

Standard Life Investments

STANDARD LIFE INVESTMENTS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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COMPANIES HOUSE

Registered in Scotland Number SC123321

General Information

Directors

A S Acheson

C M Clark

D T Cumming

W R Littleboy

E G Munro

R L Paris

R A Renaud

N K Skeoch (Chief Executive)

M Tumilty

C R Walklin

Company Secretary

D J Burns

Registered Office

1 George Street

Edinburgh

EH2 2LL

United Kingdom

Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

68 - 73 Queen Street

Edinburgh

EH2 4NH

United Kingdom

Directors' annual report for the year ended 31 December 2011

The Directors present their report together with the financial statements of Standard Life Investments Limited (the Company) for the year ended 31 December 2011.

Directors

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

D T Nish resigned as a Director on 1 January 2012.

C A M Buchan resigned as Non-Executive Chairman on 1 January 2012.

J D S Dawson, V A Holmes and J G H Paynter resigned as Non-Executive Directors on 1 January 2012.

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 Group, mutual funds, pension funds and other institutions.

Business review

The result for the year ended 31 December 2011 is a profit of £67,691,000 (2010: £64,930,000). The Directors consider the result to be satisfactory.

Future outlook

The Directors are confident of maintaining the performance in the future.

Dividends and distributions

The Directors recommended and paid a dividend of £93,000,000 in 2011 (2010: £18,000,000) to its parent Company and distributed £556,000 (2010: £nil) to Standard Life plc in respect of the Company's Long Term Incentive Plans as described in Note 1(q).

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.

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 24 to this report and accounts. Other key business risks include the development and retention of key employees as well as competition from other providers of investment management services.

Employees

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

The Company keeps staff informed of progress and policies through line management channels, training courses, conferences and an internal communication programme, which consists of various in-house publications and briefing seminars with staff.

**Directors' annual report (continued)
for the year ended 31 December 2011**

Charitable and political donations

The Company made no charitable donations during the year (2010: £nil). The Company did not make any donations to any political party, organisation or election candidate, or incur any political expenditure.

Creditor payment policy

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier. There was an average 28 days taken to make payment for services provided in 2011 (2010: 28 days).

Annual general meeting

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

Independent 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.

By order of the Board of Directors

A handwritten signature in black ink, appearing to read 'D J Burns', is written over a horizontal line.

**D J Burns, Company Secretary
Edinburgh, 8 March 2012**

Statement of Directors' responsibilities for preparing the financial statements for the year ended 31 December 2011

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 2011.

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements of the Standard Life Group must be prepared in accordance with IFRSs 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 have elected to prepare the Company's financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by the IASB, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Income statement
for the year ended 31 December 2011**

		2011	2010
	Note	£'000	£'000
Revenue			
Management fee income		265,266	252,384
Other operating income	3	43,511	32,447
Total revenue		308,777	284,831
Fee and commission expense		(8,198)	(5,934)
Net revenue		300,579	278,897
Operating expenses			
Administrative expenses		(215,669)	(199,481)
Total operating expenses		(215,669)	(199,481)
Operating profit	5	84,910	79,416
Finance income	6	6	346
Finance costs	7	(56)	(352)
Fair value gain on derivatives	15	-	589
Restructuring and corporate transaction expenses	8	(2,454)	(138)
Net foreign exchange (loss) / gain		(328)	11
Profit before tax		82,078	79,872
Tax expense	9	(14,387)	(14,942)
Profit for the year		67,691	64,930

The notes on pages 9 to 36 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2011 and 31 December 2010.

**Statement of financial position
as at 31 December 2011**

		2011	2010
	Note	£'000	£'000
Assets			
Non-current assets			
Intangible assets	11	2,957	-
Tax assets	12	8,615	24,521
Investment in subsidiaries	13	34,642	32,346
Investment in associate	14	13,448	13,448
Investment securities	16	5,811	5,490
Total non-current assets		65,473	75,805
Current assets			
Tax assets	12	121	1,450
Investment securities	16	84,261	133,385
Trade and other receivables	17	83,891	27,456
Cash and cash equivalents	18	2,043	3,251
Total current assets		170,316	165,542
Total assets		235,789	241,347
Equity			
Share capital	19	34,440	34,440
Retained earnings	20	112,033	137,898
Equity attributable to equity holders of the parent		146,473	172,338
Liabilities			
Non-current liabilities			
Trade and other payables	22	16,500	2,717
Total non-current liabilities		16,500	2,717
Current liabilities			
Trade and other payables	22	72,816	66,292
Total current liabilities		72,816	66,292
Total liabilities		89,316	69,009
Total equity and liabilities		235,789	241,347

The notes on pages 9 to 36 form part of these financial statements.

