirements before any acquisition is made, including our ability to integrate successfully the acquired business. The due diligence process also includes a cultural assessment to establish areas of similarity and difference which may impact integration efforts and the achievement of strategic objectives.
- Strong project governance is also in place to manage the scale, scope and change management implications of acquisitions.
- We have built a track record of partnering with our outsourcers and we have teams across the business who are skilled at managing transformation projects while continuing to provide a strong business-as-usual platform.

Trend and outlook

The Group's last major acquisition was SWIP in 2014 and the integration process is complete.

We believe that external challenges and opportunities in the market will likely result in further consolidation in the sector.

Brexit

Risk profile: Increased

Risk description:

- On Thursday 23 June 2016 the people of the United Kingdom (UK) voted to leave the European Union (EU).

Potential impact

Following the result of the UK's referendum on membership of the EU, nothing about our relationship with Europe has changed. Until the negotiation begins formally, expected by the end of March 2017, the terms of the withdrawal and any impact will be largely unknown. However, it remains to be determined on what basis we will be able to provide investment management services from teams in the UK to EU member states.

Mitigation response:

- Currently, we operate in over 26 countries around the world and are experienced at adjusting our business worldwide to service our clients' needs.
- We operate in a number of countries across Europe through locally regulated subsidiaries.
- Our principal cross-border fund range for European investors outside the UK has been domiciled in Luxembourg for many years and we do not expect this to be affected in a substantive way by the result of the referendum, although there may be regulatory and/or legal changes in the long term.
- We have set up a Brexit working group and are liaising closely with a number of organisations, including the UK Investment Association, the Corporation of London and Scottish Financial Enterprise, to ensure we are involved in helping to shape developments. Our Chief Executive has also joined the European Financial Services Chairmen's Advisory Committee led by Baroness Vadera, which has been created to advise the UK Government on financial services during the Brexit negotiation.

- Beyond the fund range, the core issue is how we will be able to provide our investment management skills from the UK into the EU market - whether through the benefit of passporting, acceptance that the UK forms an 'equivalent' regime or through co-operation agreements with member states.

Trend and outlook:
As set out above, until the negotiation begins formally the terms of the withdrawal and any impact will be largely unknown. We are confident that we will be able to meet any challenges and opportunities which leaving the EU may present.

Operational risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, human factors or due to external events. Operational risk can manifest itself in various ways, including business interruptions, inappropriate behaviour of employees (including fraud), failure to comply with applicable laws and regulations or failure of vendors to perform in accordance with their contractual arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damages to the Group.

Internal process failure

Risk profile: Unchanged

Risk description:
- Failure or poor execution of significant operational processes, including client mandate or exposure limits.

Potential impact:
Compensation for operational risk events including breach of investment mandate and trade errors, damage to our reputation and the potential for a decline in future cash flows and capital.

Mitigation response
- We operate a three lines of defence risk management model, as set out on page 41.
- Client and investment mandate restrictions are automated as much as possible to reduce areas where judgement or manual intervention is required. Timely and accurate monitoring of restrictions is also facilitated through our compliance monitoring system and there is segregation of duties between all conflicting roles.
- We continue to invest in our system capabilities and business processes to comply with regulatory, legal and financial requirements, meet the expectations of our customers, and mitigate the risks of loss or reputational damage from operational risk events.

Trend and outlook
In recent years, the implementation of acquisitions, significant projects and new initiatives to support strategy has inherently increased the profile of operational risks across the Group. However, in 2016 there were no large scale acquisitions and therefore the risk of internal process failure remained unchanged.

Legal, regulatory and conduct

Risk profile: Unchanged

Risk description:
- Failure to correctly interpret and implement applicable laws and regulations or take on a legal or regulatory obligation that we did not intend to assume.
- Poor judgement or behaviour of employees in the execution of our business activities and processes.

Potential impact:
Regulatory censure and related negative publicity could damage the market and clients' confidence in us and affect our ability to generate new inflows. Poor conduct could also have a negative effect on customer outcomes, impacting the ability of the Group to achieve its strategic objectives.

Mitigation response
- The Group is subject to regulatory oversight and inspection by the FCA and other international regulators.
- 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 the Group is prepared for both global and local changes. In addition to developing policies, delivering training and performing monitoring checks, they provide advice to other divisions to ensure compliance with legal and regulatory requirements. They also work with project groups to implement key regulatory changes.

- We foster an open and constructive relationship with our regulators and participate in industry forums and associations so that we are informed about, and involved in, potential changes.
- We are adopting a more proactive and integrated approach to legal and regulatory change to identify cross overs and achieve efficiencies. We also want to coordinate our efforts on fund development, maintenance and distribution matters more effectively.

Trend and outlook

Aberdeen operates in a complex and dynamic regulatory environment. Ongoing areas of regulatory change include the senior management regime, MiFID II, market abuse regulation, proposed new capital regime, conduct, governance and cyber security. In the US, the Department of Labour requirements will impact access to retail intermediaries.

External service providers

Risk profile: Unchanged

Risk description:
- Failure of a key supplier to deliver contractual obligations and significant processes.
- Poor due diligence of third party relationships and services, initial and ongoing.

Potential impact:

Operational losses and negative publicity may impact clients' confidence in the Group.

Mitigation response:
- We rely on a small number of strategic suppliers to carry out business functions, including certain back office administrative functions. This provides a degree of competition, whilst ensuring that we have significant influence and leverage.
- We have teams responsible for the oversight of third party administrators. They monitor agreed service levels through a suite of key indicators, focusing on significant aspects such as service quality and risks so we are aware of the potential disruption. We also regularly review the business recovery infrastructure and strategy of these suppliers.
- We continue to enhance our oversight of external service providers ensuring they receive a level of scrutiny that reflects their potential risk to our business. Areas we consider high focus include client money processes and internal risk governance process. This gives us the assurance that they meet our required standard.

Trend and outlook:

External service provider risk remains unchanged from the previous year.

Business continuity and resilience

Risk profile: Unchanged

Risk description:
- Inability to identify the threats and potential impacts to the Group, and build the resilience and capability required to provide an effective response that safeguards the interests of key stakeholders, reputation, brand and value creating activities.

Potential impact:

A business continuity failure could make it difficult, or even impossible, to carry out our normal day-to-day activities, impacting our ability to service our clients and fulfil regulatory requirements.

Mitigation response
- We have continuity and business resumption policies and plans in place, which define the standards and testing requirements for business continuity, pandemic preparedness, crisis management and recovery of all of our key activities. Our wide network of offices globally also provides us with the resilience and security that key operations can be moved and/or managed from one location to another at short notice if necessary.
- We support remote working, including key system access for employees if they cannot travel to our offices. If our normal business systems or premises become unavailable, we have alternative back-up premises for our key offices.
- We have an obligation to ensure the business can operate at all times. We have developed and implemented an Aberdeen On The Go mobile application that provides quick access to staff contacts, office and business continuity information while on the road or outside office hours.
- We also continue to work with our third-party service providers to understand the full spectrum of business continuity risks, including cyber security, to improve resiliency.

Trend and outlook:

Business continuity and resiliency risk remains unchanged from the previous year.

Technology and information security

Risk profile: Increased

Risk description:

- Inadequate technology security systems or data held insecurely resulting in unauthorised access.
- Flaws in our hardware, software or processes could expose a system to be compromised by third parties.

Potential impact:

A breach of information security could expose the Group to significant damage to our reputation and financial loss.

Mitigation response

- The information security and business continuity committee provides the overall strategic direction, framework and policies for technology and information security, with a particular focus on cyber-crime prevention. This is supported by Aberdeen's global cyber security programme which is focused on the protection of the confidentiality and integrity of our information assets.
- We employ an external global capability to support the management and protection of our network, critical internal assets and data. This includes an incident response service in real time as they occur to identify and thwart potential malicious activity.
- We recently concluded a security simulation to help test and develop defence planning. To mitigate risks, a large-scale programme to improve user access controls is in progress. This includes the implementation of a staff education programme on information protection focusing on phishing attacks, safety at home, physical security, password protection, and social media best practices.
- We are devoting increasingly significant resources to maintaining and updating systems and processes designed to protect the security of our assets.

Trend and outlook

With the advancements of technology within the industry and business in general, security risk relating to human error, malicious intent, and compliance regulations is increasing.

Financial and capital risks

Financial and capital risks arise from movements in the financial markets in which we operate and inefficient management of capital resources.

Credit risk

Risk profile: Unchanged

Risk description:

- Inability of a client or counterparty to a financial instrument to pay in full amounts when due. The principal risks are in respect of deposits placed with banks. Fund managers do not bear credit or liquidity risk on the client assets that they manage – all client business is undertaken as agent and client assets are held by an independent custodian.
- For Aberdeen, credit risk principally arises from a few areas: trade and other receivables (i.e. collection management and to a much lesser extent performance fees) due from clients; cash balances on deposits in banks; and investments.

Potential impact

Negative impact on the Group's financial position.

Mitigation response

- We monitor the value of deposits with our counterparties against limits in our treasury policy. As our cash balances have grown, we have increased the number of counterparties with which we deposit our cash.
- The treasury function is supported by the front office credit team, as well as the market risk function that perform internal credit reviews.
- Where appropriate, we extend our assessment of counterparty risk to include major suppliers.
- We set capital aside for seed capital investments in response to the risk of movements in valuations in stressed conditions or our ability (whether through credit or liquidity stresses) to recover the value of the investments.

Trend and outlook

Credit risk remains low and it is unchanged from the previous year. The value invested in seed capital has increased in recent years as we commit to the longer-term development of a broader range of investment products.

Liquidity risk

Risk profile: Unchanged

Risk description:

- Insufficient liquidity to meet Group liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage to the Group's reputation.

Potential impact

Damage to reputation from inability to pay suppliers or staff and breach of regulatory capital requirements.

Mitigation response

- The Group, and its regulated subsidiaries, must maintain significant balance sheet capital and liquidity to be able to ensure the provision of a continuous service to its clients and investors in Aberdeen managed funds.
- Our approach to managing liquidity is to ensure, to the best of our ability, that we will always have sufficient liquidity to meet our liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking reputational damage. Our cash position, available facilities and forecast cash flows are monitored by the Group's treasury function. This applies to all regulated subsidiaries.
- 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.

Trend and outlook

During the year, the Group's regulatory capital requirements increased. We remain well capitalised with sufficient head room over the higher requirement.

Market risk

Risk profile: Increased

Risk description:

- Changes in market prices, such as foreign exchange rates, interest rates and equity prices could affect the Group's income or the value of its holdings of financial instruments.

Potential impact

Negative impact on the Group's financial position.

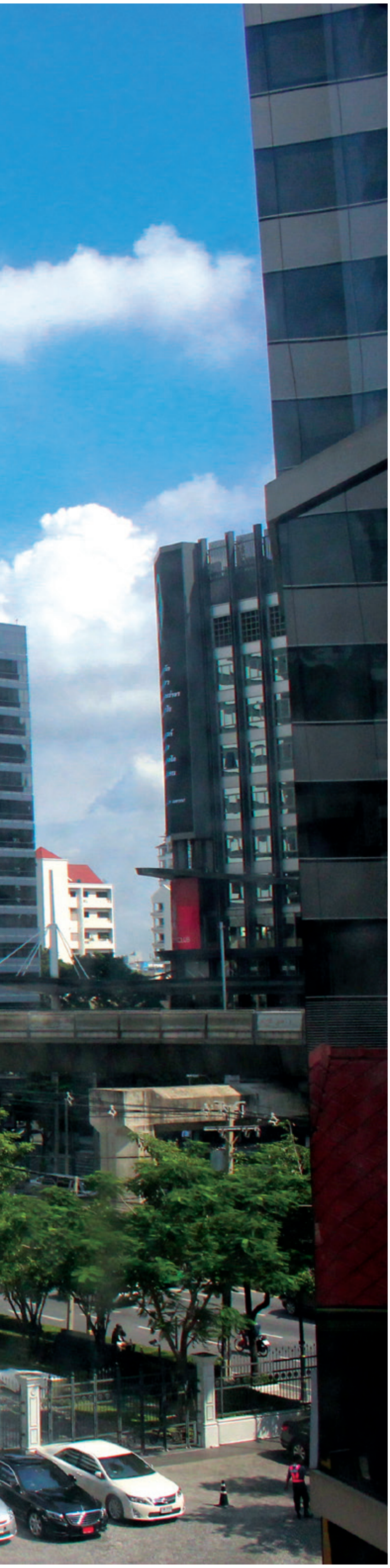
Mitigation response

- The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. For example, the revaluations of overseas results or balance sheet items in currencies other than sterling impact financial performance or financial position.
- 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 28 of the financial statements.

Trend and outlook

Significant events, such as Brexit, may increase the levels of general market and foreign currency volatility. During 2016, the balance sheet was strengthened through translation of balances denominated in currencies other than sterling.


Aberdeen
OLYMPUS



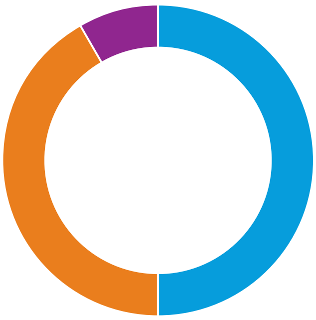
Corporate governance

Simon Troughton
Chairman

Good corporate governance is at the core of our business and is key to the companies in which we invest. The Board is accountable to shareholders for the Group's activities and is responsible for ensuring good corporate governance.

This report sets out our adherence to the spirit of the Corporate Governance Code.

Board composition



Non-executive directors (5 independent)	6
Executive directors	5
Non-executive chairman	1
Total	**12**

In this section

Corporate governance overview

UK Corporate Governance Code

The UK Corporate Governance Code 2014 ("the Code") issued by the Financial Reporting Council applied to this Annual Report. The Group has complied throughout the year with the 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 2014 Code. The Code is publicly available on www.frc.org.uk

Board composition

The Board currently comprises of the Chairman, six non-executive directors and five executive directors. The Board has given careful consideration to its structure and balance and is continuing to refresh Board and committee membership in an orderly manner.

Roger Cornick, who had been Chairman since 2009, stepped down on 30 September 2016 and was replaced by Simon Troughton, who was previously Senior Independent Non-Executive Director. Gerhard Fusenig joined the Board as an independent non-executive on 25 April 2016. Anne Richards and Jim Pettigrew stepped down from the Board on 12 February 2016 and 22 April 2016, respectively.

Julie Chakraverty was appointed Senior Independent Non-Executive Director on 1 October 2016. She provides a sounding board for the Chairman and serves as an intermediary for the other directors, where necessary.

The roles of the Chairman and Chief Executive are separate, clearly defined and have been approved by the Board.

The Chairman, Simon Troughton, 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.

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. Gerhard Fusenig previously served on the Board as the representative of our significant shareholder at the time, Credit Suisse. Gerhard stepped off the Board in 2012 when Credit Suisse sold down their holdings. Gerhard subsequently retired from Credit Suisse and, as a consequence, the Board are content to recognise Gerhard as an independent non-executive director. The Board, having given thorough consideration to the matter, considers five non-executive directors to be independent.

We did not comply during the year, nor do we currently comply with the Code provision, B.1.2 in respect of the number of independent directors. Whilst not complying, we believe we meet the underlying principle of having a Board that is well balanced between executive and independent non-executive directors and each individual makes an important contribution. We do not believe it would be beneficial to increase the size of the Board further. We have one non-executive director appointed by a long-term shareholder whose interests align with our other shareholders. All directors are subject to annual election by shareholders.

Committee changes

During the year there were a number of changes to committee membership, brought on primarily by the Board changes. Full details are contained in the respective reports for each committee, detailed in pages 61 to 85. As a consequence of the Board changes seen during the year, each of the Board committees has seen a new chairman appointed. Simon Troughton replaced Roger Cornick as chairman of nominations, Richard Mully succeeded Simon Troughton as chairman of remuneration, Julie Chakraverty succeeded Richard Mully as chairman of risk, and Val Rahmani succeeded Julie Chakraverty as chairman of innovation. Each of these changes took place subsequent to the year-end. In addition, during the year, Jutta af Rosenborg succeeded Jim Pettigrew as chairman of the audit committee.

Committee members

	Board appointment date	Audit	Nominations	Risk	Remuneration	Innovation
Simon Troughton	29 July 2009		◉			
Julie Chakraverty	4 May 2011	●	●	◉		●
Gerhard Fusenig	25 April 2016	●		●	●	
Richard Mully	23 April 2012		●		◉	
Val Rahmani	3 February 2015			●		◉
Jutta af Rosenborg	18 January 2013	◉	●	●	●	
Andrew Laing*	23 January 2004					●

* Executive director

Key

- ● Audit committee
- ● Nominations committee
- ● Remuneration committee
- ● Risk committee
- ● Innovation committee
- ◉ Chairman of committee

Corporate governance framework and responsibilities

Board of directors[1]

- 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

Board committees

Audit committee[2]

- Monitor the integrity the Group's financial statements
- Review and assess the internal audit function
- Assess annually the independence and objectivity of the external auditor and oversee quality of audit work

Nominations committee[3]

- Regularly review the structure, size and composition of the Board against its business needs
- Consider appropriate succession planning for directors and other senior executives
- Review the leadership needs of the organisation

Risk committee[4]

- 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 senior management have in place procedures and mechanisms to identify and control risks
- Oversee the compliance function

Remuneration committee[5]

- Determine the remuneration strategy for the Group
- 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

Innovation committee[6]

- Agree what aspects of innovation are important at Aberdeen
- Encourage staff to offer their 'blue sky thinking' and provide input to the existing corporate culture
- Focus on exploring and prioritising new ideas

Chief Executive[7]

- Responsible for developing and implementing strategy
- Ensures effective and motivated leadership is in place
- Manages the performance of the business

Group management board[8]

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

[1,7] See pages 54 to 55 for Board of directors' biographies
[2] See pages 61 to 63 for audit committee
[3] See pages 65 for nominations committee
[4] See pages 66 to 67 for risk committee
[5] See pages 68 to 85 for remuneration report
[6] See pages 64 for innovation committee
[8] See pages 56 to 57 for Group management board biographies

Board of directors

Simon Troughton
Chairman

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 was appointed Chairman on 1 October 2016. Simon is also chairman of the nominations committee.

Other appointments
- Redburn Limited (non-executive director)

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 Group. Martin is a director of a number of Aberdeen managed investment trusts and funds. He is also chairman of the PRA Practitioner Panel, and a member of the Monetary Authority of Singapore's International Advisory Panel.

Date of appointment
Martin was appointed to the Board on 1 July 1983.

Other appointments
- Sky plc (deputy chairman)

Julie Chakraverty
Senior Independent Non-Executive Director

Background and experience
Julie was formerly a board member of UBS Investment Bank and a non-executive director of Spirit Pub Company Paternoster and MS Amlin, where she was chair of the remuneration committee. 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 over 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 and is chairman of the risk committee.

Other appointments
- Rungway Limited (director)
- Girls Day School Trust (trustee)

Gerhard Fusenig
Independent Non-Executive Director

Background and experience
Gerhard was formerly chief executive officer of core asset management at Credit Suisse and over the last 25 years held a number of senior management roles at Credit Suisse Group AG and UBS AG. He graduated from the University of Trier with a Masters in Mathematics and Business Management. Gerhard previously served as non-executive director on the Board of Aberdeen between 2009 and 2012 representing Credit Suisse who were, at that time, a significant shareholder in the Company.

Date of appointment
Gerhard was appointed to the Board on 25 April 2016.

Other appointments
- Credit Suisse Insurance Linked Strategies Ltd (non-executive director)

Andrew Laing
Deputy Chief Executive

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 practised 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 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.

Rod MacRae
Group Head of Risk

Background and experience
Rod is responsible for UK and global risk including regulatory compliance, 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.

Key
- Audit committee
- Risk committee
- Nominations committee
- Innovation committee
- Remuneration committee
- Chairman of committee

Richard Mully

Independent Non-Executive Director

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 remuneration committee.

Other appointments
- Great Portland Estates plc (non-executive director)
- alstria Office REIT-AG (supervisory board member)
- St. Modwen Properties PLC (senior independent non-executive director)
- Starr Street Limited (director)

Val Rahmani

Independent Non-Executive Director

Background and experience
Val was formerly chief executive officer of US internet security software firm, Damballa and, prior to that, held a number of senior executive roles with IBM Corporation. She graduated from Oxford University with an MA and PhD in Chemistry.

Date of appointment
Val was appointed to the Board on 3 February 2015 and is chairman of the innovation committee.

Other appointments
- Computer Task Group (non-executive director)

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.

Other appointments
- Curtis Banks Group PLC (non-executive director)

Jutta af Rosenborg

Independent Non-Executive Director

Background and experience
Jutta was formerly chief financial officer for ALK-Abelloó A/S, a global pharmaceutical company, and a non-executive director of Carnegie WorldWide Investment Fund. She has spent most of her career in finance and qualified as an accountant with Deloitte before establishing her own auditing and consulting business. Jutta has a Master degree in business economics and auditing from the Copenhagen Business School.

Date of appointment
Jutta was appointed to the Board on 18 January 2013 and is chairman of the audit committee.

Other appointments
- Det Danske Klasselotteri A/S (chairman)
- JPMorgan European Investment Trust plc (non-executive director)
- The PGA European Tour (non-executive director)
- NKT Holdings A/S (non-executive director)

Akira Suzuki

Non-Executive Director

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 Trust 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 (director)

Hugh Young

Head of Investments

Background and experience
Hugh is Head of Investments 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.

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

Group management board

The operational management of the Group is delegated by the Board to the Group management board ("GMB") which comprises the five 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.

Gordon Brough

General Counsel

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.

Campbell Fleming

Global Head of Distribution

Campbell Fleming joined as Global Head of Distribution in August 2016 from Columbia Threadneedle Investments where he was the Chief Executive – EMEA and Global COO. Previously, Campbell worked for JPMorgan Asset Management as Head of UK. He worked for financial service regulators in the UK and Australia where he completed his legal training. Campbell graduated in 1991 and was admitted as a barrister to the Supreme Court of New South Wales. Campbell joined the UK industry in 1995.

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 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.

Martin Jennings

CEO Parmenion/Head of Aberdeen Digital

Martin Jennings is Chief Executive of the recently acquired Parmenion business and heads digital strategy across the Group. Martin joined Aberdeen in 2016 from FNZ where he was Chief Executive for their European business having previously run their Australasian businesses. Prior to FNZ Martin helped establish AXA's Elevate business, finishing his time as Managing Director for the UK platform business.

Devan Kaloo

Head of Global Emerging Markets and Head of Equities

Devan joined Aberdeen in 2000 as part of the Asian equities team in Singapore, before later transferring to London. Previously, he worked at Martin Currie in 1994 covering Latin America, subsequently working with North American equities, global asset allocation and eventually Asian equities teams. Devan graduated with an MA (Hons) in Management and International Relations from the University of St Andrews and a postgraduate diploma in Investment Analysis from the University of Stirling.

Jonathan Loukes

Deputy Finance Director

Jonathan joined Aberdeen in 2010 from Deloitte where he held senior roles in corporate finance and audit. Jonathan graduated with an LLM from Glasgow University and an MBA from Manchester Business School. He is also a chartered accountant.

Gordon Neilly

Head of Strategy and Corporate Activity

Gordon joined in 2016 having previously been Joint CEO at Cantor Fitzgerald Europe. He is responsible for the development and implementation of the Group's strategy and overseeing all corporate activity for the Group and its closed end fund business. Gordon graduated with a Bachelor of Commerce Ordinary with Distinction and is a qualified chartered accountant. He is also a non- executive director of Personal Assets Trust and Invesco Perpetual Enhanced Income investment trusts.

Gary Marshall

Head of Product

Gary joined Aberdeen as Head of Sales and Marketing through the acquisition of Prolific Financial Management in 1997. Since then he has worked in many areas of the business; including a period as Head of the Americas based in the US for nearly five years. Gary currently serves as Chief Executive of Aberdeen Fund Managers Ltd, the Group's primary fund management entity in the UK. Gary 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 and Group Head of Solutions

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 joined the Group in 2014 as part of SWIP heritage. He began his investment career at Edinburgh Fund Managers which was later acquired by 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 Investment Execution

Mandy is the Global Head of Investment Execution, 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.

Iain Plunkett

Chief Technology Officer and Chief Operating Officer

Iain joined Aberdeen from Barclays in 2015 where he was a managing director & member of the Senior Leadership Group. Previously, he worked for 15 years at UBS as Group Managing Director performing the role of Global Chief Information Officer of the Investment Bank and Corporate Centre. Iain graduated with a BEng in Information Engineering from Strathclyde University.

Andrew Smith

Co-Head of Americas and Chief Operating Officer

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

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.

Corporate governance report

Board effectiveness

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

	Maximum possible attendance	Meetings attended
Simon Troughton	8	8
Martin Gilbert	8	8
Julie Chakraverty	8	8
Andrew Laing	8	8
Rod MacRae	8	8
Richard Mully	8	8
Val Rahmani	8	8
Bill Rattray	8	8
Jutta af Rosenborg	8	8
Akira Suzuki	8	8
Hugh Young	8	8
Gerhard Fusenig	4	4
Roger Cornick	8	8
Jim Pettigrew*	4	3
Anne Richards*	4	4

* Resigned from the Board during the year.

The Board met eight times during the year to review the Group's financial performance and strategy, as well as addressing matters relating to objectives and budgets. Other topics discussed included Brexit and a number of other matters affecting the economy as well as focusing on the company competitive and regulatory environment in which it operates. The Board also discussed issues relating to legal, environmental, social, governance and other relevant matters.

The Board held a separate strategy discussion, at which the members of the GMB presented their proposals for the 2017 strategy. This was followed up with regular presentations to the Board throughout the year detailing progress towards achieving the strategy.

Comprehensive board papers, comprising an agenda, 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 advisers. Additionally, the Board regularly receives briefings and presentations from senior executives, local management and external advisers covering a wide range of topics relevant to the Group's business.

During the year, the Board has continued to focus on factors relevant to the operations of the Group, including the global macro-economic position and the Board has received a number of presentations on such factors and has looked to satisfy itself that the strategies being followed remain the correct ones and are appropriate for the long-term success of our business and, ultimately, client portfolios.

This year each of the eight board meetings were held in the UK, and separate groups of directors took the opportunity to visit several of our overseas offices outside of the Board calendar. Visits were arranged to the Hong Kong, Luxembourg, New York, Philadelphia, Singapore and Sydney offices at which meetings were arranged with local management and clients in order to gain a more detailed understanding of local business conditions. Presentations of both a formal and informal nature were provided and this enabled the Board members to gain a more detailed understanding of specific local issues.

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. It 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 54 to 55, and has confirmed that it believes that each is able to devote sufficient time to fulfill 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. It aims to ensure that they continue to act effectively and efficiently; fulfil their respective duties; and identify any training requirements.

The Board undertook an internal performance evaluation in 2016. The Chairman met each director individually to discuss personal performance and training and development needs. He also discussed their thoughts on the wider performance of the Board and its committees, and this information was fed back to all individuals in a follow up meeting. The non-executive directors also met without the Chairman present to discuss the evaluation of his performance, having taken into consideration the views of the executive directors.

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.

An external evaluation is scheduled for 2017.

Board diversity

We are long-standing supporters of diversity in the boardroom, particularly demonstrated by our support for the Hampton Alexander Review (building on the Davies Review) which encourages FTSE companies to achieve at least 33% women on boards. We are also supportive of the aims and recommendations of the Parker committee on ethnic diversity in the boardroom. Our current Board is made up of twelve directors of whom three (25%) are women. Aberdeen is also supportive of the Financial Reporting Council's aims to encourage diversity in the boardroom. We remain of the opinion that appointments to the Board should be made relative to a range of different criteria, including diversity of background, experience, and other demographics, such as race, gender, ethnicity, sexual orientation, culture and nationality, alongside relevant experience, judgment and expertise. We will continue to insist that long lists and short lists of possible appointments to the Board reflect that position. Further detail on our work to improve diversity and inclusion across the Group is contained on page 23 of this report.

