FINANCIAL STRENGTH ASSESSMENT
ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG’s perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company’s operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer’s perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers’ advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.

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CONTACT INFORMATION

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**Rating & Assessment Commentary**

### RATINGS

#### Overall Financial Strength

![Rating Icon]

**AKGA A**

**FINANCIAL STRENGTH RATED**

**SUPERIOR**

**PLATFORM SECTOR**

**STANDARD LIFE SAVINGS LTD**

### Supporting Ratings

<table>
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<tbody>
<tr>
<td>Standard Life Savings Ltd</td>
<td>★★★★★</td>
<td>★★★★</td>
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### SUMMARY

- Standard Life Savings Ltd (SLSL) has been part of the Standard Life Group for many years and the Standard Life Wrap has a longstanding track record of activity and support for the UK intermediated sector.
- This was followed by the sale of its UK and European insurance businesses to the Phoenix Group, completed in August 2018.
- The adviser platform proposition has been emphasised as core to what the SLA business now delivers as a ‘diversified world-class investment company’ supported by a strategic partnership with Phoenix in this respect.
- Standard Life Wrap (Wrap) and Standard Life Elevate (Elevate) remain as separate propositions within the platform business, with Wrap aimed at the wealth advisory segment of the platform market and Elevate targeting the generalist financial planning market.
- A period of leadership change was experienced at both platform level, as a new Chief Executive of SLSL was appointed in 2019, alongside wider role and personnel changes that were made at SLA board level.

### COMMENTARY

**Financial Strength Ratings**

**Standard Life Savings Ltd**

The financial strength of the platform operation is closely linked to that of the wider group for which it provides a core integrated component. As part of SLA, the commitment to continue investing in the platform business (across Wrap and Elevate) remains, in line with the aspirations of SLA as a ‘world-class investment company’. Within this the platform business has been built to provide a scalable and efficient model which, as well as delivering a key route to the intermediary market, also provides a more consistent and predictable revenue stream, which is complementary to that derived from asset management.

SLA itself continues to perform well in financial terms despite challenging market conditions, and has a clear transformation plan post the insurance sale which has established it as a capital light business. The focus is now on driving operational efficiencies from merger integration and business simplification, and allow investment for growth across the propositions.
SLA has strategic investments in India and a joint venture in China, both providing access to fast growing markets, and retains a stake in Phoenix of 19.98% (issued to SLA as part consideration for the acquisition of Standard Life Assurance Ltd - SLAL) which had an estimated value around £1bn as at March 2019.

At 31 December 2018 SLA reported total capital resources of £1.7bn against a requirement of £1.1bn.

AKG regards SLSL now as an important component of a group whose capital position has remained relatively resilient to volatile market movements, maintaining a good level of overall surplus capital.

The platform operation appears to have benefited from this and developed a significant ‘trusted business partner’ proposition for advisers operating post-RDR.

Service Rating
The Standard Life Wrap benefits from a long track record and reputation for strong customer service, articulating a very client centric approach in administration. This has been regularly demonstrated by the award of numerous external accolades, in tandem with its own positive internal service metrics. Extending from this emphasis, the business sees itself as competing based on the experience it delivers and that this provides a positive differentiator.

The Standard Life platform business (including Elevate) is now operating at scale and continues to be developed in such a way as to deliver levels of governance and administrative ease with a far greater throughput of activity and assets, across a wider distribution network than ever before.

An addition, the strategic partnership with Phoenix focuses strongly on protecting the client service and propositions across the partnership, allowing for the benefits for both the businesses and their clients to be enhanced further.

Wrap and Elevate continue to deliver a robust service experience and in the six months to June 2019 reported that across the platform proposition it had taken 332,000 calls, dealt with in 406,000 work items, £42bn of client trades placed and dealing accuracy of 99.98%. It reported a success rate of 99.7% on straight through processing, customer ease of interaction with Wrap measured by a Net Easy Score of 80%, and in terms of complaints, with less than 1 received per 1,000 policies, it remained consistently in the top quartile of the peer group against which it measures itself.

Image & Strategy Rating
Standard Life has a long pedigree in the UK Long Term Savings market and is committed to its platform proposition, viewing this as key to growth in its UK retail business, given the ongoing demand and adoption for such infrastructure to sit at the core of adviser businesses and meet regulatory requirements effectively.