Approved on behalf of the Board of Directors and authorised for issue on 8 March 2012 by the following Director:



C R Walklin, Director

**Statement of changes in equity
for the year ended 31 December 2011**

	Note	Share capital	Retained earnings	Total equity attributable to equity holders of the parent
		£'000	£'000	£'000
Balance at 1 January 2010		34,440	90,968	125,408
Comprehensive income				
Profit for the year		-	64,930	64,930
Total comprehensive income for the year		-	64,930	64,930
Transactions with owners				
Dividends paid	10	-	(18,000)	(18,000)
Balance at 31 December 2010		34,440	137,898	172,338
Balance at 1 January 2011		34,440	137,898	172,338
Comprehensive income				
Profit for the year		-	67,691	67,691
Total comprehensive income for the year		-	67,691	67,691
Transactions with owners				
Dividends and distributions	10	-	(93,556)	(93,556)
Balance at 31 December 2011		34,440	112,033	146,473

The notes on pages 9 to 36 form part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2011**

	Note	2011	2010
		£'000	£'000
Profit before tax		82,078	79,872
Interest income classified as investing activity	6	(6)	(346)
Finance costs classified as financing activity	7	56	352
Fair value gain on derivatives	15	-	(589)
		82,128	79,289
Adjustments for:			
Movement in fair value of investment securities		(737)	(1,389)
Purchase of investment securities		(268,510)	(195,002)
Proceeds from disposal of investment securities		318,050	60,528
Movement in intangible fixed assets	11	(2,957)	-
Impairment losses on investments in subsidiary undertakings	13	2,280	3,109
Dividends received from subsidiary undertakings classified as investing activity	10	(31,356)	(29,245)
Dividend received from associate classified as investing activity	10	(4,025)	(3,202)
Movement in operating assets and liabilities	23	(36,128)	(27,450)
Group relief included in operating assets and liabilities		1,511	2,264
Premium payable on contract for differences		-	(12,782)
Payment under indemnity	15	-	(73,614)
Receipts on settlement of financial instruments	15	-	37,567
Taxation paid		1,337	(2,589)
Net cash flows from / (used in) operating activities		61,593	(162,516)
Cash flows from investing activities			
Purchase of investment in subsidiary undertakings	13	(4,576)	(3,000)
Dividends received from subsidiary undertakings	10	31,356	29,245
Dividends received from associate	10	4,025	3,202
Finance income received	6	6	346
Net cash flows from investing activities		30,811	29,793
Cash flows used in financing activities			
Dividends and distributions	10	(93,556)	(18,000)
Finance costs	7	(56)	(352)
Repayment of subordinated loan	21	-	(15,000)
Net cash flows used in financing activities		(93,612)	(33,352)
Net decrease in cash and cash equivalents		(1,208)	(166,075)
Cash and cash equivalents at the beginning of the year		3,251	169,326
Cash and cash equivalents at the end of the year	18	2,043	3,251

The notes on pages 9 to 36 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2011

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. Additional information has been included within certain notes to the financial statements for the current and prior year, resulting in some minor changes in comparison to the presentation in the prior year.

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

The Company has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and interpretations which are effective from 1 January 2011 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Company's financial statements:

IAS 24 (revised) Related Party Disclosures

Annual Improvements 2010

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Amendment to IFRIC 14 Prepayment of a Minimum Funding Requirement

(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 annual accounting periods beginning on or after 1 January 2012 or later periods. The Company has not early adopted the standards, amendments and interpretations described below:

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 July 2011)

The amendment to IFRS 7 requires additional disclosures for financial instruments which are designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets. This includes understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The adoption of the amendment to IFRS 7 is not expected to have a significant impact on the financial statements of the Company.

Amendment to IAS 12 Income Taxes (effective for annual periods beginning on or after 1 January 2012)

IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. This amendment to IAS 12 introduces a presumption that the recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. The adoption of the amendment to IAS 12 is not expected to have a significant impact on the financial statements of the Company.

