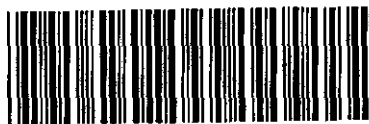


STANDARD LIFE INVESTMENTS

**STANDARD LIFE INVESTMENTS
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008**

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COMPANIES HOUSE

Registered in Scotland Number SC123321

General Information

Directors

C A M Buchan, BCom	*	(Non-Executive Chairman)
C M Clark, MA(Hons) PPE	*	(Non-Executive)
M Connolly, MBA		
A M Crombie, FFA		
D T Cumming, MA(Hons)		
V A Holmes, BA(Hons)		(Non-Executive)
W R Littleboy, BA(Hons) MA		
R L Paris, MA(Oxon)		
R A Renaud, BSc		
N K Skeoch, BA(Hons) MA FSI FRSA		(Chief Executive)
C R Walklin, BSc FCA		
A P Watt, FRICS		
* member of the audit committee		

Company Secretary

V J O'Brien, ACII

Registered Office

1 George Street
Edinburgh EH2 2LL
United Kingdom

Auditors

PricewaterhouseCoopers LLP
68 - 73 Queen Street
Edinburgh EH2 4NH
United Kingdom

Directors' Report

for the year ended 31 December 2008

The Directors present their report together with the financial statements of Standard Life Investments Limited ('the Company'), being the Company and its controlled entities, for the year ended 31 December 2008.

Directors

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

V A Holmes was appointed on 24 October 2008 as a non-executive director. H A Stevenson retired on 19 May 2008. There have been no other appointments or retirements during the year.

Dividend

The Directors did not recommend paying a dividend in 2008 (2007: £82m).

Principal activities

The principal activity of the Company is to provide investment management services to members of the Standard Life plc Group ('Standard Life Group'), mutual funds, pension funds and other institutions.

Business review

The result for the year ended 31 December 2008 is a loss of £15,078,000 (2007: profit of £55,203,000). The Directors consider the results to be satisfactory.

On 30 April 2008 the Group undertook a restructuring of a sub-fund of the Standard Life Investments (Global Liquidity Funds) Plc where the value of the underlying assets had fallen below their amortised cost, the basis on which they were previously valued. The restructuring included the transfer of certain assets out of the fund at their mark to market value and a cash injection of £39m to restore the value of the fund. This has been taken as a restructuring charge in the Company's 2008 income statement.

The Group also has obligations under its stock lending programme to make good any cash collateral deficit. This is treated by the Group as a financial derivative and valued at the difference between their mark to market value and amortised cost. The assets transferred out of the Global Liquidity Funds form part of this cash collateral pool and subsequent mark to market losses of £123m have been recorded up to 31 December 2008.

On 24 September, the Group engaged in a Contract for Differences (CFD) with another member of the Standard Life Group under which all mark to market losses on the obligations under the stock lending programme above those recorded at the date of the CFD were effectively transferred to the other party. The mark to market loss to date of the CFD is £51m and this amount has been charged to the Group's income statement under Finance costs. Losses above this level are not expected to impact the Group's income statement to any significant degree.

Future outlook

In 2009 we will continue our strategy of increasing the diversity of our earnings by growing our capability in selected product areas and increasing our global reach. We will also maintain tight control over our costs to drive further efficiencies and allow for necessary investment to support future growth. We continue to see a good volume of 'Requests for Proposals' and our pipeline of confirmed third party new business is strong and significantly higher than at the end of December 2007, driven substantially by institutional funds. We expect 2009 to be challenging for all players in the industry, including Standard Life Investments, but we remain confident in the solid underlying performance of the business.

Key performance indicators ('KPIs')

The Directors of Standard Life Investments (Holdings) Limited ('SLIH'), the Company's parent undertaking, manage the operations of the Standard Life Investments Limited Group (the 'Group') on a divisional basis. The Company's Directors therefore believe that an analysis using key performance indicators for the Company is not necessary nor appropriate for gaining an understanding of the development, performance or position of the business of the Company.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The main business risks to which the Company is exposed, and its financial risk management objectives and policies, are considered in Note 23 to this report and accounts. Other key business risks include the development and retention of key employees as well as competition from other providers of investment management services.

Employees

The Company'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 Company 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.

Charitable and political donations

During the year, the Company made a number of charitable donations totalling £10,170. The Company did not make any donations to any political party, organisation or election candidate, or incur any political expenditure.

Creditor payment policy

It is the Company'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. There was an average 31 days (2007: 22) taken to make payment for services provided in 2008.

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 an annual general meeting.

Auditors

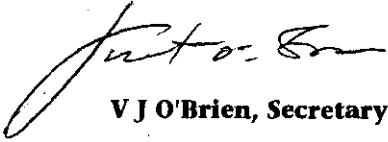
The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

Each of the Directors has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board of Directors



V J O'Brien, Secretary

Edinburgh, 5 March 2009

Statement of Directors' responsibilities for preparing the financial statements for the year ending 31 December 2008

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the independent auditors' reports, is made to help shareholders distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements for 2008.

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required by company law to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss of the Company for the financial year. The financial statements of the Standard Life Group must be prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted for use in the European Union, the Companies Act 1985 and Article 4 of the IAS Regulation. The Directors have elected to prepare the Company's financial statements on the same basis.

The Directors consider that, in preparing the financial statements on a going concern basis, the Company has used appropriate accounting policies, that these have been consistently applied and supported by reasonable and prudent judgements and estimates, and that all applicable accounting standards have been followed.

The Directors have responsibility for ensuring the maintenance of proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities.

Income statement

for the year ended 31 December 2008

		2008	2007 as
	Note	£'000	restated
			£'000
Revenue			
Management fee income	3	212,124	220,132
Other operating income	4	25,434	11,759
Total revenue		237,558	231,891
Fee and commission expense		(2,757)	(2,586)
Net revenue		234,801	229,305
Operating expenses			
Administrative expenses		(176,148)	(176,503)
Total operating expenses		(176,148)	(176,503)
Operating profit	6	58,653	52,802
Finance income	7	5,279	5,715
Finance costs	8	(1,929)	(1,673)
Fair value loss on derivatives		(51,063)	-
Restructuring and corporate transaction expenses	9	(42,429)	-
Net foreign exchange gain		480	384
Gain on partial disposal of associate		-	18,689
Gain on sale of investment securities		-	30
(Loss)/profit before tax		(31,009)	75,947
Tax credit/(expense)	10	15,931	(20,744)
(Loss)/profit for the year		(15,078)	55,203

The notes on pages 10 to 44 form part of these financial statements.

Balance sheet

as at 31 December 2008

	Note	2008 £'000	2007 as restated £'000
Assets			
Non current assets			
Investments in subsidiaries	13	32,455	32,728
Tax assets	12	40,319	3,269
Investment in associate	14	13,448	13,448
Investment securities	16	3,915	4,327
Derivative financial asset	15	33,666	-
Trade and other receivables	17	-	1,272
Total non current assets		123,803	55,044
Current assets			
Derivative financial asset	15	38,387	-
Trade and other receivables	17	26,761	51,949
Cash and cash equivalents	18	171,742	117,554
Total current assets		236,890	169,503
Total assets		360,693	224,547
Equity			
Share capital	19	34,440	32,440
Retained earnings		58,776	73,854
Equity attributable to equity holders of the parent		93,216	106,294
Liabilities			
Non current liabilities			
Subordinated liabilities	20	45,000	15,000
Trade and other payables	21	13,479	9,353
Total non current liabilities		58,479	24,353
Current liabilities			
Current tax liabilities	12	12,013	11,057
Derivative financial liability	15	123,116	-
Trade and other payables	21	73,869	82,843
Total current liabilities		208,998	93,900
Total liabilities		267,477	118,253
Total equity and liabilities		360,693	224,547

The notes on pages 10 to 44 form part of these financial statements.