Organic growth for the Wrap platform continues both in terms of adviser firms using the platform and AuA, and the acquisition of the Elevate platform added significant inorganic scale and cost effectiveness to the overall Standard Life platform footprint.

The group believes that its brand and distribution reach, together with increasing diversification and global reach, will be key factors in its future success. In terms of scalability and capacity in the UK, SLA suggests that its platform offering, which now includes the Elevate component, can support an unlimited number of clients and advisers, e.g. that it has been designed (and tested) with both horizontal and vertical capacity and scalability built into the infrastructure.

The platform business, which positions itself in strategic terms as an ‘investment ecosystem’, remains firmly in the centre of the group’s broader proposition and is fundamentally, culturally and financially supported by its ultimate parent. The platform operation is maintaining a good reputation alongside other positive performers in the intermediary market post-RDR, and is expected to continue to maintain a major presence. In addition, it sees adjacent opportunities in the Private Client (DFM/DIM accessible) and overseas markets through strategic arrangements in India and China.

UK strategy also includes the development of its advisory capability, under the 1825 brand, as part of an approach that looks to leverage capabilities across an increased number of integrated routes to market and increasingly acquire, grow and retain customers across these. A digital capability is planned for development, which will help reach customers where there is no easy access to advice.
All SLA platforms have received recognition through awards, which enhance individual and collective brand perception. At the 2019 Schroders UK Platform Awards, in addition to Wrap and Elevate winning respective category awards, Parmenion was named ‘Platform of the Year’.

**Business Performance Rating**

Following the integration of Elevate, the platform business suffered reduced net flows of £4.2bn in 2018 [2017: £7.0bn] during challenging market conditions and the initial boost from DB transfers subsiding. Total AuA remained flat at £54.2bn (£54.0bn). SLSL reported an increase of revenue to £112.7m (£92.2m) with a profitable performance before tax of £25.4m (£22.4m).

SLA reported robust performance during difficult operating conditions during 2018. In the six months to 30 June 2019 this continued with AUMA increasing by 5% to £577.5bn [2018: £551.5bn], however net outflows continued but slowed to £15.9bn [2018: £16.9bn]. During the same period, Wrap and Elevate had combined net inflows of £1.1bn [2018: £2.5bn].

In terms of balance sheet strength and regulatory capital requirements coverage, the group remained strong.
BACKGROUND

SLA was formed in August 2017 from the merger of Standard Life plc and Aberdeen Asset Management plc and is a UK based financial services group focused on providing long-term savings and investment solutions on a global basis. It operates in the UK, Europe, North America, Asia and Australia through brands which currently include Aberdeen Standard Investments (ASI), Standard Life and Aberdeen Standard Capital (formerly Standard Life Wealth) as well as a joint venture in China (Heng An Standard Life) and an Associate in India (HDFC Life and HDFC Asset Management Company Ltd - HDFC AMC).

The Life Insurance Company of Scotland was founded in Edinburgh in 1825. It was renamed as The Standard Life Assurance Company (SLAC) in 1832 and reincorporated as a mutual assurance company in 1925. Standard Life Investments was established in 1998 and Standard Life entered the offshore market with the launch of the Dublin based subsidiary, Standard Life International Ltd in January 2006. Following the demutualisation of SLAC and the flotation of Standard Life plc on the London Stock Exchange on 10 July 2006, Standard Life Assurance Ltd (SLAL) operates in the UK alongside its now considerably smaller subsidiary, Standard Life Pension Funds Ltd (SLPF). Under the terms of deal with Phoenix, however, these life businesses were sold out from the group, with this completing at the end of August 2018.

The Standard Life Wrap is provided by SLSL, the focus of this report. Other key businesses are ASI, the group’s fund management arm, which also acquired Ignis Asset Management from Phoenix in July 2014, and Aberdeen Standard Capital Ltd (ASCL), the discretionary fund manager, which acquired the private client business of Newton Management Ltd (NML) in September 2013. Standard Life’s Canadian business was sold to Manulife in January 2015. In May 2015, Standard Life acquired Pearson Jones from Skipton Building Society. This was then rebranded as 1825 and now operates as a restricted national advice service. Standard Life has subsequently announced the acquisitions of regional financial planning businesses The Munro Partnership, Baigrie Davies, Jones Sheridan, Private Client Management, Faser Heath, BDO Northern Ireland Wealth Management and Grant Thornton Wealth Advisory Business to further bolster the 1825 proposition. In November 2016, the platform provider, AXA Portfolio Services Ltd - renamed as Elevate Portfolio Services Ltd (EPSL), was acquired from AXA.

