STANDARD LIFE INVESTMENTS

STANDARD LIFE INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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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)
D T Cumming, MA(Hons)	
V A Holmes, BA(Hons)	(Non-Executive)
W R Littleboy, BA(Hons) MA	
D T Nish, BAcc CA	
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	

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 2009

The Directors present their report together with the audited financial statements of Standard Life Investments Limited ('the Company') for the year ended 31 December 2009.

Directors

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

M Connolly resigned on 15 March 2009.

A M Crombie resigned on 31 December 2009.

D T Nish was appointed on 1 January 2010.

The Company's ultimate parent company, Standard Life plc, maintains directors' and officers' liability insurance on behalf of its Directors and officers.

Principal activities

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

Business review

The result for the year ended 31 December 2009 is a profit of £34,192,000 (2008: loss of £15,078,000). The Directors consider the results to be satisfactory.

Future outlook

Despite the uncertain economic backdrop, we continue to see a good volume of requests for proposals and our pipeline of confirmed third party new business is strong.

Against this background we will continue to pursue our strategy of increasing the diversity of our earnings in order to build future revenue streams. We are investing to grow our capability in selected product areas, such as global equities, global fixed income and GARS, and we are increasing our global reach, particularly in North America and Asia. We remain focused on delivering tightly controlled organic growth across the business and we are cautiously optimistic that this will continue to deliver strong results in 2010 and beyond.

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 (Holdings) 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 or appropriate for gaining an understanding of the development, performance or position of the business of the Company.

Dividend

The Directors recommended and paid a dividend of £2,000,000 in 2009 (2008: £nil).

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 financial statements. 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

The Company made no charitable donations during the year (2008: £10,170). The Company did not make any donations to any political party, organisation or election candidate, or incur any political expenditure.

Directors' Report

for the year ended 31 December 2009

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 41 days (2008: 56 days) taken to make payment for services provided in 2009.

Annual general meeting

There was no annual general meeting held in the year, as permitted by the Companies Act 2006.

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, 9 March 2010

Statement of Directors' responsibilities for preparing the financial statements for the year ended 31 December 2009

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the independent auditors' report, is made to help shareholders distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements for 2009.

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 Standard Life Investments Limited must be prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as adopted for use in the European Union, the Companies Act 2006 and Article 4 of the IAS Regulation.

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 2006. 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 2009

	Note	2009 £'000	2008 £'000
Revenue			
Management fee income		192,403	212,124
Other operating income	3	31,078	25,434
Total revenue		**223,481**	**237,558**
Fee and commission expense		(2,746)	(2,757)
Net revenue		**220,735**	**234,801**
Operating expenses			
Administrative expenses		(170,423)	(176,148)
Total operating expenses		**(170,423)**	**(176,148)**
Operating profit	5	50,312	58,653
Finance income	6	780	5,279
Finance costs	7	(4,471)	(1,929)
Fair value loss on derivatives		(9,239)	(51,063)
Restructuring and corporate transaction expenses	8	(716)	(42,429)
Net foreign exchange (loss)/gain		(321)	480
Profit/(loss) before tax		**36,345**	**(31,009)**
Tax (expense)/credit	9	(2,153)	15,931
Profit/(loss) for the year		**34,192**	**(15,078)**

The notes on pages 9 to 38 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2009 and 31 December 2008.

Statement of financial position

as at 31 December 2009

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Investment in subsidiaries	12	32,455	32,455
Deferred tax assets	11	39,158	40,319
Investment in associate	13	13,448	13,448
Investment securities	15	3,012	3,915
Derivative financial instruments	14	48,975	33,666
Total non-current assets		**137,048**	**123,803**
Current assets			
Current tax recoverable	11	1,430	-
Derivative financial instruments	14	17,969	38,387
Trade and other receivables	16	26,519	26,761
Cash and cash equivalents	17	169,326	171,742
Total current assets		**215,244**	**236,890**
Total assets		**352,292**	**360,693**
Equity			
Share capital	18	34,440	34,440
Retained earnings	19	90,968	58,776
Equity attributable to equity holders of the parent		**125,408**	**93,216**
Liabilities			
Non-current liabilities			
Subordinated liabilities	20	15,000	45,000
Trade and other payables	21	10,625	13,479
Total non-current liabilities		**25,625**	**58,479**
Current liabilities			
Current tax liabilities	11	-	12,013
Derivative financial instruments	14	116,362	123,116
Trade and other payables	21	84,897	73,869
Total current liabilities		**201,259**	**208,998**
Total liabilities		**226,884**	**267,477**
Total equity and liabilities		**352,292**	**360,693**

The notes on pages 9 to 38 form part of these financial statements.

Approved on behalf of the Board of Directors and authorised for issue on 9 March 2010 by the following Director:



C R Walklin, Director

Statement of changes in equity

for the year ended 31 December 2009

	Note	Share capital	Retained earnings	Total equity attributable to equity holders of the parent
		£'000	£'000	£'000
Balance at 1 January 2008		32,440	73,854	106,294
Comprehensive income				
Loss for the year		-	(15,078)	(15,078)
Total comprehensive expense for the year		-	**(15,078)**	**(15,078)**
Transactions with owners				
Share capital issued	**18**	2,000	-	2,000
Balance at 31 December 2008		**34,440**	**58,776**	**93,216**
Balance at 1 January 2009		34,440	58,776	93,216
Comprehensive income				
Profit for the year		-	34,192	34,192
Total comprehensive income for the year		-	**34,192**	**34,192**
Transactions with owners				
Distribution to equity holders		-	(2,000)	(2,000)
Balance at 31 December 2009		**34,440**	**90,968**	**125,408**

The notes on pages 9 to 38 form part of these financial statements.