Approved on behalf of the Board of Directors and authorised for issue on 5 March 2009 by the following Director:



C R Walklin, Director

Statement of changes in equity
for the year ended 31 December 2008

	Note	Share capital	Retained earnings	Total equity attributable to equity holders of the parent
		£'000	£'000	£'000
At 1 January 2007		32,440	100,651	133,091
Profit for the year		-	48,050	48,050
Equity dividends	11	-	(82,000)	(82,000)
Prior year adjustment	3	-	7,153	7,153
At 31 December 2007		32,440	73,854	106,294
At 1 January 2008		32,440	73,854	106,294
Loss for the year		-	(15,078)	(15,078)
Share capital issued	19	2,000	-	2,000
At 31 December 2008		34,440	58,776	93,216

The notes on pages 10 to 44 form part of these financial statements.

Cashflow statement

for the year ended 31 December 2008

	Note	2008 £'000	2007 as restated £'000
Profit before tax		(31,009)	75,947
Adjustments for:			
Finance income classified as investing activity	7	(4,198)	(5,715)
Finance costs classified as financing activity	8	1,929	1,673
Dividend received from subsidiary undertakings classified as investing activity	11	(23,514)	(10,105)
Dividend received from associate classified as investing activity		(1,920)	(1,654)
Gain on disposal of investment securities		-	(30)
Gain on partial disposal of associate		-	(18,689)
Fair value loss on derivatives		51,063	-
		(7,649)	41,427
Movement in fair value of investment securities		2,194	(313)
Purchase of investment securities		(1,782)	(709)
Proceeds from disposal on investment securities		-	330
Impairment losses on investments in subsidiary undertakings		960	300
Movement in deferred tax asset		(37,050)	-
Movement in operating assets and liabilities	22	21,612	(3,221)
Taxation paid	10	16,890	(15,418)
Net cash flows from operating activities		(4,825)	22,396
Cash flows from investing activities			
Purchase of investment in subsidiary undertakings		(6,688)	(7,527)
Proceeds on disposal of subsidiary undertakings		6,000	1,501
Proceeds from disposal of investment in associate		-	22,002
Dividends received from subsidiary undertakings	11	23,514	10,105
Dividends received from associate		1,920	1,654
Finance income received	7	4,198	5,717
Net cash flows from investing activities		28,944	33,452
Cash flows from financing activities			
Dividends paid		-	(82,000)
Finance costs	8	(1,929)	(1,673)
Proceeds from issuance of subordinated loan	20	30,000	-
Proceeds from issuance of ordinary shares	19	2,000	-
Net cash flows from financing activities		30,071	(83,673)
Net increase/(decrease) in cash and cash equivalents		54,190	(27,825)
Cash and cash equivalents at the beginning of the year	18	117,552	145,377
Cash and cash equivalents at the end of the year	18	171,742	117,552

The notes on pages 10 to 44 form part of these financial statements.

1. Accounting policies

(a) Basis of preparation

(i) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee as endorsed by the European Commission for use in the European Union ('IFRS') and those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit or loss (FVTPL).

The principal accounting policies set out below have been consistently applied to all financial reporting periods presented in these financial statements, unless otherwise stated. All amounts classified as current are expected to be settled/recovered in less than 12 months unless otherwise stated in the notes to these financial statements.

(ii) New standards, interpretations and amendments to published standards that have been adopted by the Company

Revisions to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements, Cost of an investment in a subsidiary, jointly controlled entity or an associate (effective for annual periods beginning on or after 1 January 2008)

The amendments to IFRS 1 allow first-time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The amendments to IAS 27 remove the definition of the 'cost method' from paragraph 4 of that standard. Additionally, when an entity reorganises the structure of its group by establishing a new entity as its parent (subject to specific criteria), the amendments require the new parent to measure cost as the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. There is no significant impact on the financial statements as a result of this amendment.

IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

The amendments to IAS 39 introduce the possibility of reclassifications which were already permitted under US generally accepted accounting principles (GAAP) in rare circumstances. These amendments are part of a series of steps that the IASB has undertaken to respond to the credit crisis. The amendments address the desire to reduce differences between IFRSs and US GAAP. Minor updates have been made to IFRS 7 to take account of the revisions to IAS 39. The Group has not reclassified any financial instruments as a result of adoption of the updates.

(iii) New standards, interpretations and amendments to published standards that are deemed not relevant to the Company

IFRIC 14, IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction, was adopted by the Company from 1 January 2008.

1. Accounting policies (continued)**(iv) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods. The Company has not early adopted the standards, amendments and interpretations described below:

Amendment to IAS 1 Presentation of financial statements (effective from 1 January 2009)

The revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' will be required to be shown in a performance statement but there will be a choice as to whether to present only the statement of comprehensive income or both the income statement and statement of comprehensive income. The revised standard also requires that, where restatements or reclassifications of comparative information are made, a restated balance sheet must be presented as at the beginning of the comparative period. The Company will apply the revisions from 1 January 2009. The revisions are expected to have an impact on presentation within primary statements and certain of the notes to the financial statements but will not have a financial impact on the Company's financial statements. The amendments have not yet been adopted by the EU.

Amendment to IAS 23 Borrowing costs (effective from 1 January 2009 - prospective application)

The publication of the revised standard has followed the joint short-term convergence project between the IASB and the US Financial Accounting Standards Board (US FASB). Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company will apply the revisions to IAS 23 from 1 January 2009, but it is not expected to have a significant impact on the Company's financial statements. The amendments have not yet been adopted by the EU.

Amendment to IFRS 2 Share based payments (effective for annual periods beginning on or after 1 January 2009)

The amendment addresses vesting conditions and cancellations, clarifying that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. The amendment also specifies that all cancellations, whether made by the Company or by other parties, should receive the same accounting treatment. Management are considering the expected impact of adoption of the amendments on the Company's financial statements. The amendments have not yet been adopted by the EU.

1. Accounting policies (continued)**IFRS 3 (Revised) Business combinations (applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009)**

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through profit or loss. Goodwill may be calculated based on the parent company's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. Management will give consideration to the application of the requirements of the revised standard in respect of business combinations occurring in accounting periods beginning prior to 1 July 2009.

IAS 27 (Revised) Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009)

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and goodwill or gains and losses will no longer be recognised. The standard also specifies the accounting when control is lost: any remaining interest in the entity is re-measured to fair value and any resulting gain or loss is recognised in the income statement. Management are considering the expected impact of adopting the revised standard on the Company's financial statements. The revisions have not yet been adopted by the EU.

Amendment to IAS 39 *Financial Instruments: Recognition and measurement* on eligible hedged items (effective from accounting periods beginning on or after 1 July 2009 – retrospective application)

The amendment makes two significant changes. It prohibits both the designation of inflation as a hedgeable component of a fixed rate debt and the inclusion of time value in the one-sided hedged risk when designating options as hedges. Management will give consideration to the expected impact of adoption of the amendments on the Company's financial statements and in doing so will assess any hedging strategies involving options. The amendments have not yet been adopted by the EU.

Improvements to IFRSs (effective from accounting periods beginning on or after 1 January 2009)

The publication amends 20 standards, basis of conclusions and guidance and the improvements include changes in presentation, recognition and measurement plus terminology and editorial changes. Management is considering the impact of adoption of the amendments on the Group's financial statements. The amendments have not yet been endorsed by the EU.

(v) Standards, interpretations and amendments to published standards that are not yet effective and which are not relevant to the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2009 or later periods. These are listed below and are deemed not relevant to the Company:

IFRS 8 Operating Segments (effective from 1 January 2009)

IFRIC 16 Hedges of a net investment in a foreign operation (effective from accounting periods beginning on or after 1 October 2008)

IFRIC 15 Agreements for construction of real estates (effective from accounting periods beginning on or after 1 October 2008)

IFRIC 13 Customer loyalty programmes relating to IAS 18 Revenue (effective for annual periods beginning on or after 1 July 2008)

1. Accounting policies (continued)

(b) Revenue recognition

(i) Investment management fees

All fees and costs associated with the provision of investment management services are recognised, subject to recoverability, as the services are provided. Front-end fees relating to investment management services are deferred as a liability and recognised over the average period over which services are provided.

Performance fees are calculated with reference to performance benchmarks specified in the individual investment management agreements. Revenues arising in respect of performance fee arrangements are recognised provided that the outcome of such arrangements can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the Company.