Training and induction

The Group has a formal induction process which is followed to ensure that new directors appointed to the Board are provided with a detailed understanding of the business, its activities and the regulatory and competitive environment in which it operates.

During the year, a formal and tailored programme was provided to Gerhard Fusenig to assist with his integration into the business and to assist in developing his understanding of the operations of the Group. The programme was agreed with Gerhard and he had a number of meetings with the other Board members, members of the executive and a number of our external advisers. As the year developed, Gerhard looked to develop his understanding further by requesting additional information and holding further internal discussions.

The Company Secretary, under the direction of the Chairman, is responsible for facilitating the induction programme, ensuring good information flow between the Board, its committees and management, and assisting with directors' continuing professional development needs.

Directors are 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. They 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 be comprised of structured learning.

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

Relationships with shareholders

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

The Board receives copies of all research published on the Group, and the Chief Executive and Finance Director provide an update on specific discussions with major shareholders on a regular basis. Investors are encouraged to attend the Annual General Meeting ("AGM") at which they have an opportunity to ask questions.

The AGM 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 Non-Executive 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 AGM and any other general meetings. The Senior Independent Non-Executive 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.

Risk management

The audit and risk committees continue to 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. It has a monthly meeting in which they also monitor culture and the clarity of responsibility 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 compliance, business risk and market risk each report directly to the Group Head of Risk while the Head of Legal reports 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 risk and audit committee meetings.

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 40 to 49. Please refer to page 39 for the viability statement.

Audit committee

> "The transition to new auditors has been a particular focus of the committee."
> **Jutta af Rosenborg**

Composition

Jutta af Rosenborg was appointed chairman of the audit committee in April 2016, following the resignation of Jim Pettigrew. She is supported by two independent non-executive directors, Julie Chakraverty and Gerhard Fusenig. During the year under review Richard Mully also served on the committee but resigned on 30 September 2016. All members of the committee served throughout the year except Gerhard Fusenig who was appointed to the committee in April 2016, following his appointment to the Board of Directors.

The Board is satisfied that all of the committee members have recent and relevant financial 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, Jutta af Rosenborg is a qualified accountant.

Responsibilities

- Assist the Board in discharging its duties and responsibilities for financial reporting, internal control and the appointment and remuneration of an independent external auditor.
- Review the scope and results of external audit work and its cost effectiveness, and the independence and objectivity of the auditor.
- Oversight of the work of internal audit and steps taken to address findings.
- Review 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.

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 2015 financial statements and 2016 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 2016 financial statements, receiving and reviewing confirmations of auditor independence and approving the terms of engagement and proposed fees for the 2016 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) approving a revised non-audit services policy in light of latest EU 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) reviewing and approving external audit reports on client assets;

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

i) 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 position and performance, business model and strategy.
The committee approved the viability statement.

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.

The committee received regular reports from internal audit which confirmed the satisfactory operating of the whistleblowing arrangements.

As part of its function in discharging its duties to review the effectiveness of the Group's systems of internal control, the committee approved, in conjunction with the risk committee, the 2015/16 Internal Controls Report which is an internally prepared document which contains an independent opinion from PricewaterhouseCoopers LLP ("PwC"). The opinion provided is, as it was in 2015, an unqualified one. The report is made available to our clients and consultants and describes the activities and control procedures operating in the business in the year and is prepared in accordance with internationally recognised standards.

Key accounting estimates

The approach taken to the audit committee's review of the key accounting judgements is set out below.

As well as these judgements, the committee pays close attention to the presentation of the results and the balance between statutory and 'alternative' performance measures. For example, in reviewing disclosures and KPIs, the committee sought explanations on the nature and qualification of costs classified as restructuring and acquisition-related to ensure consistent treatment with management's policy and past practice.

Goodwill and intangibles impairment tests

The Group has goodwill of £981.7 million and intangible assets of £507.7 million. The majority of these balances have arisen from acquisitions.

The goodwill balance is tested annually for impairment. The committee noted the current level of market capitalisation as well as internal valuations, agreeing that there remains a significant level of headroom over the book value of assets.

The intangible assets are reviewed for impairment indicators and impairment tests are performed if there are indicators (e.g. client losses or an expectation that assets will be withdrawn). Given the outflows from the high yield and total return capabilities acquired from Artio in 2013, an impairment charge of £7.7 million was recorded to re-measure the asset at 'value in use' calculated from discounted cash flows.

There is a level of judgment 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. They considered the impact of outflows and market volatility, noting that the majority of the outflows are from investment areas that have grown organically, rather than through acquisitions. The baseline flows from the former SWIP business (excluding those related to the investment solutions earn-out) are in line with expectations set at the time of the transaction and the committee noted that the business continues to perform satisfactorily.

Acquisition accounting

Aberdeen made three acquisitions during the year: Advance, Arden and Parmenion on 29 December 2015, 31 December 2015 and 11 January 2016, respectively. Consideration for Parmenion and Arden includes potential earn-outs of up to £16.8 million and £49 million respectively. The earn-outs are dependent on the future revenue growth of each of the businesses.

The audit committee reviewed reports prepared by the finance team on the accounting for the consideration, noting the consistency in approach with past acquisitions.

The potential liability for the Parmenion earn-out is measured at fair value and is dependent on the growth of revenues from the acquired business over the period to 31 December 2017, discounted to a present value. Similarly, the Arden earn-out is measured at fair value and is dependent on the growth of revenues from the acquired business over the period to 31 December 2019, discounted to present value. The base case estimates for both earn-outs were supplemented by an external valuation.
The audit committee received a copy of the reports, as well as an explanation of the approach used by finance and the rationale for growth assumptions used for each acquired business. The audit committee challenged the finance team on the key assumptions and satisfied itself that a balanced approach had been taken, given the information available and the relative stability of private equity revenues.

We recognised intangible assets on acquisition in respect of Advance, Arden and Parmenion's clients. Intangible assets were also recognised in respect of Parmenion's software that underpins the platform developed for use by advisers. 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 for each acquisition was prepared by an independent valuation firm and this was reviewed by the audit committee to be satisfied that an appropriate approach was taken.

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.

Re-measurement of SWIP earn-out

The consideration for the SWIP transaction includes a potential earn-out. The potential liability for the earn-out is measured at fair value at each reporting period. This measurement is subjective. 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 the period from 1 April 2014 to 31 March 2019. This, in turn, relies on the future performance of the Lloyds' wealth business. This value is determined based on expected cash flows over five years, discounted to a present value. The base case estimates were supplemented by an external valuation.

Management prepared a revised valuation of the earn-out at 30 September 2016 based on growth to date, expectations of marketed growth and knowledge of client plans and product ideas. It was noted the growth is lower than initial expectations and the committee reviewed a number of growth scenarios.

The wider board receives regular updates on the progress of the Lloyds relationship. In addition, 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 assets managed for Lloyds wealth business may grow.

Oversight of external auditors

This is the first year of the audit by PwC, who were appointed following the tender for audit services in 2015.

As it is the first year of the new auditor relationship, the audit committee paid detailed attention to the PwC audit plan, including the approach to judgements and testing plan for key areas, such as revenue recognition. It also reviewed the coverage for overseas locations. As part of the transition plan, PwC attended the year-end audit committees for the approval of the

2015 annual report and have provided progress updates at April, July and October 2016 meetings to ensure as clear as possible an understanding of their work approach and that the audit committee are satisfied the transition is effective.

The committee will carry out a fuller review of the effectiveness of the external audit process performed by PwC on the completion of the audit.

Non audit services

The committee monitors its policy on the use of PwC for non-audit services to ensure independence. The committee oversees which services are permitted and not permitted and 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.

The non-audit services policy was fully revised during the year. This covered changes as a result of the EU audit reform directive. The revisions covered an update on our requirements for future tender and rotation of auditors. In line with EU requirements, we will adhere to the cap on the level of non-audit fees (70% of the average fees paid over 3 consecutive financial years). The requirement to monitor takes place once there is a three year track record - this starts for the three years to September 2019. The audit committee will monitor the ratio for the preceding years; based on the EU requirements, the ratio for the first year is 61.1%. The internal controls reporting services performed by PwC are classified as non-audit services under the EU requirements although the services are assurance in nature. Excluding the fees in relation to those assurance services, the non-audit fee ratio for the year is 33.3%.

The process and limits for the approval and pre-approval of certain services has been updated and the audit committee can continue to pre-approve certain non-audit services, but only where they are 'trivial'. The policy also limits the circumstances in which we can use our auditor for tax services; in practice, in most cases we will aim to select a different firm.

The auditor cannot act in a capacity as management or design a system or process that it is subsequently 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 audit committee is mindful of the services provided by each of the 'Big Four' to Aberdeen. This was also considered in detail as part of the assessment of the three firms participating in the tender.

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 and staffing levels. 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.

The committee has been closely involved in monitoring the internal audit plan, looking to ensure that the audit scope continued to focus on all relevant areas of activity, including corporate culture, first line accountability for risk and control, and cyber risk. There have been a small number of areas where the committee has requested additional information in respect of matters reported, including looking to ensure that matters raised were resolved in a timely manner. The committee has also been supportive of the use of data analytics within the audit methodology to ensure efficient and effective audit testing.

The Head of Internal Audit reports to the Chief Executive as well as having unrestricted access to the chairman of the committee. A new Group Head of Internal Audit was appointed during the year and the committee oversaw the selection process and transition of the new Head.

Internal audit use a co-source arrangement to supplement resource and provide capability in specialised areas and markets. These services are tendered periodically. The services were tendered in 2016 and a new firm has been appointed from 1 January 2017.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually and held six meetings during the year, with representatives of the external auditors 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 and the Deputy Finance Director.

The members of the committee also met, individually, with senior members of the finance and internal audit team throughout the year, and this provided a forum for discussion outwith the formality of the committee meetings.

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 allow 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.

Attendance at each meeting by members is shown in the table below:

	Maximum possible attendance	Meetings attended
Jutta af Rosenborg	6	6
Julie Chakraverty	6	6
Gerhard Fusenig	1	1
Richard Mully	6	6
Jim Pettigrew	4	4

Innovation committee

"It is essential that we continue to drive the innovation culture within the Group."

Val Rahmani

Composition

The innovation committee is chaired by Val Rahmani and she is supported by three other standing members, Julie Chakraverty, Andrew Laing and Kerry Christie, the Global Head of Human Resources, as well as a further nine members of staff from our regional offices, the majority of which are on our emerging talent programme. The committee will look to rotate those non-standing members after an appropriate period. Julie Chakraverty chaired the committee for the year under review.

Responsibilities

- Continue to develop the framework for Aberdeen to best respond to innovation opportunities.
- Provide a platform for all Aberdeen colleagues to share their innovation ideas and shape our future business and culture, focusing on the four priorities of customers, talent, productivity, and brand.
- Work with external innovation experts to help drive committee debate.
- Communicate key opportunities or investment areas to the Board.

Report on the committee's activities during the year

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

a) identifying what aspects of innovation are important at Aberdeen;

b) embedding an innovation culture into the business;

c) encouraging staff to share their ideas of where the Group can grow and provide input to the existing corporate culture;

d) developing and inspiring staff to offer their 'blue sky thinking'; and

e) focusing and prioritising new ideas.

The committee continues to harness ideas from across the business by reviewing and selecting employee contributions from the Aberdeen global "idea-sharing" platform called Ignite. This platform helps facilitate collaboration between colleagues, regardless of location or role, by posing business challenges and sharing ideas and solutions. Colleagues are now awarded £1,000 if their idea is declared a winning idea.

One of the first winning ideas on Ignite was to develop a client app and this has led to the development and successful launch of Aberdeen's Thinking Aloud app which was introduced to the App Store earlier this year.

Challenges were launched this year inviting colleagues to share their ideas as to what Aberdeen should be putting in place now to enable it to continue to be a thriving and successful asset manager by the year 2020 and to share ideas as to what efficiencies could be implemented throughout the business. There has been significant take up from the business to these challenges and, following a review, it was agreed to take several ideas forward to develop further.

One of the aims of the committee going forward is to look to embed an innovation culture into the business in all decisions being made across the Group by ensuring that innovation is reflected in the Group Strategy and work is being continually undertaken in this regard.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually. The committee held eight meetings during the year.

Details of attendance from the Board members are shown in the table below.

	Maximum possible attendance	Meetings attended
Val Rahmani	8	8
Julie Chakraverty	8	8
Andrew Laing	8	6

Nominations committee

"A year of change to the membership of the board and its committees."

Simon Troughton

Composition

Simon Troughton was appointed chairman of the nominations committee following the retirement of Roger Cornick on 30 September 2016. He is supported by three independent non-executive directors, Julie Chakraverty, Richard Mully and Jutta af Rosenborg. Roger Cornick and Simon Troughton served on the committee throughout the year and Richard Mully joined following the resignation of Jim Pettigrew in April 2016. Both Julie and Jutta were appointed after the year-end.

Responsibilities

- Review the structure, size and composition of the Board.
- Carry out an annual review of the membership of each of the Board's committees and make recommendations to the Board.
- Recommend new directors for appointment to the Board.
- Responsibility for the appointment of new directors and for nominating them for election by shareholders at the first opportunity following their appointment.
- Consider and make 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 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 the composition of the boards of the significant UK regulated entities;

e) reviewing senior management training and development;

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

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

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

During the year, the committee continued to work with the external search consultant, Odgers Berndtson, in order to assist in the process for identifying an additional independent non-executive director to join the Board. The committee identified that an individual with significant asset management knowledge and experience would serve the board well. Following a detailed interviewing process, we, and the search consultants, identified Gerhard Fusenig as the most appropriate candidate. He was appointed to the Board on 25 April 2016 and will stand for election at the Company's annual general meeting on 2 February 2017.

Odgers Berndtson has no other connection with the Group. Under the leadership of one of the independent non-executive directors the Board led the search for a new chairman to replace Roger Cornick.

In the year under review, the committee were again able to confirm to their colleagues on the Board that appropriate succession plans were in place for each of the senior executive roles and that training was in place for each of their potential internal successors to enable them to be considered to accept senior management roles within reasonable timeframes. The committee also reviewed, in detail, the proposals for the recruitment of a Global Head of Distribution and were fully involved in the recruitment process.

In light of the number of Board changes in the year, with three directors having departed, the committee engaged considerably on both Board and committee appointments, resulting in one new Board appointment and new chairmen for each of the Board committees.

The committee also reviewed and agreed the composition of the main UK regulated entities, including the appointment of a new chief executive officer for Aberdeen Asset Managers Limited.

Meetings and attendance

The committee operates under formal terms of reference which are reviewed annually and held nine meetings during the year. The Chief Executive was also a regular attendee at the meetings of the committee.

	Maximum possible attendance	Meetings attended
Simon Troughton	9	9
Richard Mully	3	3
Roger Cornick	9	8
Jim Pettigrew	5	2

Risk committee

"The oversight of risk, both present and future, is critical to the operations of the Group."

Julie Chakraverty

Composition

Julie Chakraverty was appointment chairman of the risk committee, subsequent to the year-end on 5 October 2016. Julie is supported by three other independent non-executive directors, Gerhard Fusenig, Val Rahmani and Jutta af Rosenborg. Richard Mully was chairman in the year under review and stepped down from the committee on 5 October 2016 on taking up the chair of the remuneration committee. Each of the members served on the committee throughout the year, except for Gerhard Fusenig who was appointed on 2 June 2016.

Responsibilities

- Oversight of the risk management framework and, more specifically, the effectiveness of risk management and compliance activity within the Group.
- Advises the Board on considerations and processes relevant to setting the risk appetite and related tolerances.
- Oversight of the work of the compliance division, including compliance monitoring.
- 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.
- Review the implementation of appropriate procedures to identify and control all fundamental operational, financial, reputational and regulatory risks within the Group.

Report on the committees during the year

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

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

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

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

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

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

f) meeting with the heads of compliance and risk without other executives present;

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

h) reviewing the committee's terms of reference, carrying out an annual performance evaluation exercise and ensuring the satisfactory operation of the committee.

The committee's standard agenda covers all areas of its responsibility. During the year the meetings focused on a number of specific issues, including: staff risk, as a consequence of current market conditions; liquidity and concentration risks; IT architecture; and, information security and cyber crime.

ICAAP

A key function of the committee is to review, on behalf of the Board, the ICAAP to ensure that the business maintains sufficient and appropriate levels of capital in order to meet our desired strategy. The process that is presented regularly by the business, involves: identifying risks and assessing how much capital a risk requires; performing stress and scenario analyses to identify how much capital might change in the near and longer term; and, drawing a conclusion as to the ranges of capital identified and the amount of internal capital that is required to be held.

The ICAAP document is a living document and is reviewed continually to ensure that we maintain sufficient capital and that each of the risks we face in the business are appropriately monitored. The committee has been able to recommend to the Board that it is satisfied that we have sufficient capital to manage the risks identified from the business as carried out and identified in our strategy document.

Compliance oversight

Compliance monitoring remains a key focus and at each meeting of the committee, the Head of Compliance has presented the results of the compliance monitoring work and has provided regulatory updates. In addition the head of compliance monitoring also attended in the year to talk through specific issues and to take the committee through the annual compliance monitoring plan.

Cyber

Cyber security has remained a focus for the committee in the year, having discussed it at each of their meetings. The head of information security attended to describe details of the steps being taken in the company to ensure that we manage our cyber risks appropriately. The committee also heard from representatives of the firm that provide our software security. The committee also received a presentation from an external presenter giving detail on the extent of the cyber issue in the corporate world at present. As part of our development, a new cyber security department was established in order to manage our cyber prevention activities.

Acquisitions
The committee undertook a review of the integration of the business acquired from SWIP noting the conclusions of the migration programme. It was evident from the presentation that our migration plan was appropriate.

IT Strategy
Following the recruitment of Iain Plunkett as Chief Operating Officer and Chief Technology Officer, the Group undertook a complete review of our IT strategy, looking at the dependencies and risks within the IT division. This review, which was presented to the committee for their consideration and discussion, looked at the current architecture using both internal and external co-sourcers, the locations and numbers of staff employed and the likely IT needs in the future as we move towards a "fintech" society. This discussion was timely as it followed on from the acquisition of Parmenion, our on-line platform provider, and the purpose is to ensure that we have an IT strategy that is fit for purpose and can take the business forward. These discussions and proposed changes have been continued as part of the Board's on-going strategy discussions.

Property
Following the Brexit vote, the challenges relating to liquidity in the Aberdeen Property Fund were fully discussed and our actions approved by the committee. The committee heard from a number of key staff involved in the management of the property fund business within Aberdeen and they were able to provide the committee with a detailed update on the liquidity pressures on UK property funds, in general, arising out of the discussions surrounding the Brexit vote. Following the announcement of the results of the vote, the UK property market saw significantly high volumes of redemptions which in turn, affected liquidity pressures in the market.

The committee was able to assure itself as to the appropriateness of the actions taken by the Group to ensure that investors were treated fairly and were kept fully informed of the decisions being taken.

Reputational risk
The committee continues to receive independent data on the reputational risks 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.

Blue sky thinking
As reported in prior years the committee continues to undertake and monitor its "blue sky" risk concerns and has been able to identify and assess the current risks, looking at the causes and impacts of each and ensuring that appropriate management actions are being considered in order to minimize their future risks. These continue to be monitored on a regular basis and their potential impact is also considered as part of the regular review of Group's regulatory capital and ICAAP.

Meeting and attendance
The committee met four times during the year and followed a clear and documented agenda. At each of its meetings in the year, the Group Head of Risk provided updates on each area of the risk division, including business, investment and market risk, as well as reporting on compliance issues. In addition, other members of the executive, including the Heads of Market and Business Risk, Compliance, Internal Audit as well as the General Counsel attended during the year to present on their own areas of responsibility.

The committee members continued to meet outside of the formal committee meetings with members of the executive and staff from different business divisions throughout the year in order to further their knowledge of the risks facing the business. In addition, the former chairman of the committee, Richard Mully, has been a regular attendee at the meetings of the conflicts of interest committee.

	Maximum possible attendance	Meetings attended
Julie Chakraverty	4	4
Gerhard Fusenig	1	1
Richard Mully	4	4
Val Rahmani	4	4
Jutta af Rosenborg	2	2
Simon Troughton	4	4
Jim Pettigrew	2	2

Remuneration report

"Our strength is in our people and ensuring we can retain and motivate remains at the heart of the committee's work."

Richard Mully

Remuneration committee Chairman's summary statement

Introduction
This is my first report as chairman of the remuneration committee having taken on the role in October 2016. I would like to thank my predecessor Simon Troughton, who chaired the committee for over 5 years, for his contribution and leadership of the committee throughout this time as well as his continued support.

Directors' remuneration report
This year's report is split into two sections:

- Annual report on remuneration
- The proposed directors' remuneration policy

The annual report on remuneration explains how the existing policy has been applied during the year and, together with this introductory statement, will be subject to an advisory shareholder vote at the AGM.

Changes to remuneration policy
The current directors' remuneration policy was approved in January 2014. The Group is therefore required to submit its policy for the next triennial binding vote at our upcoming AGM in 2017. In anticipation of this, the remuneration committee has undertaken a comprehensive review of the policy, and has proposed important changes, which are set out below. These proposed changes take account of the feedback we have received from shareholders over the period since the last policy vote. The changes are:

- The introduction of individual caps on variable pay awards, defined as a multiple of fixed pay. The committee has set a maximum amount of cash variable pay and a maximum amount of variable pay in deferred shares.
- Use of both annual and trailing key performance indicators in determining variable pay awards.
- Retrospective disclosure, in each year's remuneration report, of the weightings and performance targets for each of the key performance indicators used in determining variable pay.

Other important features of the Aberdeen policy have been retained in the proposed policy, to provide a straightforward remuneration policy aligned to shareholder interests over the long term. These include:

- Deferral of 75% of variable pay, vesting over a 5-year period.
- A shareholding requirement of 300% of base salary.
- A cap on the total variable pay pool for the Group, defined as a percentage of pre-variable pay operating profit. This is in addition to the new cap on individual award levels referred to above.

Rather than delay the introduction of the changes referred to above until 2017, the committee has also taken the opportunity to apply the proposed individual caps and disclosure practices to the remuneration for 2016. Under the existing policy, individual pay is uncapped, so the introduction of caps is a voluntary change made by the committee for 2016, rather than being required under the current policy.

Pay regulation
At the time of finalising this letter, no further guidance had been provided by the European Commission on the application of proportionality to tier 3 firms under the Capital Requirements Directive and Regulation, and the UK's decision to leave the European Union has added further complexity to the pay regulation landscape. Should Aberdeen become subject to amended regulatory requirements in the future (either as a result of changes to CRD IV or other regulatory directives such as UCITS V) there may be a need for changes to our policy, as with other firms in our sector. If changes are required, the committee will consult with major shareholders on how it proposes to implement any new requirements.

Review of base salaries
Taking account of the financial performance in 2016, the committee has determined that, other than by exception, salaries for employees earning over £75,000 will be frozen going into 2017. This freeze applies to all executive directors.

Variable remuneration for 2016
As is more fully covered in other sections of the annual report, 2016 has been a challenging year, both for Aberdeen and for the asset management sector generally, and this is reflected in the reduced profit reported for the year. While investment performance in our equities strategies has recovered strongly and other asset classes have also delivered consistent performance, the Board has remained conscious of the effect of net AuM outflows.

Management has focused on cost control and maintaining the Group's operating margin, whilst continuing our emphasis on conduct and risk management. The level of dividend paid to shareholders has been maintained and remains covered. Nevertheless, incentive payments are 40% lower than that paid in 2015.

As you can see from the graph on page 76, TSR has significantly outperformed both the FTSE All Share (by 171%) and the FTSE All Share Financial Services (by 123%) indices over the past 8 years.

The aggregate variable pay pool in any year continues to typically be no higher than 25% of pre-variable pay operating profit; for 2016 awards, the aggregate pool has been set at approximately 23%, compared to 20% in 2015.

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

Richard Mully
Chairman of the Remuneration Committee

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 together with the Chairman's introductory statement, will be put to an advisory shareholder vote at the 2017 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 2015 and 2016 was as follows:

Year to 30 September 2016	Salary & fees £'000	Taxable benefits £'000	Variable pay £'000	Pension £'000	Total £'000
Executive directors					
Martin Gilbert	520	2	2,285	–	2,807
Andrew Laing	364	2	450	64	880
Rod MacRae	364	2	345	64	775
Bill Rattray	364	2	450	64	880
Anne Richards	246	1	–	43	290
Hugh Young	395	207	2,040	–	2,642
Total	2,253	216	5,570	235	8,274
Non-executive directors					
Simon Troughton	133	–	–	–	133
Roger Cornick	325	–	–	–	325
Julie Chakraverty	121	–	–	–	121
Gerhard Fusenig	38	–	–	–	38
Richard Mully	123	–	–	–	123
Jim Pettigrew	66	–	–	–	66
Val Rahmani	91	–	–	–	91
Jutta af Rosenborg	104	–	–	–	104
	1,001	–	–	–	1,001
Total	3,254	216	5,570	235	9,275

Year to 30 September 2015					
Executive directors					
Martin Gilbert	513	2	3,825	–	4,340
Andrew Laing	359	2	750	63	1,174
Rod MacRae	359	2	575	63	999
Bill Rattray	359	2	750	63	1,174
Anne Richards	359	2	1,487	63	1,911
Hugh Young	365	192	3,400	–	3,957
	2,314	202	10,787	252	13,555
Non-executive directors					
Roger Cornick	325	–	–	–	325
Julie Chakraverty	114	–	–	–	114
Richard Mully	121	–	–	–	121
Jim Pettigrew	113	–	–	–	113
Val Rahmani	61	–	–	–	61
Jutta af Rosenborg	91	–	–	–	91
Simon Troughton	133	–	–	–	133
	958	–	–	–	958
Total	3,272	202	10,787	252	14,513

Annual variable pay for the year to 30 September 2016

Variable pay awards for the year under review were based on the following key performance indicators, weightings and targets. The performance outcomes and bonus result for each KPI (as a percentage of maximum bonus) are also shown.

FY2016 performance metrics	Weighting	Threshold (25% of max)	Target (50% of max)	Stretch (100% of max)	Actual	Result (% of max variable x weighting)
Long-term quantitative						
Growth in underlying EPS (3 year CAGR)	10%	6%	9%	12%	-14%	0.0%
Average ROCE (3 year)	10%	16%	20%	22%	19.6%	4.8%
Investment performance*	20%	40%	60%	80%	46.9%	6.7%
Annual quantitative						
Underlying PBT	15%	£310.4m	£388.0m	£465.6m	£352.7m	5.8%
Operating margin	15%	31.5%	35%	38.5%	32.6%	4.9%
Total						**22.2%**
Annual non-financial strategic	20%	Remuneration committee assessment – see below				**12.5%**
Annual personal performance	10%	Remuneration committee assessment – see below				**6% - 9%**

* Investment performance is measured by reference to the aggregation of performance data of mandates and funds against the relevant client-specific benchmarks, and calculating the average, weighted by AuM. The metric used for remuneration purposes is a blend of 3-year (50%) and 5-year (50%) relative performance.

Non-financial strategic performance

Key	Rating (out of 5)
Above target	4-5
Around target	2-3
Between threshold and target	1-2
Below threshold	0

Key performance indicators	Key points in 2015 - 16 financial year	Remuneration committee's assessment
Qualitative:		
Client retention	More structured progress and linked with improving investment performance	1.5
Distribution	Continuing to expand global distribution	3
Talent management	Senior leadership and emerging talent programmes fully operational, strong ongoing progress in succession planning	5
Risk management, compliance and conduct	Ongoing Group-wide focus on all aspects of risk, compliance and conduct	3
Total		**12.5%**

Key	Rating (out of 10)
Significantly exceeds expectation	9-10
Exceeds expectation	7-8
Meets expectation	5-6
Below expectation	0-4

	Weighted		
	Maximum	Actual	Key performance in 2015-16 financial year
Martin Gilbert	10%	9%	Excellent leadership of the Group and its day to day management.
Andrew Laing	10%	8%	Delivered budget and cost controls in the year. Satisfactory oversight of EMEA, HR and CR.
Rod MacRae	10%	6%	Satisfactory management of the Risk division and Regulatory relationships.
Bill Rattray	10%	7%	Continuing satisfactory management of the Finance division and external shareholder relations. Oversight of the Group's regulatory capital management requirements.
Hugh Young	10%	8%	Successfully increased role to cover oversight of all the Investment divisions as well as the Asia Region.

