

STANDARD LIFE INVESTMENTS
LIMITED

**CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2005**



REPORT AND ACCOUNTS

STANDARD LIFE INVESTMENTS LIMITED

Directors	C A M Buchan, BCom	(Non Executive Deputy Chairman)
	C M Clark, MA (Hons) PPE	(Non Executive)
	M Connolly, MBA	
	A M Crombie, FFA	(Non Executive)
	D T Cumming, MA	
	W R Littleboy, BA(Hons) MA	
	J D Maxwell, LLB MBA	
	R L Paris, MA(Oxon)	
	R A Renaud, BSc	
	N K Skeoch, BA(Hons) MA MSI	(Chief Executive)
	H A Stevenson, BA FSI	(Non Executive Chairman)
	A P Watt, FRICS	
Secretary	V J O'Brien ACII	

STANDARD LIFE INVESTMENTS LIMITED

REPORT BY THE DIRECTORS

The directors submit their Report and Accounts for the year ended 31 December 2005

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

Change of Year End and Comparatives

During 2004, the Group changed its year end from 15 November to 31 December, and consequently the comparative figures presented within the accounts are for the thirteen and a half month period from 16 November 2003 to 31 December 2004

Result and dividend

The Group's result for the year ended 31 December 2005 is a profit of £32.7million (2004 £12.8million). The directors consider the results to be satisfactory.

The directors do not recommend the payment of a dividend for the year (2004 £nil). The profit for the year has been taken to reserves.

Principal activities and business review

The principal activity of the Standard Life Investments group of companies ("the Group") is to provide investment management services.

Demutualisation

On 17 October 2005, the Board of The Standard Life Assurance Company, the Company's parent undertaking, confirmed it intends to recommend to members that the The Standard Life Assurance Company should demutualise and list on the London stock exchange, subject to satisfactory completion of all legal, regulatory and other requirements. A Special General Meeting is expected to take place in May or June 2006 to seek members' approval of the demutualisation and flotation plans.

Directors and their interests

The names of the current directors of the Company are shown on page 1.

M Connolly and R A Renaud were appointed as directors on 9 May 2005 and 26 September 2005 respectively. J Hylands and P C Hill resigned as directors on 14 March 2005 and 3 January 2006 respectively.

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.

Employees

The Group's policy is to recruit, develop and employ staff on the basis of the suitability of their qualifications and experience to the work performed, regardless of ethnic origin, religion, sex, marital status or disability. Full consideration is given to continuing the employment of staff who become disabled and to provide training and career development opportunities to disabled employees.

The Group keeps staff informed of progress and policies through line management channels, training courses, conferences and an Internal Communication Programme, which consists of various in house publications and briefing seminars with staff.

STANDARD LIFE INVESTMENTS LIMITED

REPORT BY THE DIRECTORS (Continued)

Financial Instruments

Financial assets

The principal financial assets held by the Group comprise cash and deposits with banks. The main purpose of holding these financial assets as agreed by the directors is to ensure appropriate liquidity, enabling the Group's liabilities to be met as they fall due and to meet regulatory requirements in respect of liquidity management.

Financial liabilities

The principal financial liability of the Group is a long term subordinated loan from The Standard Life Assurance Company ("SLAC"). The purpose of incurring this financial liability as agreed by the directors is to ensure the Group has sufficient resources in order to meet regulatory requirements in respect of capital management.

Risks

The main risks arising from the Group's activities are market risk, liquidity risk, credit risk, operational risk and insurance risk. The ultimate responsibility for managing and controlling risk resides with the board of directors. The directors review and agree policies for managing each of the following risks.

Market risk The Group takes little market risk in respect of its own capital, but it is exposed to foreign currency risk as a result of certain of its subsidiary undertakings and its joint venture investment having functional currencies other than Pounds Sterling. The Group is also exposed to interest rate risk through its investments and through its subordinated loan with the parent undertaking. In addition, the Group's revenues are exposed to equity market risk as they are primarily derived from the market value of assets under management.