(ii) Other operating income

Investment gains and losses resulting from changes in both market value and foreign exchange on investments classified as FVTPL are recognised in the period in which they occur.

(c) Expense recognition

(i) Executive Performance Plan

The expense in respect of the Company's long-term incentive plans are recognised based upon the terms of each plan. The expense is determined on the basis of a range of criteria which include growth, profitability and investment performance.

(ii) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Where there is an indication of impairment an impairment review is performed and an impaired loss recognised in the income statement to the extent that carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

(iii) Other expenses

Other expenses are recognised on an accruals basis.

(d) Foreign currency

Foreign currency transactions and fair values are translated using the exchange rates applying to the functional currency, which is Sterling, prevailing at the dates of the transactions or at the date the fair value was determined, with related foreign currency exchange gains or losses reflected in the income statement. Translation differences on non-monetary items such as equities held at FVTPL, are reported as part of the fair value gain or loss.

1. Accounting policies (continued)**(e) Income tax****(i) Current tax**

The current tax expense is based on the taxable results for the year, using tax rates enacted or substantively enacted at the balance sheet date, including any adjustments in respect of prior years. Amounts are charged or credited to the income statement or equity as appropriate.

(ii) Deferred tax

Deferred tax is provided using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable results will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Temporary differences arising from investments in subsidiaries give rise to deferred tax in the balance sheet only to the extent that it is probable that the temporary difference will reverse in the foreseeable future or the Company does not control the timing of the reversal of that difference. Deferred tax is provided on unremitted earnings of subsidiaries to the extent that the temporary difference created is expected to reverse in the foreseeable future.

Deferred tax is recognised in the income statement except when it relates to items recognised directly in the statement of changes in equity in which case it is credited or charged directly to retained earnings through the statement of changes in equity.

(f) Financial assets - designation**(i) Designation as fair value through profit or loss ('FVTPL')**

Financial assets are designated as FVTPL where the asset or liability is part of a group of assets that are evaluated and managed on a fair value basis.

All investment securities are designated as FVTPL.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise "trade and other receivables" and cash and cash equivalents in the balance sheet.

(g) Investment securities and derivatives

Management determines the classification of investment securities and derivatives at initial recognition. The Company recognises investment securities at fair value on the trade date of the transaction. Directly attributable transaction costs are not included in the initial measurement value but are recognised in the income statement. All derivatives are held at fair value and where derivatives are not designated as part of a hedging relationship, changes in fair value are recorded in the income statement.

Fair values are based upon the current quoted bid price where an active market exists. Where a quoted price in an active market cannot be obtained, an appropriate market consistent valuation technique (for example discounted cash flows and recent market transactions) is used to determine fair value.

1. Accounting policies (continued)**(h) Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment where this is deemed necessary. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) may be considered indicators that the trade receivable is impaired.

The amount of any provision is the difference between the asset's carrying amount and its estimated realisable value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "administrative expenses". When a trade receivable is uncollectible, it is written off against trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, any short term highly liquid investments which have original maturities within three months and bank overdrafts that are repayable on demand and form an integral part of the Company's cash management strategy.

(j) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. The difference between the proceeds received on issue of the shares and the nominal value of the shares issued is recorded in the share premium account. Incremental costs directly attributable to the issue of new equity instruments are shown in the share premium account as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments in a business combination are included in the cost of acquisition.

(k) Subordinated liabilities

Subordinated liabilities are initially included in the balance sheet at the value of proceeds received net of issue expenses. The total finance costs are charged to the income statement over the relevant term of the instrument using the Effective Interest Rate (EIR) method. The carrying amount of the debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in the period.

(l) Trade and other payables

Trade payables are recognised at their initial fair value and subsequently measured at amortised cost.

(m) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made as lessees under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

There are no material finance leases affecting the Company as either lessor or lessee.

1. Accounting policies (continued)**(n) Pension costs and other post retirement benefits**

The Standard Life Group operates a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the Standard Life Group of companies, determined by periodic actuarial calculations.

The Company is unable to identify its share of the underlying assets and liabilities in the defined benefit schemes on a consistent and reasonable basis, therefore it treats these schemes as defined contribution schemes. Consequently the costs of these schemes and the defined contribution schemes represent the contributions payable for the accounting period.

For the defined contribution scheme, the Company pays contributions to separately administered pension insurance schemes. The contributions are recognised in staff expenses when they are due.

(o) Dividend distribution

Dividend distribution to the Company's sole shareholder is recognised as a liability in the Company's financial statements, and directly in equity, in the period in which the dividend is paid or, if applicable, approved by the Company's sole shareholder.

(p) Employee share-based payments

Standard Life Group operates share incentive plans for all employees, share-based long term incentive plans for senior employees and may award annual performance shares to all eligible employees when the Group's profit exceeds certain targets. The schemes are all in respect of Standard Life plc shares and further details are set out in Note 26. These schemes are treated as equity-settled share-based payment schemes under IFRS 2 Share-based Payment.

For equity-settled share-based payment employee transactions, the services received as compensation are measured at their fair value. This fair value is measured by reference to the fair value of the equity instruments granted. The fair value of those equity instruments is measured at the grant date, which is the date that the Standard Life Group and the employees have a shared understanding of the terms and conditions of the award. If that award is subject to an approval process then the grant date is the date when that approval is obtained. The charge in respect of the services received by the Company from its employees is recharged to the Company by Standard Life Group.

If the equity instruments granted vest immediately, the employees become unconditionally entitled to those equity instruments. Therefore, the Company recognises immediately the full charge in the income statement with a corresponding amount due to Standard Life Group.

If the equity instruments do not vest until the employee has fulfilled specified vesting conditions, the Company presumes that the services to be rendered by the employee as consideration for those equity instruments will be received in the future, during the period of those vesting conditions ('vesting period'). Therefore, the Company recognises the charge in respect of those services as they are rendered during the vesting period with a corresponding amount due to Standard Life Group.

(q) Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Key estimates and judgements

The preparation of financial statements, in conformity with IFRS, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Key judgements made in selecting accounting policies and critical accounting estimates

In the process of applying the Company's accounting policies, management has used its judgement and made estimates and assumptions in determining the amounts recognised in the financial statements. These estimates and assumptions can affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best knowledge of the amount, event or actions, results ultimately may differ from these estimates. The most significant areas where judgements and estimates are made are set out below:

(i) Long-term incentive plans

The liabilities arising in respect of the Group's long-term incentive plans are accrued based upon the terms of each plan. The liabilities are determined on the basis of a range of criteria. Management estimate the liability at each period end using projections of growth, profitability and investment performance.

(ii) Impairment assumptions

The Company conducts annual impairment tests on the carrying value of the associate. The recoverable amount is determined from value-in-use calculations. The key assumptions in the value-in-use calculations reflects management's expectations of the medium-term operating performance of the associate and growth prospects in the associate's market.

(iii) Fair value calculations

Fair value is defined as the value at which assets, liabilities or positions could be closed out or sold in a transaction with a willing and knowledgeable counterparty. Where quoted market prices are not available, fair value is based upon cash flow models, which use wherever possible independently sourced market parameters such as interest rate yield curves and option volatilities. Other factors are also considered, such as counterparty credit quality and liquidity. Management must use judgement and estimates where not all necessary data can be externally sourced or where factors specific to the Company's holdings need to be considered. The accuracy of the fair value calculations would therefore be affected by unexpected market movements, inaccuracies within the models used compared to actual outcomes and incorrect assumptions.

3. Restatement of prior year's results

A review of the Group's revenue processes was carried out during the year. This review identified some revenue which had not been accounted for appropriately in prior years. In accordance with IAS 8 "Accounting Policies, Changes in Estimates and Errors", we have re-stated prior year figures as noted below:

In 2007 Revenue has been increased by £10,219,000 and Trade debtors and other receivables has increased by £10,219,000. Tax expense has increased by £3,066 and the tax liability has increased by £3,066.