Statement of cash flows

for the year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit/(loss) before tax		**36,345**	**(31,009)**
Interest income classified as investing activity	**6**	(780)	(5,279)
Finance costs classified as financing activity	**7**	4,471	1,929
Fair value loss on derivatives		9,239	51,063
		49,275	16,704
Adjustments for:			
Movement in fair value of investment securities		1,245	2,194
Purchase of investment securities		(6,636)	(1,782)
Proceeds from disposal of investment securities		6,293	-
Impairment losses on investments in subsidiary undertakings		1,900	960
Dividend received from subsidiary undertakings classified as investing activity	**10**	(29,005)	(23,514)
Dividend received from associate classified as investing activity		(2,073)	(1,920)
Movement in operating assets and liabilities	**22**	8,416	21,612
Group relief included in operating assets and liabilities		20,208	(11,181)
Premium payable on contract for differences		(10,883)	-
Taxation paid	**9**	(34,643)	(8,979)
Net cash flows from operating activities		**4,097**	**(5,906)**
Cash flows from investing activities			
Purchase of investment in subsidiary undertakings		(1,900)	(6,688)
Proceeds on disposal of subsidiary undertakings		-	6,000
Dividends received from subsidiary undertakings	**10**	29,005	23,514
Dividends received from associate		2,073	1,920
Finance income received	**6**	780	5,279
Net cash flows from investing activities		**29,958**	**30,025**
Cash flows from financing activities			
Dividends paid		(2,000)	-
Finance costs	**7**	(4,471)	(1,929)
(Repayment of)/proceeds from issuance of subordinated loan	**20**	(30,000)	30,000
Proceeds from issuance of ordinary shares	**18**	-	2,000
Net cash flows from financing activities		**(36,471)**	**30,071**
Net (decrease)/increase in cash and cash equivalents		(2,416)	54,190
Cash and cash equivalents at the beginning of the year		171,742	117,552
Cash and cash equivalents at the end of the year	**17**	**169,326**	**171,742**

The notes on pages 9 to 38 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 ('IFRIC') as endorsed by the European Commission for use in the European Union ('IFRS') and those parts of the Companies Act 2006 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, which includes derivatives, 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

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

From 1 January 2009, the Company has adopted the amendments to IAS 1 Presentation of financial statements. The revised standard includes an option to present one performance statement (the Statement of comprehensive income) or two statements (the Income statement and Statement of comprehensive income). The Company has elected to present both statements. Adoption of the revisions has not had any financial impact on the Company's financial statements.

Amendment to IFRS 7 Financial instruments: Disclosures (effective from 1 January 2009)

From 1 January 2009, the Company has adopted the amendments to IFRS 7 Financial instruments: Disclosures, published in March 2009. The amendments increase the disclosure requirements around fair value measurement, introducing a three-level hierarchy for fair value measurement disclosure and require some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendments clarify and enhance existing requirements for the disclosure of liquidity risk. Adoption has resulted, in particular, in an increase in the quantitative disclosures in respect of fair value of financial instruments but has no impact on the reported results of the Company.

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

The publication of the revised standard has followed the joint short-term convergence project between the IASB and the US Financial Accounting Standards Board. 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 have applied the revisions to IAS 23 from 1 January 2009, but it is has had no significant impact on the Company's financial statements.

Amendment to IFRS 2 Share based payments (effective for accounting 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. There has been no significant impact on the Company's financial statements.

Improvements to IFRSs (effective for 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. Implementation of the improvements has no significant impact on the Company's financial information.

1. Accounting policies (continued)

(iii) 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 after 1 January 2010. The Company has not early adopted the standards, amendments and interpretations described below:

Improvements to IFRSs (effective from 1 January 2010)

This is a collection of amendments to 12 standards as part of the IASB program of annual improvements. Management is considering the impact of adoption of the amendments on the Company's financial statements. The revisions have yet to be endorsed by the EU.

Amendments to IFRS 2 Share based payments (effective from 1 January 2010)

These amendments incorporate the requirements of IFRIC 8 Scope of IFRS 2 and IFRIC 11 IFRS 2- Group and treasury share transactions into the standard and aim to provide a clear basis to determine the classification of share based payment awards in both consolidated and separate financial statements. The amended definitions remove inconsistencies between Appendix A, defined terms, and the main body of the standard. Management is considering the impact of adoption of the amendments on the Company's financial statements. The revisions have not yet been endorsed by the EU.

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 non-controlling 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 for which the acquisition date falls in accounting periods from 1 January 2010 onwards.

IFRS 9 Financial instruments on classification and measurement (effective for annual periods beginning on or after 1 January 2013)

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39 Financial instruments: Recognition and Measurement. IFRS 9 allows only two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if it is held to collect contractual cash flows and the cash flows represent principal and interest, otherwise it is measured at fair value through profit or loss. Management is in the process of considering the potential implications on classification and measurement of financial instruments of adoption of the new requirements. The standard has not yet been endorsed by the EU.