1. Accounting policies (continued)

Amendment to IAS 1 Presentation of Financial Instruments (effective for annual periods beginning on or after 1 July 2012)

The amendment to IAS 1 revises the way other comprehensive income (OCI) is presented. The key changes are as follows:

- Requirement to group items presented in OCI according to whether they will subsequently be reclassified to profit and loss
- Requirement to show separately the tax associated with items presented before tax in OCI for each classification of OCI items

The amendment to IAS 1 has not yet been endorsed by the EU. The adoption of the amendment to IAS 1 will change the presentation of the consolidated statement of comprehensive income in the financial statements of the Group.

IFRS 10 Consolidated Financial Statements (effective for periods beginning on or after 1 January 2013)

IFRS 10 introduces a single consolidation model to be applied to all entities and replaces previous requirements on control and consolidation in IAS 27 Consolidated and Separate Financial Statements and SIC 12 Consolidation – Special Purpose Entities. IFRS 10 defines control, determines how to identify if an investor controls an investee and requires an investor to consolidate entities it controls under the new standard. IFRS 10 identifies three elements which must be present for an investor to control an investee, which are as follows:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use that power over the investee to affect the amount of the returns.

IFRS 10 has not yet been endorsed by the EU. The adoption of IFRS 12 is expected to have a significant impact on the financial statements of the Group.

IFRS 11 Joint Arrangements (effective for periods beginning on or after 1 January 2013)

IFRS 11 defines and establishes accounting principles for joint arrangements and replaces previous requirements in IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. The standard distinguishes between two types of joint arrangements – Joint Ventures and Joint Operations – based on how rights and obligations are shared by the parties to the arrangement. Joint operators should recognise their share of the assets, liabilities, revenue and expenses of the interest in accordance with applicable IFRSs. Joint venturers should apply the equity method of accounting prescribed in IAS 28 (revised 2011) Investments in Associates and Joint Ventures to account for their interest.

IFRS 11 has not yet been endorsed by the EU. The adoption of IFRS 11 is not expected to have a significant impact on the financial statements of the Group.

IFRS 12 Disclosure of Interests in Other Entities (effective for periods beginning on or after 1 January 2013)

IFRS 12 is a single disclosure standard which applies to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information to enable users of the financial statements to evaluate the nature, risks and financial effects associated with interests in other entities. The required disclosures are grouped into the following main categories:

- Significant judgements and assumptions
- Interests in subsidiaries
- Interests in joint arrangements and associates
- Interests in unconsolidated structured entities

IFRS 12 has not yet been endorsed by the EU. The adoption of IFRS 12 is expected to have a significant impact on the financial statements of the Group.

Amendment to IAS 27 Separate Financial Statements (2011) (effective for periods beginning on or after 1 January 2013)

IAS 27 is amended to remove the requirements for consolidated financial statements which are superseded by the issue of IFRS 10. The amendment has not yet been endorsed by the EU.

1. Accounting policies (continued)**Amendment to IAS 28 Investments in Associates and Joint Ventures (2011) (effective for periods beginning on or after 1 January 2013)**

IAS 28 is amended to include Joint Ventures as well as associates. Joint Ventures are required to be equity accounted following the issue of IFRS 11. The amendment has not yet been endorsed by the EU. The amendment to IAS 28 is not expected to have a significant impact on the financial statements of the Company.

IFRS 10, IFRS 11, IFRS 12, Amendment to IAS 27 and Amendment to IAS 28 must be adopted concurrently.

IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

IFRS 13 replaces the guidance on fair value measurement in existing IFRSs with a single standard. The standard does not change requirements regarding which items should be measured at fair value but provides guidance on how to determine fair value and enhances disclosures about fair value measurement.

Entities are required to make various quantitative and qualitative disclosures about fair value measurements and their classification within the hierarchy. IFRS 13 has not yet been endorsed by the EU. The adoption of IFRS 13 is expected to result in additional disclosures in the financial statements of the Company.

Amendment to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)

IAS 19 amendment revises requirements for pensions and other post retirement benefits, termination benefits and other employee benefits. The key changes which affect defined benefit plans are as follows:

- All actuarial gains and losses should be recognised immediately in OCI. Companies will no longer be able to defer gains and losses under the corridor approach.
- The calculation of the finance cost through profit and loss has been revised.
- Enhanced disclosures surrounding the characteristics and risk profile of defined benefit plans are required.