2016 variable pay

For the first time, in 2016 the committee has applied individual caps on variable pay, expressed as a multiple of fixed pay. The table below shows the caps that were applied to each executive director:

	Maximum cash variable pay (multiple of fixed pay)[1]	Maximum variable pay in deferred shares (multiple of fixed pay)[1]
Martin Gilbert	2.5x	7.5x
Hugh Young	2.5x	7.5x
Andrew Laing	0.75x	2.25x
Bill Rattray	0.75x	2.25x
Rod MacRae	0.625x	1.875x

[1] Fixed pay for 2016 includes base salary and benefits, but excludes pension contributions.

The committee will remain consistent in applying performance metrics so that the maximum are only awarded when performance is exceptional and merited.

The variable pay awards for year ending 30 September 2016 were as follows:

	Cash £'000		Deferred £'000[1]			
Individual	Max	Actual	Max	Actual[1]	Total actual £'000	Total actual (% of max)
Martin Gilbert	1,305	571	3,915	1,714	2,285	43.8%
Hugh Young	1,265	510	3,795	1,530	2,040	40.3%
Andrew Laing	274	112	824	338	450	41.0%
Bill Rattray	274	112	824	338	450	41.0%
Rod MacRae	229	86	686	259	345	37.7%

[1] The deferred component vests in five equal tranches in December 2017, 2018, 2019, 2020 and 2021.

The committee has used its discretion to adjust downwards certain of the variable pay awards to ensure a reduction of 40% on that paid to each executive director in 2015. The deferred shares vest to executives over five years in equal instalments, subject to continued employment with the Group. Both the cash and deferred share elements of variable pay are subject to the malus and clawback policy.

Consideration of malus and clawback in 2016

A clawback principle applies to variable pay. This enables the committee to seek to recoup variable pay 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 shares and cash portions of variable awards to be clawed back via the reduction or cancellation of any outstanding unvested deferred variable pay awards regardless of the year to which they relate. As 75% of each year's variable pay award is deferred, there is an ongoing substantial amount of accumulated, unvested deferred remuneration that can be recouped.

The committee considered there were no events or circumstances that would have made it appropriate to recoup remuneration during 2016.

Payments for loss of office

During the year Anne Richards left the Group. She did not receive any payments for loss of office.

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 2015	Awarded during year	Forfeited during year	Exercised during the year	Issue price	Interest at 30 September 2016	Earliest vesting dates[1]
Martin Gilbert	272,556	–	–	(272,556)	139.9p	–	Vested
	921,788	–	–	(921,788)	179.0p	–	Vested
	1,506,783	–	–	(1,506,783)	199.1p	–	Vested
	449,912	–	–	(449,912)	333.4p	–	Vested
	224,956	–	–	–	333.4p	**224,956**	Vested
	224,956	–	–	–	333.4p	**224,956**	Dec 2016
	353,818	–	–	(176,909)	487.5p	**176,909**	Vested
	353,818	–	–	–	487.5p	**353,818**	Dec 2016 &2017
	140,357	–	–	–	454.2p	**140,357**	Vested
	561,428	–	–	–	454.2p	**561,428**	Dec 2016 - Dec 2019
	–	856,240	–	-	335.0p	**856,240**	Dec 2016 - Dec 2020

	Interest at 1 October 2015	Awarded during year	Forfeited during year	Exercised during the year	Issue price	Interest at 30 September 2016	Earliest vesting dates[1]
Andrew Laing	38,128	–	–	–	139.9p	**38,128**	Vested
	94,274	–	–	–	179.0p	**94,274**	Vested
	97,313	–	–	–	199.1p	**97,313**	Vested
	87,172	–	–	–	333.4p	**87,172**	Vested
	43,586	–	–	–	333.4p	**43,586**	Dec 2016
	32,690	–	–	(32,690)	487.5p	**–**	Vested
	65,380	–	–	–	487.5p	**65,380**	Dec 2016 & 2017
	132,105	–	–	(26,421)	454.2p	**105,684**	Dec 2016 - Dec 2019
	–	167,890	–	–	335.0p	**167,890**	Dec 2016 - Dec 2020
Bill Rattray	107,235	–	–	(107,235)	139.9p	**–**	Vested
	272,347	–	–	(272,347)	179.0p	**–**	Vested
	282,522	–	–	–	199.1p	**282,522**	Vested
	126,540	–	–	–	333.4p	**126,540**	Vested
	42,180	–	–	–	333.4p	**42,180**	Dec 2016
	63,458	–	–	–	487.5p	**63,458**	Vested
	63,458	–	–	–	487.5p	**63,458**	Dec 2016 & 2017
	26,421	–	–	–	454.2p	**26,421**	Vested
	105,684	–	–	–	454.2p	**105,684**	Dec 2016 - Dec 2019
	–	167,890	–	–	335.0p	**167,890**	Dec 2016 - Dec 2020
Hugh Young	449,912	–	–	(224,956)	333.4p	**–**	Vested
	224,956	–	–	–	333.4p	**224,956**	Dec 2016
	176,909	–	–	(176,909)	487.5p	**–**	Vested
	132,101	–	–	(132,101)	454.2p	**–**	Vested
	353,818	–	–	–	487.5p	**353,818**	Dec 2016 & 2017
	528,404	–	–	–	454.2p	**528,404**	Dec 2016 - Dec 2019
	–	761,100	–	–	335.0p	**761,100**	Dec 2016 - Dec 2020
Rod MacRae	69,833	–	–	–	179.0p	**69,833**	Vested
	113,846	–	–	–	199.1p	**113,846**	Vested
	101,232	–	–	–	333.4p	**101,232**	Vested
	33,744	–	–	–	333.4p	**33,744**	Dec 2016
	49,996	–	–	–	487.5p	**49,996**	Vested
	49,996	–	–	–	487.5p	**49,996**	Dec 2016 & 2017
	19,816	–	–	–	454.2p	**19,816**	Vested
	79,264	–	–	–	454.2p	**79,264**	Dec 2016 - Dec 2019
	–	128,715	–	–	335.0p	**128,715**	Dec 2016 - Dec 2020
Anne Richards	95,606	–	–	–	334.4p	**95,606**	Vested
	95,606	–	(95,606)*	–	334.4p	**–**	Forfeited
	73,071	–	–	–	487.5p	**73,071**	Vested
	146,142	–	(146,142)*	–	487.5p	**–**	Forfeited
	57,794	–	–	–	454.2p	**57,794**	Vested
	231,176	–	(231,176)*	–	454.2p	**–**	Forfeited
	–	332,980	(332,980)*	–	335.0p	**–**	Forfeited

* Forfeited due to resignation.

[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’ 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 variable pay shares.

2016

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	542,222	726,087	1,996,442	–	2,722,529	454%
Andrew Laing	42,680	316,887	359,567	382,540	–	742,107	321%
Rod MacRae	32,028	354,723	386,751	291,719	–	678,470	346%
Bill Rattray	2,298,792	498,941	2,797,733	379,212	–	3,176,945	2,501%
Anne Richards*	554,095	226,471	780,566	805,904	–	1,586,470	–
Hugh Young	450,000	–	450,000	1,868,278	–	2,318,278	394%
Roger Cornick	111,000	–	111,000	–	–	111,000	–
Simon Troughton	70,000	–	70,000	–	–	70,000	–
Jim Pettigrew*	25,000	–	25,000	–	–	25,000	–
Julie Chakraverty	3,042	–	3,042	–	–	3,042	–
Richard Mully	70,000	–	70,000	–	–	70,000	–
Gerhard Fusenig	35,000	–	35,000	–	–	35,000	–
Val Rahmani	–	–	–	–	–	–	–
Jutta af Rosenborg	–	–	–	–	–	–	–
Akira Suzuki	–	–	–	–	–	–	–

* at date of resignation.

2015

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	3,327,948	3,511,813	1,682,424	–	5,194,237	2,022%
Andrew Laing	42,680	273,301	315,981	317,347	–	633,328	260%
Rod Macrae	32,028	276,165	308,193	241,562	116,666	666,421	254%
Bill Rattray	2,298,792	778,193	3,076,985	311,652	–	3,388,637	2,534%
Anne Richards	554,095	–	554,095	699,395	–	1,253,490	456%
Hugh Young	450,000	–	450,000	1,641,144	–	2,091,144	400%
Roger Cornick	111,000	–	111,000	–	–	111,000	–
Julie Chakraverty	–	–	–	–	–	–	–
Richard Mully	50,000	–	50,000	–	–	50,000	–
Jim Pettigrew	25,000	–	25,000	–	–	25,000	–
Jutta af Rosenborg	–	–	–	–	–	–	–
Akira Suzuki	–	–	–	–	–	–	–
Simon Troughton	60,000	–	60,000	–	–	60,000	–
Val Rahmani	–	–	–	–	–	–	–

Roger Cornick held US$460,000 nominal value of the 7% perpetual cumulative capital notes throughout the year.

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.

Directors' interests in share options (audited information)

	Date of grant	2015	Exercised in year	Market price on exercise	2016	Exercise	Earliest	Latest	Status of performance
Rod MacRae	17.6.08	116,666	(116,666)	325.00p	–	130.25p	Jun 2013	Jun 2018	Achieved

The market price of the Group's ordinary shares at 30 September 2016 was 326.3p and the range during the year was 209.3p to 355.9p.

There have been no other changes to the directors' holdings between 30 September 2016 and 27 November 2016.

Percentage increase in the remuneration of the Chief Executive Officer

The following table shows the percentage change in the base salary, benefits and variable pay 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	1.4%	+3.4%
Benefits	No change	No change
Total variable pay	-40%	-21%

Base salaries

Executive directors' salaries were increased by 1.4% with effect from 1 January 2016, as shown in the table below. They will continue at the same rates, with no changes to be made on the 1 January 2017 review date.

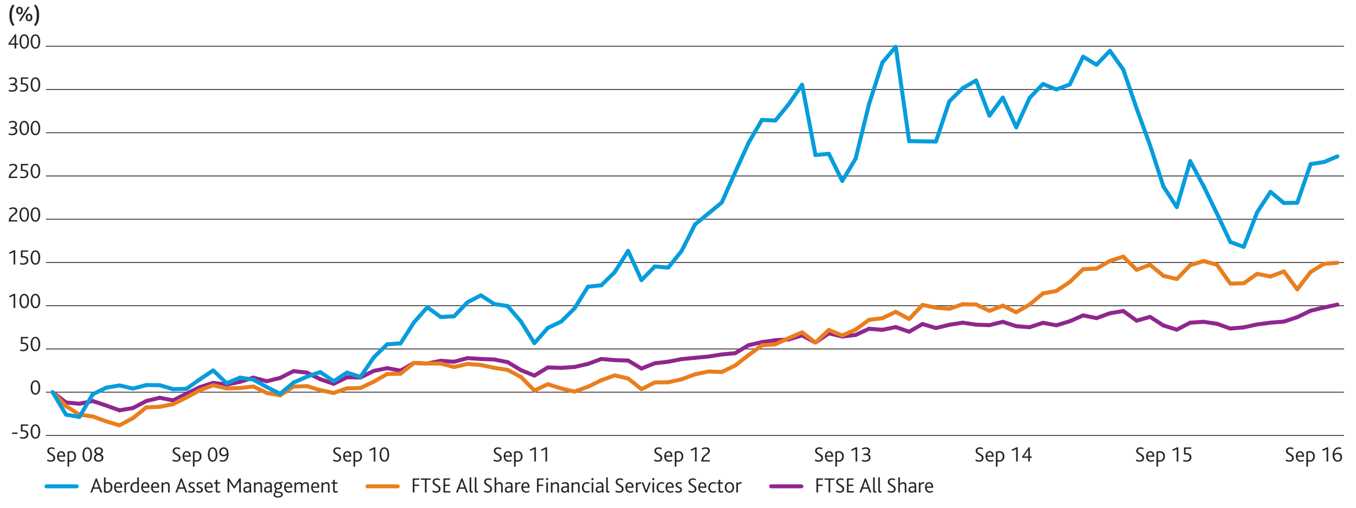
	Salary as at 1 January 2016
Martin Gilbert	£522,000
Andrew Laing	£365,000
Rod MacRae	£365,000
Bill Rattray	£365,000
Anne Richards	£365,000
Hugh Young	S$728,000

The fee levels for non-executive directors will continue at the following levels, which were introduced on 1 October 2014.

	Current fee
Board Chairman	£325,000
NED Base fee	£65,000
Senior Independent Director	£20,000
Committee chairman supplement (audit, innovation, remuneration, risk)	£30,000
Committee membership supplement (audit, innovation, remuneration, risk)	£13,000
Committee membership supplement (nominations)	£5,000

Total shareholder return

The graph below shows the Group'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 8 years. As the chart indicates, Aberdeen's TSR of 273% 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 variable pay 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, for those years in which there was an LTIP vesting event. As there was no cap on the maximum individual annual variable pay award prior to 2016, a percentage of maximum annual variable pay is not shown until this year.

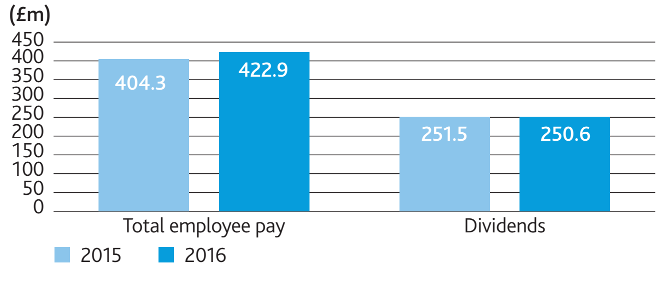
	2009	2010	2011	2012	2013	2014	2015	**2016**
Total remuneration (£'000)	1,925	3,751	4,501	4,728	5,102	4,757	4,340	**2,807**
Variable pay award (%)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	**43.8%**
LTIP vesting (%)	0%	85%	100%	100%	N/A	N/A	N/A	**N/A**

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.

CEO pay ratio

The committee is mindful of the relationship between CEO pay and the pay of other directors and employees. We have therefore chosen to adopt the recommendation to publish pay ratios in our report. The table below shows the total pay for the CEO versus the average pay for employees and executives.



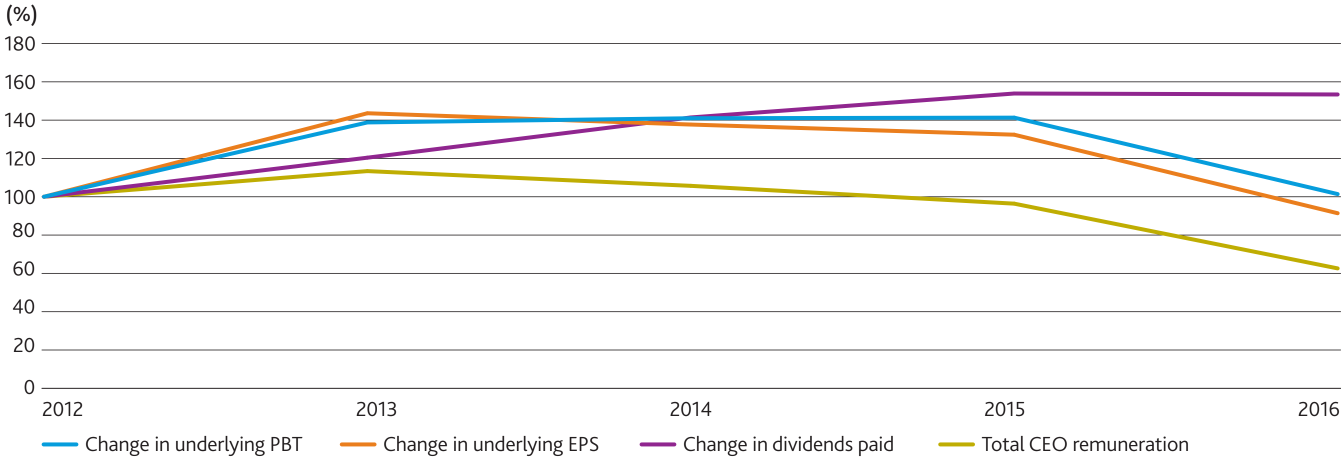
Pay ratios

	Ratio (CEO pay to average pay)	
Population	**2015**	**2016**
Group management board	3.4x	2.8x
All employees	32.1x	20.6x

Over the 5 year period to 30 September 2016, the compound annual growth rate ("CAGR") of total employee pay was 8.8% while the CAGR of ordinary dividend payments was 24.0%.

The chart below shows the indexed movement in PBT, EPS, and dividends against the CEO total remuneration over the past five years.

Performance history and CEO remuneration



The table below shows the history of performance of Aberdeen over the same period.

KPI (% change v prior year)	2012	2013	2014	2015	2016
Change in underlying PBT	+15.2%	+38.8%	+1.6%	+0.3%	-28.3%
Change in underlying EPS	+20.9%	+43.6%	-4.1%	-3.5%	-31.0%
Operating margin	40.6%	45.4%	43.9%	42.7%	32.6%
Conversion of operating profit to cash flow	119%	108%	111%	107%	111%
Net new business	£0.0bn	-£2.5bn	-£20.4bn	-£33.9bn	-£32.8bn
ROCE	23.8%	29.6%	23.9%	21.1%	14.8%

Implementation of remuneration policy in the year commencing 1 October 2016

The executive directors' salaries were reviewed by the committee and it was agreed that no changes will be made on the 1 January 2017 review date.

Subject to shareholder approval, the committee will apply the new policy during 2017. Performance measures for the 2017 award will be underlying profit before tax, underlying earnings per share, operating margin, ROCE and investment performance and non-financial KPIs.

Meetings and attendance

The committee is chaired by Richard Mully, who took over from Simon Troughton on 1 October 2016. Richard is supported by two independent non-executive directors, Jutta af Rosenborg and Gerhard Fusenig, who joined the committee on the 5 October 2016. During the year under review the committee was chaired by Simon Troughton and he was assisted by Richard Mully and Jutta af Rosenborg.

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

	Maximum possible attendance	Meetings attended
Richard Mully	8	8
Jutta af Rosenborg	8	8
Simon Troughton	8	8

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 Group Secretary acts as Secretary to the committee.

External advisers

The remuneration committee receives independent advice from New Bridge Street ("NBS") consultants. NBS abides by 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 £63,513.

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 £64,750 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	2016	2015
Martin Gilbert	Deputy Chairman, Sky plc	**£136,477**	£139,695
Bill Rattray	Non-executive director, Curtis Banks Group PLC	**£31,250**	£10,607

Statement of shareholder voting

At the 2016 AGM, shareholder voting on remuneration was as follows:

Approve the Directors' Remuneration Report	January 2016 AGM	%
Votes cast in favour	637.0m	65.7
Votes cast against	332.6m	34.3
Total votes cast	969.6m	100.0
Abstentions	24.8m	–

Taking account of the significant percentage of votes cast against the Directors' Remuneration Report at the last AGM, the committee undertook a review of policy and practice during the year. This included considering the views of shareholders and proxy advisers. A number of changes have resulted from this review, which are summarised in the Chairman's introductory statement to this report.

Directors' remuneration policy

During 2016 we have reviewed our Directors' Remuneration Policy. A number of changes to the policy are proposed, taking account of shareholder feedback.

The key changes we are proposing are:

- The introduction of individual caps on variable pay awards, defined as a multiple of fixed pay. The committee has set a maximum amount of cash variable pay and a maximum amount of variable pay in deferred shares. Previously, variable pay awards for each individual were uncapped (although there has been a cap on the total variable pay pool).
- The use of annual and long-term trailing key performance indicators in determining variable pay awards.
- Retrospective disclosure, in each year's remuneration report, of the weightings and performance targets for each of the key performance indicators used in variable pay.

The policy will be put to a binding shareholder vote at the 2017 AGM, and, if approved, will take formal effect from the date of the AGM.

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
- aligning the remuneration policy with the long-term interests of our clients, and consequently, our shareholders.

How the views of shareholders are taken into account

The remuneration committee regularly consults with shareholders and the investor community, and careful consideration was given to the feedback that we received.

In designing this policy, the remuneration committee chairman engaged with major shareholders and shareholder representatives. The committee will continue to consider shareholder feedback, as part of its annual review of remuneration policy.

If any material changes to the remuneration policy are contemplated, the remuneration committee chairman will consult 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 variable pay, and the principle of variable pay deferral applies to all variable pay 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. However, in considering base salary reviews and variable pay awards for executives, the committee considers the rates of increase, and movement in variable pay for the Group's wider employee population.

Policy table

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

Key aspects of the remuneration policy for executive directors

Element, purpose and link to strategy	Operation
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 market competitive, and cost-effective benefits.	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. Executive directors may also be eligible to participate in general employee share plans, on the same terms as employees generally. 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.
Variable pay in non-deferred cash To reward the achievement of performance targets in a range of key performance areas.	The committee selects key performance indicators (KPIs) and determines the weighting for each. The committee sets performance targets for these KPIs. On-target performance pay-out is 50% of the maximum award. The committee has the discretion to vary payments to ensure they properly reflect underlying performance. Payment will be made in cash following the end of the performance period.
Variable pay in deferred shares To reward performance in a range of key performance areas, to align executives' interests to those of shareholders, and aid the retention of talent.	The same KPIs and weightings apply to the variable pay in deferred shares as to the variable pay in non-deferred cash. The committee has the discretion to vary payments to ensure that it is reflects underlying performance. The award will be made in Aberdeen shares which are released to executive directors in equal tranches over five years. An amount equivalent to the dividends due on the shares may be paid to participants only after the earliest vesting date has passed. In the exceptional event that, for practical reasons, the Group is unable to make awards in shares, awards may be made in deferred cash.

Other features

Element and purpose	Operation
Malus and clawback To help ensure that variable pay awards do not encourage excessive risk.	Malus and clawback provisions apply to variable pay. This enables the committee to seek to recoup any variable pay by means of reducing or cancelling any awards of unvested deferred variable pay, 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 To encourage executive directors to build up their shareholding, aligning their interests with shareholders.	Executive directors are required to build up a substantial interest in Group shares. The current requirements are set out in the annual report on remuneration.

Performance measures	Maximum
No specific metrics. However, if personal performance is unsatisfactory, no salary increase is awarded.	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.
None.	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 monitored and controlled.
None.	Group contribution of up to 20% of base salary, or equivalent cash allowance in lieu.
Awards are subject to the achievement of key financial and strategic objectives, measured both on annual and long-term trailing performance. At least 70% of the award will be based on financial KPIs (including investment performance). Subject to any considerations of commercial confidentiality, the performance measures will be disclosed retrospectively in the respective Annual Report on Remuneration.	The maximum award in cash variable pay is 2.5x fixed pay. The committee will set individual caps, subject to this limit, for each ED role, taking account of the market level of remuneration for the role. In 2016/17 the individual maximum opportunities are: Martin Gilbert 2.5x; Bill Rattray 0.75x Hugh Young 2.5x; Rod MacRae 0.625x Andrew Laing 0.75x
The performance measures attached to the deferred variable pay award are the same as those attached to the cash variable pay award (see above).	The maximum award of variable pay in deferred shares is 7.5x fixed pay. The committee will set individual caps, subject to this limit, for each ED role, taking account of the market level of remuneration for the role. In 2016/17, the individual maximum opportunities are: Martin Gilbert 7.5x; Bill Rattray 2.25x Hugh Young 7.5x; Rod MacRae 1.875x Andrew Laing 2.25x

Exercise of discretion

The committee will operate variable pay plans according to the rules of respective plans and consistent with normal market practice and the Listing Rules, where relevant. The committee will retain flexibility in a number of areas regarding the operation and administration of these plans, including (but not limited to) the following:

– Who participates in the plans;

– When to make awards and payments;

– How to determine the size of an award, a payment, or when and how much of an award should vest;

– How to deal with a change of control or restructuring of the Group;

– In the case of stated good leaver reasons or otherwise, whether a Director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant; and

– How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).

The committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings if events happen that cause it to determine that the original targets or conditions are no longer appropriate and the amendment is required so that the targets or conditions achieve their original purpose.

In addition, prior to approving any variable pay, the committee will assess whether the amounts are appropriate taking into account all relevant information including company performance dividend pay-outs and pay for other employees.

The use of discretion would, where relevant, be explained in the Annual Report on Remuneration and may, if appropriate, be subject to consultation with the Company's major shareholders.

Choice of performance measures and how performance expectations are set

Variable pay 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, ROCE and investment performance. These KPIs 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.

An element of variable pay is also based on non-financial KPIs. These will be set by the committee on an annual basis and will be linked to the strategic priorities for the year.

The committee assesses what has been achieved for each KPI, relative to the targets which we set at the beginning of the performance period. The financial results achieved in any one year are a reflection of the delivery of our long-term strategy.
A portion of the financial KPIs are linked specifically to 3 to 5 year trailing performance.

Differences in remuneration policy for executive directors compared to other employees

Variable pay for all employees is determined as a total pool, capped as a percentage of profit. Material differences, which the committee believes are necessary to reflect the different responsibilities of employees across the Group, are:

- Below executive director level, whilst the same 75% variable pay 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 variable pay vests over five years in equal tranches. For employees below this level, the 75% deferred portion may vest over a shorter time period, which will be no less than three years.

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 connection with 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 have received during the year 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 would be 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 over.

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 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 take account of 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 executive directors appointed up to 31 December 2013, if the employing Group 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 variable pay 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 Group 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 variable pay 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 any variable pay 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:

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 for any new executive director appointments post 31 December 2013
Notice period	12 months	12 months
Termination payment in the event of Termination by the Group without due notice.	Base salary plus value of benefits including pension. Also eligible for variable pay 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

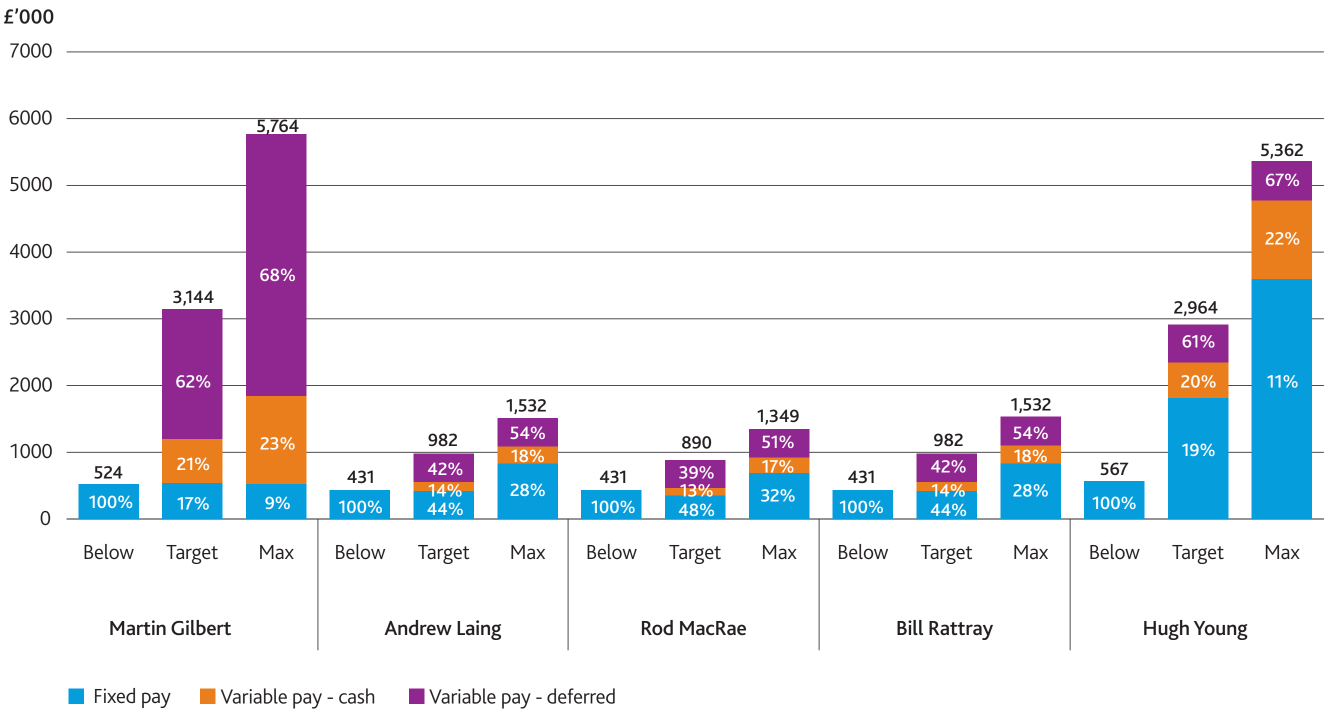
For the avoidance of doubt, in approving this directors' remuneration policy, authority is given to the Group to honour any commitments entered into with current or former directors (such as the payment of a pension or the unwind of legacy share schemes) that have been disclosed to shareholders in previous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

Remuneration Policy Chart

The chart below illustrates the total remuneration where performance is on-target, and also shows the maximum total remuneration (at current base salary levels), and the minimum total remuneration in the event that no variable pay were awarded.