Amendment to IAS 39 Financial Instruments: Recognition and measurement on eligible hedged items (effective for 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 endorsed by the EU.

(iv) New standards, interpretations and amendments to published standards that are deemed 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) – not applicable as the Company has no tradeable securities

1. Accounting policies (continued)

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

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

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

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

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

Amendment to IAS 24 Related party disclosures (effective for annual periods beginning on or after 1 January 2011)

Amendment to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after 1 February 2010)

IFRIC 17 Distributions of non-cash assets to owners (effective for accounting periods beginning on or after 1 July 2009

IFRIC 18 Transfer of assets from customers (effective for transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted)

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective from the beginning of the earliest comparative period presented, for annual periods beginning on or after 1 July 2010)

(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

Dividend income received from associate and subsidiary companies is included as 'Other operating income'.

(c) Expense recognition

(i) Impairment of non-financial assets

The carrying amounts of assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. Where there is an indication of impairment, an impairment review is performed and an impairment loss recognised in the Income statement to the extent that the 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.

1. Accounting policies (continued)

(ii) 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.

(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 Statement of financial position 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 Statement of financial position 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 Statement of financial position 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 and derivatives 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 Statement of financial position 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 Statement of financial position.

(g) Investment in associate

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The Company uses the purchase method of accounting for the acquisition of associates. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Dividend income received from the associate is included as 'Other operating income' in the Income statement.

1. Accounting policies (continued)

(h) Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. Such power, generally but not exclusively, accompanies a shareholding of more than one half of the voting rights.

The Company uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Where there is an indication of impairment, an impairment review is performed and an impairment loss recognised in the Income statement to the extent that the carrying amount exceeds its recoverable amount.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset.

Dividend income received from subsidiaries is included as 'Other operating income' in the Income statement.

(i) 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 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.

(j) 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 and other receivables'. Subsequent recoveries of amounts previously written off are credited against 'Administrative expenses' in the Income statement.

(k) 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.

(l) 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.

(m) Subordinated liabilities

Subordinated liabilities are initially included in the Statement of financial position 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.

1. Accounting policies (continued)

(n) Trade and other payables

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

(o) 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.

(p) Pension costs and other post retirement benefits

The Standard Life plc 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 plc 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.

(q) 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 Board.

(r) Employee share-based payments

Standard Life plc 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 targets for each scheme are met. The schemes are all in respect of Standard Life plc shares and further details are set out in Note 26. The majority of 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 plc 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 plc 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 plc 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 plc group.

(s) Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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 key judgement in respect of Standard Life plc group's long term incentive plan is in relation to the number of awards the Directors expect to vest at each individual vesting date. This judgement is arrived at using a number of factors including expectations of the Group's future cumulative pre-variable compensation EBIT from third party assets under management.

(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. The derivative assets and liabilities in Note 14 reflect the most significant judgements in relation to fair value calculations.

3. Other operating income

	2009	2008
	£'000	£'000
Income from shares in Group undertakings	31,078	25,434
Total other operating income	**31,078**	**25,434**

4. Staff costs and other employee related costs

	2009	2008
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	63,168	68,243
Social security costs	3,692	3,280
Pension costs	4,807	5,047
Long term incentive schemes	9,542	797
Termination payments	1,145	1,625
Other	2,158	2,532
Total staff costs and other employee related costs	**84,512**	**81,524**

The average number of staff of the Company during the year was 603 (2008: 605).

4. Staff costs and other employee related costs (continued)

Details of Directors' remuneration for services to the Company are as follows:

	2009	2008
	£'000	£'000
Aggregate emoluments	9,872	6,313
Amounts (including options in group shares) receivable under long-term incentive schemes	2,735	1,432

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 plc 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 £1,893,000 (2008: £1,485,000). At 31 December 2009, the highest paid Director also held accrued pension benefits of £12,000 (2008: £41,000) under the defined benefit pension scheme operated by the Standard Life plc group.

5. Operating profit

The following have been included in arriving at operating profit:

	2009	2008
	£'000	£'000
Staff costs (Note 4)	84,512	81,524
Fees payable to the Company's auditors for the audit of the Company financial statements:	22	17
Fees payable to the Company's auditors pursuant to legislation:		
Other services pursuant to legislation	6	24
Other assurance services	124	161
Tax services	31	
Total payable to the Company's auditors	**183**	**202**

6. Finance income

All interest income for 2009 and 2008 is derived from cash and cash equivalents.

7. Finance costs

	2009	2008
	£'000	£'000
Subordinated debt interest expense	4,342	874
Other	129	1,055
Total finance costs	**4,471**	**1,929**

8. Restructuring and corporate transaction expenses

Restructuring costs include £nil (2008: £39,380,000) 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. A cash injection of £39,380,000 was made into the fund to restore the value of the underlying assets to the equivalent of the amortised cost prior to changing the pricing structure. In addition, restructuring costs include £716,000 (2008: £3,049,000) of expenses in relation to the Group's Continuous Improvement Programme mainly in relation to redundancy payments, consultancy costs and process improvement projects.