Other changes include changes to accounting for termination benefits and clarification of various miscellaneous issues and other matters submitted to the IFRS Interpretations Committee. The adoption of the amendment to IAS 19 is expected to have an impact on the measurement and presentation of defined benefit plans and related balances in the Company's financial statements. Additional disclosures will also be presented. The amendment has not yet been endorsed by the EU.

Amendment to IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2013)

This amendment to IFRS 7 enhances the disclosure requirements where financial assets and liabilities are offset on the statement of financial position. The new requirements focus on enhancing quantitative disclosures about recognised financial instruments that are offset. Additionally enhanced disclosures are required on financial instruments subject to master netting of similar arrangements regardless of whether they are offset. The amendment has not yet been endorsed by the EU. The impact of the adoption of the amendment to IFRS 7 on the financial statements of the Group is currently being reviewed by management.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 allows only two measurement categories for financial assets: 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 (FVTPL). For financial liabilities designated as at FVTPL, changes in the fair value due to changes in the liability's credit risk are recognised directly in OCI. Financial liabilities that are neither held for trading nor elected to be held at FVTPL are measured at amortised cost. Financial liabilities that are held for trading are measured at FVTPL.

In December 2011 the IASB issued *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, which amends IFRS 9 to require application for annual periods beginning on or after 1 January 2015, rather than 1 January 2013. IFRS 9 has 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 2011 or later periods. These are listed below and are deemed not relevant to the Company:

Amendment to IFRS 1 First time adoption of IFRS (effective for annual periods beginning on or after 1 July 2011)

Amendment to IAS 32 Financial Instruments: Presentation – classification of rights issues

1. Accounting policies (continued)**(b) Revenue recognition****(i) Management fee income**

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

'Other operating income' consists mainly of dividend income received from associate and subsidiary companies.

In the current year it also includes net income received in respect of the transfer of management of certain money market funds to an external provider.

The remaining balance includes realised and unrealised gains on founder shares, seeding and credit derivative swaps, private equity fund distributions and income from the Seabury Asset Fund.

(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, any 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, or the net assets value is used where appropriate. 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.

(ii) Administrative expenses

'Administrative 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) Intangible assets

Intangible assets, including internally developed software and software purchased from third parties, are recognised in the statement of financial position if it is probable that the relevant future economic benefits attributable to the asset will flow to the Company and their cost can be measured reliably and are either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or they arise from contractual or other legal rights, regardless of whether those rights are transferable or separable.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of up to six years of the intangible asset. Impairment losses are calculated and recorded on an individual basis in a manner consistent with policy (c) (i). Amortisation commences at the time from which an intangible asset becomes available for use.

1. Accounting policies (continued)**(f) 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 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.

(g) 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.

(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 Group uses the acquisition method of accounting for the value 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. Acquisition costs are expensed when incurred.

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.

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

(i) 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 acquisition method of accounting for the value 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. Acquisition costs are expensed when incurred.

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.

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

1. Accounting policies (continued)**(j) 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.

(k) Trade and other receivables

Trade and other 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.

(l) Cash and cash equivalents

'Cash and cash equivalents' include cash in hand, deposits held at call with banks and any highly liquid investments with less than three months to maturity from the date of acquisition. 'Cash and cash equivalents' are categorised for measurement purposes as loans and receivables and are therefore measured at amortised cost.

(m) 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.

(n) Trade and other payables

Trade and other 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

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

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

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

1. Accounting policies (continued)**(q) Dividends and distributions**

Dividends are recognised directly in equity in the Company's financial statements in the period in which they are paid.

Distributions relate to the additional charge payable to Standard Life plc as a result of dividend shares on Long Term Incentive Plans, as set out in Note 27. Distributions are recognised directly in equity in the Company's financial statements in the period in which the awards to which they relate vest.

(r) Employee share-based payments

Standard Life Group operates share incentive plans for all employees, share-based Long Term Incentive Plans for senior employees and may award annual performance shares to all eligible employees when 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 27. 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 Group and the employees have a shared understanding of the terms and conditions of the award. If that award is subject to an approval process then the grant date is the date when that approval is obtained. The charge in respect of the services received by the Company from its employees is recharged to the Company by Standard Life Group.