It also shows the weighting of the main remuneration components for executive directors. As the chart indicates, performance-related remuneration represents between 72% and 91% of maximum remuneration, and three-quarters of the performance-related remuneration is delivered in Aberdeen shares.

Relative sizes of remuneration components for 2017



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

Element	Purpose	Operation	Maximum
Board Chairman fee	To attract and retain a high-calibre Board Chairman by offering a market competitive fee level.	The Chairman is normally paid a single fee for all 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). Additional fees may be paid in the exceptional event that the Chairman is required to commit substantial additional time above that normally expected for the role. Any reasonable business expenses (including tax thereon) may be reimbursed.	The fee level will be reviewed periodically by the committee. There is no maximum fee level.
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. Supplements may be paid for additional responsibilities and activities, such as for the committee chairmen and other members of the Board committees (eg. audit, remuneration, 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. Additional fees may be paid in the exceptional event that Directors are required to commit substantial additional time above that normally expected for the role. Any reasonable business expenses (including tax thereon) may be reimbursed.	The fee levels will be reviewed periodically. 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.

Approval

This directors' remuneration report has been approved by the Board of directors.

Signed on behalf of the Board of directors.

Richard Mully
Chairman of the remuneration committee

27 November 2016

Directors' report

The directors have pleasure in submitting their annual report and financial statements for the year to 30 September 2016.

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 414c 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 4 to 6
- Strategic report on pages 9 to 49

Financial

The results for the year are shown in the Group income statement on page 99. An interim ordinary dividend of 7.5p per share was paid on 16 June 2016. The directors recommend a final ordinary dividend of 12.0p per share, making a total of 19.5p per share for the year to 30 September 2016.

The proposed final dividend, if approved, will be paid on 9 February 2017 to shareholders on the register at the close of business on 9 December 2016. A dividend of £2.5 million will also be paid to holders of the 2016 non-voting preference shares on 9 February 2017. Coupon payments of £19.8 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 54 to 55. Gerhard Fusenig, who was appointed to the Board during the year, will retire and being eligible, offer himself for election at the forthcoming Annual General Meeting. All other directors, except Roger Cornick, 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 74.

Substantial interests

At 27 November 2016, 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	224,985,892	17.07
Lloyds Banking Group plc	129,033,779	9.79
Capital Research & Management	125,962,820	9.56
BlackRock	71,681,931	5.44
M&G Investment Management	36,618,460	3.01

Share capital

Details of the Company's share capital and changes to that share capital are set out in note 20 of the financial statements.

The authority for the Company to purchase, in the market, up to 131,791,444 of its ordinary shares, representing approximately 10% of its issued ordinary share capital at 27 November 2015, 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 the Company's buy-back authority for a further year.

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 28 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 12,144,702 ordinary shares in the Company, which have an aggregate nominal value of 10p each, for a net consideration of £43.5 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 scheme.

At the date of this report, the Employee Benefit Trust holds 32,999,940 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 Estera Trust (Jersey) 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.

Responsible business practices

We are committed to embedding the ten UN Global Compact principles throughout our organisation and this year have further developed the way in which we integrate ESG considerations into our investment processes across all asset classes, in line with the requirements of the Principles for Responsible Investment ("PRI").

On an annual basis we refine our approach and continue to make progress in embedding responsible business practices throughout the organisation. This process is led by Andrew Laing, the Deputy Chief Executive, who in turn is responsible for reporting to the Board on developments, risks and opportunities.

Further information on our approach to responsible business can be found in our annual corporate stewardship report.

Environmental disclosure

Our largest environmental impact results from the investments we hold, rather than our direct activities. However as a responsible business we look to manage and reduce our environmental impacts and improve our environmental performance.

Energy consumption and associated emissions, waste and business travel, remain our key areas of focus. Our Environmental Management System (EMS) is certified to ISO14001:2004 across our UK offices and we use this platform to engage with our offices globally. Part of this engagement has involved an assessment of all our offices to understand their contribution to our environmental performance and where we can improve.

This year we have achieved an overall 5% reduction in our scope 1 and 2 carbon emissions which has been attained through changes in building use and improved systems at some of our key offices. We have improved our recycling rate across our UK offices to over 68% and are working on initiatives to further improve on this. In an effort to reduce our business travel, we have increased availability and use of videoconferencing facilities and have realised a 44% increase in calls held over last year and have noted a decrease in our business travel scope 3 emissions.

Total global emissions for carbon reporting

		CO_2e emissions (tonnes)		
		2016		
Scope	Emissions source	Location	Market	2015
1	Natural gas	453	452	414
	Group owned vehicles	172	172	118
	Diesel	-	-	–
	Refrigerant gas loss	28	28	28
		653	652	560
2	Electricity and district heating	4,493	5,748	4,885
Total		5,146	6,400	5,445
Intensity ratio: Emissions per FTE for Scope 1 and Scope 2		1.68	2.09	1.86

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 adopted dual reporting, and applied residual mix* emissions factors on European sites and grid mix emissions factors for all other sites, for the calculation of market based emissions. Location based emissions have been calculated applying grid mix emissions factors for all sites. We have gathered data from invoices on energy consumption, register of refrigerants and service logs of owned vehicles.

* The residual mix is the mix of energy generation resources and associated attributes such as GHG emission in a defined geographic boundary left after contractual instruments have been claimed retired/cancelled.

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.

Corporate governance

A report on corporate governance which forms part of this Directors' report, is set out on pages 52-60.

Political donations

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

2017 Annual General Meeting

A separate document, the Notice of Annual General Meeting 2017, covering the Annual General Meeting of the Company to be held on 2 February 2017 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 2016 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 web pages at **aberdeen-asset.com/investorrelations**.

Company Information

The Company is registered in Scotland (No. SC082015) and its Registered Office is located at 10 Queen's Terrace, Aberdeen, AB10 1YG.

By order of the Board

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

27 November 2016

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.

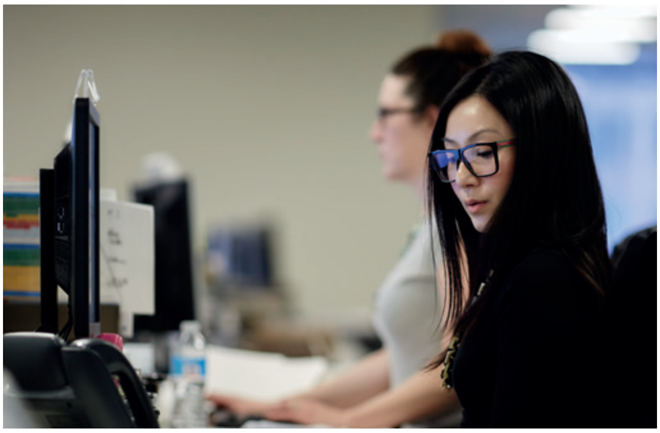
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

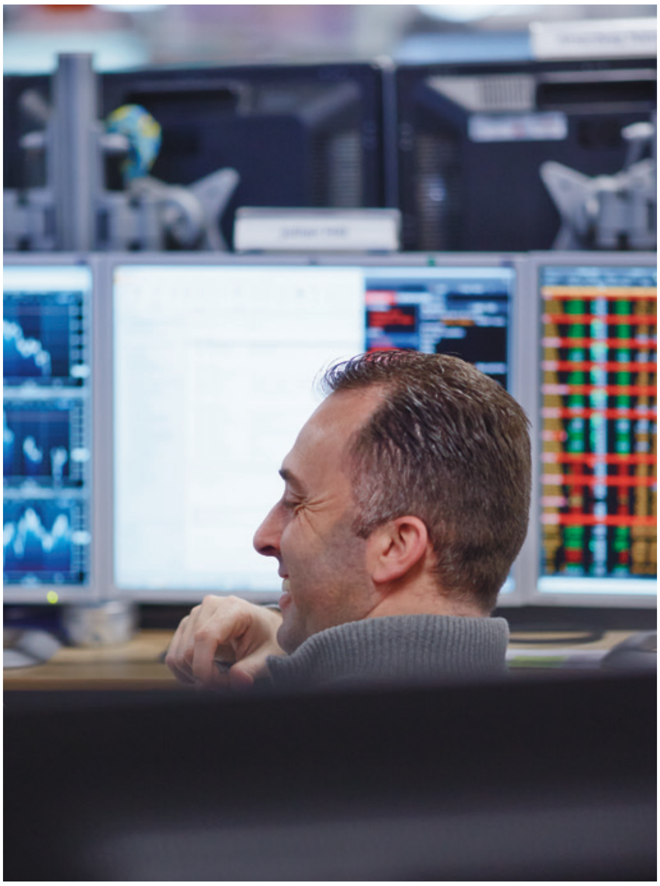
Simon Troughton

Simon Troughton
Chairman

27 November 2016


Aberdeen





Financial statements

Net revenue for the year of £1,007.1 million was 14% lower than in 2015.

Underlying profit before tax decreased by 28% to £352.7 million and statutory profit before tax decreased by 37% to £221.9 million.

Total equity at 30 September was £2,111.9 million (2015: £2,158.0 million) and closing net cash was £548.8 million (2015: £567.7 million).

In this section

19.5p

Dividend per share has remained the same as 2015. We aim to grow our revenues while maintaining an efficient capital structure for the benefit of our shareholders.

Accounting policies

Basis of preparation

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS") 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, a period of not less than twelve months from the date of this report. 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 pages 86 to 87.

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 – note 13;

c) business combinations and measurement of assets and liabilities at time of acquisition – notes 14 and 27;

d) valuation and determination of fair value of deferred contingent consideration – note 27;

e) provisions – note 25.

New and amended standards and interpretations adopted during the year

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 (periods commencing on or after 1 January 2015)
Annual improvements 2012 (December 2013)	Improvements to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IFRS 9, IAS 37, IAS 39	1 February 2015
Annual improvements 2013 (Dec 2013)	IFRS 1, IFRS 3, IFRS 13	1 January 2015

Restatement of cash pooling arrangements

The IFRS Interpretations Committee ("IFRIC") issued a clarification on IAS 32 Financial Instruments Presentation - Offsetting and cash pooling arrangements in April 2016. This clarifies a requirement to gross up cash and overdraft balances associated with cash pooling arrangements on the Group balance sheet. As a result the Group has grossed up the balance sheet for 30 September 2016 and restated the balance sheet at 30 September 2015. The impact is to increase cash and cash equivalents and interest bearing loans and borrowings by £299.1 million at 30 September 2016 and £354.6 million at 30 September 2015. The changes have no impact on the Group's results or cash flows.

New standards and interpretations not applied

Endorsed by the EU and available for early adoption:

		EU Effective date (periods commencing on or after 1 January 2016)
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
Annual improvements 2014 (September 2014)	*Improvements to: IFRS 5, IFRS 7, IAS 19 and IAS 34*	1 January 2016
Amendments to IAS 1 (December 2014)	*Part of the disclosure initiative aimed at improving financial statement presentation and disclosures*	1 January 2016

None of the 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 2016)
Amendments to IFRS 10, 12 and IAS 28 (December 2014)	*Clarification of the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures*	1 January 2016
Amendments to IAS 12 (January 2016)	*Recognition of deferred tax assets for unrealised losses*	1 January 2017
Amendments to IAS 7 (January 2016)	*Disclosure initiative aimed at enabling the users of financial statements to evaluate changes in liabilities arising from financing activities*	1 January 2017
IFRS 15 (May 2014)	*Revenue from contracts with customers*	1 January 2018
IFRS 9 (July 2014)	*Financial Instruments*	1 January 2018
Amendments to IFRS 2 (June 2016)	*Classification and measurement of share based payment transactions*	1 January 2018
IFRS 16 (January 2016)	*Leases*	1 January 2019

The Group is assessing the impact of the above standards on the Group's future financial statements and will disclose further details closer to the adoption date.

IFRS 9 includes requirements for classification and measurement, impairment and hedge accounting. It replaces the classification and measurement models for financial instruments in IAS 39 with three classification categories: amortised cost, fair value through profit or loss and fair value through other comprehensive income. The standard is expected to become effective for periods ending on or after 1 January 2018.

IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is expected to become effective for periods ending on or after 1 January 2018.

IFRS 16 replaces IAS 17 and requires recognition of assets and liabilities for all leases, unless the term is less than one year or of low value. The Group will recognise a 'right of use' asset which will be depreciated on a straight-line basis over the life of the lease. The lease liability will be amortised using an effective interest rate method through interest expense. The standard is expected to become effective for periods ending on or after 1 January 2019.

No other standards and interpretations are expected to have a material impact on the Group's results.

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 2016.

Subsidiaries are entities controlled by the Group and are included from the date on which control commences until the date on which control ceases. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Non-controlling interests are measured at either their proportionate share of their identifiable net assets or their proportionate share of the fair value of identifiable net assets at the date of acquisition. The choice of measurement is made on a case by case basis.

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 unwinding of the discount on the deferred contingent consideration is classified within finance costs.

Restructuring and acquisition-related items

Where the Group incurs significant expenditure or earns significant income arising from an acquisition or from a reorganisation of a function or a team 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. Changes in the fair value of deferred contingent consideration in respect of acquisitions, included within operating profit, as well as finance costs such as interest on borrowings to execute an acquisition and including the unwinding of the 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 term of the lease.

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.

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.

Certain management contracts 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 other fixed assets, 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. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument (other than financial instruments at fair value through profit or loss) are added to or deducted from the fair value of the financial instrument, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial instruments at fair value through profit or loss are recognised immediately in profit or loss. 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 the income statement with subsequent movements recognised in the income statement.

- **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.

Derivative financial instruments
In limited circumstances, the Group may use derivative financial instruments to hedge against market and foreign exchange risk in relation to certain seed capital investments. These are classified as financial assets or liabilities according to the fair value at reporting date. All changes in the fair value of derivative financial instruments are taken to profit or loss. It is not the Group's policy to trade in derivative instruments.

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 (investment contract) liabilities are carried at fair value through 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.

Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described in note 30.

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.

Preference shares

The 5.0% non-voting, perpetual, non-cumulative, redeemable preference shares are classified as an element of equity as the securities are irredeemable, except at the Company's discretion and dividends are discretionary and non-cumulative.

Dividends

Dividends on ordinary shares and preference 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 in finance costs. 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 2016

	Notes	2016 Before amortisation, restructuring and acquisition-related items £m	2016 Amortisation, restructuring and acquisition-related items £m	2016 Total £m	2015 Before amortisation and acquisition-related items £m	2015 Amortisation and acquisition-related items £m	2015 Total £m
Gross revenue		1,114.0	–	1,114.0	1,318.9	–	1,318.9
Commissions payable		(106.9)	–	(106.9)	(149.9)	–	(149.9)
Net revenue	2	1,007.1	–	1,007.1	1,169.0	–	1,169.0
Operating costs		(679.0)	–	(679.0)	(670.3)	–	(670.3)
Amortisation and impairment of intangible assets	13	–	(128.4)	(128.4)	–	(131.3)	(131.3)
Restructuring and acquisition-related income (costs)	4	–	0.7	0.7	–	(0.1)	(0.1)
Operating expenses		(679.0)	(127.7)	(806.7)	(670.3)	(131.4)	(801.7)
Operating profit		328.1	(127.7)	200.4	498.7	(131.4)	367.3
Net finance income (costs)	7	1.6	(3.1)	(1.5)	2.5	(6.5)	(4.0)
Net gains (losses) on investments	8	23.0	–	23.0	(9.6)	–	(9.6)
Profit before taxation		352.7	(130.8)	221.9	491.6	(137.9)	353.7
Tax expense	9	(58.2)	25.5	(32.7)	(74.7)	30.0	(44.7)
Profit for the year		294.5	(105.3)	189.2	416.9	(107.9)	309.0
Attributable to:							
Equity shareholders of the Company				164.9			288.2
Other equity holders				24.8			18.0
Non-controlling interests				(0.5)			2.8
				189.2			309.0
Earnings per share							
Basic	12			12.83p			22.28p
Diluted	12			12.62p			21.79p

Statements of comprehensive income

For the year to 30 September 2016

	Group		Company	
	2016 **£m**	2015 £m	**2016** **£m**	2015 £m
Profit for the year	**189.2**	309.0	**310.4**	338.6
Items that will not be reclassified subsequently to profit or loss				
Remeasurement (loss) gains on defined benefit pension schemes	**(76.2)**	10.7	**–**	–
Tax on net remeasurement of defined benefit pension schemes	**12.6**	(2.1)	**–**	–
	(63.6)	8.6	**–**	–
Items that may be reclassified subsequently to profit or loss				
Translation of foreign currency net investments	**107.0**	(8.5)	**2.1**	0.1
Available for sale assets:				
– Gains during the period	**1.5**	1.3	**2.5**	0.9
Tax on items that may be recycled to profit or loss	**(0.5)**	(0.3)	**(0.5)**	(0.2)
	108.0	(7.5)	**4.1**	0.8
Other comprehensive income, net of tax	**44.4**	1.1	**4.1**	0.8
Total comprehensive income for the year	**233.6**	310.1	**314.5**	339.4
Attributable to:				
Equity shareholders of the Company	**214.3**	289.3	**294.7**	321.4
Other equity holders	**19.8**	18.0	**19.8**	18.0
Non-controlling interests	**(0.5)**	2.8	**–**	–

Balance sheets

30 September 2016

	Notes	Group 2016 £m	Group 2015 (restated[1]) £m	Company 2016 £m	Company 2015 £m
Assets					
Non-current assets					
Intangible assets	13	**1,489.4**	1,486.2	**62.7**	49.8
Property, plant & equipment	15	**21.5**	21.3	**10.3**	12.7
Investments	16	**62.9**	52.1	**2,626.6**	2,546.0
Deferred tax assets	17	**32.4**	19.9	**6.4**	8.5
Pension surplus	31	**–**	30.1	**–**	–
Trade and other receivables	18	**5.2**	3.7	**101.8**	109.9
Total non-current assets		**1,611.4**	1,613.3	**2,807.8**	2,726.9
Current assets					
Assets backing investment contract liabilities	27	**1,670.6**	1,926.1	**–**	–
Trade and other receivables	18	**427.1**	557.9	**94.4**	112.0
Investments	27	**254.6**	192.6	**191.7**	146.3
Derivative financial assets	27	**–**	29.6	**–**	29.6
Cash and cash equivalents	19	**847.9**	922.3	**148.1**	252.3
Total current assets		**3,200.2**	3,628.5	**434.2**	540.2
Total assets		**4,811.6**	5,241.8	**3,242.0**	3,267.1
Equity					
Called up share capital	20	**131.8**	131.8	**131.8**	131.8
Share premium account	22	**898.7**	898.7	**898.7**	898.7
Other reserves	22	**783.7**	675.7	**719.3**	715.2
Retained earnings	22	**(123.3)**	30.3	**431.1**	399.9
Total equity attributable to shareholders of the parent		**1,690.9**	1,736.5	**2,180.9**	2,145.6
Non-controlling interest		**(0.6)**	(0.1)		–
7.0% Perpetual cumulative capital notes	23	**321.6**	321.6	**321.6**	321.6
5.0% Preference shares	23	**100.0**	100.0	**100.0**	100.0
Total equity		**2,111.9**	2,158.0	**2,602.5**	2,567.2
Liabilities					
Non-current liabilities					
Deferred contingent consideration	27	**45.1**	46.8	**29.3**	35.9
Pension deficit	31	**48.0**	12.0	**–**	–
Provisions	25	**1.0**	5.0	**–**	–
Deferred tax liabilities	17	**80.3**	92.7	**1.2**	0.7
Total non-current liabilities		**174.4**	156.5	**30.5**	36.6
Current liabilities					
Investment contract liabilities	27	**1,670.6**	1,926.1	**–**	–
Interest bearing loans and borrowings	19	**299.1**	354.6	**406.7**	466.4
Trade and other payables	24	**512.3**	582.0	**185.7**	158.8
Current tax payable		**43.3**	34.9	**16.6**	8.4
Derivative financial liabilities	27	**–**	29.7	**–**	29.7
Total current liabilities		**2,525.3**	2,927.3	**609.0**	663.3
Total liabilities		**2,699.7**	3,083.8	**639.5**	699.9
Total equity and liabilities		**4,811.6**	5,241.8	**3,242.0**	3,267.1

[1] Restated to reflect gross position for cash pooling arrangements (see note 19).

The financial statements on pages 92 to 152 were approved by the Board of Directors on 27 November 2016, and signed on its behalf by:

S Troughton
Chairman

Simon Troughton

W J Rattray
Finance Director

Statements of changes in equity

For the year to 30 September 2016

	Share capital £m	Share premium account £m	Capital redemption reserve £m	Merger reserve £m
Group				
Balance at 30 September 2014	131.4	898.7	31.1	611.3
Profit for the period	–	–	–	–
Other comprehensive income (expense)	–	–	–	–
Total comprehensive income (expense)	–	–	–	–
Share-based payments	–	–	–	–
Deferred share issue on acquisition (note 14)	–	–	–	–
Arising on the issue of ordinary shares	1.8	–	–	65.8
Redemption of shares	(1.4)	–	1.4	–
Issue of preference share capital	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Non-controlling interest	–	–	–	–
Acquisition of non-controlling interest (note 14)	–	–	–	–
Balance at 30 September 2015	**131.8**	**898.7**	**32.5**	**677.1**
Profit for the period	**–**	**–**	**–**	**–**
Other comprehensive income (expense)	**–**	**–**	**–**	**–**
Total comprehensive income (expense)	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Balance at 30 September 2016	**131.8**	**898.7**	**32.5**	**677.1**
Company				
Balance at 30 September 2014	131.4	898.7	31.1	611.3
Profit for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Share-based payments	–	–	–	–
Deferred share issue on acquisition (note 14)	–	–	–	–
Arising on the issue of ordinary shares	1.8	–	–	65.8
Redemption of shares	(1.4)	–	1.4	–
Issue of preference share capital	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Acquisition of non-controlling interest (note 14)	–	–	–	–
Balance at 30 September 2015	**131.8**	**898.7**	**32.5**	**677.1**
Profit for the period	–	–	–	–
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	–	–
Share-based payments	–	–	–	–
Purchase of own shares	–	–	–	–
Dividends paid to shareholders	–	–	–	–
Balance at 30 September 2016	**131.8**	**898.7**	**32.5**	**677.1**

Foreign currency translation reserve £m	Fair value reserve £m	Other non-distributable reserves £m	Retained earnings £m	Non-controlling interest £m	Other equity £m	Total equity £m
(25.6)	(3.8)	43.1	28.0	40.1	321.6	2,075.9
–	–	–	288.2	2.8	18.0	309.0
(8.5)	1.0	–	8.6	–	–	1.1
(8.5)	1.0	–	296.8	2.8	18.0	310.1
–	–	–	45.4	–	–	45.4
–	–	(67.6)	–	–	–	(67.6)
–	–	–	–	–	–	67.6
–	–	–	(50.3)	–	–	(50.3)
–	–	–	(0.5)	–	100.0	99.5
–	–	–	(37.0)	–	–	(37.0)
–	–	–	(243.2)	–	(18.0)	(261.2)
–	–	–	–	(6.5)	–	(6.5)
–	–	27.5	(8.9)	(36.5)	–	(17.9)
(34.1)	**(2.8)**	**3.0**	**30.3**	**(0.1)**	**421.6**	**2,158.0**
–	**–**	–	**164.9**	**(0.5)**	**24.8**	**189.2**
107.0	**1.0**	–	**(63.6)**	**–**	**–**	**44.4**
107.0	1.0	–	101.3	(0.5)	24.8	233.6
–	–	–	39.2	–	–	39.2
–	–	–	(43.5)	–	–	(43.5)
–	–	–	(250.6)	–	(24.8)	(275.4)
72.9	**(1.8)**	**3.0**	**(123.3)**	**(0.6)**	**421.6**	**2,111.9**
1.0	0.8	70.6	362.0	–	321.6	2,428.5
–	–	–	320.6	–	18.0	338.6
0.1	0.7	–	–	–	–	0.8
0.1	0.7	–	320.6	–	18.0	339.4
–	–	–	46.8	–	–	46.8
–	–	(67.6)	–	–	–	(67.6)
–	–	–	–	–	–	67.6
–	–	–	(50.3)	–	–	(50.3)
–	–	–	(0.5)	–	100.0	99.5
–	–	–	(37.0)	–	–	(37.0)
–	–	–	(243.2)	–	(18.0)	(261.2)
–	–	–	1.5	–	–	1.5
1.1	**1.5**	**3.0**	**399.9**	**–**	**421.6**	**2,567.2**
–	–	–	285.6	–	24.8	310.4
2.1	2.0	–	–	–	–	4.1
2.1	2.0	–	285.6	–	24.8	314.5
–	–	–	39.7	–	–	39.7
–	–	–	(43.5)	–	–	(43.5)
–	–	–	(250.6)		(24.8)	(275.4)
3.2	**3.5**	**3.0**	**431.1**	**–**	**421.6**	**2,602.5**

Statements of cash flows

For the year to 30 September 2016

	Notes	Group 2016 £m	Group 2015 £m	Company 2016 £m	Company 2015 £m
Core cash generated from operating activities		**362.9**	531.7	**400.3**	347.3
Short term timing differences on open end fund settlements		**(0.5)**	(1.3)	**–**	–
Cash generated from operations		**362.4**	530.4	**400.3**	347.3
Net interest received		**1.5**	2.1	**0.9**	1.4
Tax paid		**(50.0)**	(62.2)	**(19.4)**	(22.6)
Net cash generated from operations		**313.9**	470.3	**381.8**	326.1
Restructuring and acquisition-related costs paid		**(7.8)**	(23.9)	**(4.9)**	(14.8)
Net cash generated from operating activities	5	**306.1**	446.4	**376.9**	311.3
Cash flows from investing activities					
Proceeds from sale of investments		**83.1**	36.6	**52.7**	18.3
Purchase of investments		**(73.5)**	(154.5)	**(74.0)**	(119.3)
Acquisition of businesses, net of cash acquired		**(55.1)**	(126.2)	**(50.4)**	(71.5)
Sale of subsidiary net of cash acquired		**0.2**	–	**(6.8)**	–
Investment in existing subsidiary undertakings		**–**	–	**–**	(57.6)
Purchase of intangible assets		**(18.5)**	(7.3)	**(17.3)**	(6.9)
Purchase of property, plant & equipment		**(6.0)**	(8.5)	**(1.7)**	(4.9)
Net cash used in investing activities		**(69.8)**	(259.9)	**(97.5)**	(241.9)
Cash flows from financing activities					
Redemption of ordinary shares		**–**	(50.3)	**–**	(50.3)
Purchase of own shares		**(43.5)**	(37.0)	**(43.5)**	(37.0)
Issue of preference shares (net of expenses paid)		**–**	99.5	**–**	99.5
Dividends paid and coupon payments		**(280.4)**	(265.8)	**(280.4)**	(265.8)
Dividends paid to non-controlling interests		**–**	(12.0)	**–**	–
Net cash used in financing activities		**(323.9)**	(265.6)	**(323.9)**	(253.6)
Net decrease in cash and cash equivalents		**(87.6)**	(79.1)	**(44.5)**	(184.2)
Cash and cash equivalents at 1 October		**567.7**	653.9	**(214.1)**	(29.9)
Exchange rate fluctuations on cash and cash equivalents		**68.7**	(7.1)	**–**	–
Cash and cash equivalents at 30 September	19	**548.8**	567.7	**(258.6)**	(214.1)

Notes to the financial statements

For the year to 30 September 2016

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 2016	UK £m	Europe £m	Singapore £m	Rest of Asia £m	US £m	Total £m
Net revenue	521.1	113.3	208.0	56.9	107.8	1,007.1
Non-current assets	1,185.3	48.5	5.3	137.2	139.8	1,516.1

Year to 30 September 2015	UK £m	Europe £m	Singapore £m	Rest of Asia £m	US £m	Total £m
Net revenue	604.5	138.4	257.2	65.2	103.7	1,169.0
Non-current assets	1,191.2	44.1	5.8	131.2	138.9	1,511.2

Included in revenues arising from the UK are revenues of £137.2 million (2015: £147.6 million) which were earned from the Group's largest client. No other single client contributed 10% or more to the Group's revenue in either 2016 or 2015.