4. Other operating income

	<u>2008</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Income from shares in Group undertakings	25,434	11,759
Total other operating income	<u>25,434</u>	<u>11,759</u>

5. Staff costs and other employee related costs

	<u>2008</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	68,243	80,944
Social security costs	3,280	9,777
Pension costs	5,047	4,694
Share based payments	797	399
Termination payments	1,625	3,239
Other	2,532	2,842
Total staff costs and other employee related costs	<u>81,524</u>	<u>101,895</u>

The average number of staff of the Company during the year was 605 (2007: 601).

The Directors of the Company did not receive any remuneration for services to the Company. Details of Directors' remuneration for services to subsidiary undertakings of the Company are as follows:

	<u>2008</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Aggregate emoluments	6,313	6,540
Amounts (excluding options in group shares) receivable under long-term incentive schemes	1,432	3,979

Nine 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 seven Directors in respect of their services to the Company and its subsidiaries under a defined benefit scheme operated by the Standard Life Group. 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 £1,485,000 (2007: £2,208,000). At 31 December 2008, the highest paid Director also held accrued pension benefits of £41,000 (2007: £41,000) under the defined benefit pension scheme operated by the Standard Life plc Group.

6. Operating profit

The following have been included in arriving at operating profit:

	2008	2007
	£'000	£'000
Fees payable to the Company's auditors for the audit of the company	17	16
Fees payable to the company's auditors pursuant to legislation:		
Other services pursuant to legislation	24	23
Other assurance services	161	118
Total payable to the Company's auditors	202	157
Staff costs (note 5)	81,524	101,895

7. Finance income

All interest income for 2008 and 2007, is derived from cash and cash equivalents.

8. Finance costs

	2008	2007
	£'000	£'000
Subordinated debt interest expense	874	907
Other	1,055	766
Total finance costs	1,929	1,673

9. Restructuring and corporate transaction

Restructuring costs include £39m of costs associated with the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc. On 30 April 2008 Standard Life Investments (Global Liquidity Funds) plc restructured one of its sub-funds, changing the pricing structure from an amortised cost basis to a mark-to-market basis. In addition, restructuring costs include £3m of expenses in relation to the Group's Continuous Improvement Programme mainly in relation to consultancy costs and process improvement projects (2007: £NIL).

10. Tax expense

(a) Analysis of the tax charge for the year:

	2008	2007 as restated
	£'000	£'000
Current tax		
United Kingdom corporation tax	21,154	14,813
Adjustment to tax expense in respect of prior years	(117)	(93)
Overseas tax	82	4,913
Total current tax	21,119	19,633
Deferred tax		
Deferred tax (credit)/charge arising in the current year (note 12(b))	(37,050)	1,111
Total deferred tax	(37,050)	1,111
Total tax expense	(15,931)	20,744

10. Tax expense (continued)

(b) Reconciliation of tax expense :

	2008	2007 as restated
	£'000	£'000
(Loss)/Profit before tax	(31,009)	75,947
Tax at UK corporation tax rate of 28% (2007: 30%)	(8,838)	22,784
Effects of:		
Income not taxable	(6,989)	(3,305)
Different tax rates	616	(1,659)
Difference on taxable and accounting gains	-	702
Unrealised income from overseas subsidiary	39	1,469
Disallowable expenses	500	289
Transfer pricing	(95)	267
Prior year adjustments in respect of current tax	(117)	(93)
Prior year adjustments in respect of deferred tax	(1,391)	-
Change in deferred tax rate	117	158
Other	227	132
Total tax expense	(15,931)	20,744

Revenue project undertaken during 2008 uncovered £13,075,000 of additional income due to the company. Of this £10,219,000 relates to prior years. The 2007 comparatives have restated income to include the additional £10,219,000 relating to 2007 and 2006. The income remains taxable in the accounting period to 31 December 2008 and reconciling items have been added to the tax note.

11. Dividends paid and received

	2008	2007
	£'000	£'000
Dividends paid to parent undertaking	-	82,000
Dividends received from subsidiary undertakings	23,514	10,105
	2008	2007
	pence	pence
Dividends paid to parent undertaking	-	253

12. Tax assets and liabilities

(a) Tax assets and liabilities

	2008	2007
	£'000	£'000
Deferred tax assets (see (b) below)	40,319	3,269
Total Tax assets	40,319	3,269
Current tax liabilities	12,013	11,057
Total tax liabilities	12,013	11,057

12. Tax assets and liabilities (continued)**(b) Recognised deferred tax**

	2008	2007
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	6,494	5,803
Unrealised loss on financial derivatives	34,473	-
Gross deferred tax assets	40,967	5,803
Less: offset of deferred tax liabilities	(648)	(2,534)
Net deferred tax assets	40,319	3,269
Deferred tax liabilities comprise:		
Unrealised gain on investment securities	208	736
Taxation on un-remitted earnings	440	1,798
Gross deferred tax liabilities	648	2,534
Less: offset against deferred tax assets	(648)	(2,534)
Net deferred tax liabilities	-	-
Movements in net deferred tax assets comprise:		
At 1 January	3,269	4,380
Exchange differences	-	-
Amounts credited to the income statement (note 10(a))	37,050	(1,111)
At 31 December	40,319	3,269

13. Investments in subsidiaries

	2008	2007
	£'000	£'000
At start of period	32,728	27,002
Additional investment	6,688	7,527
Disposals	(6,000)	(1,501)
Impairment losses recognised	(961)	(300)
At 31 December	32,455	32,728

Impairment losses recognised during 2008 related to Standard Life Investments (Asia) Limited. It is not expected that the value of the investment will be supportable by the future operating results and as such, the carrying value of the investment has been impaired to its fair value less costs to sell, which is deemed to be £1,240,000 (2007: £1,700,000). Impairment losses are recognised within administrative expenses.

13. Investments in subsidiaries (continued)

The following are particulars of the Company's significant subsidiary undertakings:

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 management
SLTM Limited	Scotland	Ordinary	100	Collective investment products management
Standard Life Investments (Corporate Funds) Limited	Scotland	Ordinary & Redeemable Preference	100	Investment management
Standard Life Investments (Private Equity) Limited	Scotland	Ordinary	100	Investment management
SL Capital Partners LLP	Scotland	Ordinary	60	Investment management
Standard Life Investments Inc.	Canada	Ordinary	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	Jersey	Ordinary	100	Property investment management

All of the above companies are unlisted and all have a year end of 31 December, except Standard Life Investments (Jersey) Limited which has a financial year end date of 31 March.

A full list of subsidiaries can be obtained on request from Standard Life plc, Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

14. Investment in associate

The Company has an associate, HDFC Asset Management Company (HDFC AMC), an investment management company incorporated in India. The Company holds a 40.0% (2007: 40%) interest in the equity share capital and has no (2007: 49.9%) interest in the non-equity share capital of HDFC AMC. The Company has significant influence in the associate. HDFC AMC has a financial year end date of 31 March.

The Company's investment in the associate is as follows:

	2008	2007
	£'000	£'000
At 1 January	13,448	16,761
Partial disposal	-	(3,313)
At 31 December	13,448	13,448

In October 2007 the Company sold 9.9% of equity capital of HDFC AMC for a consideration of £22,002,000 the particulars of which are detailed below.

	2008	2007
	£'000	£'000
Consideration received	-	22,002
Cost of disposal	-	(3,313)
Net gain realised in income statement	-	18,689

Although no equity capital was sold in 2008, 49.9% of non-equity capital was redeemed in March 2008 as detailed in Note 17.

15. Derivative financial instruments

The Company, through its stocklending programme, has an obligation to make good any cash collateral deficit. As part of the restructuring referred to in Note 9, certain assets purchased with cash collateral have been transferred to a new fund. The Company is exposed to any divergence between the mark-to-market value of the assets backing cash collateral of this new fund and their original amortised cost.

The obligation referred to above was determined to be a derivative and has been recognised as a derivative financial liability measured at fair value.