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

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

(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, may require 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 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 Earnings Before Interest and Taxation (EBIT) from third party assets under management.

2. Key estimates and judgements (continued)**(ii) Impairment assumptions**

The Company conducts annual impairment tests on its intangible assets and on the carrying value of the associate and subsidiaries. The recoverable amount is determined from the net realisable value or from value-in-use calculations. The key assumptions in the value-in-use calculations reflect management's expectations of the intangible assets and the medium-term operating performance of the associate and subsidiaries and growth prospects in the associate's and subsidiaries markets.

(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 15 reflect the most significant judgements in relation to fair value calculations.

3. Other operating income

	2011	2010
	£'000	£'000
Income from shares in Group undertakings	35,381	32,447
Gains on disposal of money market mandates	6,838	-
Net unrealised gains on founder shares and seed capital	114	-
Gains on investment securities	761	-
Other	417	-
Total other operating income	43,511	32,447

4. Staff and other employee related costs

	2011	2010
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	80,352	67,903
Social security costs	12,484	9,640
Pension costs	6,138	5,124
Share based payment expenses	15,381	14,760
Termination payments	-	578
Other	4,067	5,679
Total staff and other employee related costs	118,422	103,684

The average number of staff of the Company during the year was 791 (2010: 643).

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

	2011	2010
	£'000	£'000
Aggregate emoluments	13,054	10,386
Amounts (excluding options in Standard Life plc shares) receivable under Long Term Incentive Plans	2,822	3,028

Eleven Directors (2010: Eleven) of the Company were participants in Long Term Incentive Plans. The benefits arising under the incentive schemes are recorded in the period in which entitlement is determined.

Retirement benefits are accruing to seven Directors (2010: Eight) in respect of their services to the Company and its subsidiaries under a defined benefit scheme operated by the Standard Life Group. Non-executive Directors are not entitled to retirement benefits in respect of their service to the Company.

The highest paid Director of the Company received aggregate remuneration during the year of £2,171,000 (2010: £1,929,000). At 31 December 2011, the highest paid Director also held accrued pension benefits of £13,000 (2010: £14,000) under the defined benefit pension scheme operated by the Standard Life Group.

5. Operating profit

The following have been included in arriving at operating profit:

	2011	2010
	£'000	£'000
Staff and other employee related costs (Note 4)	118,422	103,684
Operating lease rentals	169	134
Fees payable to the Company's auditors for the audit of the Company financial statements	24	25
Fees payable to the Company's auditors pursuant to legislation:		
Other services pursuant to legislation	8	6
Other assurance services	200	192
Tax services	17	104
Total payable to the Company's auditors	249	327

6. Finance income

All interest income for 2011 and 2010 is derived from 'Cash and cash equivalents'.

7. Finance costs

	2011	2010
	£'000	£'000
Subordinated debt interest expense	-	121
Other	56	231
Total finance costs	56	352

8. Restructuring and corporate transaction expenses

Restructuring costs of £2,454,000 (2010: £nil) relate to expenses incurred by the Company during the process of restructuring Group operations.

In 2010, restructuring costs of £138,000 were 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:

	2011	2010
	£'000	£'000
Current tax		
United Kingdom corporation tax	4,057	-
Adjustment to tax expense in respect of prior years	(5,615)	305
Overseas tax	39	-
Total current tax	(1,519)	305
Deferred tax		
Deferred tax charge arising in the current year (note 12(b))	15,906	14,637
Total deferred tax	15,906	14,637
Total tax expense	14,387	14,942

9. Tax expense (continued)

(b) Reconciliation of tax expense :

	2011	2010
	£'000	£'000
Profit before tax	82,078	79,872
Tax at UK corporation tax rate of 26.5% (2010: 28%)	21,751	22,364
Effects of:		
Income not taxable	(9,376)	(9,133)
Unremitted earnings from overseas subsidiary	-	(182)
Disallowable expenses	549	1,041
Transfer pricing	(31)	(343)
Prior year adjustments in respect of current tax	206	305
Impairment of subsidiaries	604	-
Change in deferred tax rate	1,706	932
Share of profits from controlled foreign companies	136	161
Other	(1,158)	(203)
Total tax expense	14,387	14,942

From 1 April 2011 the main rate of UK corporation tax has decreased from 28% to 26%. Accordingly, this results in an effective current tax rate of 26.5% for the year.