Aberdeen Asset Management was founded in 1983 and listed in 1991. In 2005, it acquired the UK and US institutional businesses of Deutsche Asset Management, including a unit linked group pension vehicle, renamed as Aberdeen Asset Management Life and Pensions Ltd. Certain parts of Credit Suisse’s Global Investors fund management business were acquired in July 2009 and Aberdeen Asset Management also acquired parts of RBS Asset Management in 2010. April 2014 saw the acquisition of Scottish Widows Investment Partnership (SWIP). In January 2016, the purchase of the platform provider Parmenion Capital Partners LLP, along with its online advice business sister company, Self Directed Holdings Ltd, was completed.

In February 2018, Scottish Widows and Lloyds Banking Group’s Wealth businesses announced that they were reviewing their asset management arrangements and that they had therefore given notice to SLA to terminate their partnership agreements with Aberdeen Asset Management plc. This includes long-term contracts for the management of over £100bn of assets. An arbitration tribunal ruled that Lloyds Banking Group did not have the right to end the contract early, and SLA will continue to manage a portion of the assets until 2022 when the contract ends, with compensation paid for loss of profit on the portion of assets that transfer before this time.

In February 2018, SLA also announced the sale of its UK and European insurance business and an enhanced long-term strategic partnership with Phoenix Group. At the same time, it confirmed that it would retain its adviser platforms (Wrap, Elevate and Parmenion). The acquisition completed in August 2018 with SLAL acquired by Phoenix, with part consideration by way of shares; SLA now holds 19.98% of the issued share capital (25.7% of voting rights) of Phoenix Group Holdings plc. Aberdeen Asset Management Life and Pensions Ltd was retained by SLA.

At 30 June 2019, SLA reported over 6,000 total employees and AUMA of over £577bn.
Company Analysis: Standard Life Savings Ltd

BASIC INFORMATION

Ownership & Control
Standard Life Aberdeen plc

Year Established
1997

Country of Registration
UK

Head Office
1 George Street, Edinburgh, EH2 2LL

Contact
https://www.adviserzone.com/adviser/public/adviserzone/contactus

Key Personnel

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<tr>
<td>Chairman</td>
<td>Sir D Flint</td>
</tr>
<tr>
<td>SLA Group Chief Executive Officer</td>
<td>N K Skeoch</td>
</tr>
<tr>
<td>SLA Group Vice Chairman</td>
<td>M J Gilbert</td>
</tr>
<tr>
<td>SLA Group Chief Operating Officer</td>
<td>M Tumilty</td>
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<td>SLA Group Chief Financial Officer</td>
<td>S J Bruce</td>
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<td>SLA Group Chief People Officer</td>
<td>R Thomson</td>
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<tr>
<td>SLA Group Chief Risk Officer</td>
<td>G Murphy</td>
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<tr>
<td>Standard Life Savings Chief Executive Officer</td>
<td>N T Butwell</td>
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<tr>
<td>Head of Client Technology Solutions</td>
<td>D Tiller</td>
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<tr>
<td>Head of UK Wholesale</td>
<td>E Reynolds</td>
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<tr>
<td>UK Distribution Director</td>
<td>C Miller</td>
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<tr>
<td>Platform Operations Director</td>
<td>S Fennessey</td>
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<tr>
<td>Head of UK Marketing</td>
<td>A Kelly</td>
</tr>
<tr>
<td>Platform Developments Director</td>
<td>R Allan</td>
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<tr>
<td>Director of Finance</td>
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Company Background

Established in 1997, SLSL is the operator of the Standard Life Wrap platform in the UK, which was launched in May 2006. SLSL also runs the FundZone proposition (its fund supermarket, which offers access to over 4,500 funds from more than 130 fund managers). In addition, the company acts as an ISA manager and provides access to over 2,000 investment funds.