9. Tax expense

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

	2009	2008
	£'000	£'000
Current tax		
United Kingdom corporation tax	2,442	21,154
Adjustment to tax expense in respect of prior years	(1,450)	(117)
Overseas tax	-	82
Total current tax	**992**	**21,119**
Deferred tax		
Deferred tax charge/(credit) arising in the current year (note 11(b))	1,161	(37,050)
Total deferred tax	**1,161**	**(37,050)**
Total tax expense/(credit)	**2,153**	**(15,931)**

(b) Reconciliation of tax expense :

	2009	2008
	£'000	£'000
Profit/(loss) before tax	36,345	(31,009)
Tax at UK corporation tax rate of 28% (2008: 28%)	10,177	(8,838)
Effects of:		
Income not taxable	(8,365)	(6,989)
Different tax rates applicable to foreign subsidiaries	-	616
Difference on taxable and accounting gains	140	-
Unremitted earnings from overseas subsidiary	(258)	39
Disallowable expenses	678	500
Transfer pricing	(40)	(95)
Prior year adjustments in respect of current tax	(1,450)	(117)
Prior year adjustments in respect of deferred tax	1,331	(1,391)
Change in deferred tax rate	-	117
Share of profits from controlled foreign companies	80	-
Other	(140)	227
Total tax expense/(credit)	**2,153**	**(15,931)**

10. Dividends paid and received

	2009	2008
	£'000	£'000
Dividends paid to parent undertaking	2,000	-
Dividends received from subsidiary undertakings	31,078	23,514

	2009	2008
	pence	pence
Dividends paid to parent undertaking	5.8	-

11. Tax assets and liabilities

(a) Tax assets and liabilities

	2009	2008
	£'000	£'000
Current tax recoverable	1,430	-
Deferred tax asset (see (b) below)	39,158	40,319
Total Tax assets	**40,588**	**40,319**
Current tax liabilities	-	12,013
Total tax liabilities	**-**	**12,013**

Deferred tax assets include £2,600,000 due within one year and shown within current tax assets. The remainder is due after one year and is shown as non-current in the Statement of financial position.

11. Tax assets and liabilities (continued)

(b) Recognised deferred tax

	2009	2008
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	6,759	6,494
Unrealised loss on financial derivatives	32,581	34,473
Gross deferred tax assets	**39,340**	**40,967**
Less: offset of deferred tax liabilities	(182)	(648)
Net deferred tax assets	**39,158**	**40,319**
Deferred tax liabilities comprise:		
Unrealised gain on investment securities	-	208
Taxation on unremitted earnings	182	440
Gross deferred tax liabilities	**182**	**648**
Less: offset against deferred tax assets	(182)	(648)
Net deferred tax liabilities	-	-
Movements in net deferred tax assets comprise:		
At 1 January	40,319	3,269
Exchange differences	-	-
Amounts credited to the income statement (note 9(a))	(1,161)	37,050
At 31 December	**39,158**	**40,319**

12. Investments in subsidiaries

	2009	2008
	£'000	£'000
At start of period	32,455	32,728
Additional investment	1,900	6,688
Disposals	-	(6,000)
Impairment losses recognised	(1,900)	(961)
At 31 December	**32,455**	**32,455**

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 (2008: £1,240,000). Impairment losses are recognised within 'Administrative expenses'.

12. 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 & Redeemable Preference	100	Collective investment products management
Standard Life Investments (Corporate Funds) Limited	Scotland	Ordinary	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 & Redeemable Preference	100	Investment management
Standard Life Investments (USA) Limited	Scotland	Ordinary	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.

13. 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% (2008: 40%) interest in the equity share capital and has no (2008: nil) 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:

	2009	2008
	£'000	£'000
At 1 January and 31 December	13,448	13,448

14. Derivative financial instruments

The Company holds 'held for trading' derivative financial instruments to achieve portfolio management in respect of instruments measured at fair value.

The Company holds the following 'held for trading' designated derivative financial instruments:

	2009		
	Contract amount	Fair value assets	Fair value liabilities
	£'000	£'000	£'000
Contract for differences	492,148	66,944	116,362
	492,148	**66,944**	**116,362**

	2008		
	Contract amount	Fair value assets	Fair value liabilities
	£'000	£'000	£'000
Contract for differences	546,612	72,053	123,116
	546,612	**72,053**	**123,116**

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 8, 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 the 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:

	2009	2008
	£'000	£'000
Derivative financial asset:		
Non-current	48,975	33,666
Current	17,969	38,387
	66,944	**72,053**

	2009	2008
	£'000	£'000
Derivative financial liability	**116,362**	**123,116**

The net fair value movement between the two derivative financial instruments is taken directly to the Income statement. During 2009 the net change to the Income statement was £9,238,000 (2008: £51,063,000).

15. Investment securities

Investment securities comprise of the following listed and unlisted instruments:

	2009	2008
	£'000	£'000
Equity securities - listed	35	234
Equity securities - unlisted	2,977	3,681
	3,012	**3,915**

All investment securities are classified as non-current.

16. Trade and other receivables

	2009	2008
	£'000	£'000
Amounts due from Standard Life plc group undertakings	5,553	7,862
Amounts due from subsidiary undertakings	13,197	11,349
Prepayments and accrued income	4,419	5,324
Other	3,350	2,226
Total trade and other receivables	**26,519**	**26,761**

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.