10. Dividends and distributions

	2011	2010
	£'000	£'000
Dividends paid to parent undertaking	93,000	18,000
Distributions made to ultimate parent undertaking	556	-
Total dividends and distributions	93,556	18,000
Dividends received from subsidiary undertakings	31,356	29,245
Dividend received from associate	4,025	3,202
	35,381	32,447
	2011	2010
	pence per share	pence per share
Dividends paid to parent undertaking	270.0	52.3

11. Intangible assets

	2011	2010
	£'000	£'000
Internally developed software	2,957	-

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation will be charged to the income statement on a straight-line basis over the estimated useful life of up to six years of the intangible asset. Amortisation will commence on the date that the intangible assets become available for use.

Impairment losses will be calculated and recorded on an individual basis in a manner consistent with Note 1 (c) (i).

There has been no amortisation or depreciation charged throughout the year. The movement in the year relates solely to additions.

12. Tax assets and liabilities**(a) Tax assets and liabilities**

	2011	2010
	£'000	£'000
Current tax recoverable	121	1,450
Deferred tax assets (see (b) below)	8,615	24,521
Total tax assets	8,736	25,971

(b) Recognised deferred tax

	2011	2010
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	8,622	10,766
Unutilised trading losses	-	14,064
Legal & marketing provision	250	-
Gross deferred tax assets	8,872	24,830
Less: offset of deferred tax liabilities	(257)	(309)
Net deferred tax assets	8,615	24,521
Deferred tax liabilities comprise:		
Unrealised gain on investment securities	257	309
Gross deferred tax liabilities	257	309
Less: offset against deferred tax assets	(257)	(309)
Net deferred tax liabilities	-	-
Movements in net deferred tax assets comprise:		
At 1 January	24,521	39,158
Amounts charged to the income statement (note 9(a))	(15,906)	(14,637)
At 31 December	8,615	24,521

Deferred tax balances have been measured at 25% (2010: 27%), this being the tax rate substantively enacted at the statement of financial position date.

13. Investments in subsidiaries

	2011	2010
	£'000	£'000
At 1 January	32,346	32,455
Additional investment	4,576	3,000
Impairment losses recognised	(2,280)	(3,109)
At 31 December	34,642	32,346

Impairment losses recognised during 2011 consist of £777,000 (2010: £672,000) relating to Standard Life Investments (Asia) Limited, £1,383,000 (2010: £2,437,000) relating to Standard Life Investments (USA) Limited, and £120,000 (2010: £nil) relating to Standard Life Investments (Hong Kong) Limited. It is not expected that the value of the investments will be supportable by the future operating results and as such, the carrying values of the investments have been impaired to their fair value less costs to sell. The fair value less costs to sell of Standard Life Investments (Asia) Limited is deemed to be £266,000 (2010: £568,000), Standard Life Investments (USA) is deemed to be £1,679,000 (2010: £563,000) and Standard Life Investments (Hong Kong) Limited is deemed to be £2,200,000 (2010: £719,000).

Impairment losses are recognised within 'Administrative expenses'.

13. Investments in subsidiaries (continued)

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

Name	Country of registration/ incorporation	Share class	% owned	Nature of business
Standard Life Investments (Mutual Funds) Limited	Scotland	Ordinary & Redeemable Preference	100	Collective investment products management
SLTM Limited	Scotland	Ordinary & 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 have a financial year end date of 31 December, with the exception of Standard Life Investments (Jersey) Limited which has a financial year end date of 31 March.

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

14. Investment in associate

The Company has an associate, HDFC Asset Management Company Limited (HDFC AMC), an investment management company incorporated in India. The Company holds a 40% (2010: 40%) interest in the equity share capital and has no (2010: 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:

	2011	2010
	£'000	£'000
Cost at 1 January and 31 December	13,448	13,448

15. Derivative financial instruments

The Company, through its stocklending programme, had an obligation to make good any cash collateral deficit. Certain assets purchased with cash collateral were transferred to a new fund in 2008. The Company was 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 was recognised as a derivative financial liability measured at fair value.

On 5 August 2010, the CFD was terminated by mutual consent at its marked to market valuation.