In October 2016, SLSL acquired AXA Portfolio Services Ltd (renamed as Elevate Portfolio Services Ltd - EPSL), which operates the Elevate platform.
**OPERATIONS**

**Governance System and Structure**

The board of SLA states that it 'expects the Group to be a leader in corporate governance activities through its own actions and through its stewardship activities'. During 2018, a large focus was placed on ensuring that the leadership and governance processes remained strong and effective during the sale to the Phoenix Group. Since then the organisation reports that multi-layered governance and operational liaison structures have worked effectively.

In terms of platform corporate governance and risk management, SLSL and EPSL are managed as a discrete group known as Standard Life Savings Group (SLSG), and this is reflected in its regulatory reporting i.e. in the presentation of the Pillar 3 Disclosure. The boards and Risk Committees of SLSL and EPSL consist of the same individuals in each case, in this respect.

**Risk Management**

SLSG operates a strong control environment. This is achieved through the SLA group’s Enterprise Risk Management (ERM) framework which SLSG adopts. The ERM framework enables a risk-based approach to managing the business and integrates concepts of strategic planning, operational management and internal controls. An ICAAP (Internal Capital Adequacy Assessment Process) supports the implementation of the ERM Framework and is how SLA / SLSG identifies, assesses, controls and monitors the risks that inform its capital requirements specifically.

SLA’s Risk and Compliance function is responsible for the design and implementation of the ERM framework. The ERM framework operates under five key components comprising Risk Culture, Risk Control Processes, Strategic Risk Management, Risk and Capital Models and Emerging Risks, which operate together to support a holistic view of its risk experience.

SLSG operates a ‘three lines of defence’ model of risk management, with clearly defined roles and responsibilities for committees and individuals. This ensures that there is clear accountability for risk-taking within the individuals’ areas of responsibility.

To support the SLSL and EPSL Risk Committee and boards in taking a forward-looking view of risks specific to SLSG, a Risk Scorecard is produced by the group Risk function. This scorecard feeds into the SLSL and EPSL board packs and includes information on risk events, control self-assessments and MARs (management awareness of risks).

The main risks facing SLSL are operational risk and business risk:

- Operational (the risk of loss or adverse consequences for the business resulting from inadequate or failed internal processes, people or systems, or from external events) - within this lies an assessment of risks across categories including process execution; customer; products & practices; fraud & irregularities; regulatory & legal; third party failure; business interruption & system failure; people; and security.
- Business (the risk arising from changes in business, including the risk that the firm may not be able to carry out its business plan and its desired strategy).

A number of improvements have taken place in the risk function recently, including for example the introduction of the SWIFT payment gateway.

**Administration**

The group has historically invested significantly in its platform service capabilities, based on electronic self-service and maximising ‘straight through processing’ with a focus on the end customers.

Across the UK there are four locations with multi-channel operating teams supporting various parts of the platform administrative requirements. Elevate and Wrap continue to have separate operation teams but many resources are shared.

The Edinburgh office houses the largest number of operational staff (FTE: 385) and the Platform Contact Centre is based here along with Standard Life Wrap processing and shared resources in respect of risk, control and regulation. Basingstoke (123) houses the Elevate operations centre. Bristol (63) and Glasgow (40) operations support further elements of the platform business.
Working alongside the day to day platform administration teams are teams dedicated to: compliance with CASS obligations; Platform Assurance (for instance, managing the operational risk framework, investment operations and reconciliations, oversight of FNZ and Phoenix relationships); and Change, working closely with the operations team to deliver investment into the platform business and improvements to the service proposition.

The platform wrappers SIPP and onshore and offshore bonds, which were provided within the Standard Life group by the appropriately permissioned insurance entities, are now owned by Phoenix. SLA and Phoenix agreed that a strategic partnership would be entered into to maintain such relationships and servicing requirements. This relationship is overseen by a Joint Operating Forum (JOF) which oversees the components of an operating agreement as well as seeking opportunities for future growth and partnership.

The JOF operates across the full partnership between Phoenix and SLA, setting a joint vision and strategy for the partnership and collaboration to promote growth; it also oversees the use of branding (given for instance that SLAL continues to operate the Standard Life brand whilst owned by Phoenix).