During 2008 the Company concluded a contract for differences ("CFD") agreement with Standard Life Assurance Limited, another member of the Standard Life Group. This contract creates a derivative financial asset, mitigating the risk of the divergence referred to above by effectively capping any such exposure at the date the CFD was signed. Details of the derivative financial asset and liability are disclosed below:

15. Derivative financial instruments (continued)

	2008	2007
	£'000	£'000
Derivative financial asset	72,053	-
Non-current	33,666	-
Current	38,387	-
	72,053	-
	2008	2007
Derivative financial liability	123,116	-

The net fair value movement between the two derivative financial instruments is taken directly to the income statement. During 2008 the net change to the income statement was £51,063,000 (2007:£NIL).

16. Investment securities

Investment securities comprise of the following listed and unlisted instruments:

	2008	2007
	£'000	£'000
Equity securities - listed	234	307
Equity securities - unlisted	3,681	4,020
	3,915	4,327

All investment securities are classified as non-current.

17. Trade and other receivables

	2008	2007 as restated
	£'000	£'000
Amounts due from Standard Life Group undertakings	7,862	26,814
Amounts due from Standard Life Investments (Holdings) Ltd	-	1,061
Amounts due from subsidiary undertakings	11,349	17,955
Amounts due from associate	-	1,272
Prepayments and accrued income	5,324	3,389
Other	2,226	2,730
Total trade and other receivables	26,761	53,221
Presented as:		
Non-current	-	1,272
Current	26,761	51,949
Total trade and other receivables	26,761	53,221

Trade and other receivables have the following maturities:

Within one year	26,761	51,949
Greater than one year	-	1,272
Total	26,761	53,221

17. Trade and other receivables (continued)

All of the financial assets above, with the exception of the amounts due from the associate, are non-interest bearing. Note 23 to these financial statements provides an analysis of the credit and foreign currency risks from the financial assets noted above.

In 2007 the amounts due from the associate represent an investment in the preference share capital of HDFC AMC. The preference shares are denominated in Indian Rupees and carry an entitlement to a cumulative annual coupon of 10% of the nominal value of the shares. These shares were redeemed during the year.

18. Cash and cash equivalents

	2008	2007
	£'000	£'000
Cash at bank and in hand	5,407	2,539
Demand and term deposits with original maturity of less than 3 months	166,335	99,362
Other short-term investments	-	15,653
Total cash and cash equivalents	171,742	117,554

Cash at bank and in hand and deposits are subject to variable interest rates.

All of the cash and cash equivalent balances at the balance sheet date were rated (Standard & Poor's) A or above (2007: A or above).

19. Share capital

	Authorised			
	2008		2007	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	100,000,000	100,000	50,000,000	50,000

	Allotted, Called Up and Fully Paid			
	2008		2007	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	34,440,000	34,440	32,440,000	32,440

During 2008 the Company increased its authorised share capital by 50 million ordinary shares of £1 each and issued 2 million ordinary shares of £1 each to its parent undertaking.

20. Subordinated liabilities

	2008	2007
	£'000	£'000
Subordinated liabilities	45,000	15,000

On 31 December 2008, the Company received a perpetual subordinated loan for £30,000,000 from Standard Life Group under an agreement that complies with the Financial Services Authority (FSA) regulations. This was in addition to the previous subordinated loan with Standard Life Group that is repayable on 1 November 2013. The interest on the new loan is 13.55% per year, while the interest on the original loan is charged at LIBOR + 0.20% and is reviewed on a quarterly basis.

The average rate of interest paid on the loan during the year was 4.88% (2007: 5.94%).

21. Trade and other payables

	2008	2007
	£'000	£'000
Amounts due to Standard Life Group undertakings	26,365	13,677
Amounts due to subsidiary undertakings	634	620
Amounts due to parent	1,899	-
Accruals	56,883	69,572
Other	1,567	8,327
Total trade and other payables	87,348	92,196
Presented as:		
Non-current	13,479	9,353
Current	73,869	82,843
Total trade and other payables	87,348	92,196

All trade and other payables, with the exception of insurance contract liabilities and certain accruals are expected to be settled within 12 months. All of the financial liabilities listed above are non-interest bearing.

22. Movement in operating assets and liabilities

	2008	2007 as restated
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	26,460	(28,289)
	26,460	(28,289)
Movement in operating liabilities:		
Trade and other payables	(4,848)	25,068
	(4,848)	25,068
Movement in operating assets and liabilities	21,612	(3,221)

23. Financial risk management**(a) Standard Life plc Group approach to risk management**

Standard Life plc, the ultimate parent of the Company, has established an Enterprise Risk Management Framework (ERM) to provide the basis for ensuring that risks inherent in the design and execution of Standard Life plc Group strategy are managed in line with its expectations.

23. Financial risk management (continued)

(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the 'Group') approach to risk and capital management

The Company operates within the governance structure of the Standard Life Group. It also has its own established governance framework, with clear terms of reference for the Company Board and Operational Risk Committee and a clear organisation structure, with documented, delegated authorities and responsibilities. The Group has an audit committee, which includes stakeholder representatives.

The Group takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Group's risk profile. The Group Board has approved a risk policy which outlines the framework for identifying, assessing, monitoring and controlling risk.

Capital is managed within the regulatory framework in which the Group operates. This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Group Board, to identify the risks to which the business is exposed and to quantify their impact on economic capital, including changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk. The Group is required at all times to maintain at least this level of capital. While the Company does not have its own ICAAP it is a part of the Group ICAAP. The Group's calculation thereof is subject to review by the Financial Services Authority (FSA) who also monitor compliance by way of quarterly and annual submissions made by the Group and periodic visits.

The ICAAP is subject to high level quarterly review within the Group, with detailed annual review and approval by the Group Board. If there are any risks identified outwith these timescales, through internal or external events, or significant business developments, that could have a material impact on the Group's financial position, Risk and Compliance will co-ordinate an immediate review of the ICAAP and arrange for its resubmission to the Group Board where necessary.

23. Financial risk management (continued)**(c) The management of financial and non-financial risks****Balance sheet reconciliation**

The following tables reconcile the classes of financial instruments used for the risk management analysis to balance sheet line items.

2008			
Financial assets			
FVTPL	Loans and receivables	Non financial	Total
£'000	£'000	£'000	£'000
Investments in subsidiaries	-	32,455	32,455
Deferred tax assets	-	40,319	40,319
Investment in associate	-	13,448	13,448
Investment securities	-	3,915	3,915
Derivative financial instruments	72,053	-	72,053
Trade and other receivables	-	26,761	26,761
Cash and cash equivalents	-	171,742	171,742
Total assets	72,053	90,137	360,693

2007 as restated			
Financial assets			
FVTPL	Loans and receivables	Non financial	Total
£'000	£'000	£'000	£'000
Investments in subsidiaries	-	32,728	32,728
Deferred tax assets	-	3,269	3,269
Investment in associate	-	13,448	13,448
Investment securities	4,327	-	4,327
Derivative financial instruments	-	-	-
Trade and other receivables	-	53,221	53,221
Cash and cash equivalents	-	117,554	117,554
Total assets	4,327	49,445	224,547

23. Financial risk management (continued)

2008			
Financial liabilities			
FVTPL	Other financial liabilities	Non financial	Total
£'000	£'000	£'000	£'000
Subordinated liabilities	45,000	-	45,000
Derivative financial instruments	123,116	-	123,116
Trade and other payables	87,348	-	87,348
Current tax liabilities	-	12,013	12,013
Total liabilities	123,116	12,013	267,477

2007			
Financial liabilities			
FVTPL	Other financial liabilities	Non financial	Total
£'000	£'000	£'000	£'000
Subordinated liabilities	15,000	-	15,000
Derivative financial instruments	-	-	-
Trade and other payables	92,196	-	92,196
Current tax liabilities	-	7,991	7,991
Total liabilities	107,196	7,991	115,187

Fair value of assets and liabilities

All financial assets and liabilities that are held as fair value through the income statement are carried at their fair value which is stated in the table above. Due to the short term nature of current financial assets and current financial liabilities the amortised cost is approximate the fair value

23. Financial risk management (continued)**(i) Credit risk**

The Company is exposed to credit risk through capital investments; cash and margin deposits, trade receivables and intercompany balances. Credit exposures are managed according to limits agreed by the Group Board, which are regularly reviewed. These limits specify the minimum acceptable counterparty credit rating (A-1 Standard & Poors, P-1 Moody's for short term exposures and higher credit ratings for longer term exposures) and the maximum acceptable exposure to a single counterparty.