17. Cash and cash equivalents

	2009	2008
	£'000	£'000
Cash at bank and in hand	2,638	5,407
Demand and term deposits with original maturity of less than 3 months	166,688	166,335
Total cash and cash equivalents	**169,326**	**171,742**

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

All of the cash and cash equivalent balances at the statement of financial position date were rated (Standard & Poor's) A or above (2008: A or above).

18. Share capital

	Authorised			
	2009		2008	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	100,000,000	100,000	100,000,000	100,000

	Allotted, Called Up and Fully Paid			
	2009		2008	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	34,440,000	34,440	34,440,000	34,440

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.

19. Retained earnings

	2009	2008
	£'000	£'000
At 1 January	58,776	73,854
Profit/ (loss) for the year attributable to equity holders	34,192	(15,078)
Dividends and appropriations	(2,000)	-
At 31 December	**90,968**	**58,776**

20. Subordinated liabilities

	2009	2008
	£'000	£'000
Subordinated liabilities	**15,000**	**45,000**

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

The average rate of interest paid on the loans during the year was 9.44% (2008: 4.88%).

On 30 December 2009 the Company, with the permission of the FSA, repaid the £30,000,000 perpetual subordinated loan noted above.

21. Trade and other payables

	2009	2008
	£'000	£'000
Amounts due to Standard Life plc group undertakings	37,143	26,365
Amounts due to subsidiary undertakings	715	634
Amounts due to parent	6,312	1,899
Accruals	49,555	56,883
Other	1,797	1,567
Total trade and other payables	**95,522**	**87,348**
Presented as:		
Non-current	10,625	13,479
Current	84,897	73,869
Total trade and other payables	**95,522**	**87,348**

All trade and other payables, with the exception of 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

	2009	2008
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	242	26,460
	242	**26,460**
Movement in operating liabilities:		
Trade and other payables	8,174	(4,848)
	8,174	**(4,848)**
Movement in operating assets and liabilities	**8,416**	**21,612**

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.

(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 plc group. It also has its own established governance framework, with clear terms of reference for the Group Board ('the Board') and risk committees and a clear organisation structure, with documented, delegated authorities and responsibilities.

23. Financial risk management (continued)

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 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 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 Board. The potential impact of any significant risks identified outwith these timescales would be subject to immediate review.

(c) The management of financial and non-financial risks

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

(i) Statement of financial position reconciliation

	2009			
	Financial assets			
	FVTPL	Loans and receivables	Non-financial	Total
	£'000	£'000	£'000	£'000
Investments in subsidiaries	-	-	32,455	32,455
Tax assets	-	-	40,588	40,588
Investment in associate	-	-	13,448	13,448
Investment securities	3,012	-	-	3,012
Derivative financial assets	66,944	-	-	66,944
Trade and other receivables	-	25,760	759	26,519
Cash and cash equivalents	-	169,326	-	169,326
Total assets	**69,956**	**195,086**	**87,250**	**352,292**

	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 assets	72,053	-	-	72,053
Trade and other receivables	-	25,917	844	26,761
Cash and cash equivalents	-	171,742	-	171,742
Total assets	**75,968**	**197,659**	**87,066**	**360,693**

23. Financial risk management (continued)

	2009			
	Financial liabilities			
	FVTPL	Other financial liabilities	Non-financial	Total
	£'000	£'000	£'000	£'000
Subordinated liabilities	-	15,000	-	15,000
Derivative financial liabilities	116,362	-	-	116,362
Trade and other payables	-	95,522	-	95,522
Current tax liabilities	-	-	-	-
Total liabilities	**116,362**	**110,522**	-	**226,884**

	2008			
	Financial liabilities			
	FVTPL	Other financial liabilities	Non-financial	Total
	£'000	£'000	£'000	£'000
Subordinated liabilities	-	45,000	-	45,000
Derivative financial liabilities	123,116	-	-	123,116
Trade and other payables	-	87,348	-	87,348
Current tax liabilities	-	-	12,013	12,013
Total liabilities	**123,116**	**132,348**	**12,013**	**267,477**

(ii) 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. All assets and liabilities listed as FVTPL are classified as designated on initial recognition other than £66,944,000 within derivative financial assets and £116,455,000 within derivative financial liabilities which are classified as held for trading. With the exception of the derivative financial asset and derivative financial liability which are priced at market value, due to the short term nature of current financial assets and current financial liabilities the amortised cost is approximate to the fair value.

The accounting standards define fair value hierarchy levels which describe the nature of an instrument's fair value measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table classifies the financial instruments held at FVTPL into one of the above three levels:

	2009			
	Level 1	Level 2	Level 3	Total
Assets	£'000	£'000	£'000	£'000
Investment securities	35	-	2,977	3,012
Derivative financial assets	-	-	66,944	66,944
	35	-	**69,921**	**69,956**
Liabilities				
Derivative financial liabilities	-	-	**116,362**	**116,362**

23. Financial risk management (continued)

	Derivative financial assets	Derivative financial liabilities	Investment securities
	£'000	£'000	£'000
At 1 January 2009	72,053	(123,116)	3,680
Total gains or losses recognised in the Income statement	(5,109)	6,754	(929)
Purchases	-	-	549
Sales	-	-	-
Foreign exchange adjustment	-	-	(323)
As at 31 December 2009	**66,944**	**(116,362)**	**2,977**
Total recognised gains and losses recognised in the Income statement for assets or liabilities held at 31 December 2009	**(5,109)**	**6,754**	**(929)**

(iii) 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 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:

	2009	2008
	£'000	£'000
Trade and other receivables	25,760	25,917
Derivative financial asset	66,944	72,053
Cash and cash equivalents	169,326	171,742
	262,030	**269,712**

At the Statement of financial position date, none of the financial assets above were impaired but 'Trade and other receivables' classified as past due amounted to £847,000 (2008: £735,000), of which £779,000 (2008: £26,000) was overdue for greater than 3 months and £28,000 (2008: £70,000) over 12 months.