As the business makes further systems changes in its post life company separation period, it reports that it is taking the opportunity to question and upgrade/improve, from existing SLAL ones, where identified.

**Benchmarks**

The platform offering has been recognised by the industry numerous times in recent years including:

- Both Standard Life Wrap and Elevate retained both a Defaqto 5 Star Platform Rating, and a Gold award for Platform Service in 2019
- Standard Life Wrap won ‘Best Platform Provider’ (over £25bn AUA) and Elevate the same for the under £25bn category at the 2019 Schroders UK Platform Awards
- Standard Life Wrap and Elevate were awarded Platinum Rated at the 2019 Adviser Asset Awards

**Outsourcing**

Two significant outsource arrangements exist:

FNZ provides the following services for the Wrap, Elevate and FundZone platforms:

- Technology provider - provides software, hardware and hosting of technology.
- Custodian - regulated service providing custody of mutual fund assets under its own regulatory permissions
- TPA - Third party administrator providing investment back-office and dealing and settlement related services on SLA behalf

Phoenix provides a number of services through a TSA arrangement. SLA also provide outsources services to Phoenix related to 3 product types, i.e. Wrap SIPP, Wrap Onshore Bond and Wrap IPB.

**STRATEGY**

**Market Positioning**

The platform is provided under the Standard Life brand to its core intermediary market and has benefited from the life company’s established footprint in this respect, with significant long-standing relationships with intermediary firms and significant distribution capability to support growth via the platform. Longer term vision for both platforms include remaining top of the respective adviser market, with an increasing the lead over competitors. There are further opportunities to broaden the platform reach in the generalist adviser segment, whilst continuing to grow in the wealth manager segment and building market share in the private client segment. An important emphasis is placed on continually improving the user experience as a key differentiator against other platforms.

It is an integral part of SLA’s UK retail proposition and so leverages expertise from its position within the value chain and access to investment solutions.
Elevate sits alongside Wrap within the platform business but continues as a distinct platform proposition. Since acquisition, further work has been undertaken to maintain and extend this differentiation between the Standard Life Wrap and Elevate platform propositions. Further branding work to underscore this element of differentiation is to be anticipated, as the wider business looks to position the two platforms within a single digital approach.

Specifically, Standard Life Wrap is targeted at the wealth advisory market, where it has historically been considered a market leader and has its widest band of clients/users. Elevate on the other hand has its historic heartland amongst large generalist advisory firms, and is looking to grow this part of the market.

Launched in 2007, Parmenion is a technology and investments solutions business, which looks to integrate three core disciplines: discretionary investment management, platform services and intuitive technology - aiming to make it easy for Financial Advisers to operate a centralised investment proposition. Parmenion’s funds under management now exceeds £6.2bn at June 2019 and it is used by more than 950 Adviser firms with over 33,000 clients as at March 2019.

**Proposition**

In simple terms SLA defines the respective propositions as:

- **Standard Life Wrap**: to focus on Wealth Advisory and Private Client markets increasingly addressing the complexity amongst a HNW client base underpinned by technology.
- **Standard Life Elevate**: open access delivery to financial planners amongst their increased volume of affluent clients matching a simple technology led service.

Now considered an established player in the market, SLSL has continued to show significant growth in terms of AuA in its own right. The Standard Life Wrap provides access to over 2,750 funds from over 150 fund managers, with 23 asset classes and many other investment options, including ETFs and structured products. Portfolio modelling is provided through its own portfolio planning tool (other ‘off-the-shelf’ portfolios are available), and there is comprehensive DFM (or DIM - Discretionary Investment Manager) capability. White-labelling is available for those advisers who require this.

The platform wrappers: SIPP and onshore and offshore bonds, which were provided within the Standard Life group by the appropriately permissioned insurance entities, are now owned by Phoenix, and the strategic partnership ensures that such relationships are retained without disruption.

Additional external tools are available such as: risk profiling (from ORRA - Oxford Risk Research Analysis); portfolio analysis / planning (Willis Towers Watson); data feeds and fund factsheets (Financial Express); fund analysis (Morningstar); and news feeds / equity pricing (Reuters).