Liquidity risk The Group maintains a policy of ensuring funds are available at all times to meet the Group's financial obligations as they fall due. The Group ensures it can meet its financial obligations by maintaining a suitable level of liquid assets.

Credit risk The Group incurs credit risk through investing its capital and holding financial assets. Limits have been established to prevent excessive exposure to a single counterparty.

Operational risk This is the risk to the Group of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Management is responsible for managing and controlling operational risk by ensuring that appropriate systems and controls are in place. The effectiveness of the controls is assessed and reported to the directors on a regular basis through a variety of different means.

Insurance risk The Group is exposed to insurance risk as a result of its general insurance subsidiary's activities. This risk is mitigated by a maximum exposure limit per insurance claim and is monitored closely on a regular basis.

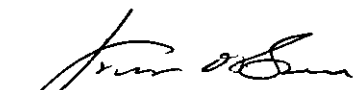
Supplier payment policy

It is the Group's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier.

Auditors

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants, are willing to continue in office.

On behalf of the Board of Directors



N J O'Brien, Secretary

Edinburgh, 22 March 2006

STANDARD LIFE INVESTMENTS LIMITED**DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts for each financial year which comply with the United Kingdom Companies Act 1985 and give a true and fair view of the state of affairs of the Group and the Company and of the results of the Group for that year. In addition, the directors should take all reasonable steps to ensure that adequate accounting records are maintained, that the assets of the Group are safeguarded and that fraud and other irregularities are prevented or detected.

The directors confirm that suitable accounting policies, applied consistently and supported by reasonable and appropriate judgements and estimates, have been used in the preparation of the accounts of the Group and the Company for the year ended 31 December 2005. The directors also confirm that the accounts have been appropriately prepared on a going concern basis and that applicable accounting standards have been followed as described in the Accounting Policies.

STANDARD LIFE INVESTMENTS LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005**

	Note	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Turnover (including share of joint venture)	2	204,252	168,556
Less share of turnover of joint venture		(6,570)	(6,808)
Turnover		<u>197,682</u>	<u>161,748</u>
Administrative expenses	4	(157,628)	(146,272)
Group Operating Profit		<u>40,054</u>	<u>15,476</u>
Share of operating profit of joint venture	5	2,640	2,184
Profit on ordinary activities before interest and taxation		<u>42,694</u>	<u>17,660</u>
Net interest receivable			
Group	8	3,780	2,508
Joint venture	8	5	2
Profit on ordinary activities before taxation		<u>46,479</u>	<u>20,170</u>
Tax on profit on ordinary activities	9	(13,772)	(7,334)
Profit for the financial year		<u>32,707</u>	<u>12,836</u>

The profit for the year relates wholly to continuing activities

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

STANDARD LIFE INVESTMENTS LIMITED**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2005**

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Profit attributable to ordinary shareholders	32,707	12,836
Currency translation difference on net investments	413	(298)
Total recognised gains and losses relating to the year	<u>33,120</u>	<u>12,538</u>

STANDARD LIFE INVESTMENTS LIMITED

CONSOLIDATED BALANCE SHEET as at 31 December 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Investment in joint venture	11		
Goodwill		12,857	12,673
Share of gross assets		8,974	9,628
Share of gross liabilities		(2,650)	(2,799)
		<u>19,181</u>	<u>19,502</u>
Tangible assets	12	141	276
Investments	13	<u>69</u>	<u>3</u>
		19,391	19,781
CURRENT ASSETS			
Stocks of shares and units		2,303	1,975
Debtors	14	52,260	15,808
Deferred tax	15	4,014	3,142
Investments	16	12,676	25,196
Cash at bank and in hand		<u>123,124</u>	<u>70,184</u>
		194,377	116,305
CURRENT LIABILITIES			
Creditors <i>Amounts falling due within one year</i>	17	<u>(91,363)</u>	<u>(47,247)</u>
NET CURRENT ASSETS		103,014	69,057
TOTAL ASSETS LESS CURRENT LIABILITIES		122,405	88,839
CREDITORS <i>Amounts falling due after more than one year</i>			
	18	(15,000)	(15,000)
PROVISION FOR LIABILITIES & CHARGES	19	<u>(1,347)</u>	<u>(901)</u>
		106,058	72,938
CAPITAL AND RESERVES			
Called up share capital	20	32,440	32,440
Profit and loss account		73,618	40,498
TOTAL SHAREHOLDER'S FUNDS	21	<u>106,058</u>	<u>72,938</u>