(iv) 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 14, the Company has a derivative financial liability arising from the indemnity provided for cash collateral for stock lending. As the Company had 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 £19,240,000 (2008: £21,212,000).

23. Financial risk management (continued)

The Company transacts most of its business in Sterling but has exposure to foreign exchange movements through its overseas subsidiaries, its Indian associate, 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 statement of financial position date was as follows:

	2009		
	Sterling	Canadian Dollar	Other currencies
	£'000	£'000	£'000
Investment securities	23	-	2,989
Derivative financial asset	66,944	-	-
Trade and other receivables	22,750	2,401	609
Cash and cash equivalents	169,239	-	87
	258,956	**2,401**	**3,685**

	2008		
	Sterling	Canadian Dollar	Other currencies
	£'000	£'000	£'000
Investment securities	233	-	3,682
Derivative financial asset	72,053	-	-
Trade and other receivables	25,592	67	1,102
Cash and cash equivalents	171,742	-	-
	269,620	**67**	**4,784**

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

	2009	
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Canadian Dollar	Canadian Dollar
	£'000	£'000
Impact on profit before tax	240	(240)
Impact on equity	173	(173)

	2008	
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Canadian Dollar	Canadian Dollar
	£'000	£'000
Impact on profit before tax	7	(7)
Impact on equity	5	(5)

23. Financial risk management (continued)

The Company is exposed to interest rate risk through its cash and cash equivalents and through its subordinated liabilities as disclosed in the Statement of financial position. A sensitivity impact of interest rate change, based on Bank of England base rates prevailing at the year end, on the profits of the Company is shown below:

	2009	
	10% increase in interest rates	10% decrease in interest rates
	£'000	£'000
Impact on profit before tax:		
Cash and cash equivalents	85	(85)
Subordinated liabilities	(18)	18
	67	(67)

	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
	313	(313)

(v) 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 Statement of financial position under 'Cash and cash equivalents'.

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

	2009			
Financial assets	Investment securities	Derivative financial instruments	Trade and other receivables	Cash and cash equivalents
	£'000	£'000	£'000	£'000
Due on demand	-	-	-	169,326
Due within 1 month	-	-	25,760	-
Due within 1 year	-	17,969	-	-
Due between 1 and 5 years	-	23,426	-	-
Due between 5 and 10 years	-	25,549	-	-
No contractual maturity date	3,012	-	-	-
	3,012	66,944	25,760	169,326

23. Financial risk management (continued)

	2008			
Financial assets	**Investment securities**	**Derivative financial instruments**	**Trade and other receivables**	**Cash and cash equivalents**
	£'000	**£'000**	**£'000**	**£'000**
Due on demand	-	-	-	171,742
Due within 1 month	-	-	25,917	-
Due within 1 year	-	39,665	-	-
Due between 1 and 5 years	-	29,099	-	-
Due between 5 and 10 years	-	3,289	-	-
No contractual maturity date	3,915	-	-	-
	3,915	**72,053**	**25,917**	**171,742**

	2009		
Financial liabilities	**Subordinated liabilities**	**Derivative financial instruments**	**Trade and other payables**
	£'000	**£'000**	**£'000**
Due on demand	-	-	-
Due within 1 month	-	116,362	76,338
Due within 1 year	-	-	8,559
Due between 1 and 5 years	15,000	-	10,625
No contractual maturity date	-	-	-
	15,000	**116,362**	**95,522**

	2008		
Financial liabilities	**Subordinated liabilities**	**Derivative financial instruments**	**Trade and other payables**
	£'000	**£'000**	**£'000**
Due on demand	-	-	-
Due within 1 month	-	-	73,869
Due within 1 year	-	123,116	-
Due between 1 and 5 years	15,000	-	13,479
No contractual maturity date	30,000	-	-
	45,000	**123,116**	**87,348**

(vi) 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.

23. Financial risk management (continued)

(d) Compliance with FSA regulatory requirements

The Capital Requirements 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 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 can be found at:

http://www.standardlife.com/investor/archive_financial_reports_2008.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 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:

	2009			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Key management personnel	-	9,872	-	6,745
Parent	-	-	-	6,312
Pension schemes	-	4,807	-	-
Investment in associate	2,073	69	-	-
Other (including fellow subsidiaries)	207,774	53,182	18,750	52,857
	209,847	**67,930**	**18,750**	**65,914**

24. Related party transactions

	2008			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Key management personnel	-	7,745	-	5,070
Parent	-	907	-	46,899
Pension schemes	-	5,047	-	-
Investment in associate	1,919	-	-	-
Other (including fellow subsidiaries)	225,807	32,594	91,264	26,999
	227,726	**46,293**	**91,264**	**78,968**

Key management personnel, comprises 12 people (2008: 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 4 in these financial statements.