2 Revenue

	2016 £m	2015 £m
Revenue comprises:		
Gross management fees	1,091.8	1,296.8
Commissions payable to intermediaries	(106.9)	(149.9)
Net management fees	984.9	1,146.9
Performance fees	15.8	13.5
Transaction fees	6.4	8.6
Net revenue	1,007.1	1,169.0

3 Operating expenses

	2016 £m	2015 £m
Operating profit is stated after charging (crediting):		
Fees payable to the Company's auditor for the audit of the Company's accounts	0.3	0.2
Fees payable to the Company's auditor and its associates for other services		
• audit of the Company's subsidiaries pursuant to legislation	1.3	1.2
• audit-related assurance services	0.2	0.2
Total audit fees	1.8	1.6
• tax compliance services	0.4	0.3
• other assurance services	0.5	0.2
• other non-audit services	0.7	0.4
Total non-audit fees	1.1	0.7
Operating lease payments	23.3	21.9
Depreciation	8.1	8.6
Amortisation of intangible assets	120.7	131.3
Impairment of intangible assets	7.7	–
Exchange gain	(6.6)	(0.7)

Details of directors' remuneration are given in the remuneration report on pages 68 to 85.

Fees in relation to other assurance services relate to internal controls reporting services.

4 Restructuring and acquisition-related items

Change in fair value of deferred consideration

Acquisition-related items includes a gain of £17.8 million (2015: £24.4 million) related to the reduction in the fair value of the deferred contingent consideration payable to Lloyds Banking Group at 30 September 2016 (see note 27).

Restructuring costs

During 2016, we implemented a cost efficiency programme, reflecting our long-term focus on achieving further business efficiencies. In connection with this programme, £13.0 million has been recognised in the year to 30 September 2016 for severance costs and the charge for the acceleration of deferred compensation awards for 'good' leavers. There is also an onerous lease provision for the vacant space in the Swedish office.

Acquisition costs

Costs largely relate to the acquisition of SWIP and the migration and integration of this business into the Group, as well as deal costs related to acquisitions, which completed in the year to 30 September 2016 (see note 14). Transaction costs include advisers' 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.

Transaction and deal costs on other acquisitions in 2015 relate to advisers' fees on the FLAG acquisition and in 2016 relate to Parmenion, Arden and Advance acquisitions (see note 14).

	2016 £m	2015 £m
Restructuring costs		
Redundancy and other severance costs	13.0	–
Other costs	1.0	–
	14.0	–

	2016 £m	2015 £m
Acquisition-related costs		
Arising on other acquisitions:		
Transaction & deal costs	0.9	4.7
Arising on SWIP acquisition:		
Redundancy and other severance costs	–	3.8
Costs of separation, migration & integration	2.0	16.4
Transitional service costs	0.2	2.8
Migration & integration costs	2.2	23.0
Transaction & deal costs	–	(3.2)
Reduction in fair value of deferred consideration	(17.8)	(24.4)
Total restructuring and acquisition-related (income) costs	(0.7)	0.1

£1.8 million has been recognised as a tax credit in the income statement in respect of restructuring and acquisition costs that are deductible for tax purposes (2015: £5.3 million).

5 Analysis of cash flows

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Reconciliation of profit after tax to operating cash flow				
Profit after tax	189.2	309.0	310.4	338.6
Depreciation	8.1	8.6	4.1	4.1
Amortisation of intangible assets	120.7	131.3	4.3	12.0
Impairment of intangibles	7.7	–		
Unrealised foreign currency gains	(2.6)	(1.9)	(0.6)	–
Other gains	(17.8)	(23.1)	(17.8)	(23.1)
Loss on disposal of property, plant & equipment	0.1	0.1	–	0.1
(Gains) losses on investments	(23.0)	9.6	(20.7)	(0.6)
Equity settled share-based element of remuneration	39.4	47.6	9.2	7.8
Net finance costs / (income)	1.5	4.0	(0.9)	5.1
Income tax expense (income)	32.7	44.7	2.8	(5.2)
	356.0	529.9	290.8	338.8
Decrease (increase) in trade and other receivables	49.4	24.5	15.5	(54.6)
Decrease (increase) in open end fund receivables	173.5	(101.8)	–	–
(Decrease) increase in trade and other payables	(46.3)	(46.6)	89.1	48.3
(Decrease) increase in open end fund payables	(174.0)	100.5	–	–
Decrease in provisions	(4.0)	–	–	–
Net cash inflow from operating activities	354.6	506.5	395.4	332.5
Interest received	5.0	5.6	3.3	1.4
Interest paid	(3.5)	(3.5)	(2.4)	–
Income tax paid	(50.0)	(62.2)	(19.4)	(22.6)
Net cash generated from operating activities	306.1	446.4	376.9	311.3

6 Employees

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Aggregate employee costs, including directors:				
Salaries and cash element of variable pay	**276.0**	264.2	**49.0**	55.8
Share-based payments and deferred fund awards	**62.6**	63.9	**14.1**	9.3
Other benefits	**12.6**	11.1	**2.3**	1.7
Social security costs	**35.8**	31.4	**9.5**	7.5
Pension costs	**35.9**	33.7	**9.2**	8.5
	422.9	404.3	**84.1**	82.8

	2016 Number	2015 Number	**2016 Number**	2015 Number
Average number of employees during the year	**2,812**	2,731	**646**	613

7 Net finance costs

	2016 £m	2015 £m
Finance revenue - interest income	**(5.2)**	(5.7)
Unwinding of discount on deferred consideration	**3.1**	6.5
Interest on overdrafts, revolving credit facilities and other interest bearing accounts	**3.6**	3.2
Net finance costs	**1.5**	4.0

8 Gains and losses on investments

	2016 £m	2015 £m
Gains (losses) on held for trading investments	**23.5**	(12.7)
(Losses) gains on derivative instruments	**(0.9)**	3.3
Gains (losses) on available for sale investments	**0.7**	(0.2)
Loss on sale of subsidiary	**(0.3)**	–
	23.0	(9.6)

Gains and losses on derivative instruments relate to realised gains and losses on futures contracts used to hedge market risk on certain seed capital investments classified as ‘held for trading’ (see note 27).

9 Tax expense

	2016 £m	2015 £m
Current tax expense		
UK corporation tax on profit for the year	**32.7**	37.6
Adjustments in respect of prior periods	**0.8**	(1.0)
	33.5	36.6
Foreign tax on profit in the year	**25.7**	28.9
Adjustments in respect of prior periods	**0.4**	(1.7)
Total current tax	**59.6**	63.8
Deferred tax credit		
Origination and reversal of temporary differences	**(21.1)**	(19.4)
Effect of tax rate change on opening deferred tax balances	**(4.8)**	–
Adjustments in respect of prior periods	**(1.0)**	0.3
Total tax expense in income statement	**32.7**	44.7

The deferred tax credit is analysed in note 17.

In addition to current tax amounts recognised in the income statement, a credit of £0.9m (2015: £3.1m) has been recognised directly in equity in respect of share based payments.

	2016 £m	2015 £m
Reconciliation of effective tax rate		
Profit before tax	**221.9**	353.7
Income tax calculated at the UK corporation tax rate 20% (2015: 20.5%)	**44.4**	72.5
Effect of lower tax rates applicable in foreign jurisdictions	**(35.3)**	(22.1)
Utilisation of previously unrecognised losses	**–**	(1.3)
Movement in unrecognised deferred tax asset	**30.3**	5.2
Change in UK tax rates on deferred tax balances	**(4.8)**	–
Non-taxable income	**(5.1)**	(4.4)
Expenses not deductible	**7.1**	–
Timing difference on deferred shares	**0.1**	(0.7)
Other differences	**(4.2)**	(2.1)
Adjustments in respect of prior years	**0.2**	(2.4)
Total tax expense in income statement	**32.7**	44.7

Domestic tax rate

The UK tax rate for the year is 20.0% (2015: 20.5%). The tax rate was reduced from 21% to 20% (effective from 1 April 2015) and a further reduction to 19% (effective from 1 April 2017) and then to 18% (effective from 1 April 2020) was substantively enacted on 26 October 2015.

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 19%, 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 2016 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 of the Company for the financial year was £310.4 million (2015: £338.6 million).

11 Dividends and coupons payable

	2016 £m	2015 £m
Coupon payments on perpetual capital securities		
7.0% Perpetual cumulative capital notes	**24.8**	22.6
Dividends on ordinary shares		
Declared and paid during the year:		
Final dividend for 2015 - 12.0p (2014: 11.25p)	**154.2**	145.9
Interim dividend for 2016 - 7.5p (2015: 7.5p)	**96.4**	97.3
	250.6	243.2
Preference dividends		
5.0% Preference shares	**5.0**	–
Total dividends and coupon payments paid during the year	**280.4**	265.8
Proposed for approval at the Annual General Meeting (not recognised as a liability at 30 September)		
Dividends on ordinary shares:		
Final dividend for 2016 – 12.0p (2015: 12.0p)	**154.2**	154.1
Dividend on 2016 preference shares	**2.5**	2.5

The total ordinary dividend for the year is 19.5p per share including the proposed final dividend for 2016 of 12.0p per share.

The proposed dividend on the 2015 preference shares is £2.5 million (see note 23) and will be paid at the same time as the final ordinary dividend for 2016.

The coupon payments on perpetual capital securities are tax deductible. The deduction for 2016 is £5.0 million (2015: £4.6 million), resulting in a net cost of £19.8 million (2015: £18.0 million).

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, excluding shares held by the Employee Benefits Trust (see note 22).

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 and impairment of intangible assets, restructuring 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Basic earnings per share				
Profit for the financial year attributable to equity shareholders of the Company	**164.9**	288.2	**164.9**	288.2
Amortisation and impairment of intangible assets, net of attributable taxation			**101.1**	106.6
Restructuring and acquisition-related costs, net of attributable taxation			**4.2**	1.3
Underlying profit for the financial year			**270.2**	396.1
Weighted average number of shares (millions)	**1,284.8**	1,293.6	**1,284.8**	1,293.6
Basic earnings per share	**12.83p**	22.28p	**21.03p**	30.62p
Diluted earnings per share				
Profit for calculation of diluted earnings per share	**164.9**	288.2	**270.2**	396.1
Weighted average number of shares (millions)				
For basic earnings per share	**1,284.8**	1,293.6	**1,284.8**	1,293.6
Dilutive effect of exercisable share options and deferred shares	**22.1**	28.8	**22.1**	28.8
	1,306.9	1,322.4	**1,306.9**	1,322.4
Diluted earnings per share	**12.62p**	21.79p	**20.67p**	29.95p

Profit for the financial year used in calculating earnings per share is based on profit after tax after adjusting for a benefit of £0.5 million for non-controlling interests (2015: charge of £2.8 million), coupon payments in respect of perpetual capital securities (net of tax) of £19.8 million (2015: £18.0 million) and preference dividends of £5.0 million (2015: nil).

13 Intangible assets

Group	Goodwill £m	Management contracts £m	Distribution contracts £m	Software £m	Total £m
Cost					
At 30 September 2014	913.3	1,013.3	45.2	40.0	2,011.8
Arising on acquisitions	24.1	39.5	–	–	63.6
Additions	–	–	–	7.3	7.3
Disposals	–	(9.0)	–	(2.0)	(11.0)
Exchange movement	(4.6)	4.2	–	(0.2)	(0.6)
At 30 September 2015	932.8	1,048.0	45.2	45.1	2,071.1
Arising on acquisitions	23.8	39.1	–	11.6	74.5
Additions	–	–	–	18.5	18.5
Exchange movement	25.1	13.4	–	0.1	38.6
At 30 September 2016	**981.7**	**1,100.5**	**45.2**	**75.3**	**2,202.7**
Amortisation and impairment					
At 30 September 2014	–	396.8	42.2	20.6	459.6
Amortisation for year	–	120.3	3.0	8.0	131.3
On disposal	–	(4.2)	–	(1.8)	(6.0)
At 30 September 2015	–	512.9	45.2	26.8	584.9
Amortisation for year	–	111.8	–	8.9	120.7
Impairment	–	7.7	–	–	7.7
At 30 September 2016	**–**	**632.4**	**45.2**	**35.7**	**713.3**
Net book value					
At 30 September 2016	**981.7**	**468.1**	**–**	**39.6**	**1,489.4**
At 30 September 2015	932.8	535.1	–	18.3	1,486.2

Company	Goodwill £m	Management contracts £m	Software £m	Total £m
Cost				
At 30 September 2014	34.8	25.7	28.0	88.5
Additions	–	–	6.9	6.9
Disposals	–	–	(2.0)	(2.0)
At 30 September 2015	34.8	25.7	32.9	93.4
Additions	–	–	17.3	17.3
At 30 September 2016	**34.8**	**25.7**	**50.2**	**110.7**
Amortisation and impairment				
At 30 September 2014	3.7	14.1	15.6	33.4
Amortisation for year	–	8.2	3.8	12.0
On disposal	–	–	(1.8)	(1.8)
At 30 September 2015	3.7	22.3	17.6	43.6
Amortisation for year	–	–	4.4	4.4
At 30 September 2016	**3.7**	**22.3**	**22.0**	**48.0**
Net book value				
At 30 September 2016	**31.1**	**3.4**	**28.2**	**62.7**
At 30 September 2015	31.1	3.4	15.3	49.8

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. For goodwill, we assess the recoverable amount by considering the Group's market capitalisation, external valuations prepared by analysts and our internal models. We use internal models for other intangibles. Assumptions 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 on page 114.

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 2017. The 2017 budget reflects the impact of outflows from this year, as well as any mitigating actions. It is prepared on a bottom up basis and the growth rates below are average rates applied to the forecasts in later years.

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 for the periods beyond these covered by the budget:

	2016 **%**	2015 %
Average annual increase in assets under management	**5.0**	3.8
Average annual increase in operating costs	**3.0**	3.0

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.

	2016 **Post tax** **%**	**2016** **Pre tax** **%**	2015 Post tax %	2015 Pre tax %
Discount rate	**10.83**	**12.44**	11.22	12.91

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:

	2016 **%**	2015 %
Discount rate - pre tax	**19.5**	19.7
Revenue growth rate	**(1.5)**	(2.7)
Operating cost growth rate	**13.2**	12.6

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 £1,562 million (2015: £1,414 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 2016 including £79.3 million (2015: £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. No impairment was identified.

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. An impairment charge of £7.7 million was recognised in the year to 30 September 2016 in relation to Artio management contacts following outflows in the global high yield and total return bond products.

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 2016			30 September 2015		
	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	**388.8**	**1-7**	**3-9**	455.8	1-7	5-9
Indefinite life - open end fund contracts	**79.3**	**N/A**	**Indefinite**	79.3	N/A	Indefinite
	468.1			535.1		

The definite life management contracts include those acquired in 2014 as part of the SWIP acquisition, which have a net book value of £227.5 million at 30 September 2016 (2015: £291.4 million), together with the contracts acquired from Credit Suisse in 2009 which have a net book value of £62.2 million (2015: £80.6 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 2016, the Company held indefinite life open end fund contracts with a value of £3.4 million (2015: £3.4 million).

14 Acquisitions

Acquisitions 2016

a. On 29 December 2015, the Group completed the purchase of Advance Emerging Capital Ltd ("Advance"), a London based specialist investment manager. Total cash consideration for the transaction was £14.6 million.

In the period to 30 September 2016, Advance added revenue of £2.6 million and profit before tax of £1.5 million. Had the acquisition occurred on 1 October 2015, we estimate that consolidated revenues would have increased by £3.5 million, and consolidated profit before tax for the period would have increased by £2.0 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 2015.

Acquisition-related costs of £0.1 million were incurred and have been included in acquisition-related costs (see note 4).

b. On 31 December 2015, the Group completed the purchase of Arden Capital Management LLC ("Arden"), a hedge fund solutions business with offices in New York and London. Total consideration for this transaction was £11.2 million ($16.6 million), comprising cash consideration of £10.4 million ($15.3 million) and contingent consideration of £0.8 million under an earn-out agreement.

The fair value of the earn-out at completion was £0.8 million, determined by the probability weighted expected return and growth over the period from acquisition to 31 December 2019, subject to a maximum of £49 million ($73 million), and discounted to a present value. The undiscounted fair values identified in this analysis range from £1.5 million to £8.9 million. The deferred liability is £1.0 million at 30 September 2016.

In the period to 30 September 2016, Arden added revenue of £6.3 million and profit before tax of £0.1 million. Had the acquisition occurred on 1 October 2015, we estimate that consolidated revenues would have increased by £9.4 million, and consolidated profit before tax for the period would have increased by £0.9 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 2015.

Acquisition-related costs of £0.2 million were incurred and have been included in acquisition-related costs (see note 4).

The acquisition of Advance and Arden are in line with the Group's strategy to strengthen our alternatives capabilities.

c. On 11 January 2016, the Group completed the purchase of Parmenion Capital Partners LLP and its sister company, Self Directed Holdings Limited (together "Parmenion"), a Bristol based provider of risk graded portfolios to UK financial advisers through a digital platform. Total consideration for this transaction was £50.2 million, comprising cash consideration of £40.1 million and contingent consideration of £10.1 million under an earn-out.

The fair value of the earn-out at completion was £10.1 million, determined by the probability weighted expected return and growth over the period from acquisition to 31 December 2017, subject to a maximum of £16.8 million, and discounted to a present value. The undiscounted fair values identified in this analysis range from £8.0 million to £16.8 million. After the impact of unwinding the discount to date of £1.1 million, the deferred liability is £11.2 million at 30 September 2016.

The acquisition is in line with the Group's strategy to capitalise on advancements in financial technology systems and to become a leader in using technology to provide investors with portfolios appropriate to their needs, whilst also developing the channels for the distribution of multi asset investment capabilities.

In the period to 30 September 2016, Parmenion added revenue of £7.6 million and profit before tax of £0.9 million. Had the acquisition occurred on 1 October 2015, we estimate that consolidated revenues would have increased by £10.1 million, and consolidated profit before tax for the period would have increased by £1.2 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 2015.

Acquisition-related costs of £0.6 million were incurred and have been included in acquisition-related costs (see note 4).

d. Independent valuation specialists were engaged to carry out a valuation of the acquired goodwill and intangible assets acquired in these transactions. The fair value adjustments from this allocation process are reflected in the following table.

Goodwill is mainly attributable to the skills of the workforce acquired and the synergies expected to be achieved from the acquisitions.

The fair value of intangible assets has been based on the present value of expected cash flows of the underlying management contracts, with the exception of £11.6 million internally developed software for Parmenion which is based on management's best estimate of replacement cost.

The amounts recognised in respect of the identifiable assets and liabilities assumed are as set out in the table below.

Businesses acquired from:	Advance Emerging Capital Ltd	Arden Capital Management LLC	Parmenion Capital Partners LLP
	Fair value	Fair value[1]	Fair value
	£m	£m	£m
Intangible assets	11.5	1.1	38.1
Property, plant & equipment	–	0.3	0.4
Deferred tax assets	–	0.2	–
Trade and other receivables	0.5	82.9	1.5
Cash	0.8	7.3	1.5
Other investments	–	1.5	–
Trade and other payables	(0.6)	(80.3)	(2.3)
Current tax payable	(0.1)	–	–
Deferred tax liabilities	(2.3)	(2.2)	(7.6)
Total identifiable net assets acquired	**9.8**	**10.8**	**31.6**
Goodwill	4.8	0.4	18.6
	14.6	11.2	50.2
Discharged by:			
Cash	14.6	10.4	40.1
Fair value of the earn-out payment	–	0.8	10.1
Total consideration	**14.6**	**11.2**	**50.2**

[1] Sterling equivalent of the fair value recognised on acquisition of the Arden business is presented using the exchange rate ruling on date of acquisition.

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.

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Acquisitions 2015

a. On 31 August 2015, the Group completed the purchase of FLAG Capital Management, LLC ("FLAG"), a manager of private equity and real asset solutions with offices in Stamford (USA), Boston (USA), and Hong Kong. Total consideration for the transaction was £62.6 million ($96.2 million) comprising cash consideration of £52.0 million ($80 million) and contingent deferred consideration of £10.6 million under an earn-out agreement.

The fair value of the earn-out at completion was £10.6 million, determined by the probability weighted expected return and growth over the period from acquisition to 31 December 2017, subject to a maximum of £29.3 million ($45 million), and discounted to a present value. The undiscounted fair values identified in this analysis range from £1.3 million to £29.3 million. The fair value of the earn out has been subsequently measured: after unwinding the year to date discount and impact of foreign exchange of £3.9 million (2015: £0.3 million), the deferred liability is £14.8 million (2015: £10.9 million).

This acquisition is in line with the Group's strategy to strengthen and grow its global alternatives platform and solutions capabilities and FLAG's well-established private equity teams in the U.S. and Asia help broaden the Group's existing solutions business. The acquired business added approximately £39.5 million of intangible assets and goodwill of £22.4 million arose on completion of an independent valuation (see below).

In the one month to September 2015, FLAG added revenue of £1.6 million and profit before tax of £0.6 million. However, if the acquisition had occurred on 1 October 2014, we estimate that consolidated revenues would have been increased by a further £21.5 million, and consolidated profit before tax for the period would have been increased by £4.9 million. In determining these amounts, we have assumed that the fair value adjustments that arose on acquisition date would have been the same if the acquisition had occurred on 1 October 2014. Acquisition-related costs of £2.3 million were incurred and have been included in acquisition costs (see note 4).

b. Independent valuation specialists were engaged to carry out a valuation of the acquired goodwill and intangible assets acquired in this transaction. 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.

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 agreements and recognition over the term are also significant accounting estimates. This is discussed further in note 27.

The determination of useful economic lives is discussed in note 13.

c. The fair value of the intangible assets has been 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.

	Businesses acquired from FLAG Capital Management, LLC		
Group	**At date of acquisition £m**	**Fair value adjustments £m**	**Fair value £m**
Intangible assets	–	39.5	39.5
Property, plant & equipment	0.4	–	0.4
Trade and other receivables	1.2	–	1.2
Cash	2.1	–	2.1
Trade and other payables	(3.0)	–	(3.0)
Total identifiable net assets acquired	**0.7**	**39.5**	**40.2**
Goodwill			22.4
			62.6
Discharged by:			
Cash			52.0
Fair value of the earn-out payment (non-current liabilities)			10.6
Total consideration			**62.6**

d. On 30 June 2015, the Group completed its purchase of the remaining 49.9% stake in the UK joint venture, Aberdeen Private Equity Managers Limited ("SVGM"), from SVG Capital plc ("SVGC") for cash consideration of £29 million. The Group originally acquired a 50.1% stake in May 2013 with the option of acquiring the remaining 49.9% stake for which a deferred liability of £35 million was recognised at acquisition, discounted to £27.5 million. SVGM generated revenues of £17.9 million (2014: £28.8 million) and profit after tax of £6.6 million (2014: £10.7 million), of which £3.3 million (2014: £5.4 million) was allocated to non-controlling interest prior to acquisition of the remaining stake.

At acquisition, the Group recognised a decrease in non-controlling interest of £36.5 million, a decrease in retained earnings of £8.9 million and a reduction of £27.5 million in the put option reserve.

15 Property, plant & equipment

Group	Heritable property £m	Short leasehold property £m	Computers, fixtures and fittings £m	Motor vehicles £m	Total £m
Cost					
At 30 September 2014	2.4	14.6	23.6	1.0	41.6
Additions	–	2.5	5.9	0.1	8.5
On acquisition of subsidiaries	–	–	0.3	–	0.3
Disposals	–	(0.2)	(2.2)	(0.1)	(2.5)
At 30 September 2015	2.4	16.9	27.6	1.0	47.9
Additions	–	2.4	3.6	–	6.0
On acquisition of subsidiaries	–	0.5	0.2	–	0.7
Disposals	–	(2.1)	(4.5)	–	(6.6)
Exchange movement	–	4.2	3.8	0.1	8.1
At 30 September 2016	**2.4**	**21.9**	**30.7**	**1.1**	**56.1**
Depreciation					
At 30 September 2014	0.7	9.0	10.2	0.6	20.5
Charge for year	0.1	2.6	5.8	0.1	8.6
On disposals	–	(0.2)	(2.2)	–	(2.4)
Exchange movement	–	–	(0.1)	–	(0.1)
At 30 September 2015	0.8	11.4	13.7	0.7	26.6
Charge for year	–	1.8	6.1	0.2	8.1
On disposals	–	(1.9)	(4.6)	–	(6.5)
Exchange movement	–	3.5	2.9	–	6.4
At 30 September 2016	**0.8**	**14.8**	**18.1**	**0.9**	**34.6**
Net book value					
At 30 September 2016	**1.6**	**7.1**	**12.6**	**0.2**	**21.5**
At 30 September 2015	1.6	5.5	13.9	0.3	21.3

Company	Heritable property £m	Short leasehold property £m	Computers, fixtures and fittings £m	Total £m
Cost				
At 30 September 2014	2.4	9.8	15.7	27.9
Additions	–	1.4	3.5	4.9
Disposals	–	–	(1.8)	(1.8)
At 30 September 2015	2.4	11.2	17.4	31.0
Additions	–	0.3	1.4	1.7
Disposals	–	–	(3.5)	(3.5)
At 30 September 2016	**2.4**	**11.5**	**15.3**	**29.2**
Depreciation				
At 30 September 2014	0.7	7.9	7.4	16.0
Charge for year	0.1	0.6	3.4	4.1
Disposals	–	–	(1.8)	(1.8)
At 30 September 2015	0.8	8.5	9.0	18.3
Charge for year	–	0.8	3.3	4.1
Disposals	–	–	(3.5)	(3.5)
At 30 September 2016	**0.8**	**9.3**	**8.8**	**18.9**
Net book value				
At 30 September 2016	**1.6**	**2.2**	**6.5**	**10.3**
At 30 September 2015	1.6	2.7	8.4	12.7

16 Investments - non-current

Group	£m
At 30 September 2014	54.6
Additions	9.2
Fair value losses on impaired assets - income statement	(2.4)
Realised gains - income statement	2.8
Fair value gains - reserves	1.6
Disposals	(11.9)
Exchange movement	(1.8)
At 30 September 2015	52.1
Additions	15.2
Fair value losses on impaired assets - income statement	(0.7)
Realised gains - income statement	0.2
Fair value gains - reserves	1.5
Disposals	(12.0)
Exchange movement	6.6
At 30 September 2016	**62.9**

Further details of investments are provided in note 27.