The consolidated accounts on pages 5 to 21 were approved by the Board of Directors on 22 March 2006 and were signed on its behalf by



N K Skeoch, Chief Executive

Edinburgh,
22 March 2006

STANDARD LIFE INVESTMENTS LIMITED

COMPANY BALANCE SHEET
as at 31 December 2005

	Note	2005 £'000	2004 £'000
FIXED ASSETS			
Investment in subsidiary undertakings	10	27,002	24,830
Investment in joint venture	11	18,375	18,255
Investments	13	66	
		45,443	43,085
CURRENT ASSETS			
Debtors	14	16,488	11,386
Deferred tax	15	2,705	1,875
Investments	16		20,223
Cash at bank and in hand		91,767	47,351
		110,960	80,835
CURRENT LIABILITIES			
Creditors <i>Amounts falling due within one year</i>	17	(46,730)	(36,708)
NET CURRENT ASSETS			
		64,230	44,127
TOTAL ASSETS LESS CURRENT LIABILITIES			
		109,673	87,212
CREDITORS <i>Amounts falling due after more than one year</i>			
	18	(15,000)	(15,000)
PROVISION FOR LIABILITIES & CHARGES			
	19	(972)	(901)
		93,701	71,311
CAPITAL AND RESERVES			
Called up share capital	20	32,440	32,440
Profit and loss account		61,261	38,871
TOTAL SHAREHOLDER FUNDS			
	21	93,701	71,311

The consolidated accounts on pages 5 to 21 were approved by the Board of Directors on 22 March 2006 and were signed on its behalf by



N K Skeoch, Chief Executive

Edinburgh,
22 March 2006

STANDARD LIFE INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS

1. ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared in accordance with applicable UK accounting standards and under the historical cost convention, as modified to include the valuation of current asset investments, listed investments and stocks of shares and units at net realisable value

(b) Basis of consolidation

The group accounts consolidate the accounts of Standard Life Investments Limited, its subsidiary undertakings and joint venture

(c) Investments in subsidiary undertakings

Investments in subsidiary undertakings are valued at cost less any permanent diminution in value

(d) Joint Venture

In the group accounts, the investment in the joint venture is accounted for using the gross equity method. The consolidated profit and loss account includes the group's share of the joint venture's profit whilst the group's share of the net assets of the joint venture is shown in the consolidated balance sheet. In the Company accounts, the investment in the joint venture is valued at cost less any permanent diminution in value.

(e) Goodwill

Goodwill arising on consolidation is capitalised and amortised over its estimated useful economic life up to a maximum of 20 years

(f) Fixed assets and depreciation

Fixed assets are stated at cost and depreciated on a straight line basis over their estimated useful lives which range from three to five years

(g) Investments and stock of shares and units

Listed investments are valued at market prices. The stocks of shares and units held by the management companies for the purpose of OEIC and unit trust management are valued at net realisable value. Unlisted investments are included at a valuation determined by the directors based upon, where appropriate, latest dealing prices, net asset values and other latest known information. Deposits with credit institutions not repayable on demand are valued at cost plus accrued interest

(h) Deferred taxation

Deferred tax is recognised on a discounted basis for all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

The value of the deferred tax is calculated using the average tax rates expected to be applicable in the periods in which the timing differences are expected to reverse. The value of the tax is then discounted at the corresponding gilt rates extant at the period end in order to reflect the time value of money

(i) Cash at bank and in hand

Deposits held with financial institutions that are repayable on demand are included within cash at bank and in hand

(j) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non monetary assets and transactions in foreign currencies are translated at the rate ruling at the date of the transaction. All realised differences are taken to the profit and loss account. Unrealised differences are taken to the statement of recognised gains and losses.