Management fee income provides the bulk of the Company's revenues and is the largest component of trade and other receivables. Funds are managed in accordance with legal agreements in place with both Standard Life plc group companies and third parties, that specify contractual payment terms. The majority of receipts by value are received either monthly or quarterly.

Cash deposits, comprising the majority of cash and cash equivalents, are placed for terms of less than 3 months, with counterparties selected according to the criteria noted above.

The table below provides an analysis of total assets bearing credit risk:

	2008	2007
	£'000	£'000
Trade and other receivables	26,761	53,221
Derivative financial asset	72,053	-
Cash and cash equivalents	171,742	117,554
	<u>270,556</u>	<u>170,775</u>

At the balance sheet date, none of the financial assets above were impaired but Trade and other receivable assets classified as past due amounted to £735,000 (2007: £16,000,000), of which £26,000 (2007: £1,630,000) is overdue for greater than 3 months and £70,000 (2007: £397,000) over 12 months.

(ii) Market risk

Market risk is the risk of adverse impact on the Company of changes in the fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices.

The Group uses sensitivity test-based analysis including market and property value changes, foreign exchange and interest rate movements, detailed in its ICAAP, to understand their impact on expected earnings for decision-making and planning purposes.

As disclosed in Note 15, the Group has derivative financial liability arising from the indemnity provided for cash collateral for stock lending. As the Group has exposure to market risk on the assets in the LAF1 fund backing some of the cash collateral, in September 2008, a Contract for Differences (CFD) was concluded with another member of the Standard Life Plc Group. Under this CFD, all mark to market losses on the obligations above those recorded at the date of the CFD were effectively transferred to the other party.

The impact of a fall in asset values at a point in time would primarily impact revenue, which is accrued based on those values, and is not hedged. A 10% change in market levels would result in a change in management fee income of £23,500,000 (2007: £22,900,000).

The Company transacts most of its business in Sterling but has exposure to foreign exchange movements through its overseas subsidiaries, foreign currency denominated cash balances, and fee income derived from Canadian Dollar, US Dollar or Euro denominated assets, all unhedged. The Company's currency exposure at the balance sheet date was as follows:

23. Financial risk management (continued)

2008				
	Sterling	Euro	Canadian Dollar	Other currencies
	£'000	£'000	£'000	£'000
Investment securities	233	3,238	-	444
Derivative financial asset	72,053	-	-	-
Trade and other receivables	25,592	404	67	698
Cash and cash equivalents	171,742	-	-	-
	269,620	3,642	67	1,142
2007 as restated				
	Sterling	Euro	Canadian Dollar	Other currencies
	£'000	£'000	£'000	£'000
Investment securities	3,162	979	-	186
Trade and other receivables	52,762	-	-	-
Cash and cash equivalents	113,530	23	3,913	88
	169,454	1,002	3,913	274

A 10% movement in the exchange rate between Sterling and the two material foreign currency exposures would have the following impact:

2008				
	10% increase in currency against Sterling		10% decrease in currency against Sterling	
	Euro	Canadian Dollar	Euro	Canadian Dollar
	£'000	£'000	£'000	£'000
Impact on profit before tax	364	7	(364)	(7)
Impact on equity	255	5	(255)	(5)
2007				
	10% increase in currency against Sterling		10% decrease in currency against Sterling	
	Euro	Canadian Dollar	Euro	Canadian Dollar
	£'000	£'000	£'000	£'000
Impact on profit before tax	100	391	(100)	(391)
Impact on equity	70	274	(70)	(274)

The Company is exposed to interest rate risk through its cash and cash equivalents and through its Subordinated Liabilities as disclosed in the Balance Sheet. A sensitivity impact of interest rate change on the profits of the Company are shown below:

23. Financial risk management (continued)

	2008	
	10% increase in interest rates	10% decrease in interest rates
	£'000	£'000
Impact on profit before tax:		
Cash and cash equivalents	343	(343)
Subordinated liabilities	(30)	30
	<u>313</u>	<u>(313)</u>
2007		
	10% increase in interest rates	10% decrease in interest rates
	£'000	£'000
Impact on profit before tax:		
Cash and cash equivalents	647	(647)
Subordinated liabilities	(89)	89
	<u>557</u>	<u>(557)</u>

(iii) Liquidity risk

Liquidity risk is the risk of the Company being unable to maintain sufficient cash and marketable securities to enable it to meet cashflow obligations as they fall due.

The Company's cashflows are such that short term liabilities are generally matched by similarly short term assets, and longer term liabilities are covered by short term assets, normally held in cash or highly liquid securities. The Group manages its liquidity risk by regular monitoring of its cash position, credit control including credit risk assessment noted above, forward planning including cash flow analysis and regular reporting thereon to the Board and the Operational Risk Committee.

Surplus cash is generally invested in cash deposits with institutions meeting the Group's credit risk approval criteria, repayable on demand. These are disclosed in the Balance Sheet under Cash and cash equivalents.

The following table represents the Company's ability to meet its cash commitments as they fall due:

	Expected Cashflows			
	2008		2007 as restated	
	Less than 1 year	Greater than 1 year	Less than 1 year	Greater than 1 year
	£'000	£'000	£'000	£'000
Subordinated liabilities	-	45,000	-	15,000
Current tax liabilities	12,013	-	11,057	-
Trade and other payables	73,869	13,479	82,843	9,353
Expected cashflows	<u>85,882</u>	<u>58,479</u>	<u>93,900</u>	<u>24,353</u>
		£'000		£'000
Total expected cashflows		144,361		118,253
Liquid assets		<u>236,890</u>		<u>171,023</u>
Surplus		<u>92,529</u>		<u>52,770</u>

23. Financial risk management (continued)

(iv) Operational risk

Operational risk is defined as the risk of loss, or adverse consequences for the business, resulting from inadequate or failed internal processes, people and systems, or from external events. The Group sets an acceptable level of operational risk through the risk policy.

The types of operational risk the Company is exposed to are identified using the following operational risk categories: fraud or irregularities; regulatory or legal; customer treatment; business interruption; supplier failure; planning; process execution; and people. Activities undertaken to ensure the practical operation of controls over financial risks (i.e. market, credit, liquidity and insurance risk) are treated as an operational risk.

The Group assesses its exposure to operational risk to enable efficient allocation of resources to manage such risks. The Group assesses its historical operational risk exposure using objective quantitative data. The Group also assesses the impact and likelihood of operational risks materialising in the future through a combination of qualitative data arising from management's judgement and historical data.

The Group's control environment is subject to quarterly self-assessment by management. Managers are responsible for correcting any control weaknesses identified through this process, taking into account the cost of implementing preventive or corrective action plans and the Group's acceptable level of operational risk as set out in the risk policy.

The impact of a new product, a significant change, or any one-off transaction on the operational risk profile of the Company is assessed and managed.

(d) Compliance with FSA regulatory requirements

The Capital Requirements Directive ('the Directive') created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this is being implemented by our regulator, the Financial Services Authority ('FSA') which has created new rules and guidance specifically through the creation of the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU').

The new FSA framework consists of three 'Pillars':

Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risk;

Pillar 2 requires each company, and the FSA, to take a view on whether the company needs to hold additional capital against firm-specific risks not covered by Pillar 1; and

Pillar 3 requires each company to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position.

Rule II of BIPRU sets out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets the Company's obligation with respect to Pillar 3, and is found at:

http://www.standardlife.com/investor/archive_financial_reports_2007.html

24. Related Party Transactions**Parent and ultimate controlling party**

The Company's parent undertaking is Standard Life Investments (Holdings) Ltd, and the ultimate controlling party is Standard Life plc.

Copies of the Annual Report and Accounts of Standard Life plc are available to the public from, Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

Company transactions between and balances with related parties

In the normal course of business, the Company enters into transactions with related parties in respect of the investment management business. Such related party transactions are at arms length.