Company	Subsidiary undertakings £m	Other investments £m	Total £m
At 30 September 2014	2,460.5	25.4	2,485.9
Additions: increase in existing subsidiary undertakings	56.1	–	56.1
other investments	–	5.5	5.5
acquisitions	1.5	–	1.5
Fair value loss on impaired assets - income statement	–	(0.6)	(0.6)
Realised gains - income statement	–	1.9	1.9
Fair value gains - reserves	–	1.0	1.0
Disposals	–	(4.1)	(4.1)
Exchange movement	–	(0.2)	(0.2)
Liquidation of subsidiary undertaking	(1.0)	–	(1.0)
At 30 September 2015	2,517.1	28.9	2,546.0
Additions: increase in existing subsidiary undertakings	17.0	–	17.0
other investments	–	10.3	10.3
acquisitions	50.3	–	50.3
Realised gains - income statement	1.0	0.5	1.5
Fair value gains - reserves	–	2.3	2.3
Disposals	–	(2.9)	(2.9)
Exchange movement	–	2.1	2.1
At 30 September 2016	**2,585.4**	**41.2**	**2,626.6**

The Company's investments in subsidiary undertakings are measured at cost less provision for impairment. Further details of subsidiary undertakings are provided in note 32.

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities recognised are as follows:

Group	Balance at 30 Sep 2014 £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2015 £m	Acquired £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2016 £m
Defined benefit pension schemes	2.8	1.7	(4.2)	0.3	–	(4.1)	13.3	**9.5**
Share-based payments	25.6	(0.5)	(5.5)	19.6	–	1.6	(0.9)	**20.3**
Other items	–	–	–	–	0.2	2.7	(0.3)	**2.6**
Deferred tax assets	28.4	1.2	(9.7)	19.9	0.2	0.2	12.1	**32.4**
Available for sale financial assets	(0.2)	–	(0.2)	(0.4)	–	0.3	(0.5)	**(0.6)**
Other items	(2.7)	0.3	0.2	(2.2)	(2.6)	1.8	0.1	**(2.9)**
Intangible assets	(106.8)	17.6	(0.9)	(90.1)	(9.5)	24.6	(1.8)	**(76.8)**
Deferred tax liabilities	(109.7)	17.9	(0.9)	(92.7)	(12.1)	26.7	(2.2)	**(80.3)**
	(81.3)	19.1	(10.6)	(72.8)	(11.9)	26.9	9.9	**(47.9)**

The Group has tax losses which arose in the UK of £77.7million (2015: £76.6 million) and overseas of £234.4 million (2015: £166.4 million). Deferred tax assets of £nil (2015: £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 30 Sep 2014 £m	Recognised in profit and loss £m	Recognised in equity £m	Group transfer £m	Balance at 30 Sep 2015 £m	Recognised in profit and loss £m	Recognised in equity £m	Balance at 30 Sep 2016 £m
Share-based payments	7.0	1.4	(2.6)	1.2	7.0	(0.3)	(0.6)	**6.1**
Other items	1.5	–	–	–	1.5	(1.2)	–	**0.3**
Deferred tax assets	8.5	1.4	(2.6)	1.2	8.5	(1.5)	(0.6)	**6.4**
Available for sale financial assets	(0.5)	–	(0.2)	–	(0.7)	–	(0.5)	**(1.2)**
Deferred tax liabilities	(0.5)	–	(0.2)	–	(0.7)	–	(0.5)	**(1.2)**
	8.0	1.4	(2.8)	1.2	7.8	(1.5)	(1.1)	**5.2**

18 Trade and other receivables

	Group		Company	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Current assets				
Due from trustees for open end fund redemptions	**98.9**	174.3	**–**	–
Due from investors for open end fund sales	**36.9**	134.9	**–**	–
	135.8	309.2	**–**	–
Other trade receivables	**35.7**	42.6	**0.3**	0.2
Amounts due by subsidiary undertakings	**–**	–	**73.1**	89.5
Other receivables	**16.9**	12.3	**10.0**	6.8
Accrued income	**205.6**	158.3	**–**	–
Deposits receivable from brokers on derivative contracts	**–**	5.6	**–**	5.6
Prepayments	**33.1**	29.9	**11.0**	9.9
	427.1	557.9	**94.4**	112.0
Non-current assets				
Other receivables and prepayments	**5.2**	3.7	**–**	–
Amounts due by subsidiary undertakings	**–**	–	**101.8**	109.9
	5.2	3.7	**101.8**	109.9

19 Cash and cash equivalents

	Group		Company	
	2016 £m	2015 (restated) £m	**2016 £m**	2015 £m
Cash at bank and in hand	**838.1**	910.0	**148.1**	252.3
Short term money market funds	**9.8**	12.3		–
Bank overdraft	**(299.1)**	(354.6)	**(406.7)**	(466.4)
Cash and cash equivalents in the statements of cash flows	**548.8**	567.7	**(258.6)**	(214.1)

The Group and Company's bank overdraft is part of a Group cash pooling facility in support of which cross guarantees are provided by certain subsidiary undertakings and interest is paid and received on the net balance. At 30 September 2016 the net amount guaranteed under this arrangement was nil (2015: nil).

Cash and cash equivalents of £314.6 million (2015: £366.0 million) and bank overdraft of £299.1 million (2015: £354.6 million) are held within the Group's cash pooling facility under which interest is paid or received on the net balance.

However, following the issue of an agenda decision by IFRIC (see page 92), the Group has presented cash within the cash pooling facility on a gross basis and restated comparative figures for the year ended 30 September 2015. The restatement increased cash and cash equivalents and interest bearing loans and borrowings by £354.6 million for 2015.

Cash at bank and in hand includes an offsetting overdraft of £261.0 million (2015 restated: £253.0 million) where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis.

Included within in the opening balance for 2015 was cash and cash equivalents of £911.5 million and bank overdraft of £257.6 million. Cash included an offsetting overdraft of £245.0 million, where there was a legally enforceable right and intention to settle on a net basis, as described above.

The Company has two £60 million revolving credit facilities, one each with HSBC bank plc and Abbey National Treasury Services plc. They both run to 27 July 2019. Interest is charged at 0.35% over LIBOR on drawn accounts, with non-utilisation fees of 0.1225% on undrawn balances.

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 28.

Cash and cash equivalents includes £22.3 million (2015: nil) related to the consolidation of seed capital investments where the Group is deemed to have control (see note 27).

20 Share capital

	2016 £m	2015 £m
Allotted, called up and fully paid:		
1,317,914,440 (2015: 1,317,914,440) ordinary shares of 10p	**131.8**	131.8

	2016 No. of ordinary shares millions	2015 No. of ordinary shares millions
At 1 October	**1,317.9**	1,314.3
Shares issued in respect of acquisition	**–**	17.3
Shares purchased	**–**	(13.7)
At 30 September	**1,317.9**	1,317.9

In the year ended 30 September 2016: Nil (2015: 13,700,217) ordinary shares of 10p each were repurchased and cancelled. The market value of the share buyback in 2015 was £50.3 million.

21 Share-based payments and deferred fund awards

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Employee expense				
Deferred fund awards - cash settled	**27.8**	16.3	**3.8**	1.5
Deferred share awards - equity settled	**38.3**	47.6	**9.2**	7.8
Total expense recognised as employee costs	**66.1**	63.9	**13.0**	9.3

Deferred fund awards - cash settled
An element of variable pay 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 2016, the value of liabilities recognised from cash settled deferred awards was £49.6 million (2015: £33.5 million). The fair value movement of the awards from grant date to 30 September 2016 resulted in an increased charge of £8.0 million (2015: decrease of £1.2 million). The total intrinsic value at 30 September 2016 and 2015 was £59.7 million and £42.0 million respectively.

21 Share-based payments and deferred fund awards (continued)

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:

Date of award	Share price on date of grant	Number Original award total	Leavers/ forfeited awards	Exercised awards	Balance at 30 Sep 2016	Earliest vesting dates
1 December 2007	167.5p	8,879,284	(41,180)	(8,832,318)	**5,786**	Dec 2010
17 June 2008	135.2p	245,358	(15,000)	(227,858)	**2,500**	Jun 2011 - Jun 2013
1 December 2008	88.0p	40,171,397	(54,103)	(40,064,041)	**53,253**	Dec 2009 - Dec 2011
1 December 2009	138.6p	24,410,288	(1,944,050)	(22,136,310)	**329,928**	Dec 2010 - Dec 2012
1 December 2010	184.9p	27,354,664	(1,657,495)	(25,024,851)	**672,318**	Dec 2011 - Dec 2013
25 March 2011	208.4p	893,199	–	(884,321)	**8,878**	Dec 2011 - Dec 2013
31 December 2011	199.1p	24,454,611	(924,618)	(22,196,737)	**1,333,256**	Dec 2012 - Dec 2014
24 April 2012	191.1p	450,400	–	(441,284)	**9,116**	Dec 2012 - Dec 2014
31 December 2012	333.4p	12,603,474	(550,843)	(9,986,579)	**2,066,052**	Dec 2013 - Dec 2015
2 May 2013	448.1p	89,006	–	(57,388)	**31,618**	May 2013 - May 2023
1 June 2013	475.9p	291,249	(16,887)	(233,619)	**40,743**	Dec 2013 - Dec 2015
25 July 2013	482.3p	4,106	(2,054)	–	**2,052**	May 2013 - Jul 2023
30 August 2013	475.9p	27,126	–	(18,085)	**9,041**	Dec 2013 - Dec 2015
2 December 2013	487.5p	10,861,916	(564,497)	(5,490,781)	**4,806,638**	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	(37,381)	(638,587)	**444,196**	Dec 2014 - Dec 2016
2 May 2014	438.4p	93,747	–	(51,426)	**42,321**	Dec 2014 - Dec 2016
3 November 2014	487.5p	38,142	–	(25,428)	**12,714**	Dec 2014 - Dec 2016
1 December 2014	454.2p	10,897,186	(528,600)	(2,498,324)	**7,870,262**	Dec 2018 - Dec 2019
22 June 2015	474.8p	53,074	–	–	**53,074**	Mar 2018
1 December 2015	335.0p	13,996,725	(566,792)	(62,833)	**13,367,100**	Dec 2016 - Dec 2020
8 February 2016	353.9p	8,053	–	–	**8,053**	Dec 2016 - Dec 2018
10 April 2016	249.9p	71,165	–	–	**71,165**	Oct 2016 - Apr 2019
13 June 2016	277.4p	54,072	–	–	**54,072**	Dec 2016 - Dec 2018
3 August 2016	307.9p	487,170	–	–	**487,170**	Aug 2017 - Aug 2021
Total		177,563,028	(6,903,500)	(138,870,770)	**31,788,758**	

Awards made in 2009 to 2016 reach their earliest vesting dates in equal tranches over a three, four or five 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 2016	**2016 Number**	Weighted average share price 2015	2015 Number
Outstanding 1 October		**31,051,433**		36,717,405
Granted during the year	**333.52p**	**14,617,185**	454.42p	10,988,402
Exercised during the year	**314.31p**	**(12,538,963)**	451.88p	(16,150,939)
Forfeited during the year		**(1,340,897)**		(503,435)
Outstanding 30 September		**31,788,758**		31,051,433
Exercisable at 30 September		**5,872,685**		7,650,810

The awards outstanding at 30 September 2016 had a weighted average remaining contractual life of 8 years (2015: 8 years).

22 Reserves

The statements of changes in equity provide details of movements in equity for the Group and Company respectively.

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). This was settled on acquisition of the remaining 49.9% in the year to 30 September 2015 (note 14);
- deferred share issue on acquisition of SWIP (note 14). The shares were issued in the year to 30 September 2015.

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.

22 Reserves (continued)

Retained earnings

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; and
- the purchase and sale of own shares in respect of share-based payments;

The Company reserve of £431.1 million (2015: £399.9 million) is distributable. Dividends to shareholders of the Company are paid from retained earnings.

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 variable pay awards that will vest in future periods are as follows:

	2016				2015			
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	32,999,940	2.5%	94.0	107.7	33,691,043	2.6	90.8	99.8

The maximum number of shares held by the EBT during the year was 33,712,318 (2.6% of issued shares); (2015: 42,350,842, 3.2%).

Movements during the year were as follows:

	2016 millions	2015 millions
At 1 October	33.7	42.4
Own shares purchased	12.1	14.0
Own shares sold and disposed through exercise of awards	(12.8)	(22.7)
At 30 September	33.0	33.7

The Company is authorised pursuant to section 701 of the Companies Act 2006 to make market purchases of ordinary shares.

23 Other equity

	2016 £m	2015 £m
US $500 million 7.0% Perpetual cumulative capital notes	321.6	321.6
5% 2015 Non-voting perpetual non-cumulative redeemable preference shares	100.0	100.0
	421.6	421.6

The perpetual capital notes 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.

There is no fixed redemption date, except at the sole discretion of the Group after the fifth anniversary from issue, and dividends are discretionary. Where preference share dividends are declared, they are paid in arrears in two tranches at a rate of 5% per annum and are non-cumulative. No interest accrues on any cancelled or unpaid dividends.

The preference shares can be converted irrevocably into a fixed number of ordinary shares in the event of the conversion trigger. The conversion trigger occurs if the Company's Common Equity Tier 1 ("CET1") capital ratio falls below 5.125%. This is a regulatory requirement to enable the preference shares to be treated as Additional Tier 1 capital. The CET1 ratio (unaudited) at 30 September 2016 was 12.7% (2015: 16.9%).

24 Trade and other payables

	Group		Company	
	2016 £m	2015 £m	2016 £m	2015 £m
Current liabilities				
Due to trustees for open end fund creations	22.7	120.2	–	–
Due to investors for open end fund redemptions	112.9	189.4	–	–
	135.6	309.6	–	–
Other trade creditors	14.8	19.1	7.1	14.8
Accruals	225.7	199.1	32.5	25.9
Other taxes and social security	28.1	24.0	13.4	9.9
Amounts due to subsidiary undertakings	–	–	121.3	98.9
Deferred income	5.2	2.7	–	–
Other creditors	102.9	27.5	11.4	9.3
	512.3	582.0	185.7	158.8

25 Provisions and contingent liabilities

Group	Onerous lease £m	Legal £m	Total £m
At 1 October 2015	–	5.0	5.0
Released in the year	–	(5.0)	(5.0)
Provided in the year	1.0	–	1.0
At September 2016	**1.0**	**–**	**1.0**

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.

The Company had no provisions or contingent liabilities at 30 September 2016 (2015: nil).

26 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Within one year	**23.0**	20.1	**0.5**	0.6	**7.1**	7.3
Between two and five years	**54.2**	52.8	**0.7**	0.8	**25.1**	27.9
After five years	**24.2**	27.8	**–**	–	**12.5**	18.5
	101.4	100.7	**1.2**	1.4	**44.7**	53.7

During the year ended 30 September 2016, £23.3 million was recognised as an expense in the income statement in respect of operating leases (2015: £21.9 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Within one year	**1.6**	0.8	**0.2**	0.3
Between two and five years	**2.0**	1.9	**0.3**	0.8
After five years	**0.8**	0.7	**0.8**	0.6
	4.4	3.4	**1.3**	1.7

27 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. The carrying value of financial instruments approximate their fair value.

	Group		Company	
	2016 £m	2015 (restated[3]) £m	2016 £m	2015 £m
Financial assets - non-current				
Available for sale investments carried at fair value	46.4	34.6	26.3	13.0
Other investments held at amortised cost	16.5	17.5	14.9	15.9
	62.9	52.1	41.2	28.9
Financial assets - current				
Held for trading carried at fair value:				
Seed capital investments	200.6	148.9	138.0	102.9
Investments in funds to hedge deferred fund awards	53.7	43.4	53.7	43.4
Other investments	0.3	0.3	–	–
	254.6	192.6	191.7	146.3
Assets backing investment contract liabilities	1,670.6	1,926.1	–	–
Derivative financial assets				
• Forward foreign exchange contracts	–	29.2	–	29.2
• Equity futures	–	0.4	–	0.4
Other financial assets:				
Cash and cash equivalents	847.9	922.3	148.1	252.3
Trade and other receivables[1]	427.1	557.9	196.2	112.0
Financial liabilities - non-current				
Designated at fair value through profit or loss:				
Deferred contingent consideration	45.1	46.8	29.3	35.9
Financial liabilities - current				
Held for trading carried at fair value:				
Derivative financial liabilities				
• Forward foreign exchange contracts	–	29.7	–	29.7
Other financial liabilities				
Investment contract liabilities	1,670.6	1,926.1	–	–
Bank overdraft	299.1	354.6	406.7	466.4
Trade and other payables[2]	512.3	582.0	185.7	158.8

[1] Includes prepayments as per note 18.
[2] Includes deferred income as per note 24, and £34.9 million third party interest related to the consolidation of seed capital investments (2015: £4.6 million).
[3] Restated to reflect gross position for cash pooling arrangements (see note 19).

27 Fair value of financial instruments (continued)

Further details of the above financial instruments, including the principal methods and assumptions used in estimating the fair values, are provided below:

Investments

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. The Group also holds investments in certain Aberdeen-managed funds to hedge against liabilities from variable pay awards that are deferred and settled in cash by reference to the share price of those funds.

Other investments, including holdings in property and infrastructure funds, are typically longer term and measured as available for sale.

Where investments are listed, fair value is based on market bid prices at the balance sheet date without any deduction for transaction costs. Conversely, the fair value of unlisted investments 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.

Third party interest in consolidated funds

The Group recognises a third party interest in seed capital investments where the Group is deemed to have control, in accordance with IFRS 10 *Consolidated Financial Statements*. The fair value of the third party interest is deemed on the same basis as the investments listed above.

Financial instruments relating to investment contract liabilities

The Group's life and pensions subsidiary provides unit linked wrappers which allow clients to benefit from investing in pooled funds. The following assets are held by the subsidiary to meet its contracted liabilities:

Group	2016 £m	2015 £m
Listed investments	1,258.3	1,662.2
Unit trusts and OEICs	358.8	220.2
Cash, deposits and liquidity funds	47.0	34.8
Other net assets	6.5	8.9
	1,670.6	1,926.1

The risks and rewards of these assets fall to the benefit of, or are borne by, the underlying policyholders, consistent with other assets under management. 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. Accordingly, these assets are not included in the fair value measurements disclosure on page 133.

Derivative financial instruments

In limited circumstances, the Group enters into short term forward foreign exchange and equity futures contracts to hedge its exposure to associated risks in relation to seed capital investments.

Open forward foreign exchange contracts are valued using forward rates of exchange applicable at the balance sheet date for the remaining period until maturity, and are settled on a gross basis.

Open futures contracts are valued at the exchange quoted price at close of business on the balance sheet date.

Deferred contingent consideration

The Group recognises a liability for performance related earn-out payments in connection with acquisitions (see note 14). The fair value of each earn-out is determined by the probability weighted expected return and growth over the period of the earn-out, discounted to present value.

The valuation of deferred contingent consideration involves significant accounting judgement around assessing the fair value of that liability. Deferred contingent consideration is valued based on forecast revenues appropriate to each earn-out agreement. This includes assumptions based on revenue growth to date, market performance, the probability of returns and the appropriate discount rate.

The fair value of each earn-out is reviewed against each associated performance criteria at least annually, with changes in fair value and the unwind of the discount recognised in the income statement.

The fair value of the deferred contingent consideration payable to Lloyds at 30 September 2016 is £18.1 million (2015: £35.9 million). Growth in flows into Lloyds wealth portfolios managed by the multi asset team (formerly investment solutions) has been lower than originally anticipated and therefore the fair value has been further reduced by £17.8 million to £18.1 million at 30 September 2016 (2015: £24.4 million reduction to £35.9 million). However, the actual amount payable will be determined by the performance and growth over the 5 year period to 31 March 2019.

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 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).

	2016				2015			
	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	123.7	76.9	–	200.6	148.9	–	–	148.9
Other investments	50.4	3.6	–	54.0	43.7	–	–	43.7
Derivative financial assets								
• Forward foreign exchange contracts	–	–	–	–	–	29.2	–	29.2
• Equity futures	–	–	–	–	0.4	–	–	0.4
Available for sale financial assets								
Other investments	2.7	–	43.7	46.4	3.2	–	31.4	34.6
Financial liabilities								
Third party interest in consolidated funds	(26.0)	(8.9)	–	(34.9)	(4.6)	–	–	(4.6)
Deferred contingent consideration	–	-	(45.1)	(45.1)	–	–	(46.8)	(46.8)
Derivative financial liabilities								
• Forward foreign exchange contracts	–	–	–	–	–	(29.7)	–	(29.7)
	150.8	71.6	(1.4)	221.0	191.6	(0.5)	(15.4)	175.7

27 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities

	Available for sale financial assets £m	Deferred contingent consideration £m	Total £m
Balance at 1 October 2015	31.4	(46.8)	(15.4)
Assumed on acquisition of Parmenion	–	(10.1)	(10.1)
Assumed on acquisition of Arden	–	(0.8)	(0.8)
Total gains or losses:			
• in income statement	0.5	17.8	18.3
• in other comprehensive income	7.0	(2.1)	4.9
Unwinding of discount through profit or loss	–	(3.1)	(3.1)
Purchases	12.9	–	12.9
Disposals	(8.1)	–	(8.1)
Balance at 30 September 2016	**43.7**	**(45.1)**	**(1.4)**
Change in unrealised gains or losses for the year included in income statement for assets held at the end of the year	(0.7)	–	(0.7)

Where applicable, transfers between levels are assumed to take place at the beginning of the year. Seed capital and other investments, including associated third party interests, of £27.1 million, deemed not to have been actively traded, were transferred from Level 1 to Level 2 during the year. There were no other 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 on page 132.

The Group estimates that a 10% increase/decrease in the fair value of the investments will have a favourable/unfavourable impact on equity of £4.4 million, of which £2.0 million relates to investments in infrastructure funds.

The fair value of the earn-out agreements included in Level 3 is determined based on a number of unobservable inputs, details of which are provided above. 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 of +/- 1% would have an impact of approximately £0.6 million and a change in revenue growth of +/- 10% would have an impact of approximately £9.0 million on the fair value of the earn-outs respectively.

28 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, trade receivables and accrued income and derivative financial instruments.

As detailed in note 27, 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 external credit rating is set out below.

	As at 30 September 2016							As at 30 September 2015 (restated[1])						
Group	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**BB £m**	**Not rated £m**	**Total £m**	AAA £m	AA £m	A £m	BBB £m	BB £m	Not rated £m	Total £m
Cash and cash equivalents[2]	**9.9**	**536.0**	**279.7**	**15.4**	**3.2**	**3.7**	**847.9**	12.3	607.2	290.0	9.6	0.5	2.7	922.3
Derivative financial assets	–	–	–	–	–	–	–	–	29.2	0.4	–	–	–	29.6
Deposits receivable from brokers on derivative contracts	–	–	–	–	–	–	–	–	–	5.6	–	–	–	5.6
Company														
Cash and cash equivalents	–	–	**148.1**	–	–	–	**148.1**	–	–	252.2	0.1	–	–	252.3
Derivative financial assets	–	–	–	–	–	–	–	–	29.2	0.4	–	–	–	29.6
Deposits receivable from brokers on derivative contracts	–	–	–	–	–	–	–	–	–	5.6	–	–	–	5.6

No other relevant financial assets are rated.

[1] Restated to reflect gross position for cash pooling arrangements (see note 19).

[2] Excludes the Group overdraft which forms part of a Group cash pooling facility and carries a credit rating of AA (2015: AA).

28 Financial risk management (continued)

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.

Similarly, the Group adopts a conservative approach to managing the credit risk from derivatives through the use of exchange traded futures which are fully collateralised in cash, and forward foreign exchange contracts, which typically have a maturity of three months.

Trade receivables and accrued income represent amounts recognised in revenue in the Group income statement which have not been settled by clients. The credit quality of outstanding balances is monitored locally by senior management. 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, there are no concerns over the credit quality of these assets and no significant level of default is expected.

An analysis of ageing of financial assets is shown below:

	As at 30 September 2016				As at 30 September 2015			
		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	**29.2**	**5.2**	**1.3**	**35.7**	26.5	11.0	5.1	42.6
Company								
Trade receivables	**0.1**	**0.1**	**0.1**	**0.3**	0.1	0.1	–	0.2

All other financial assets are neither past due nor impaired.

Details of provisions against trade receivables at 30 September are as follows:

Group	**2016 £m**	2015 £m
Trade receivables provision:		
Balance at 1 October	**–**	0.2
Bad debt release in the year	**–**	(0.2)
Balance at 30 September	**–**	–

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 months' revenue.

At 30 September 2016 the Group had two (2015: four) individual clients with greater than £1 million outstanding. The total outstanding was £12.2 million (2015: £19.0 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 manages a number of open end funds and, in doing so, the relevant subsidiary acts as agent (i) in settling to investors, on behalf of the fund, the proceeds due on redemption of fund shares by investors; and (ii) in collecting, on behalf of the fund, the consideration due on subscriptions by investors for new shares in the funds. The Group has the right of recovery from the trustee for (i) and the client for (ii) in the event of a default.

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 42 to 49.

The Group has cash balances of £549 million, net of an overdraft of £299 million (2015: £355 million). In addition, the Group has a separate £20 million overdraft facility and £120 million of revolving credit facilities, both of which were undrawn at 30 September 2016. These cash balances and credit facilities provide the Group with adequate liquidity.

The Group and Company financial liabilities are repayable within one year or on demand, with the exception of the earn-out agreements (see note 14) and overdraft. The Group and Company overdraft form part of a Group cash pooling facility which does not allow for a net overdrawn position (see note 19). As such, there is no significant liquidity risk attached to the overdraft.

The periods over which the earn-outs are payable and associated undiscounted liabilities are set out below:

		Group		Company	
Earn-out payments due	Maximum payment £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Within 1 - 2 years	51.4	**30.8**	15.4	**12.9**	–
Up to 3 years	100.0	**22.7**	45.5	**22.7**	45.5
Within 3 - 4 years	56.2	**1.7**	–	**–**	–
	207.6	**55.2**	60.9	**35.6**	45.5

The Group has made a commitment to invest up to £46.3 million (2015: £28.8 million) in infrastructure funds, denominated in several currencies. £27.3 million of this amount remains committed but not yet drawn (2015: £20.4 million). Investment calls can be made on demand primarily over the investment periods of the partnerships. These periods are due to expire within one to three years time. Once drawn, committed capital remains invested for the life of the funds.

The Group also has undrawn commitments of £44.9 million (2015: £18.2 million) in respect of investments in property and private equity 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, property and infrastructure funds.

Seed capital is typically invested in quoted funds for less than one year and is 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	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Held for trading				
Seed capital	**200.6**	148.9	**138.0**	102.9
Financial investments	**54.0**	43.7	**53.7**	43.4
Available for sale financial assets				
Financial investments	**46.4**	34.6	**26.3**	13.0
	301.0	227.2	**218.0**	159.3

In addition, of the £34.9 million third party interest in consolidated funds (2015: £4.6 million), £12.6 million is exposed to changes in market prices (2015: £4.6 million).

The Group will consider hedging its exposure to market price risk in respect of seed capital investments, where there is a risk of material price movements and the risk can be hedged effectively. No seed capital was hedged against movements in market prices at 30 September 2016 (2015: £25.3 million).

28 Financial risk management (continued)

The Group's defined benefit pension schemes also hold assets which are exposed to market price risk. Details of these assets are shown in note 31.

Sensitivity analysis is disclosed on page 141 to 143, 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.

At 30 September 2015, we held one forward foreign exchange contract in respect of an investment in seed capital.