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****1. ACCOUNTING POLICIES (Continued)****(k) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured

(l) Performance fee revenue

Revenues arising in respect of performance fee arrangements are recognised on an accruals basis in accordance with the terms of the performance fee agreement

(m) Long term incentive scheme

The liabilities arising in respect of the Group's long term incentive schemes are accrued based upon the terms of each scheme. The liabilities are determined on the basis of a range of criteria. Management estimate the liability each period end using projections of the Group's growth and of its investment performance against the criteria

(n) Provisions and contingent liabilities

Provision for liabilities are recognised where it is probable that an economic benefit will be transferred, a reliable estimate can be made and where the timing is known. Contingent liabilities are disclosed in the notes to the accounts where one or more of the above criteria cannot be met

(o) Operating Leases

Costs incurred under operating leases are charged to the profit and loss account in equal amounts over the period of the leases

(p) Premiums

Premiums relate to insurance business undertaken during the period together with any differences between premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the Group. Premiums are accounted for gross of any commission payable, if applicable, to intermediaries and relevant taxes. In addition to the net written premiums, the change in the period of the proportion of premiums written in the period that relate to expired terms of policies in force at the balance sheet date, calculated on a time apportionment basis, is included

(q) Claims

Insurance claims comprise claims, related expenses paid and movements in technical provisions in the period. Provision is made at the period end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Group. The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established

2. TURNOVER

Turnover is derived from the provision of investment management services to other companies in the Standard Life Group and to third parties, from acting as collective investment manager and manager of unit trusts and the provision of general insurance services. Turnover, which is stated net of VAT, is analysed as follows

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Fund management income	184,814	156,173
Premiums earned	4,218	
Profit on unit and share dealing	3,428	400
Registrar's fees	206	222
Distributions from collective investments	2,366	2,192
Other	2,650	2,761
	197,682	161,748
Joint venture	6,570	6,808
	204,252	168,556

STANDARD LIFE INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)

3. SEGMENTAL REPORTING

The primary activity of the Group is the provision of investment management services. The other activities are not considered to be significant and are therefore not separately disclosed.

	2005			
	UK £'000	Canada £'000	Other £'000	Total £'000
Turnover:				
SLAC group undertakings	106,241	10,762		117,003
Third party	79,331	884	463	80,679
Group	185,572	11,646	463	197,682
Joint venture			6,570	6,570
Total turnover	185,572	11,646	7,033	204,252
Group profit/(loss) before tax	42,121	4,128	(2,410)	43,839
Share of joint venture profit before tax			2,640	2,640
Total profit before tax	42,121	4,128	230	46,479
Group net assets	97,824	5,455	1,974	105,253
Share of joint venture net assets			806	806
Total net assets	97,824	5,455	2,780	106,059
	2004			
	UK £'000	Canada £'000	Other £'000	Total £'000
Turnover:				
SLAC group undertakings	94,945	7,396		102,341
Third party	56,125	2,836	446	59,407
Group	151,070	10,232	446	161,748
Joint venture			6,808	6,808
Total turnover	151,070	10,232	7,254	168,556
Group profit/(loss) before tax	27,862	(507)	(8,439)	18,916
Share of joint venture profit before tax			1,254	1,254
Total profit/(loss) before tax	27,862	(507)	(7,185)	20,170
Group net assets	66,138	4,344	1,209	71,691
Share of joint venture net assets			1,247	1,247
Total net assets	66,138	4,344	2,456	72,938