The following are details of significant transactions with related parties during the year and year end balances arising from such transactions:

2008			
	Revenues	Expenses	
	£'000	£'000	
			Amounts owed by related parties
			£'000
Key management personnel	-	8,078	-
Parent	-	-	46,899
Pension schemes	-	5,047	-
Investment in associate	1,919	-	-
Other (including fellow subsidiaries)	225,807	33,501	91,264
	227,726	46,626	91,264
			Amounts owed to related parties
			£'000
			26,999
			73,898
2007 as restated			
	Revenues	Expenses	
	£'000	£'000	
			Amounts owed by related parties
			£'000
Key management personnel	-	10,519	-
Parent	-	-	1,061
Pension schemes	-	4,027	-
Investment in associate	1,654	-	1,272
Other (including fellow subsidiaries)	195,812	51,095	44,769
	197,466	65,641	47,102
			Amounts owed to related parties
			£'000
			15,000
			13,677
			28,677

Key management personnel, comprising 12 people (2007:12 people) within the Company, including all directors, both executive and non-executive. Detailed disclosures of Directors' remuneration for the year and transactions in which the directors are interested are contained in the staff note, Note 5 in the Company financial statements.

Interest paid to the parent amounted to £874,000 (2007: £906,000). Interest paid to other related parties amounted to £NIL (2007: £NIL).

Dividend income from subsidiaries amounted to £23,515,000 (2007: £10,512,000). Dividends owed by subsidiaries amounted to £NIL (2007: £NIL).

24. Related Party Transactions (continued)

Dividend income from the associate amounted to £1,919,000 (2007: £1,654,000). Dividends owed by the associate amounted to £NIL (2007: £NIL).

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad and doubtful debts has been recognised in the year, or in the prior year, in respect of the amounts owed by related parties.

25. Pension obligations

The majority of the staff who manage the affairs of the Group and the Company are members of a defined benefit pension scheme and a defined contribution pension scheme operated by the Standard Life plc group for its employees in the United Kingdom. There is no contractual agreement or policy for charging the net defined benefit cost of the defined benefit scheme across the participating UK companies. The sponsoring employer for the UK defined benefit scheme is a fellow subsidiary of Standard Life plc and therefore the net defined benefit cost of the scheme is recognised by Standard Life Assurance Limited. As a result the Group and the Company account for their contributions to the defined benefit scheme as an expense in the period they are payable. A similar arrangement is in place for the employees of the Group's Canadian subsidiary, Standard Life Investments Inc., where the sponsoring employer is The Standard Life Assurance Company of Canada.

The Group also makes contributions to state pension schemes in Hong Kong, the People's Republic of China and the Republic of Korea as well as a defined contribution pension scheme for its employees in the United States of America. Contributions to defined contribution plans (including state plans) are expenses when employees have rendered services in exchange for such contributions, generally in the year of contribution.

The contributions to the defined benefit and the defined contribution schemes recognised as an expense for the year ended 31 December 2008 were £5,047,000 (2007: £4,694,000).

The Group is required, under IAS 19 Employee Benefits, to provide the following disclosures relating to the Standard Life plc group's UK and Canadian defined benefit schemes.

Changes to the UK defined benefit scheme

With effect from 16 November 2004, the UK scheme was closed to new entrants. The benefits provided by the UK scheme have since undergone substantial further review. In November 2007, as part of a broader suite of changes and subsequent to appropriate consultation, members were given a choice of two options which took effect from January 2008:

- (i) maintaining a link to final salary for benefit accrued to 31 December 2007, with future service benefits accruing on a defined contribution basis; or
- (ii) linking benefits accrued to 31 December 2007 to movements in the Retail Price Index, with future service to be credited on defined benefit basis, as earned and revalued thereafter in line with the same index.

Approximately 95% of members selected option (ii). The financial information presented in this note reflects the outcome of this activity. Further information is outlined below, where appropriate.

25. Pension obligations (continued)**Contributions to UK and Canadian defined benefit schemes**

The following table shows the actual contributions made to the Standard Life Group plans in 2007 and 2008:

	2008	2007
	£m	£m
United Kingdom - normal funding	34	40
United Kingdom - additional contributions	20	20
Canada	3	3

Expected contributions to the plans in 2009 are as follows:

	2009
	£m
United Kingdom - normal funding	36
United Kingdom - additional contributions	20
Canada	2

Note that the total contributions to the UK scheme include deficit reduction contributions paid in accordance with the existing agreement with the scheme trustees.

Canada – post-retirement medical benefits

In Canada, certain of the scheme plans provide employees with post retirement medical benefits. A 1% point change in assumed medical cost trend rates would have the following effects:

	One percentage point increase		One percentage point decrease	
	2008	2007	2008	2007
Effect on the aggregate of the service cost and interest cost	-	1	-	(1)
Effect on defined benefit obligation	2	5	(1)	(4)

(a) Analysis of amounts recognised in the Standard Life Group Balance sheet for the UK and Canadian defined benefit schemes

The present value of the defined benefit obligation less the fair value of gross scheme assets is as follows:

	2008		
	United Kingdom	Canada	Total
	£m	£m	£m
Present value of funded obligation	(1,309)	(105)	(1,414)
Present value of unfunded obligations	-	(32)	(32)
Fair value of plan assets	1,462	123	1,585
Adjustment for unrecognised past service costs	-	(5)	(5)
Surplus not recognised	(153)	-	(153)
Net liability on the Standard Life Group balance sheet	-	(19)	(19)

25. Pension obligations (continued)

	2007		
	United Kingdom	Canada	Total
	£m	£m	£m
Present value of funded obligation	(1,375)	(119)	(1,494)
Present value of unfunded obligations	-	(44)	(44)
Fair value of plan assets	1,212	133	1,345
Net liability on the Standard Life Group balance sheet	(163)	(30)	(193)

(b) Defined benefit obligation

The movement in the present value of defined benefit obligation is as follows:

	2008	2007
	£m	£m
At 1 January	1,538	1,443
Foreign exchange differences	14	22
Current service cost	51	47
Interest cost	88	74
Actuarial losses	(206)	(15)
Past service cost	(6)	5
Benefits paid	(33)	(38)
At 31 December	1,446	1,538

The defined benefit obligation is funded as follows:

	2008	2007
	£m	£m
Wholly unfunded	32	44
Wholly funded	1,414	1,494
At 31 December	1,446	1,538

(c) Plan assets

The changes in the fair value of plan assets are as follows:

	2008	2007
	£m	£m
At 1 January	1,345	1,234
Expected return on plan assets	85	89
Actuarial losses	117	(22)
Contributions by employer	58	62
Exchange difference on foreign plans	12	18
Benefits paid	(32)	(36)
At 31 December	1,585	1,345

25. Pension obligations (continued)

The distribution of the fair value of the plan assets at year end is as follows:

2008			
	United Kingdom	Canada	Total
	£m	£m	£m
Equities	709	56	765
Bonds - government	85	49	134
Bonds - corporate	259	4	263
Property	39	6	45
Other	370	8	378
Total	1,462	123	1,585

2007			
	United Kingdom	Canada	Total
	£m	£m	£m
Equities	779	72	851
Bonds - government	209	37	246
Bonds - corporate	10	10	20
Property	47	12	59
Other	167	2	169
Total	1,212	133	1,345

Derivative instruments are used by the UK scheme to modify the profile of the assets of the scheme to better match the scheme's liabilities and to execute specific strategies as defined within the scheme's investment guidelines.

(d) Principal assumptions

The principal economic assumptions used in determining pension benefit obligation for the Standard Life Group's plans are as follows:

2008		
	United Kingdom	Canada
	%	%
Rate of increase in salaries	4.35-5.35	3.50
Rate of increase in pensions	3.35	1.33
Discount rate	6.10	7.25
Inflation assumption	3.35	2.00
Rate of return on plan assets	6.20	7.00

25. Pension obligations (continued)

	2007	
	United Kingdom	Canada
	%	%
Rate of increase in salaries	4.45-5.45	3.50
Rate of increase in pensions	3.45	1.33
Discount rate	5.75	5.50
Inflation assumption	3.45	2.00
Rate of return on plan assets	6.39	7.00

The valuation of scheme liabilities is sensitive primarily to both the assumed discount and inflation rates and in particular to the difference between these two rates. A reduction of ten basis points in the discount rate used to value the UK scheme would increase the defined benefit obligation by £33m (2007: £38m).