The Group's financial assets and liabilities are denominated in the following currencies:

Group

As at 30 September 2016	Total £m	Sterling £m	US$ £m	Euro £m	Nordic currencies £m	Singapore dollar £m	Other currencies £m
Financial assets							
Non-current asset investments	62.9	20.8	9.9	30.5	0.7	0.1	0.9
Trade and other receivables	427.1	224.2	133.0	28.2	8.8	4.1	28.8
Cash and cash equivalents	847.9	421.0	171.0	51.0	17.7	122.0	65.2
Current asset investments	54.0	45.7	4.0	4.3	–	–	–
Seed capital - unhedged	200.6	40.5	99.7	43.2	–	–	17.2
	1,592.5	752.2	417.6	157.2	27.2	126.2	112.1
Financial liabilities							
Deferred contingent consideration	45.1	29.3	15.8	–	–	–	–
Trade and other payables	512.3	348.2	102.9	22.7	8.9	13.1	16.5
Bank overdraft	299.1	299.1	–	–	–	–	–
	856.5	676.6	118.7	22.7	8.9	13.1	16.5

As at 30 September 2015[1]	Total £m	Sterling £m	US$ £m	Euro £m	Nordic currencies £m	Singapore dollar £m	Other currencies £m
Financial assets							
Non-current asset investments	52.1	23.5	4.2	22.5	1.6	0.1	0.2
Trade and other receivables	557.9	405.9	81.6	31.6	7.5	3.9	27.4
Cash and cash equivalents	922.3	581.6	128.0	44.4	15.0	106.2	47.1
Current asset investments	43.7	36.6	3.5	3.6	–	–	–
Seed capital							
• unhedged	123.6	50.3	45.7	18.5	–	–	9.1
• hedged	25.3	–	25.3	–	–	–	–
	1,724.9	1,097.9	288.3	120.6	24.1	110.2	83.8
Financial liabilities							
Deferred contingent consideration	46.8	35.9	10.9	–	–	–	–
Trade and other payables	582.0	482.2	55.7	15.4	9.8	6.5	12.4
Bank overdraft	354.6	354.6	–	–	–	–	–
	983.4	872.7	66.6	15.4	9.8	6.5	12.4

[1] Restated to reflect gross position for cash pooling arrangements (see note 19).

Company

As at 30 September 2016	**Total £m**	**Sterling £m**	**US$ £m**	**Euro £m**	**Other currencies £m**
Financial assets					
Non-current asset investments	**41.2**	**19.2**	**7.6**	**14.4**	**–**
Trade and other receivables	**196.2**	**153.9**	**42.3**	**–**	**–**
Cash and cash equivalents	**148.1**	**148.1**	**–**	**–**	**–**
Current asset investments	**53.7**	**45.4**	**4.0**	**4.3**	**–**
Seed capital - unhedged	**138.0**	**37.7**	**59.2**	**38.0**	**3.1**
	577.2	**404.3**	**113.1**	**56.7**	**3.1**
Financial liabilities					
Deferred contingent consideration	**29.3**	**29.3**	**–**	**–**	**–**
Trade and other payables	**185.7**	**177.1**	**0.4**	**8.2**	**–**
Bank overdraft	**406.7**	**406.7**	**–**	**–**	**–**
	621.7	**613.1**	**0.4**	**8.2**	**–**
As at 30 September 2015					
Financial assets					
Non-current asset investments	28.9	23.5	0.4	5.0	–
Trade and other receivables	112.0	112.0	–	–	–
Cash and cash equivalents	252.3	252.3	–	–	–
Current asset investments	43.4	36.4	3.4	3.6	–
Seed capital - unhedged	102.9	50.1	33.9	17.3	1.6
	539.5	474.3	37.7	25.9	1.6
Financial liabilities					
Deferred contingent consideration	35.9	35.9	–	–	–
Trade and other payables	158.8	151.5	0.1	7.0	0.2
Bank overdraft	466.4	466.4	–	–	–
	661.1	653.8	0.1	7.0	0.2

28 Financial risk management (continued)

Foreign currency translation risk

The foreign currency net financial assets and liabilities of subsidiaries which adopt a different reporting currency are as follows:

	2016 £m	2015 £m
US dollar	**189.7**	198.1
Euro	**47.6**	45.3
Nordic currencies	**11.9**	9.3
Singapore dollar	**130.7**	119.0
Other	**70.1**	56.5

vi) Interest rate risk

The Group and Company have a variable rate overdraft which form part of a Group cash pooling facility, and a separate £20 million overdraft facility, which was undrawn at 30 September 2016. Interest on the undrawn facility is at the Bank of England's Sterling Base Rate, plus a margin. The Group has no other drawn debt and is therefore not materially exposed to interest rate risk.

The Company also has revolving credit facilities in place which were undrawn at 30 September 2016. Interest on the revolving credit facilities, which have been undrawn throughout the year, is at LIBOR plus a margin.

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 2016				As at 30 September 2015 (restated[1])			
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	**669.5**	**–**	**–**	**669.5**	752.3	–	–	752.3
Bank overdraft	**(299.1)**	**–**	**–**	**(299.1)**	(354.6)	–	–	(354.6)
Other investments held at amortised cost	**3.5**	**5.6**	**7.4**	**16.5**	–	6.0	9.9	15.9
Fixed rate								
Cash and cash equivalents	**178.4**	**–**	**–**	**178.4**	170.0	–	–	170.0
Other investments held at amortised cost	**–**	**–**	**–**	**–**	–	–	1.6	1.6
	552.3	**5.6**	**7.4**	**565.3**	567.7	6.0	11.5	585.2

[1] Restated to reflect gross position for cash pooling arrangements (see note 19).

Company	As at 30 September 2016				As at 30 September 2015			
	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	58.1	–	–	58.1	82.3	–	–	82.3
Bank overdraft	(406.7)	–	–	(406.7)	(466.4)	–	–	(466.4)
Other investments held at amortised cost	2.5	5.0	7.4	14.9	–	6.0	9.9	15.9
Fixed rate								
Cash and cash equivalents	90.0	–	–	90.0	170.0	–	–	170.0
	(256.1)	5.0	7.4	(243.7)	(214.1)	6.0	9.9	(198.2)

The ‘floating rate’ financial assets principally comprise cash and deposit balances which earn interest at rates which fluctuate according to money market rates.

No other financial instruments are exposed to interest rate risk.

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.

28 Financial risk management (continued)

The impact of the assumptions on profit or loss and equity, net of tax, are as follows:

Group

As at 30 September 2016	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	**26.3**	**(26.3)**	**19.0**	**(19.0)**
Sterling/Euro	**11.2**	**(11.2)**	**4.8**	**(4.8)**
Sterling/Nordic currencies	**1.5**	**(1.5)**	**1.2**	**(1.2)**
Sterling/Singapore dollar	**9.4**	**(9.4)**	**13.1**	**(13.1)**
Market price movement	**+10%**	**-10%**	**+10%**	**-10%**
Financial investments held for trading	**16.8**	**(16.8)**	**–**	**–**
Financial investments available for sale	**–**	**–**	**3.8**	**(3.8)**
Third party interest in consolidated funds	**(1.1)**	**1.1**	**–**	**–**
Interest rate movement	**+1%**	**-1%**	**+1%**	**-1%**
Market interest rates	**3.8**	**(3.8)**	**–**	**–**

As at 30 September 2015				
Exchange rate movement	+10%	-10%	+10%	-10%
Currency				
Sterling/US dollar	17.4	(17.4)	19.8	(19.8)
Sterling/Euro	8.8	(8.8)	4.5	(4.5)
Sterling/Nordic currencies	1.2	(1.2)	0.9	(0.9)
Sterling/Singapore dollar	8.7	(8.7)	11.9	(11.9)
Market price movement	+10%	-10%	+10%	-10%
Financial investments held for trading	10.7	(10.7)	–	–
Financial investments available for sale	–	–	2.6	(2.6)
Third party interest in consolidated funds	(0.4)	0.4	–	–
Interest rate movement	+1%	-1%	+1%	-1%
Market interest rates	5.1	(5.1)	–	–

Changes in the Group's profit or loss and equity as a result of exchange rate movements are mainly driven by cash, seed capital and trade and other receivables/payables balances denominated in the currencies listed above.

The market price movement sensitivity excludes investments in funds to hedge deferred variable pay liabilities, as described in note 27. Changes in the market price of these investments are offset by movements in deferred variable pay 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.

The 2015 sensitivity for market and exchange rate movements for the Group excludes the derivative financial instruments and related seed capital, as described in note 27. The change in the derivative financial instruments is offset by movements in the related seed capital investments and therefore there is no material impact on profit or loss. This does not apply to the Company as the seed capital was held in another Group subsidiary. The effect of the derivative financial instruments is reflected in the Company sensitivity analysis in the following table:

Company

As at 30 September 2016	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	**9.4**	**(9.4)**	**–**	**–**
Sterling/Euro	**4.0**	**(4.0)**	**–**	**–**
Market price movement	**+10%**	**-10%**	**+10%**	**-10%**
Financial investments held for trading	**11.5**	**(11.5)**	**–**	**–**
Financial investments available for sale	**–**	**–**	**2.1**	**(2.1)**
Interest rate movement	**+1%**	**-1%**	**+1%**	**-1%**
Market interest rates	**(2.4)**	**2.4**	**–**	**–**
As at 30 September 2015				
Exchange rate movement	+10%	-10%	+10%	-10%
Currency				
Sterling/US dollar[1]	0.9	(0.9)	–	–
Sterling/Euro	1.6	(1.6)	–	–
Market price movement	+10%	-10%	+10%	-10%
Financial investments held for trading[2]	6.5	(6.5)	–	–
Financial investments available for sale	–	–	0.9	(0.9)
Interest rate movement	+1%	-1%	+1%	-1%
Market interest rates	(1.6)	1.6	–	–

[1] Excluding forward foreign exchange contracts, the 2015 profit or loss impact would be +/-£3.2 million.
[2] Excluding equity futures, the 2015 profit or loss impact would be +/-£8.6 million.

Changes in the Company's profit or loss as a result of exchange rate movements are mainly driven by seed capital and other investments denominated in the currencies listed above, and non-sterling intercompany loans, as described in note 29.

28 Financial risk management (continued)

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 £1,030.5 million, retained earnings, US$500 million perpetual capital notes and £100 million preference shares. The perpetual capital notes and preference shares satisfy the requirements of financial reporting standards for treatment as equity and the perpetual capital notes are treated as an element of Tier 2 capital for regulatory purposes. The preference shares are treated as Additional Tier 1 capital.

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 variable pay 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 2016.

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.

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 42 to 49. 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.

The subsidiary entities may also have regulatory capital requirements. All subsidiaries maintained compliance within all such requirements during the year.

29 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 32. During the year, the Group entered into the following transactions with related parties:

a) Compensation of key management personnel of the Group

	2016 £m	2015 £m
Short term employee benefits	**17.2**	14.2
Share-based payments	**11.4**	16.4
Pension contributions	**0.3**	0.5
Total	**28.9**	31.1

More detailed information concerning directors' remuneration is provided in the audited part of the remuneration report on pages 68 to 85.

b) Transactions with subsidiaries and shareholders

Details of transactions between the Company and its subsidiaries, which are related parties of the Company are shown below:

	2016 £m	2015 £m
Interest receivable	3.2	1.9
Interest payable	–	–
Management fees	174.3	190.8
Dividends	298.6	334.8
Amounts due from subsidiaries	175.0	199.4
Amounts due to subsidiaries	121.3	98.9

Included within amounts due from subsidiaries are long-term loans of £101.8 million (2015: £109.9 million); comprising of £50 million to Aberdeen Investments Limited, £49.8 million to Aberdeen Asset Management Inc and £2 million to Parmenion Capital Partners LLP. The interest on these loans is included within amounts due from subsidiaries due within one year.

Included in cash and cash equivalents are balances with material shareholders: MUTB £50 million (2015: £40 million) and Lloyds £52.8 million (2015: £6.7 million).

c) Post employment benefit plans

The Group operates and participates in several post employment benefit plans as detailed in note 31.

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	
	2016 £m	2015 £m	2016 £m	2015 £m
Murray Johnstone Limited Retirement Benefits Plan	7.8	6.7	–	–
Edinburgh Fund Managers Group plc Retirement & Death Benefits Plan	3.9	3.3	–	–
DEGI Pension Plan	–	0.6	–	–
Other defined benefit plans	1.1	1.3	–	–
Defined contribution schemes	34.3	31.6	–	–

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 advisers of underlying funds, which meet the criteria of related parties. In return the Group receives management fees for provision of these services. Details of the fees received and outstanding at 30 September are provided in note 30.

30 Interests in structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The Group has assessed whether the funds it manages are structured entities, through review of the above factors. The Group considers the following as structured entities – Open Ended Investment Companies ("OEICs"), Sociétés d'Investissement à Capital Variable ("SICAVs"), Unit Trusts, Fonds Communs de Placement ("FCPs"), and certain mutual funds, limited partnerships and other pooled funds. Segregated mandates managed on behalf of clients and investment trusts are not considered structured entities.

The structured entities are generally financed by the purchase of units or shares by investors, although certain funds, mainly property, infrastructure and private equity funds, are also permitted to raise finance through loans from third parties. The Group does not provide a guarantee for the repayment of any borrowings held by these entities.

The structured entities allow clients to invest in a portfolio of assets in order to provide a return through capital appreciation and/or investment income. Accordingly, they are susceptible to market price risk arising from uncertainties about future values of the assets they hold. Market risks are discussed further in note 28.

In certain cases, the Group will also purchase units or shares for the purpose of providing seed capital or to hedge against liabilities from deferred variable pay awards. There are no differences in the rights attached to the equity held by the Group from those held by other investors. As described in note 28, the Group may also commit to invest capital in certain property, infrastructure and private equity funds.

AuM within consolidated and unconsolidated structured entities is shown below:

Type of entity	2016 AuM £bn	2015 AuM £bn
Consolidated structured entities[1]		
• Seed capital investments	0.1	0.1
• Assets backing investment contract liabilities	1.7	1.9
Unconsolidated structured entities:		
• Open-ended funds	63.9	71.7
• Closed-end funds	8.9	3.2
Outside of structured entities	237.5	206.8
Total AuM	312.1	283.7

[1] Includes AuM in relation to funds the Group is deemed to control through seed capital investments which are consolidated in accordance with IFRS 10, and the assets held by the Group's life and pensions subsidiary to meet its contracted liabilities. The exposure to the risks and rewards of the assets held by the Group's life and pensions subsidiary is borne by the underlying policyholders (see note 27).

The Group has an interest in the structured entities listed above through the receipt of management fees based on a percentage of the net asset value and, in certain funds, contractually agreed performance fees, as well as investment returns where the Group has an equity holding in the entity.

Gross revenue includes £529.1 million of fees received from structured entities managed by the Group (2015: £655.3 million), of which £462.2 million (2015: £573.5 million) relates to related parties. In addition, gains on investments (see note 8) includes a net gain on seed capital and other investments held in structured entities of £22.7 million during the year (2015: £9.4 million loss).

The table below summarises the carrying values in the balance sheet, representing the Group's interests in unconsolidated structured entities, as at 30 September 2016:

	2016			2015		
	Total £m	Open-ended funds £m	Closed-end funds £m	Total £m	Open-ended funds £m	Closed-end funds £m
Trade and other receivables[2,3]	260.5	217.8	42.7	387.0	383.7	3.3
Trade and other payables[2]	191.5	157.2	34.3	317.2	317.2	–
Other investments - current	80.8	80.7	0.1	101.1	101.1	–
Investments - non-current	35.5	10.1	25.4	23.8	9.8	14.0

[2] Includes £135.8 million receivable (2015: £309.2 million) and £135.6 million payable (2015: £309.6 million) in connection with the creation and redemption of units in open ended funds, which are settled within a short time frame. Associated risks are discussed in note 28.

[3] Includes £66.0 million (2015: £55.0 million) outstanding from funds also deemed related parties.

Maximum exposure to loss

The Group does not have a direct exposure to the AuM it manages, with the associated risks and rewards residing with external investors, except where the Group holds an equity interest. The Group's maximum exposure to loss is therefore limited to future fee income and the carrying value of assets relating to structured entities at each reporting date, as highlighted above, where the net asset value of the entities is reduced through withdrawals by investors and/or adverse performance.

In addition, £56.3 million of the Group's unfunded capital commitments described in note 28 (iii) relates to unconsolidated structured entities invested in property, private equity and infrastructure projects.

Financial support

The Group does not ordinary provide financial support to any consolidated or unconsolidated structured entity through guarantees over the repayment of borrowings, or otherwise. However, in limited circumstances, the Group will consider supporting structured entities by way of short term financing to manage the timing of cash flows. At 30 September 2016, this amounted to £0.4 million (2015: £nil.)

The Group also invested an additional £51.6 million in seed capital during the year to 30 September 2016, in order to support the launch of new funds classified as structured entities.

There are no contractual obligations or current intention of providing further financial support in the future.

31 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 dependent 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 £8.6 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/alternatives.

The total contributions charged to the income statement in respect of the schemes operated by the Group were as follows:

	2016 £m	2015 £m
Defined contribution schemes	34.3	31.6
Defined benefit schemes	1.2	1.7
Total pension expense	35.5	33.3

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.

At 30 September 2016 £2.5 million (2015: £2.1 million) of contributions were outstanding in respect of defined contribution schemes.

31 Retirement benefits (continued)

The pension surplus and deficits of the Group are summarised as follows:

	2016 £m	2015 £m
Pension (deficit) surplus		
Edinburgh Fund Managers Retirement & Death Benefits Plan	(21.9)	30.1
Murray Johnstone Limited Retirement Benefits Plan	(14.1)	(3.2)
DEGI Pension Plan	(8.1)	(6.0)
Net (deficit) surplus in main schemes (see (4) below)	(44.1)	20.9
Deficits in other defined benefit pension schemes	(3.9)	(2.8)
Net (deficit) surplus for all Group schemes	(48.0)	18.1

On 9 November 2015 the Trustees of the Edinburgh Fund Managers Group scheme completed a partial buy-in with Legal & General ('L&G'), paying a premium of £103.6 million. The buy-in covers all the benefits in respect of the deferred membership as at 9 November 2015 (excluding enhanced deferred revaluation in excess of statutory revaluation applied after this date). From 22 November 2029, L&G will also meet pension and contingent spouses benefits in respect of the pensioner membership as at 9 November 2015.

The insured asset of £71.0 million has been calculated by valuing the estimated benefits that will be paid by the insurer using the 30 September 2016 IAS 19 assumptions and the same approach used to value the year end liabilities.

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 two UK defined benefit pension arrangements and the DEGI scheme in Germany. The information given in (2) reflects the two UK schemes only. The information provided in (3) relates to the DEGI pension scheme.

1) Plan assets

	2016		2015	
	£m	%	£m	%
Plan assets				
Equities and alternatives	65.7	34.2	60.7	29.0
Debt instruments	29.8	15.5	62.4	29.8
Liability Driven Investment ("LDI") funds	–	–	58.3	27.8
Real estate	15.9	8.3	16.5	7.9
Other	78.3	40.8	5.5	2.6
Cash	2.4	1.2	6.1	2.9
	192.1	100.0	209.5	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

	2016 %	2015 %
Discount rate	**2.45**	3.90
Pension increases (Edinburgh 3%)	**3.10**	3.10
Contributory salary increases (applies to Murray Johnstone only)	**2.97**	5.10
Rate of price inflation ("RPI")	**2.97**	3.10
Rate of price inflation ("CPI")	**1.97**	2.10

The weighted average assumptions used to determine the net pension cost are as follows:

	2016 %	2015 %
Discount rate	**3.90**	4.00
Rate of compensation increase (applies to Murray Johnstone only)	**5.10**	5.20
Rate of price inflation ("RPI")	**3.10**	3.20
Rate of price inflation ("CPI")	**2.10**	2.40

Mortality assumptions
The mortality assumptions for the UK defined benefit schemes at 30 September 2016 follow the S1NA LIGHT CMI 2014 1.25% (YOB) tables. The impact of these assumptions on life expectancies is shown in the table below:

	2016 Years	2015 Years
Impact of mortality assumptions		
Expected age at death for a male currently aged 40 retiring in the future at age 60	**90.5**	90.5
Expected age at death for a female currently aged 40 retiring in the future at age 60	**92.0**	92.0
Expected age at death for a current male pensioner aged 60	**88.7**	88.7
Expected age at death for a current female pensioner aged 60	**90.1**	90.1

3) Principal assumptions used by the DEGI scheme actuaries

	2016 %	2015 %
Discount rate	**2.06**	2.45
Rate of pension increase	**2.00**	2.00
Rate of price inflation	**2.00**	2.00
Assumed retirement age	**63**	63

The mortality tables used for the DEGI scheme were Heubeck © 2005 G.

31 Retirement benefits (continued)

4) Aggregate disclosure obligations

The following disclosure relates to the Group's two UK schemes plus the DEGI scheme in Germany:

	2016 £m	2015 £m
Change in benefit obligation		
Benefit obligation at beginning of year	188.5	192.3
Interest expense	6.9	7.3
Effect of changes in demographic assumptions	(4.1)	0.6
Effect of changes in financial assumptions	57.9	0.8
Effect of experience adjustments	0.2	(3.1)
Benefits paid from scheme	(15.3)	(8.7)
Effect of changes in foreign exchange rates	2.0	(0.7)
Benefit obligation at end of year	236.1	188.5
Change in scheme assets		
Fair value of plan assets at beginning of year	209.4	192.0
Interest income	8.0	7.5
Remeasurement (losses) gains	(22.0)	9.0
Employer contributions	11.7	10.6
Benefits paid from scheme	(15.1)	(8.7)
Administrative expenses	(0.9)	(0.7)
Effect of changes in foreign exchange rates	1.0	(0.3)
Fair value of scheme assets at end of year	192.1	209.4
(Deficit) surplus recognised at end of year	(44.0)	20.9

	2016 £m	2015 £m
Movement in deficit during the year		
Deficit in schemes at beginning of year	20.9	(0.3)
Movement in year:		
Employer contributions	11.7	10.6
Pension expense recognised in income statement	0.1	(0.5)
Amounts recognised in the statement of comprehensive income	(75.9)	10.7
Amendments	0.2	–
Effect of changes in foreign exchange rates	(1.0)	0.4
Net (deficit) surplus in schemes at end of year	(44.0)	20.9
Surplus in scheme at end of year	–	30.1
Deficits in schemes at end of year	(44.0)	(9.2)
	(44.0)	20.9

The Group expects to pay approximately £8.6 million to the UK defined benefit schemes in the next financial year.

	2016 £m	2015 £m
Expense recognised in the income statement		
Interest expense on defined benefit obligations	**6.9**	7.3
Interest income on plan assets	**(8.0)**	(7.5)
Administrative expenses	**1.0**	0.7
	(0.1)	0.5
Amounts recognised in the statement of comprehensive income		
Return on plan assets	**(22.0)**	9.0
Actuarial losses due to change in demographic assumptions	**4.1**	(0.6)
Actuarial losses due to change in financial assumptions	**(57.9)**	(0.8)
Actuarial (losses) gains due to experience	**(0.1)**	3.1
	(75.9)	10.7

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, inflation rate and mortality. The sensitivity analysis below has 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	2016 Estimated impact on scheme liabilities %	2015 Estimated impact on scheme liabilities %
Discount rate	Increase/decrease by 0.1% per annum	**Decrease/increase by 2.1**	Decrease/increase by 2.0
Inflation rate	Increase/decrease by 0.1% per annum	**Increase/decrease by 1.5**	Increase/decrease by 1.4
Life expectancy	Increase/decrease by 1 year	**Increase/decrease by 4.0**	Increase/decrease by 3.4

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.

32 Interests in subsidiaries and related undertakings

The principal subsidiaries at 30 September 2016 were as follows:

Subsidiary undertaking	Principal activity	Country of registration	Ownership
Aberdeen Asset Investments Limited	Fund management	UK	Indirect
Aberdeen Asset Management Asia Limited	Fund management	Singapore	Direct
Aberdeen Asset Management Inc.	Fund management	USA	Direct
Aberdeen Asset Management Life and Pensions Limited	Life and pensions	UK	Direct
Aberdeen Asset Managers Limited	Fund management	UK	Direct
Aberdeen Fund Managers Limited	Fund administration	UK	Direct
Aberdeen Global Services S.A.	Management company	Luxembourg	Direct
Aberdeen International Fund Managers Limited	Fund distribution	Hong Kong	Direct

32 Interests in subsidiaries and related undertakings (continued)

The Company directly or indirectly held 100% of the ordinary share capital of the principal subsidiaries at 30 September 2016 and 30 September 2015.

The Company sold its interest in Aberdeen Fund Management Denmark A/S and Komplementarselskabet af 2004 (I) A/S on 1 May 2016 to a third party. A loss of £0.3 million has been recognised on disposal (see note 8).

Certain funds are also consolidated where the Group has determined that a controlling interest exists through an investment holding in the fund, in accordance with IFRS 10 *Consolidated Financial Statements*. This typically relates to seed capital investments (see note 27), which do not have a material impact on the profits or net assets of the Group. These entities have various investment objectives and policies and are subject to the terms and conditions of their offering documentation. The principal activity of each is to invest capital from investors in a portfolio of assets in order to provide a return for those investors from capital appreciation, investment income, or both. Further details of funds consolidated at 30 September 2016 are provided on page 168.

A full list of the Group's other subsidiaries and related undertakings is included in the appendix which forms part of the financial statements.

There are no material non-controlling interests in subsidiaries at 30 September 2016.

Associates held at fair value

In addition to funds which are consolidated, as described above, the Company also holds an interest in certain funds which gives the Group significant influence, but not control, over the financial and operating decisions of the fund. These interests are included as investments measured at fair value. The following associates were recorded within seed capital investments at 30 September 2016:

Associate undertaking	Principal activity	Country of registration	Ownership	Holding in undertaking	Fair value of holding £m
Aberdeen Emerging Market Debt Local Currency Fund	Commingled fund	USA	Indirect	25%	1.1
Aberdeen Global - World Smaller Companies Fund	SICAV	Luxembourg	Direct	26%	2.8
Aberdeen Emerging Markets Debt Fund	Mutual fund	USA	Indirect	35%	5.2

Significant restrictions

As described in note 28, the Group has a number of regulated entities, each subject to regulatory capital requirements, which could lead to the requirement to inject further capital and restrict their ability to remit funds within the Group.

A small number of subsidiaries are also subject to statutory requirements to maintain a certain level of capital, however these have no material impact to the Group.

The ability of individual subsidiaries to distribute profits and return capital by way of dividends within the Group is restricted to the level of distributable reserves. As of 30 September 2016, Aberdeen Asset Management Inc. was restricted in its ability to make a distribution due to accumulated losses, however this subsidiary is fully supported by the Company.

Aberdeen Asset Management Life and Pensions Limited is further restricted in its ability to make dividend distributions under the terms of its dividend policy, which specifies minimum reserves to be maintained, over and above the capital resources requirements of the regulator. Dividend payments are also subject to review by the regulator.

Independent auditors' report to the members of Aberdeen Asset Management PLC

Report on the financial statements

Our opinion

In our opinion:

- Aberdeen Asset Management PLC's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2016 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Group and Company balance sheets as at 30 September 2016;
- the Group income statement and Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of cash flows for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006, and applicable law.

Our audit approach

Context

The context for our audit is set by Aberdeen Asset Management PLC's (the "Group") major activities in the year ended 30 September 2016, together with the challenging and volatile market conditions and significant pressures in the asset management sector including changing client demands and competitive forces. In the year, the Group completed three acquisitions: Arden Asset Management ("Arden"), Advance Emerging Capital ("Advance") and Parmenion Capital Partners ("Parmenion"). The related acquisition accounting was an area of focus for our audit.

Overview

- Overall Group materiality: £11.6 million, which represents 5% of profit before tax adjusted for non-recurring restructuring and acquisition-related items.