Interest paid to the parent amounted to £nil (2008: £907,000). Interest paid to other related parties amounted to £4,342,000 (2008: £nil).

Dividend income from subsidiaries amounted to £29,005,000 (2008: £23,514,000). Dividends owed by subsidiaries amounted to £nil (2007: £nil).

Dividend income from the associate amounted to £2,073,000 (2008: £1,919,000). Dividends owed by the associate amounted to £nil (2008: £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.

At the request of the Company, between 1 September 2009 and 31 December 2009, C M Clark was contracted to provide additional services and, whilst maintaining non-executive status, was deemed by the Company not to be independent during this period.

25. Pension obligations

The majority of the staff who manage the affairs of the Company are members of a defined benefit pension scheme or 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 Company account for their contributions to the defined benefit scheme as an expense in the period they are payable.

The Company also makes contributions to state pension schemes in Hong Kong and to 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 2009 were £4,807,000 (2008: £5,047,000).

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

25. Pension obligations (continued)

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.

Contributions to UK defined benefit schemes

The following table shows the actual contributions made to the Standard Life plc group plans in 2008 and 2009:

	2009	2008
	£m	£m
United Kingdom - normal funding	37	34
United Kingdom - additional contributions	20	20

Expected contributions to the plans in 2010 are as follows:

	2010
	£m
United Kingdom - normal funding	37
United Kingdom - additional contributions	20

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

(a) Analysis of amounts recognised in the Standard Life plc group Statement of financial position for the UK defined benefit schemes

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

	2009	2008
	£m	£m
Present value of funded obligation	(1,700)	(1,309)
Present value of unfunded obligations	-	-
Fair value of plan assets	1,644	1,462
Surplus not recognised	-	(153)
Net liability on the Standard Life plc group balance sheet	**(56)**	-

25. Pension obligations (continued)

(b) Defined benefit obligation

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

	2009	2008
	£m	£m
At 1 January	1,309	1,375
Foreign exchange differences	-	
Current service cost	37	46
Interest cost	80	80
Actuarial losses	313	(164)
Past service cost	4	
Benefits paid	(43)	(28)
At 31 December	**1,700**	**1,309**

The defined benefit obligation is funded as follows:

	2009	2008
	£m	£m
Wholly unfunded	-	-
Wholly funded	1,700	1,309
At 31 December	**1,700**	**1,309**

(c) Plan assets

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

	2009	2008
	£m	£m
At 1 January	1,462	1,212
Expected return on plan assets	81	76
Actuarial losses	87	147
Contributions by employer	57	55
Exchange difference on foreign plans	-	
Benefits paid	(43)	(28)
At 31 December	**1,644**	**1,462**

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

	2009	2008
	£m	£m
Equities	734	709
Bonds - government	239	85
Bonds - corporate	154	259
Property	65	39
Other	452	370
Total	**1,644**	**1,462**

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.

25. Pension obligations (continued)

The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the related benefits obligations. The expected return by geography is as follows:

	2009	2008
	%	%
Equities	6.42	7.58
Bonds - government	3.42	4.58
Bonds - corporate	5.09	5.56
Property	5.42	6.58
Other	2.00	5.50
Total expected return	**6.30**	**6.20**

The actual return on plan assets during 2009 was £168m (2008: £223m).

(d) Principal assumptions

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

	2009	2008
	%	%
Rate of increase in salaries	4.80-5.80	4.35-5.35
Rate of increase in pensions	3.80	3.35
Discount rate	5.60	6.10
Inflation assumption	3.80	3.35
Rate of return on plan assets	6.20	6.20

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 £45m (2008: £33m).

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

	Male, age today		Female, age today	
	NRA	40	NRA	40
United Kingdom	26.6	30.0	27.5	29.6

26. Employee share based payments

The Company 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, the majority 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 plc group over a three year period. The performance target is based on the Standard Life plc group's return on capital which is a combination of underlying profit for the non-life businesses of Standard Life plc group and the return on European Embedded Value for the life businesses of Standard Life plc 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 and 2009 plans, 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 2009 plan commenced on 1 January 2009. The grant date for the plan was 20 April 2009 with additional grants being made during the year to individuals who joined the plan after 20 April 2009.

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.

(ii) Standard Life Investments Long-Term Incentive Plan

Prior to 6 November 2009, the Standard Life Investments LTIP was a cash-based award dependent on certain performance conditions being achieved over a three year period. In order to improve the alignment of awards of key individuals within the Group with the Standard Life plc group's corporate goals, the cash-based awards in respect of the 2007 and 2008 plan have been converted to a share-based payment scheme. Under the terms of the conversion, the number of options awarded, which will have a nil exercise price, was based on the average share price over the last five trading days immediately prior to the date of grant. The 2009-2011 award was structured as a share-based payment from commencement.

Under the terms of the 2007 plan, share options awarded are only subject to a service condition. Under the terms of 2008 plan, share options are awarded subject to a service condition, and the requirement for participants to retain shares in respect of the share options awarded under the 2007 plan (net of disposals required to meet personal tax liabilities in respect of the 2007 plan).