4. ADMINISTRATIVE EXPENSES

Administrative expenses include

	01 Jan 05 Consolidated £'000	31 Dec 05 Company £'000	16 Nov 03 Consolidated £'000	31 Dec 04 Company £'000
Remuneration paid to the auditors				
audit fees	148	35	99	16
other non audit fees	168	135	173	90
Depreciation	201		446	
Insurance claims and change in claims provisions	1,575			
Exchange differences	(422)	(269)	133	103
Operating lease payments	545		516	
Impairment of subsidiaries		1,000		1,500

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****4. ADMINISTRATIVE EXPENSES (Continued)**

The average number of persons (excluding non executive directors) employed by the Group during the period was 696 (2004 – 696) The average number of persons (excluding non executive directors) employed by the Company during the period was 597 (2004 – 578)

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Salaries and bonuses	75,121	65,738
Social security costs	3,428	3,800
Pension costs	4,690	5,216
Other staff benefits and expenses	1,746	2,228
TOTAL	84,985	76,982

5. SHARE OF OPERATING PROFIT OF JOINT VENTURE

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Continuing operations	3,181	2,905
Amortisation of goodwill	(541)	(722)
TOTAL	2,640	2,184

6. DIRECTORS' REMUNERATION

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Aggregate emoluments	4,920	2,639
Amounts receivable under long term incentive schemes	2,566	981

Six directors of the Company are participants in long term incentive schemes. The benefits arising under the incentive schemes are recorded in the period in which entitlement is determined.

Retirement benefits are accruing to eight directors in respect of their services to the Company under a defined benefit scheme operated by the parent undertaking. Non executive directors are not entitled to retirement benefits in respect of their service to the Company.

The highest paid director of the Company received aggregate remuneration during the year of £1,548k (2004 – £1,124k). At 31 December 2005, the highest paid director also held accrued pension benefits of £12k (2004 – £10k) under the defined benefit pension scheme operated by the parent undertaking and £16k (2004 – £14k) under an unfunded pension arrangement with the parent undertaking.

7. PENSION COSTS

SLAC operates a pension scheme for its employees and those of its subsidiaries providing benefits based on final pensionable pay. The contributions to the scheme are determined on the basis of advice from qualified actuaries using the projected unit credit method. With effect from 16 November 2004 the UK defined benefit scheme was closed to new entrants and new employees are eligible to join a defined contribution scheme. As the UK scheme is now closed to new entrants, the projected unit credit method will result in the current service cost increasing as members of the scheme approach retirement.

STANDARD LIFE INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)

7. PENSION COSTS (Continued)

FRS17 ("Retirement Benefits") became mandatory for accounting periods beginning on or after 1 January 2005. The employees of the Standard Life Investments' Group (SLI Group) form part of the multi employer scheme operated by the parent undertaking. It is not practicable to split the assets and liabilities of the scheme, therefore SLI Group has applied paragraph 9(b) of FRS17 and accounts for its pension contributions as if they were made to a defined contribution scheme. The cost to SLI Group for the year was £4,690k (2004 £5,216k).

Full details of the parent undertaking's pension scheme are contained in the financial statements of the parent undertaking.

In addition to the pension scheme operated by the parent undertaking, the SLI Group also makes provision for unfunded pension retirement benefits (Note 19).

8. NET INTEREST AND OTHER CHARGES

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Interest receivable and other income	4,805	3,461
Interest payable to SLAC group undertakings	(757)	(785)
Other interest payable and similar charges	(268)	(168)
Net group interest receivable	3,780	2,508
 Share of joint venture net interest receivable and other income	 5	 2

9. TAXATION

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Current tax:		
Corporation tax	(15,161)	(2,085)
Double taxation relief	1,950	430
Group relief		(4,325)
Prior year adjustment	(105)	1,296
Overseas taxation	(154)	(1,149)
Share of joint venture tax payable	(1,174)	(1,101)
Current tax charge (see below)	(14,644)	(6,934)
 Deferred tax:		
Origination and reversal of timing differences	892	(433)
Movement in discount	(20)	33
Tax on profit on ordinary activities	(13,772)	(7,334)

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****9. TAXATION (Continued)**