The most significant non-economic assumption is that made in respect of mortality post retirement. The mortality tables (along with sample complete expectations of life) are illustrated below:

	Table	Improvements	Normal Retirement Age
United Kingdom	PC(M/F)L00	'Double entry' table, CMI cohort projections with underpin	60
Canada	UP94 proj to 2015	scale AA	63
	Male, age today NRA	Female, age today NRA	40
United Kingdom	27	30	30
Canada	21	23	23

26. Employee share based payments

The Group does not operate any share-based payment schemes. During the year the Company's ultimate parent company, Standard Life plc, operated a number of share-based payment schemes, all of which are equity settled. Details of these arrangements are as follows:

(i) Long-term incentive plan (LTIP)

Under the terms of the plan, share options are awarded to executives and senior management based on performance results of the Standard Life Group over a three year period. The performance target is based on the Standard Life Group's return on capital which is a combination of underlying profit for the non-life businesses of the Standard Life Group and the return on European Embedded Value for the life businesses of the Standard Life Group. At the grant date the participants are advised of the range of options that will be awarded. The actual number of options that ultimately vest is determined at the end of the three year performance period. In addition, in respect of the 2008 plan, the number of options that ultimately vest is also subject to a Total Shareholder Return multiplier. The terms and conditions of the LTIP listed below assume the maximum number of options available to vest.

The three year performance period for the 2008 plan commenced on 1 January 2008. The grant date for the plan was 21 April 2008 with additional grants being made during the year to individuals who joined the plan after 21 April 2008.

The three year performance period for the 2007 plan commenced on 1 January 2007. The grant date for the plan was 1 May 2007 with additional grants being made during the year to individuals who joined the plan after 1 May 2007.

(ii) Share incentive plans

The Standard Life Group operates share incentive plans, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any year is £1,500. The Standard Life Group offers to match the first £25 of shares bought each month. The matching shares awarded under the Share Incentive Plan are granted at the end of each month. The matching shares are generally subject to a three-year service period and an employee may forfeit some or all of the matching shares if they leave the Standard Life Group prior to completing three years of service from date of grant.

26. Employee share based payments (continued)**(iii) Performance shares**

All eligible employees may be awarded free performance shares if certain Standard Life Group profit targets are met. On 19 February 2008, each eligible employee was awarded 110 shares in respect of their services for the year ended 31 December 2007.

(a) Long-term incentive plan (LTIP)

The terms and conditions attaching to each of the ongoing arrangements are set out in the table below. The assumptions disclosed are based on the weighted average number of awards.

Arrangement	2008	2007	2006
Nature of arrangement	Grant of share options	Grant of share options	Grant of share options
Date of Grant	21 April 2008	01 May 2007	4 Aug 2006
Number of instruments granted	206,958	126,729	161,306
Exercise price	nil	nil	nil
Share price at date of grant	249.50p	330.75p	258.75p
Contractual life (years)	3.5 years	3.5 years	3.75 years
Vesting conditions	3 year service period; specified Group performance; total shareholder return	3 year service period; specified Group performance	3 year service period; specified Group performance
Settlement	Shares	Shares	Shares
Expected option life at grant date (years)	3.5 years	3.5 years	2.16
Risk-free interest rate	n/a	5.82%	4.92%
Expected dividend (dividend yield)	n/a	3.38%	2.67%
Expected departures (grant date)	None at grant date. Leavers accounted for on departure	None at grant date. Leavers accounted for on departure	None at grant date. Leavers accounted for on departure
Expected outcome of meeting performance criteria (at the grant date)	50%	50%	75%
Fair value per granted instrument determined at the grant date	217p	297p	244p

The 'Black-Scholes' option pricing model is used to value the options granted under the LTIP. For the 2008 plan the 'Black-Scholes' option pricing model has been supplemented by a statistical model in order to factor into the valuation the Total Shareholder Return performance condition introduced in 2008.

The risk free interest rate was based on yields attaching to UK government bonds at the date of grant. These

The 2008 plan includes the entitlement to the receipt of dividends between the date of grant and the vesting date in respect of awards that ultimately vest. Accordingly the valuation of the awards in respect of the 2008 plan has not been discounted for this factor.

26. Employee share based payments (continued)

2008				
Range of exercise prices	Weighted average exercise price	Number of options ('000)	Weighted average remaining life	
			Expected	Contractual
Nil	Nil	309	1.50	2.00
2007				
Range of exercise prices	average exercise price	Number of options ('000)	Weighted average remaining life	
			Expected	Contractual
Nil	Nil	288	1.44	1.94

A reconciliation of movements in the number of share options granted to executives and senior management is set out in the table below.

	2008
	Number of options ('000)
Outstanding at start of year	288
Reinstated	-
Effect of modifications and cancellations	-
Effect of change in expected performance outcome	-
Granted	207
Transferred in	-
Transferred out	(105)
Forfeited	-
Exercised	(81)
Expired	-
Outstanding at end of year	309
Exercisable at year-end	-

26. Employee share based payments (continued)

	2007
	Number of
	options
	('000)
Outstanding at start of year	161
Reinstated	-
Effect of modifications and cancellations	-
Effect of change in expected performance outcome	-
Granted	127
Transferred in	-
Transferred out	-
Forfeited	-
Exercised	-
Expired	-
Outstanding at end of year	288
Exercisable at year-end	

(b) Share incentive plans and performance shares

The terms and conditions attaching to each of the ongoing arrangements are set out in the table below and are based on the weighted average number of awards.

Arrangement	Share incentive plans 2008	Share incentive plans 2007	Share incentive plans 2006
Nature of arrangement	Grant of shares	Grant of shares	Grant of shares
Date of Grant	Monthly	Monthly	Monthly
Number of instruments granted	45,430	33,955	8,002
Share price at date of grant	230p	296p	291p
Vesting conditions	3 year service period	3 year service period	3 year service period
Settlement	Shares	Shares	Shares
Expected departures (grant date)	None at grant date. Leavers accounted for on departure	None at grant date. Leavers accounted for on departure	None at grant date. Leavers accounted for on departure
Expected outcome of meeting performance criteria (at the grant date)	At grant date all awards expected to vest	At grant date all awards expected to vest	At grant date all awards expected to vest
Fair value per granted instrument determined at the grant date	230p	296p	291p

26. Employee share based payments (continued)

Arrangement	Performance shares 2007	Performance shares 2006
Nature of arrangement	Grant of shares	Grant of shares
Date of Grant	19 February 2008	2 May 2007
Number of instruments granted	68,640	60,400
Share price at date of grant	209p	331p
Vesting conditions	-	-
Settlement	Shares	Shares
Fair value per granted instrument determined at the grant date	209p	331p

(c) Share-based payment expense

The amounts recognised as an expense in Note 5 for share-based payment transactions with employees is as follows:

	2008	2007
	£'000	£'000
Share options granted under long-term incentive plans	272	156
Deferred shares granted in respect of the annual bonus	-	-
Matching shares granted under share incentive plans	55	29
Shares granted as annual performance awards	144	200
Shares awarded on flotation	-	-
Free bonus shares	-	14
	471	399

27. Commitments**Commitments to limited partnerships**

The Group has entered into partnership agreements which have committed the Group to invest a maximum of £17,933,000 (2007: £11,447,000) into limited partnerships. During the year the Group invested £1,771,000 (2007: £771,000) with a remaining maximum commitment of £14,098,000 (2007: £10,220,000).

28. Events after the balance sheet date

There have been no significant post balance sheet events.

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

We have audited the financial statements of Standard Life Investments Limited for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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

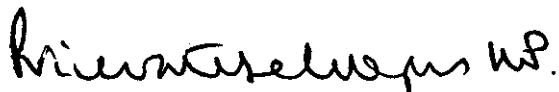
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

Opinion

In our opinion:

- The financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its loss and cash flows for the year then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Edinburgh, 6 March 2009

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