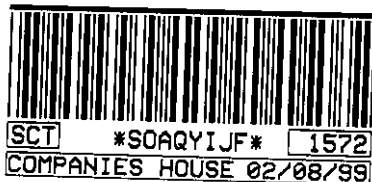


STANDARD LIFE INVESTMENTS LIMITED
(formerly Standard Life (Holdings) Limited)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
15 NOVEMBER 1998

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Registered in Scotland Number SC123321



REPORT AND ACCOUNTS

STANDARD LIFE INVESTMENTS LIMITED
(formerly Standard Life (Holdings) Limited)

Directors : A S Bell, FAA, FPMI (Chairman)
I C Lumsden, MA FFA
J Stretton, BA FFA
A M Crombie, FFA
A P Watt, FRICS
P C Hill, B.ESc, M.ESc, P.Eng
N R Parnaby, MA MSI
A C Burton, ACII

Chief Executive : A M Crombie, FFA

Secretary : P A Stubbs, FFA

STANDARD LIFE INVESTMENTS LIMITED

REPORT BY THE DIRECTORS

The directors submit their Report and Accounts for the year ended 15 November 1998.

Annual General Meeting

As permitted by Section 366A of the Companies Act 1985, the Company has passed an elective resolution to dispense with the holding of annual general meetings.

Profit and dividend

	£
Loss after tax for the year	(1,701,370)
Balance brought forward	-
Balance carried forward	<u>(1,701,370)</u>

The directors do not recommend the payment of a dividend for the year. The loss for the year has been transferred to reserves.

Principal activities and business review

During the year the principal activity of the Company was to act as a holding Company. With effect from 16 November 1998, the Company entered into agreements with other companies in the Standard Life Group to provide investment management services which will become its principal activity. In anticipation of this, the Company acquired a number of additional subsidiary companies from The Standard Life Assurance Company prior to the financial year-end which are involved in investment management business.

Year 2000 systems conversion

A project team has been in place since 1996 within the parent undertaking addressing the risk that computers and other electronic systems may fail to function correctly through an inability to recognise or interpret properly dates beyond 31 December 1999. A comprehensive series of procedures is in place to test thoroughly all systems and minimise any risk of failure. The cost of the programme has been disclosed in the parent undertaking's accounts.

Economic and Monetary Union

The Company's income and expenses are denominated entirely in Sterling. The directors will closely monitor the development of Economic and Monetary Union (EMU) but at present no specific action is required.

Change of name

The name of the Company changed from Standard Life (Holdings) Limited to Standard Life Investments Limited on 7 July 1998.

Directors and their interests

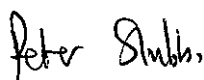
The names of the current directors are listed on page 1. G A Ball and J F H Trott resigned as directors of the Company on 28 April 1998. A S Bell was appointed a director of the Company on 26 May 1998. A C Burton, A M Crombie, P C A Hill, N R Parnaby and A P Watt were appointed as directors of the Company on 2 July 1998.

The appointment of directors is not subject to retirement by rotation. None of the directors has a beneficial interest in the shares of the Company, which is a wholly owned subsidiary of The Standard Life Assurance Company.

Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand from 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm PricewaterhouseCoopers, and the directors appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. The auditors, PricewaterhouseCoopers, Chartered Accountants, are willing to continue in office.

On behalf of the Board of Directors



P A Stubbs, Secretary

Edinburgh, 23 February 1999

STANDARD LIFE INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 15 November 1998

	Notes	1998 £	1997 £
Turnover		-	-
Administrative expenses	2	(1,707,304)	-
Dividends received from shares in group undertakings		-	5,000,000
Operating (loss)/profit		(1,707,304)	5,000,000
Interest receivable	45,776	-	-
Interest payable	(39,842)	-	-
		5,934	-
(Loss)/profit on ordinary activities before taxation		(1,701,370)	5,000,000
Taxation	5	-	-
(Loss)/profit on ordinary activities after taxation		(1,701,370)	5,000,000
Dividend paid		-	(5,000,000)
Balance brought forward		-	-
Balance carried forward		(1,701,370)	-

There are no recognised gains or losses other than the loss for the year.

The loss for the year relates wholly to continuing activities.

The Notes on pages 5 to 7 are an integral part of these Accounts.

STANDARD LIFE INVESTMENTS LIMITED

BALANCE SHEET

as at 15 November 1998

	Note	1998 £	1997 £
INVESTMENT			
Shares in subsidiary undertakings	6	7,656,005	5,000,001
CURRENT ASSETS			
Debtors	7	241,226	-
Cash at bank and on deposit		17,380,047	-
		<u>17,621,273</u>	-
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	8	1,978,648	-
NET CURRENT ASSETS		<u>15,642,625</u>	-
TOTAL ASSETS LESS CURRENT LIABILITIES		23,298,630	-
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Group subordinated loan	9	15,000,000	-
		<u>8,298,630</u>	<u>5,000,001</u>
CAPITAL AND RESERVES			
Called up share capital	10	10,000,000	5,000,001
Profit and loss account		(1,701,370)	-
Total shareholders' funds	11	<u>8,298,630</u>	<u>5,000,001</u>

On behalf of the Board of Directors



A S Bell

Director

Edinburgh, 23 February 1999

The Notes on pages 5 to 7 are an integral part of these Accounts.