Managed model portfolios are offered from a wide range of investment managers. Free access is given to a proprietary cashflow planning tool, the Retirement Life Planning calculator, which has also been launched to support advisers with retirement income planning discussions with clients.
SLSL reported a decrease in its available capital resources and an increase to its capital resources requirement in 2018, which meant that its CRR coverage ratio dropped to 154% [2017: 648%].

Common with other subsidiary companies there are internal CRR targets for SLSL and EPSL, and the capital position is managed to comply with those targets and minimum regulatory requirements.

There is also disclosure undertaken at a consolidated SLSG level, covering EPSL and its parent SLSL.

The Pillar 1 Capital Resources Requirement (CRR) for SLSG is calculated on the Fixed Overhead Requirement (FOR) basis, and reduced slightly in 2017 from £25.6m to £25.5m. Available capital resources, all Tier 1 capital, was similarly reduced very slightly from £152.6m to £151.3m and this led to a small decline in coverage, but with substantial headroom still, at 593%.

Following the sale of the UK and European insurance business, SLA is now classified as an investment group for prudential supervision and is subject to regulation under CRD IV. Previously, the Group was regulated as an insurance group subject to Solvency II. This has resulted in a significant reduction in the Group’s total capital requirements. At the half year to 30 June 2019, total capital resources were £2.0bn [31 December 2018: £1.7bn] against a capital requirement of £1.1bn [2018: £1.1bn].

Assets increased from £196.0m to £319.4m, largely due to a £97.0m increase of other debtors and a £18.7m increase in interests in pooled funds.

There were no capital movements during the year, and with retained profit increased by £21.5m [2017: £24.3m] total equity increased to £201.8m (£180.4m).
Revenue in 2018 (fee income largely, for the provision of investment management and administration services) increased by 22%, from £92.2m to £112.7m.

With operating expenses increasing by 25%, from £69.8m to £87.3m, profit before tax increased by 13% to £25.4m. All staff are employed by Standard Life Employee Services Ltd, and recharged to SLSL.

SLSL reported a reduced profit after tax in 2018 of £21.5m [2017: £24.3m] due to a tax charge of £4.0m [2017: Tax credit of £1.9m]. No dividend was paid [2017: nil].

SLA’s adjusted profit before tax for continuing operations, which excludes impacts arising from short-term fluctuations in investment return and economic assumption changes in the group’s wholly owned insurance entities, reduced from £660m to £650m on a pro forma basis in 2018. On an IFRS basis there was a loss from continuing operations of £787m [Profit: £438m], largely due to the amortisation and impairments of intangible assets acquired in business combinations and through the purchase of customer contracts.

The group paid ordinary dividends totalling £634m in 2018 [2017: £469m], with a further £345m relating to 2018 paid in May 2019.
framework allows financial statements to be simplified by removing a number of disclosures, including IAS 7 Cash flows. At the end of 2018, total cash increased by £3.0m to £4.1m.

The AuA figures above, which increased by 1% to £41.7bn in 2018 relate to SLSL, including Wrap and FundZone.

SLA reported that its retail platforms, including Wrap and Elevate, continued to grow assets in 2018, attracting net flows of £4.2bn representing an annualised 8% of opening assets in 2018, with AUA now in excess of £59.8bn as at 30 June 2019 [31 December 2018: £54.2bn].

As at 30 June 2019, SLA had assets under management and administration (AUMA) of £577.5bn [31 December 2018: £551.5bn], due to positive market movements and investment performance of £41.2bn [negative £20.5bn] across all channels partly offset by the continued net outflows.
INTRODUCTION

For over 20 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company’s ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer’s perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers’ advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers’ advisers to select between comparable companies competing to deliver relevant products or services.

AKG’s focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at https://www.akg.co.uk/information/reports/platform.

AKG’s process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG’s process can be found at https://www.akg.co.uk/information/reports.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.

RATING DEFINITIONS

Overall Financial Strength Rating

The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company’s ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company’s mix of business in-force): capital and asset position, expense position and profitability any specifically onerous element such as with profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position
and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

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**Service Rating**

The objective is to assess the quality of the organisation’s service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation’s philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

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<td>Excellent</td>
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<td>Adequate</td>
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**Image & Strategy Rating**

The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company’s market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG’s view of the company’s general strategy.

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**Business Performance Rating**

This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

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ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 20 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG’s core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.