A reconciliation of the current tax on profit on ordinary activities at the standard UK corporation tax rate to the Group's actual current tax charge is shown as follows

	01 Jan 05 31 Dec 05 £'000	16 Nov 03 31 Dec 04 £'000
Profit on ordinary activities before tax	46,479	20,170
Profit on ordinary activities multiplied by the UK standard rate of corporation tax of 30%	(13,944)	(6,051)
Effects of		
Expenses not deductible	(4,905)	(1,690)
Double tax relief	1,950	430
Prior year tax adjustments	(105)	1,296
Income not taxable	1,480	919
Group income dividend from joint venture	447	(150)
Higher tax rates in overseas subsidiaries	(157)	(1,613)
Capital allowances	63	133
Other	527	(208)
Current tax charge	<u>(14,644)</u>	<u>(6,934)</u>

10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	Company £'000
Cost less amounts written down at 31 December 2004	24,830
Additional investment during year	3,626
Disposals during year	(454)
Amount written down during year	(1,000)
Cost less amounts written down at 31 December 2005	<u>27,002</u>

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****10. INVESTMENT IN SUBSIDIARY UNDERTAKINGS (Continued)**

The following are particulars of the Company's significant subsidiary undertakings, all of which have a year end of 31 December

Name	Country of Registration/ Incorporation	Share Class	% owned	Nature of business
Standard Life Investments (Mutual Funds) Limited	Scotland	Ordinary & Redeemable Preference	100	Collective Investment Products and ISA/PEP Management
SLTM Limited	Scotland	Ordinary	100	Unit Trust Management
Standard Life Investments (Corporate Funds) Limited	Scotland	Ordinary	100	Investment Management
Standard Life Investments (Private Equity) Limited	Scotland	Ordinary & Redeemable Preference	100	Investment Management
Standard Life Investments Inc	Canada	Common	100	Investment Management
Standard Life Investments (Asia) Limited	Scotland	Ordinary	100	Investment Management
Standard Life Investments (USA) Limited	Scotland	Ordinary & Redeemable Preference	100	Investment Management
Standard Life Investments (Hong Kong) Limited	Hong Kong	Ordinary	100	Investment Management
Standard Life investments (Jersey) Limited	Channel Islands	Ordinary	100	Property Investment Management
Touchstone Insurance Company Limited	Channel Islands	Ordinary	100	General Insurance

During the period the Company established the following significant wholly owned subsidiaries, Standard Life Investments (Jersey) Limited and Touchstone Insurance Company Limited

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****11. INVESTMENT IN JOINT VENTURE**

The Group have a joint venture with HDFC Asset Management Company (HDFC AMC), an investment management company incorporated in India. The Group holds a 49.9% (2004 – 49.9%) interest in the equity share capital and a 49.9% (2004 – 49.9%) interest in the non equity share capital of HDFC AMC. HDFC AMC has a financial year end date of 31 March. For the purposes of consolidation these accounts incorporate the result for the year from 1 October 2004 to 30 September 2005. The accounts incorporated include 6 months of audited accounts to 31 March 2005 and 6 months of the unaudited management accounts from 1 April 2005 to 30 September 2005.

	2005		2004	
	Consolidated	Company	Consolidated	Company
	£'000	£'000	£'000	£'000
Cost		18,255		19,988
Proceeds from redemption of preference shares				(1,494)
Exchange difference on preference shares		120		(239)
Share of net assets	6,324		6,829	
Unamortised goodwill	12,857		12,673	
	19,181	18,375	19,502	18,255

The following information is given in respect of the Group's share of the joint venture

	2005	2004
	£'000	£'000
Turnover	6,570	6,808
Operating profit	3,181	2,905
Net interest	5	2
Taxation	(1,174)	(1,101)
Profit after tax	2,012	1,806
Fixed assets	5,663	6,796
Current assets	3,311	2,832
Current liabilities	(2,650)	(2,799)
Net Assets	6,324	6,829

STANDARD LIFE INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)