STANDARD LIFE INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Investment in subsidiaries

Shares in the subsidiary undertakings have been valued at cost less any permanent diminution in value.

2. PROFIT AND LOSS ACCOUNT

Administrative expenses are all pre trading costs.

3. AUDITORS' REMUNERATION

Auditors' remuneration amounted to £1,200 (£100) in respect of audit services. Auditors' remuneration in respect of non-audit services during the year amounted to £28,300 (£Nil).

4. DIRECTORS' EMOLUMENTS

No emoluments were payable to the directors in respect of their services to the Company in this year (£Nil).

5. TAXATION

There is no liability to taxation on the loss for the year.

6. SHARES IN SUBSIDIARY UNDERTAKINGS

The following are particulars of the Company's subsidiary undertakings which are wholly owned:

Name	Country of registration or incorporation	Share class	Year end	Nature of business
Standard Life Investments (Mutual Funds) Ltd (formerly Standard Life Fund Management Ltd)	Scotland	Ordinary Shares	15 Nov	Collective Investment Product and PEP management
Standard Life Trust Management Ltd	Scotland	Ordinary Shares	15 Nov	Unit trust management
Standard Life Investments (Corporate Funds) Ltd	Scotland	Ordinary Shares	15 Nov	Investment management
Standard Life Investments (General Partner) Ltd	Scotland	Ordinary Shares	15 Nov	General Partner for Private Equity business
Standard Life Investments (Private Equity) Ltd	Scotland	Ordinary Shares	15 Nov	Investment management
Standard Life Investments (Mauritius Fund Management) Ltd	Mauritius	Ordinary Shares	15 Nov	Investment management
Standard Life Portfolio Management Ltd	Canada	Common Shares	31 Dec	Investment management

The above subsidiaries, with the exception of Standard Life Fund Management Limited, were transferred from The Standard Life Assurance Company to Standard Life Investments Limited at their net asset value of £2.6m. This was in exchange for shares in Standard Life Investments Limited.

In compliance with Section 228 of the Companies Act 1985, Group accounts have not been prepared.

STANDARD LIFE INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS

7. DEBTORS

	1998 £	1997 £
Interest receivable	9,728	-
Prepayments	231,498	-
	<u>241,226</u>	<u>-</u>

8. CREDITORS

	1998 £	1997 £
Trade creditors	1,011,742	-
Amounts owed to group undertakings	966,906	-
	<u>1,978,648</u>	<u>-</u>

9. GROUP SUBORDINATED LOAN

A subordinated loan was made by the Company's parent undertaking under an agreement which complies with Investment Management Regulatory Organisation (IMRO) regulations.

The loan is repayable on 1 November 2013.

The repayment of subordinated loans is subject to the prior written agreement of IMRO.

If default on this loan is made for a period of five days or more for the payment of the principal due, or 14 days or more for the payment of any interest due, the Company's parent undertaking may institute proceedings for the winding up of the Company.

The average rate of interest paid on this loan in 1998 was 6.9%.

10. CALLED UP SHARE CAPITAL

	Authorised		Allotted, Called up and Fully Paid			
	1998 £	1997 £	No	1998 £	No	1997 £
Ordinary Shares of £1 each	50,000,000	20,000,000	10,000,000	10,000,000	5,000,000	5,000,000
Non voting Share of £1	0	1	0	0	1	1
	<u>50,000,000</u>	<u>20,000,001</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>5,000,001</u>	<u>5,000,001</u>

During the year, the 1 non-voting share was converted to an ordinary share and a further 4,999,999 ordinary shares issued. This was funded by the share transfer and a cash injection of £2.3m.

STANDARD LIFE INVESTMENTS LIMITED

NOTES ON THE ACCOUNTS

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Opening shareholders' funds	5,000,001	5,000,001
Net proceeds of share capital	4,999,999	-
(Loss)/profit for the year	(1,701,370)	5,000,000
Dividend	-	(5,000,000)
Closing shareholders' funds	<u>8,298,630</u>	<u>5,000,001</u>

12. CASHFLOW STATEMENT

A Cashflow Statement has not been provided as the Company has taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) "Cashflow Statements" as consolidated accounts in which the Company is included are available.

13. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under Paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other undertakings of the Standard Life Group.

14. PARENT UNDERTAKING

The Company is a wholly owned subsidiary of The Standard Life Assurance Company.

Copies of the accounts of the parent undertaking can be obtained at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

STANDARD LIFE INVESTMENTS LIMITED

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In addition, the directors should take all reasonable steps to ensure that adequate accounting records are maintained, that the assets of the Company are safeguarded and that fraud and other irregularities are prevented or detected.

The directors are of the opinion that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the accounts of the Company for the year ended 15 November 1998 on a going concern basis and that applicable accounting standards have been followed.

AUDITORS' REPORT TO THE MEMBERS OF STANDARD LIFE INVESTMENTS LIMITED

We have audited the accounts on pages 3 to 7 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described above the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

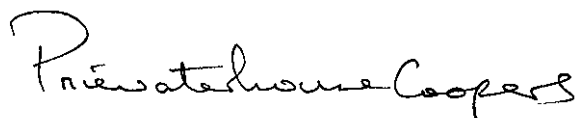
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 15 November 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

EDINBURGH, 23 February 1999