- The Group is structured into 144 components.
- We performed a full scope audit on 5 components due to the contribution they made to Group profit before tax adjusted for non-recurring restructuring and acquisition-related items.
- A further 8 components were subject to full scope audit on a risk basis due to the level of revenue generated in each one.

- Valuation, impairment and amortisation of goodwill and intangible assets.
- Acquisition accounting.
- Revenue recognition.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Valuation, impairment and amortisation of goodwill and intangible assets We focused on this area due to the management judgement required when assessing impairment triggers and performing detailed impairment reviews. The Group have three different categories of intangible assets: **Goodwill** Goodwill of £981.7m relates to a number of acquisitions made by the Group. As is common in the asset management industry, there is considered to be one cash generating unit ("CGU") within the Group, reflecting the asset management business. Goodwill is assessed for impairment on an annual basis in accordance with IAS 36 'Impairment of assets' ("IAS 36"), based on the calculated fair value of this CGU. **Indefinite lived intangibles** Indefinite lived intangibles of £79.3m relate to customer relationships associated with open-ended funds acquired in previous acquisitions. These intangible assets are assessed for impairment on an annual basis in accordance with IAS 36. **Definite lived intangibles** Customer relationships acquired which have a definite life, are capitalised at fair value and amortised over their estimated useful life. Definite lived intangible assets require an impairment review only if there is an impairment trigger identified. In the current year, management identified an impairment trigger on the Artio management contracts. A detailed impairment review was performed which resulted in a reduction in the book value of these assets by £7.7m, leaving a closing balance of £388.8m. When an impairment review and calculation of any of the above assets are performed, there are significant judgements in relation to the assumptions made such as: • Revenue estimates; • Growth rates applied; and • Discount rates. We focused on this area due to the significant values and the nature of the judgements and assumptions management are required to make in determining whether there are any impairment triggers or impairments. Refer to Note 13 to the financial statements.	We tested management's impairment review of goodwill, indefinite lived intangibles and definite lived intangibles by performing the following work. We read management's assessment of impairment triggers based on the movement in AuM compared to the movement in the carrying value of individual contracts, and did not identify any further triggers which had not been considered by management. Specific work we performed over the impairment reviews prepared by management included: • comparing the assumptions used within the impairment review model to approved budgets and business plans, which we found to be materially consistent; • benchmarking of key assumptions in conjunction with our valuation specialists, including the discount rate and inflation rate against our own internal data and recent public announcements from other comparable companies. We consider the assumptions used by the Group to be reasonable and in line with our expectations based on information that is publicly available about other market participants; • reading management's sensitivity analysis and performed additional sensitivity analysis over key assumptions in the model in order to assess the potential impact of a range of possible outcomes. We identified no reasonably possible outcomes which would result in a material impairment charge; • assessing the inclusion of all appropriate assets and liabilities in the cash generating unit, and agreed that all relevant balances had been included; and • comparing the calculated business valuation to the market capitalisation of the Group, which demonstrated significant headroom exists. Through the work outlined above we did not identify any material adjustments to management's recorded impairment charge.

Acquisition accounting The Group completed three acquisitions in the year: Arden, Advance and Parmenion for consideration of £11.2m, £14.6m and £50.2m respectively. Management are required to apply judgement to determine the fair value of the consideration payable, the identifiable assets and liabilities, and any resultant goodwill, in accordance with IFRS 3. We focused our testing on the management contracts where there is a higher degree of judgement and estimation required. In addition to the acquisitions completed during the year, there are earn-out liabilities associated with previous acquisitions of SWIP and FLAG which may be payable depending on performance of the underlying businesses. These are included within the total earn-out liability of £45.1m. These liabilities are re-assessed at each balance sheet date based on management estimates and projections. We focused on this area due to the significant values and the nature of the judgements and assumptions management are required to make in determining the associated fair values. Refer to Note 14 to the financial statements.	We tested management's acquisition accounting and associated valuations by performing the following work: • comparing the cash consideration paid to the signed sale and purchase agreements and bank receipt, which agreed without exception. • assessing management's calculation of any contingent consideration "earn-out liabilities" with reference to approved business plans and comparing growth assumptions to actual growth achieved, which we found to be within a reasonable range. • in conjunction with our valuation specialists, considering, based on our knowledge of the industry, whether management's valuation experts had identified all potential intangible assets and we agreed that they had. • comparing the assumptions used within the intangible asset valuation model to approved budgets and business plans, which we found to be materially consistent. • confirming the mathematical accuracy of the valuation models and agreeing the calculation of residual goodwill based on the agreed fair values. • in conjunction with our valuation specialists, benchmarking key assumptions, including the discount rate, against our own internal data and recent public announcements from other comparable companies. We consider the assumptions used by Aberdeen on the whole, to be reasonable and in line with our expectations based on information that is publicly available about other market participants.
Revenue recognition There are three revenue streams: management fees (£984.9m), performance fees (£15.8m) and transaction fees (£6.4m) We focused our testing on management fees due to the material nature of the balance. Our focus was also driven by the relative complexity of revenue streams, resulting in more testing in the streams with higher levels of complexity. The majority of revenue relates to management fees (£984.9m), which are high volume transactions based on Assets Under Management ("AuM") and contractual fee rates. These transactions are generally straightforward in nature. We focused our audit effort on the larger revenue streams where there was additional complexity due to the structure of customer agreements. Judgement is required in relation to the recognition of performance fees of £15.8m to assess whether the performance criteria has been met at the balance sheet date and we therefore focused on these fees given the relatively higher level of estimation involved. The transactions fees in the year were not material and therefore we did not focus our audit work on these. Refer to Note 2 to the financial statements.	We tested the revenue recognition by performing the following procedures: • considering the findings included in the ISAE 3402 reports of third party administrators and the implications for our audit, placing reliance on relevant key controls where appropriate. • considering the third party administrator oversight and pricing controls in place within the Group as documented within their own ISAE 3402 report, placing reliance on relevant key controls where appropriate. • agreeing a sample of fee rates back to the original Investment Management Agreement ("IMA"). • reperforming the management fee calculation based on the source AuM and fee rates, for a sample of funds and clients. • agreeing a sample of transactions to invoice and subsequent cash receipt. • reading the relevant clauses of the original contracts relating to the performance fees generated, which we found to be consistent with the calculation, and assessing the Group's right to those performance fees which we agreed met the revenue recognition criteria.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The business is structured around 3 key regions: Europe, Middle East and Africa ("EMEA"); Americas ("US"); and Asia Pacific ("AsiaPac") offering four product ranges: Equities; Fixed Income; Aberdeen Solutions; and Property. Where possible, client relationship teams are located close to clients and as a result, there are 38 offices globally servicing customers.

For accounting purposes, the Group is structured into 144 reporting units (or "components"). The Group finance function is based in Aberdeen, supported by key functions in the EMEA, US, and AsiaPac, which are primarily accounted for in Philadelphia, Singapore and UK and Luxembourg respectively. Our PwC Philadelphia, Singapore and Luxembourg audit teams performed the audit work on their respective components and all other audit work was performed by our UK audit team.

Our group scoping was based on total profit before tax adjusted for non-recurring restructuring and acquisition-related items, consistent with our approach to materiality, and identified 5 financially significant components, comprising a high proportion of total group profit before tax, which required an audit of their complete financial information. A further 8 components were identified as significant from a risk perspective due to the level of revenue generated and were subject to a full scope audit.

Additional specified procedures were performed over the pension liabilities in a further 2 components to provide sufficient coverage at the individual financial statement line item ("FSLI") level.

The group team reported to overseas territories to support their local statutory audit work, for those balances which are managed centrally by the Group finance function. The work performed centrally included our testing on the Group-wide Information Technology General Controls, share-based payment expenses, intercompany balance matching and the recharging of revenue and expenses to other Group companies.

The group team held planning calls with our Philadelphia, Singapore and Luxembourg component teams and attended management meetings with all three regions in advance of the year-end audit. Regular status update calls were held with all three component teams during the year-end fieldwork, and the group team visited all three locations to attend key client meetings, discuss key findings and observations with the component teams and review component working papers.

Our audit approach provided coverage of 91% of the profit before tax adjusted for non-recurring restructuring and acquisition-related items. We also obtained 92% coverage over total consolidated assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£11.6 million.
How we determined it	5% of profit before tax adjusted for non-recurring restructuring and acquisition-related items of £232.0m. This reflects the underlying profit before tax of £352.7m as disclosed on page 99 less the amortisation charge of £120.7m in note 13. We consider the use of this measure to reflect the recurring performance within the business.
Rationale for benchmark applied	We believe that profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. As the Group has been acquisitive during the year and has previously announced a significant cost-reduction exercise, the costs associated with these items are not considered to be recurring costs and have therefore been added back when calculating the overall materiality.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. Where local statutory audits were being performed concurrently with the Group audit, component materiality was set at the statutory materiality level if this was lower than the calculated allocation of materiality. This resulted in a range of materiality allocated across components between £91,000 and £8 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £580,000 (2015: £900,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 86, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' statement, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 reporting

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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

Information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or • otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 160, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 61, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

• the directors' confirmation on page 39 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the directors' explanation on page 39 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' responsibilities set out on page 88, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
27 November 2016

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 position and 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

S Troughton
Chairman

W J Rattray
Finance Director

27 November 2016

Five year summary

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Net revenue	**1,007.1**	1,169.0	1,117.6	1,078.5	869.2
Operating expenses					
• Operating costs	**(679.0)**	(670.3)	(627.2)	(589.3)	(516.5)
• Restructuring and acquisition-related items	**0.7**	(0.1)	(33.1)	(19.2)	–
• Amortisation and impairment of intangible assets	**(128.4)**	(131.3)	(99.4)	(73.2)	(78.1)
Total operating expenses	**(806.7)**	(801.7)	(759.7)	(681.7)	(594.6)
Operating profit before amortisation, impairment, acquisition costs and exceptional items	**328.1**	498.7	490.4	489.2	352.7
Amortisation and impairment of intangible assets	**(128.4)**	(131.3)	(99.4)	(73.2)	(78.1)
Acquisition and integration costs	**0.7**	(0.1)	(33.1)	(19.2)	–
Operating profit	**200.4**	367.3	357.9	396.8	274.6
Net finance costs	**(1.5)**	(4.0)	(2.7)	(3.5)	(5.1)
Gains (Losses) on investments	**23.0**	(9.6)	(0.6)	(3.0)	0.2
Profit before taxation	**221.9**	353.7	354.6	390.3	269.7
Tax on profit on ordinary activities	**(32.7)**	(44.7)	(47.5)	(61.5)	(46.1)
Profit for the year	**189.2**	309.0	307.1	328.8	223.6
Earnings per share – IAS 33 basis					
• Basic	**12.83p**	22.28p	23.54p	27.16p	18.88p
• Diluted	**12.62p**	21.79p	22.79p	26.22p	17.55p
Underlying profit before taxation	**£352.7m**	£491.6m	£490.3m	£482.7m	£347.8m
Underlying earnings per share					
• Basic	**21.03p**	30.62p	32.17p	33.71p	24.45p
• Diluted	**20.67p**	29.95p	31.14p	32.48p	22.62p
Dividend per share	**19.5p**	19.5p	18.0p	16.0p	11.5p
Assets under management at year end	**£312.1bn**	£283.7bn	£324.4bn	£200.4bn	£187.2bn

Principal offices

United Kingdom and Channel Islands

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Details of other office locations can be found on the Group's website at **aberdeen-asset.com**

Corporate information

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Scott E Massie

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Registered Number
SC082015

Registrar
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Auditor
PricewaterhouseCoopers LLP
Chartered Accountants,
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Brokers
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Credit Suisse Securities (Europe) Limited
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London E14 4DA

Cenkos Securities plc
6.7.8 Tokenhouse Yard,
London EC2R 7AS

Financial Calendar

Annual General Meeting
2 February 2017

Payment of final dividend
9 February 2017

Announcement of interim results
May 2017

Payment of interim dividend
June 2017

Appendix - Related undertakings

Other related undertakings

In addition to the principal subsidiaries listed in note 32, the Company also owned, directly or indirectly, the following related undertakings as at 30 September 2016 (100% of the ordinary share capital), unless otherwise stated:

Related undertaking	Principal activity	Country of registration	Ownership
Aberdeen ACP, LLP	General partner	UK	Indirect
Aberdeen Alternatives (Holdings) Limited	Holding company	UK	Indirect
Aberdeen Asset Fund Management Limited	Fund management	UK	Indirect
Aberdeen Asset Investment Group Limited	Holding company	UK	Direct
Aberdeen Asset Management (Shanghai) Co., Ltd	Fund management	China	Direct
Aberdeen Asset Management Canada Limited	Fund management	Canada	Indirect
Aberdeen Asset Management Cayman Limited	Fund management	Cayman Islands	Direct
Aberdeen Asset Management Company Limited	Fund management	Thailand	Indirect
Aberdeen Asset Management Denmark A/S	Property asset management	Denmark	Indirect
Aberdeen Asset Management Deutschland AG	Property fund management	Germany	Indirect
Aberdeen Asset Management Finland Oy	Property asset management	Finland	Indirect
Aberdeen Asset Management Gestion SNC	Fund management	France	Indirect
Aberdeen Asset Management US GP Control Entity LLC	General partner	USA	Indirect
Aberdeen Asset Management Hungary Alapkezelo Zrt	Fund management	Hungary	Direct
Aberdeen Asset Management Investment Funds Limited	Dormant	UK	Direct
Aberdeen Asset Management Limited	Fund management	Australia	Indirect
Aberdeen Asset Management Nominees Limited	Dormant	UK	Indirect
Aberdeen Asset Management Norway AS	Property asset management	Norway	Indirect
Aberdeen Asset Management Norway Holding AS	Holding company	Norway	Indirect
Aberdeen Asset Management Operations AS	Fund administration	Norway	Indirect
Aberdeen Asset Management Sdn. Bhd.	Fund management	Malaysia	Direct
Aberdeen Asset Management Services Limited	Integration services	UK	Direct
Aberdeen Asset Management Sweden AB	Property asset management	Sweden	Indirect
Aberdeen Asset Managers (Luxembourg) SARL	Management company	Luxembourg	Indirect
Aberdeen Asset Managers Switzerland AG	Fund distribution	Switzerland	Direct
Aberdeen Asset Middle East Limited	Fund distribution	UAE	Direct
Aberdeen Capital Management LLC	Investment advisory	USA	Indirect
Aberdeen Claims Administration, Inc.	Corporate trust administration	USA	Indirect
Aberdeen Direct Property (Holding) Limited	Holding company	UK	Indirect
Aberdeen do Brasil Gestao de Recursos Ltda	Fund management	Brazil	Direct
Aberdeen Dormant 01 Limited	Dormant	UK	Direct
Aberdeen Dormant 02 Limited	Dormant	UK	Direct
Aberdeen Emerging Capital Limited	Fund management	UK	Direct[1]
Aberdeen European Infrastructure Carry GP Limited	General partner	UK	Indirect
Aberdeen European Infrastructure Carry Limited	Investment holding company	UK	Indirect
Aberdeen European Infrastructure GP II Limited	General partner	UK	Indirect
Aberdeen European Infrastructure GP Limited	General partner	UK	Indirect
Aberdeen Finance Jersey (II) Limited	Dormant	Jersey	Direct
Aberdeen Finance Jersey (III) Limited	Dormant	Jersey	Direct

Corporate information

Related undertaking	Principal activity	Country of registration	Ownership
Aberdeen France S.A.	Holding company	France	Direct
Aberdeen Fund Distributors, LLC	Broker-dealer	USA	Indirect
Aberdeen Fund Management II Oy	General partner	Finland	Indirect
Aberdeen Fund Management Ireland Limited	Management company	Ireland	Direct
Aberdeen Fund Management Norway AS	Property fund management	Norway	Indirect
Aberdeen Fund Management Oy	General partner	Finland	Indirect
Aberdeen General Partner 1 Limited	General partner	UK	Indirect
Aberdeen General Partner 2 Limited	General partner	UK	Indirect
Aberdeen General Partner CAPELP Limited	General partner	Cayman Islands	Direct
Aberdeen General Partner CGPLP Limited	General partner	Cayman Islands	Direct
Aberdeen General Partner CMENAPELP Limited	General partner	Cayman Islands	Direct
Aberdeen General Partner CPELP II Limited	General partner	Cayman Islands	Direct
Aberdeen General Partner CPELP Limited	General partner	Cayman Islands	Direct
Aberdeen Global ex-Japan GP Limited	General partner	Cayman Islands	Indirect
Aberdeen Global Infrastructure Carry GP Limited	General partner	UK	Indirect
Aberdeen Global Infrastructure GP II Limited	General partner	Guernsey	Indirect
Aberdeen Global Infrastructure GP Limited	General partner	Guernsey	Indirect
Aberdeen GP 1 LLP	General partner	UK	Indirect
Aberdeen GP 2 LLP	General partner	UK	Indirect
Aberdeen Infrastructure Asset Managers Limited	Fund management	UK	Indirect
Aberdeen Infrastructure Feeder GP Limited	General partner	UK	Indirect
Aberdeen Infrastructure Finance GP Limited	General partner	Guernsey	Indirect
Aberdeen Infrastructure GP II Limited	General partner	UK	Indirect
Aberdeen Infrastructure Investments (No.4) Limited	Bid vehicle	Guernsey	Indirect
Aberdeen Infrastructure Spain Co-Invest II GP Limited	Dormant	Guernsey	Indirect
Aberdeen International Securities Investment Consulting Company Ltd	Fund distribution	Taiwan	Direct
Aberdeen Investment Company Limited	Dormant	UK	Direct/Indirect[2]
Aberdeen Investment Management K.K.	Fund management	Japan	Direct
Aberdeen Investment Solutions Limited	Investment advisory	UK	Indirect
Aberdeen Investments Jersey Limited	Investment holding company	Jersey	Direct
Aberdeen Investments Limited	Holding company	UK	Direct
Aberdeen Islamic Asset Management Sdn. Bhd.	Fund management	Malaysia	Indirect
Aberdeen Korea Co, Ltd	Client support and liaison	South Korea	Direct
Aberdeen Multi-Manager Limited	Fund management	UK	Indirect
Aberdeen Nominees Services Limited	Nominee company	Hong Kong	Indirect
Aberdeen Pension Trustees Limited	Dormant	UK	Indirect
Aberdeen Private Equity Advisers Limited	Investment advisory	UK	Indirect
Aberdeen Private Equity Managers Limited	Fund management	UK	Direct
Aberdeen Private Wealth Management Limited	Fund management	Jersey	Direct
Aberdeen Property Asset Managers Limited	Dormant	UK	Indirect
Aberdeen Property Fund Limited Partner Oy	Investment holding company	Finland	Indirect
Aberdeen Property Fund Management (Jersey) Limited	Management company	Jersey	Indirect

Related undertaking	Principal activity	Country of registration	Ownership
Aberdeen Property Fund Management AB	Property fund management	Sweden	Indirect
Aberdeen Property Fund Management Estonia Ou	Dormant	Estonia	Indirect
Aberdeen Property Investors (General Partner) SARL	General partner	Luxembourg	Indirect
Aberdeen Property Investors Estonia OU	Investment holding company	Estonia	Indirect[3]
Aberdeen Property Investors Europe BV	Property fund management	The Netherlands	Indirect
Aberdeen Property Investors France SAS	Property asset management	France	Indirect
Aberdeen Property Investors Indirect Investment Management AB	Fund management	Sweden	Indirect
Aberdeen Property Investors Limited Partner Oy	Investment holding company	Finland	Indirect
Aberdeen Property Investors Sweden AB	Investment holding company	Sweden	Indirect
Aberdeen Property Investors The Netherlands BV	Property asset management	The Netherlands	Indirect
Aberdeen Property Managers Limited	Dormant	UK	Indirect
Aberdeen Real Estate France SAS	Property asset management	France	Indirect
Aberdeen Real Estate Investors Operations (UK) Limited	Dormant	UK	Indirect
Aberdeen Real Estate Operations Limited	Property asset management	UK	Indirect
Aberdeen Residential JV Feeder Limited Partner Oy	Investment holding company	Finland	Indirect
Aberdeen SP 2013 A/S	Property asset management	Denmark	Indirect
Aberdeen Trust Limited	Dormant	UK	Direct/Indirect[4]
Aberdeen UK Infrastructure Carry GP Limited	General partner	UK	Indirect
Aberdeen UK Infrastructure Carry Limited	Investment holding company	UK	Indirect
Aberdeen UK Infrastructure GP Limited	General partner	UK	Indirect
Aberdeen Unit Trust Managers Limited	Dormant	UK	Direct
AEROF (Luxembourg) GP SARL	General Partner	Luxembourg	Indirect
AFM Nominees Limited	Dormant	UK	Indirect
AIPP Pooling I S.A.	Management company	Luxembourg	Indirect
Airport Industrial GP Limited	General partner	UK	Indirect
Amberia General Partner Oy	General partner	Finland	Indirect
Arden Asset Management (UK) Limited	Investment research	UK	Indirect[5]
Arden Asset Management LLC	Investment advisory	USA	Indirect[5]
Arden Capital Management LLC	General partner	USA	Indirect[5]
Arthur House (No.6) Limited	Dormant	UK	Indirect
Artio Global Holdings LLC	Dormant	USA	Indirect
Artio Global Investors Inc.	Dormant	USA	Indirect
Artio Global Management LLC	Dormant	USA	Indirect
Asander Investment Management Limited	Holding company	UK	Indirect[6]
Bedfont Lakes Business Park (GP1) Limited	General partner	UK	Indirect
Bedfont Lakes Business Park (GP2) Limited	General partner	UK	Indirect
Cockspur Property (General Partner) Limited	General partner	UK	Direct
DEGI Beteiligungs GmbH	Investment holding company	Germany	Indirect
DEGI Prag Park 2 GmbH	Investment holding company	Germany	Indirect
DEGI Prag Park 6 GmbH	Investment holding company	Germany	Indirect
DEGI Prag Park 7 GmbH	Investment holding company	Germany	Indirect
Dunedin Fund Managers Limited	Dormant	UK	Indirect

Related undertaking	Principal activity	Country of registration	Ownership
Edinburgh Fund Managers Group Limited	Holding company	UK	Direct
Edinburgh Fund Managers PLC	Dormant	UK	Direct
Edinburgh Unit Trust Managers Limited	Dormant	UK	Direct
FLAG Squadron Asia Limited	Investment advisory	Hong Kong	Indirect
FLAG Squadron Asia Pacific III GP, LP	General partner	Cayman Islands	Indirect
Glasgow Investment Managers Limited	Dormant	UK	Direct
Griffin Nominees Limited	Dormant	UK	Indirect
M J Founders Limited	Dormant	UK	Indirect
Murray Johnstone Asset Management Limited	Dormant	UK	Indirect
Murray Johnstone Holdings Limited	Holding company	UK	Direct
Murray Johnstone Limited	Dormant	UK	Direct
Parmenion Capital Limited	Dormant	UK	Indirect[6]
Parmenion Capital Partners LLP	Supply of investment services	UK	Direct[6]
Parmenion Investment Management Limited	Investment management services	UK	Indirect[6]
Parmenion Nominees Limited	Nominee company	UK	Indirect[6]
Platin 230. GmbH & Co. Verwaltungs KG	Investment holding company	Germany	Indirect[7]
PT Aberdeen Asset Management	Fund management	Indonesia	Indirect[8]
PURetail Luxembourg Management Company SARL	Management company	Luxembourg	Indirect[9]
Regent Property Partners (Retail Parks) Limited	General partner	UK	Indirect
Residential Zoning Club General Partner Oy	General partner	Finland	Indirect
Self Directed Holdings Limited	Holding company	UK	Direct[6]
Self Directed Investments Limited	Online investment advice	UK	Indirect[6]
Sorbin Systems Limited	Software development	UK	Indirect[6]
Squadron Capital Asia Pacific GP, LP	General partner	Cayman Islands	Indirect
Squadron Capital Asia Pacific II GP, LP	General partner	Cayman Islands	Indirect
Squadron Capital Management Limited	Holding company	Cayman Islands	Direct
Squadron Capital Partners Limited	General partner	Cayman Islands	Indirect
Tenon Nominees Limited	Dormant	UK	Direct
Two Rivers One Limited	Property holding company	Jersey	Indirect
Two Rivers Two Limited	Property holding company	Jersey	Indirect
UK PRS Opportunities General Partner Limited	General partner	UK	Indirect
Waverley General Private Equity Limited	General partner	UK	Indirect
Waverley Healthcare Private Equity Limited	General partner	UK	Indirect
Wealth Horizon Limited	Dormant	UK	Indirect[6]
Wise Trustee Limited	Pension trustee	UK	Indirect[6]

[1] Acquired as part of the purchase of Advance on 29 December 2015.
[2] The Company directly holds 90.0% of the ordinary share capital, with the remaining 10.0% held by another Group subsidiary.
[3] 11.0% non-controlling interest.
[4] The Company directly holds 50.0% of the ordinary share capital, with the remaining 50.0% held by another Group subsidiary.
[5] Acquired as part of the purchase of Arden on 31 December 2015.
[6] Acquired as part of the purchase of Parmenion on 11 January 2016.
[7] 5.1% non-controlling interest.
[8] 20.0% non-controlling interest.
[9] This entity is a 50.0% owned joint venture and is accounted for using the equity method. It is not considered material to the Group.

Other related undertakings arising from the Company's short-term investments in funds

The Company held a controlling interest in the following funds as at 30 September 2016, by way of seed capital investments, which are consolidated in accordance with IFRS 10 *Consolidated Financial Statements*:

Related undertaking	Principal activity	Country of registration	Ownership	Holding in undertaking
Aberdeen Alpha - Fixed Income 50 Year Sterling Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Brasil Equity FIA	Mutual fund	Brazil	Indirect	99%
Aberdeen Global - Asian Credit Bond Fund	SICAV	Luxembourg	Direct	52%
Aberdeen Global - Emerging Markets Local Currency Corporate Bond Fund	SICAV	Luxembourg	Direct	76%
Aberdeen Global - German Equity Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Global - Multi Asset Growth Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Global - Multi Asset Income Fund	SICAV	Luxembourg	Direct	75%
Aberdeen Global - Swiss Equity Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Global - World Credit Bond Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Global II - Euro Absolute Return Bond Fund	SICAV	Luxembourg	Direct	100%
Aberdeen Global II - Global High Yield Bond Fund	SICAV	Luxembourg	Direct	94%
Aberdeen Global II - US Dollar Credit Bond Fund	SICAV	Luxembourg	Direct	78%
Aberdeen Indonesia Balanced Growth Fund	Unit trust	Indonesia	Indirect	77%
Aberdeen Indonesia Government Bond Fund	Unit trust	Indonesia	Indirect	42%
Aberdeen Indonesia Money Market Fund	Unit trust	Indonesia	Indirect	62%
Aberdeen Islamic Asia Pacific ex-Japan Equity Fund	Unit trust	Malaysia	Indirect	66%
Aberdeen Islamic Malaysia Equity Fund	Unit trust	Malaysia	Indirect	86%
Aberdeen Japanese Equities Fund	Mutual fund	United States	Indirect	100%
Aberdeen Multi Asset Conservative Portfolio	Unit trust	United Kingdom	Direct	97%
Aberdeen Multi Asset Growth 1 Portfolio	Unit trust	United Kingdom	Direct	69%
Aberdeen Multi Asset Growth 2 Portfolio	Unit trust	United Kingdom	Direct	98%
Aberdeen Multi Asset Growth 3 Portfolio	Unit trust	United Kingdom	Direct	99%
Aberdeen Multi-Manager Alternative Strategies Fund II	Mutual fund	United States	Indirect	83%
Aberdeen U.S. Mid Cap Equity Fund	Mutual fund	United States	Indirect	99%
Reksa Dana Syariah Aberdeen Syariah Asia Pacific Equity USD Fund	Unit trust	Indonesia	Direct	65%

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