12. TANGIBLE FIXED ASSETS

CONSOLIDATED	Computers £'000	Furniture & Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost:				
Beginning of year	560	700	751	2,011
Exchange differences	42	19	67	128
Additions	31	25		56
Disposals	(200)	(43)	(262)	(505)
End of year	433	701	556	1,690
Accumulated Depreciation.				
Beginning of year	495	582	658	1,735
Exchange differences	37	15	58	110
Depreciation for the year	53	85	71	209
Disposals	(200)	(43)	(262)	(505)
End of year	385	639	525	1,549
Net Book Value:				
At 31 December 2005	48	62	31	141
At 31 December 2004	65	118	93	276

The Company has no tangible fixed assets (2004 £nil)

13. FIXED ASSET INVESTMENTS

	2005 Consolidated £'000	2005 Company £'000
UNLISTED		
Cost:		
Beginning of year	3	
Additions	66	66
Disposals		
End of year	69	66
Provision for impairment:		
Beginning of year		
Increase in provision		
Disposals		
End of year		
Net Book Value:		
At 31 December 2005	69	66
At 31 December 2004	3	

The Group and Company have no listed fixed asset investments (2004 £nil)

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****14. DEBTORS**

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Amounts due from investors in collective investment schemes	17,795		5,722	
Amounts due from funds/unit trusts	10,164			
Prepayments and accrued income	10,994	2,770	8,462	2,018
Trade debtors	9,083			
Taxation recoverable	3,417		369	
Net amounts due from SLAC group undertakings	506	8,661		1,994
Other debtors	301	62	1,255	728
Amounts due from subsidiary undertakings		4,995		6,646
	52,260	16,488	15,808	11,386

Included within 'Net amounts due from SLAC group undertakings' is an amount of £729k in respect of current year consolidated group relief (2004 £nil) and £nil in respect of current year Company group relief (2004 £nil)

15. DEFERRED TAX ASSET

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Undiscounted deferred tax asset	4,235	2,828	3,343	1,999
Discount	(221)	(123)	(201)	(124)
Discounted deferred tax asset	4,014	2,705	3,142	1,875
Opening deferred tax asset	3,142	1,875	3,542	2,729
Movement in year	872	830	(400)	(854)
Closing deferred tax asset	4,014	2,705	3,142	1,875

The directors fully expect that there will be taxable profits within the Group in future periods against which the deferred tax asset can be recovered

16. CURRENT ASSET INVESTMENTS

Current asset investments are comprised of the following:

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Unlisted investments	12,676		25,196	20,223
	12,676		25,196	20,223

Unlisted investments comprise deposits with credit institutions, segregated fund and mutual fund holdings

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****17. CREDITORS** *Amounts falling due within one year*

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Accruals and deferred income	(56,055)	(44,954)	(38,222)	(32,784)
Amounts due to funds/unit trusts	(18,032)		(4,556)	
Amounts due to investors in collective investment schemes	(8,018)		(4,556)	
UK Corporation & overseas tax	(6,410)	(1,352)	(655)	(655)
Other creditors	(2,848)	(127)	(2,737)	(365)
Net amounts due to SLAC group undertakings			(682)	
Bank overdrafts			(395)	(395)
Amounts due to subsidiary undertakings		(297)		(2,509)
	<u>(91,363)</u>	<u>(46,730)</u>	<u>(47,247)</u>	<u>(36,708)</u>

Included within 'Net amounts due to SLAC group undertakings' is an amount of £nil in respect of current period consolidated group relief (2004 £5,793k) and £nil in respect of current period Company group relief (2004 £2,822k)

18. CREDITORS *Amounts falling due after more than one year*

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Subordinated loans	(15,000)	(15,000)	(15,000)	(15,000)
	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>

The maturity analysis is as follows

	2005		2004	
	Consolidated £'000	Company £'000	Consolidated £'000	Company £'000
Subordinated loans				
After five years	(15,000)	(15,000)	(15,000)	(15,000)

The Group has a subordinated loan from the parent undertaking under an agreement that complies with the Financial Services Authority (FSA) regulations. The loan is repayable on 1 November 2013. The repayment of the subordinated loan is subject to the prior written agreement of FSA.