Under the terms of the 2009 plan, share options are awarded to participants based on performance results of Standard Life Investments over a three year period. The performance target is based on the Standard Life Investments (Holdings) Limited Group EBIT from third party assets under management, before variable compensation, subject to an investment performance underpin based on the three year money-weighted average investment performance of all assets under management against relevant benchmarks. 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. The terms and conditions of Standard Life Investments LTIP listed below represent the maximum number of options that can vest.

The majority of the awards granted under the Standard Life Investments LTIP are equity-settled share-based payment transactions. The awards in respect of employees in USA, France and Asia are cash-settled.

(iii) Share incentive plans

The Standard Life plc 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 plc 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 plc group prior to completing three years of service from date of grant.

26. Employee share based payments (continued)

(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	2009	2008	2007
Nature of arrangement	Grant of share options	Grant of share options	Grant of share options
Date of Grant	20 April 2009	21 April 2008	01 May 2007
Number of instruments granted	340,945	206,958	126,729
Exercise price	nil	nil	nil
Share price at date of grant	187.00p	249.50p	330.75p
Contractual life (years)	3.5 years	3.5 years	3.5 years
Vesting conditions	3 year service period; specified Group performance; total shareholder return	3 year service period; specified Group performance; total shareholder return	3 year service period; specified Group performance
Settlement	Shares	Shares	Shares
Expected option life at grant date (years)	3.5 years	3.5 years	3.5 years
Risk-free interest rate	n/a	n/a	5.82%
Expected dividend (dividend yield)	n/a	n/a	3.38%
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%	50%
Fair value per granted instrument determined at the grant date	155p	217p	296p

The majority of share options are granted to participants in the LTIP on one particular date during the year. Additional grants of share options are made throughout the year to accommodate those individuals who become entitled to participate in the scheme by becoming eligible employees of the Standard Life plc group.

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 had a similar pattern to the expected life of the options at the date of grant.

The 2008 and 2009 plans include the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date.

The information in the table that follows applies to options outstanding at the end of each period.

	2009	2008
Range of exercise prices	Nil	Nil
Weighted average exercise price	Nil	Nil
Number of options ('000)	570	309
Weighted average remaining life - Expected	1.76	1.5
Weighted average remaining life - Contractual	2.26	2

26. Employee share based payments (continued)

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

	2009	2008
	Number of options	
	£'000's	£'000's
Outstanding at start of year	309	288
Granted	341	207
Transferred out	-	(105)
Exercised	(76)	(81)
Expired	(4)	-
Outstanding at end of year	570	309

The options exercised during the year relate to the 2006 portion of the 2005/2006 plan. The weighted average share price at the time of the exercise was 179.00p.

(b) The Standard Life Investments Long-Term Incentive Plan

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	2009	2008	2007
Nature of arrangement	Grant of share options	Grant of share options	Grant of share options
Date of Grant	06/11/2009	06/11/2009	06/11/2009
Number of instruments granted	8,857,797	4,233,957	4,241,754
Exercise price	nil	nil	nil
Share price at date of grant	213p	213p	213p
Contractual life (years)	3.8 years	3.69 years	3.69 years
Vesting conditions	3 year service period; Specified Group performance	3 year service period	3 year service period
Settlement	Shares	Shares	Shares
Expected option life at grant date (years)	2.95 years	1.84 years	0.84 years
Risk-free interest rate	n/a	n/a	n/a
Expected dividend (dividend yield)	n/a	n/a	n/a
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%	n/a	n/a
Fair value per granted instrument determined at the grant date	213p	213p	213p

The information in the table that follows applies to options outstanding at the end of each period.

	2009	2008
Range of exercise prices	n/a	n/a
Weighted average exercise price	n/a	n/a
Number of options ('000)	17,333	n/a
Weighted average remaining life - Expected	1.3	n/a
Weighted average remaining life - Contractual	1.9	n/a

26. Employee share based payments (continued)

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

	2009	2008
	Number of options	
	£'000's	£'000's
Outstanding at start of year	nil	-
Granted	17,333	-
Outstanding at end of year	17,333	-

(c) 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 2009	Share incentive plans 2008	Share incentive plans 2007
Nature of arrangement	Grant of shares	Grant of shares	Grant of shares
Date of Grant	Monthly	Monthly	Monthly
Number of instruments granted	51,757	45,430	33,955
Share price at date of grant	198p	230p	296p
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	198p	230p	296p

(d) Share-based payment expense

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

	2009	2008
	£'000	£'000
Share options granted under long-term incentive plans	19,300	272
Matching shares granted under share incentive plans	76	55
Shares granted as annual performance awards	-	144
	19,376	**471**

The amount in respect of share options granted under long-term incentive plans in 2009 includes the impact of the conversion of the Standard Life Investments LTIP from a cash-based to a largely share-based payment award.

27. Commitments

Commitments to limited partnerships

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £16,458,000 (2008: £17,933,000) into limited partnerships. During the year the Company invested £549,000 (2008: £1,771,000) with a remaining maximum commitment of £12,381,000 (2008: £14,098,000).

28. Events after the statement of financial position date

There have been no significant events after the reporting period.

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 2009 which comprise the Income statement, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with chapter 3 of part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

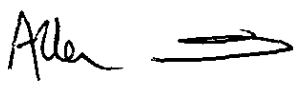
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
9 March 2010