The average rate of interest paid on the loan during the year was 4.98% (2004 – 4.69%)

STANDARD LIFE INVESTMENTS LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)

19. PROVISIONS FOR LIABILITIES AND CHARGES

Pension provision:

	Consolidated £'000	Company £'000
At 31 December 2004	(901)	(901)
Provided during year	(71)	(71)
At 31 December 2005	<u>(972)</u>	<u>(972)</u>

The pension provision represents unfunded retirement benefit arrangements

IBNR Reserve:

	Consolidated £'000	Company £'000
At 31 December 2004		
Provided during year	(375)	
At 31 December 2005	<u>(375)</u>	

This reserve represents the cost of claims incurred but not yet reported within the Group's general insurance subsidiary

Total

	Consolidated £'000	Company £'000
At 31 December 2004	(901)	(901)
Provided during year	(446)	(71)
At 31 December 2005	<u>(1,347)</u>	<u>(972)</u>

20. CALLED UP SHARE CAPITAL

	Authorised			
	2005		2004	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	50,000,000	50,000	50,000,000	50,000

	Allotted, Called Up and Fully Paid			
	2005		2004	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	32,440,000	32,440	32,440,000	32,440

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER FUNDS

	01 Jan 05 Consolidated £'000	31 Dec 05 Company £'000	16 Nov 03 Consolidated £'000	31 Dec 04 Company £'000
Opening shareholder funds	72,938	71,311	60,400	63,860
Result for the year	32,707	22,390	12,836	7,451
Foreign currency translation	413		(298)	
Closing shareholder funds	<u>106,058</u>	<u>93,701</u>	<u>72,938</u>	<u>71,311</u>

STANDARD LIFE INVESTMENTS LIMITED**NOTES TO THE CONSOLIDATED ACCOUNTS (Continued)****22. FINANCIAL INSTRUMENTS**

The net foreign currency monetary assets or liabilities (including short term debtors and creditors) held at the balance sheet date which could potentially give rise to exchange gains or losses in the Profit and Loss Account during the next financial year are as follows

	CAD \$ £'000	HK \$ £'000	US \$ £'000	Indian Rupees £'000	Total £'000
At 31 December 2005	5,021	(1,046)	656	1,412	6,043
At 31 December 2004	4,227	(927)	54	46	3,400

23. COMMITMENTS AND CONTINGENCIES

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £1,897,543 (2004 £nil) into limited partnerships. During the year the Company invested £66,502 (2004 £nil) with a remaining maximum commitment of £1,831,041.

In compliance with FRS12, due to the uncertain timing of the remaining commitments, no provision has been made in the accounts in respect of the remaining maximum commitment.

At 31 December 2005 the Company had annual commitments under non cancellable operating leases for land and buildings expiring as follows

	2005 £'000	2004 £'000
Expiring during years 2 to 5	111	99
Expiring thereafter	406	363

As the lease agreements are denominated in US dollars and HK dollars, the future commitments have been estimated using the year end exchange rates.

24. CASHFLOW STATEMENT

A Cashflow Statement has not been provided. The Company and Group have taken advantage of the exemption contained in Financial Reporting Standard 1 (Revised) "Cashflow Statements", as group accounts in which the Company and Group are included are available.

25. COMPANY PROFIT AND LOSS ACCOUNT

As permitted by Section 230 of the Companies Act 1985, a Company profit and loss account has not been provided.

26. RELATED PARTY TRANSACTIONS

The Company and Group have 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.

27. PARENT UNDERTAKING

Standard Life Investments Limited 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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDER OF STANDARD LIFE INVESTMENTS LIMITED

We have audited the financial statements of Standard Life Investments Limited for the year ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and the Group as at 31 December 2005 and of the Group's profit for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh, 22 March 2006