The net fair value movement between the two derivative financial instruments was taken directly to the income statement and during 2010 resulted in a net credit to the income statement of £589,000 which was allocated to 'Fair value gain on derivatives'.

16. Investment securities

Investment securities comprise of the following listed and unlisted instruments:

	2011	2010
	£'000	£'000
Equity securities - listed	84,261	133,428
Equity securities - unlisted	5,811	5,447
	90,072	138,875
Non-current	5,811	5,490
Current	84,261	133,385
	90,072	138,875

Listed securities consist of amounts in regulated collective investment schemes.

Unlisted securities consist primarily of capital invested into limited partnerships.

17. Trade and other receivables

	2011	2010
	£'000	£'000
Amounts owed by Standard Life Group undertakings	13,457	11,297
Amount owed by parent undertaking	1,761	-
Amounts owed by subsidiary undertakings	59,220	9,804
Prepayments and accrued income	7,198	4,276
Other	2,255	2,079
Total trade and other receivables	83,891	27,456

All of the financial assets above are non-interest bearing. Note 24 to these financial statements provides an analysis of the credit and foreign currency risks from the financial assets noted above.

18. Cash and cash equivalents

	2011	2010
	£'000	£'000
Cash at bank and in hand	1,969	1,455
Short term bank deposits	74	1,796
Total cash and cash equivalents	2,043	3,251

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

All of the 'Cash and cash equivalents' balances at the statement of financial position date were held with counterparties rated (Standard & Poor's) A or above (2010: A or above).

19. Share capital

	Authorised			
	2011		2010	
	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			
	2011		2010	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	34,440,000	34,440	34,440,000	34,440

20. Retained earnings

	2011	2010
	£'000	£'000
At 1 January	137,898	90,968
Profit for the year attributable to equity holders	67,691	64,930
Dividends and distributions	(93,556)	(18,000)
At 31 December	112,033	137,898

21. Subordinated liabilities

The subordinated loan was repaid to Standard Life Group on 1 December 2010. The interest on the loan was charged at LIBOR + 0.20% and reviewed on a quarterly basis.

The average rate of interest paid on the loan during 2010 was 0.74%.

22. Trade and other payables

	2011	2010
	£'000	£'000
Amounts owed to Standard Life Group undertakings	21,205	3,146
Amounts owed to subsidiary undertakings	1,637	1,120
Amounts owed to parent	-	1,796
Accruals & deferred income	61,810	60,698
Other	4,664	2,249
Total trade and other payables	89,316	69,009

Presented as:		
Non-current	16,500	2,717
Current	72,816	66,292
Total trade and other payables	89,316	69,009

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.

23. Movement in operating assets and liabilities

	2011	2010
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	(56,435)	(937)
	(56,435)	(937)
Movement in operating liabilities:		
Trade and other payables	20,307	(26,513)
	20,307	(26,513)
Movement in operating assets and liabilities	(36,128)	(27,450)

24. Financial risk management

(a) Standard Life Group approach to risk management

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

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

	2011			
	Financial assets		Non-financial assets	Total
	FVTPL	Loans and receivables		
	£'000	£'000	£'000	£'000
Intangible assets	-	-	2,957	2,957
Investments in subsidiaries	-	-	34,642	34,642
Tax assets	-	-	8,736	8,736
Investment in associate	-	-	13,448	13,448
Investment securities	90,072	-	-	90,072
Trade and other receivables	-	82,776	1,115	83,891
Cash and cash equivalents	-	2,043	-	2,043
Total assets	90,072	84,819	60,898	235,789

24. Financial risk management (continued)

2010			
Financial assets			
FVTPL	Loans and receivables	Non-financial assets	Total
£'000	£'000	£'000	£'000
Investments in subsidiaries	-	32,346	32,346
Tax assets	-	25,971	25,971
Investment in associate	-	13,448	13,448
Investment securities	138,875	-	138,875
Trade and other receivables	-	596	27,456
Cash and cash equivalents	-	-	3,251
Total assets	138,875	72,361	241,347

2011			
Financial liabilities			
FVTPL	Other financial liabilities	Non-financial liabilities	Total
£'000	£'000	£'000	£'000
Trade and other payables	-	-	89,316
Total liabilities	-	-	89,316

2010			
Financial liabilities			
FVTPL	Other financial liabilities	Non-financial liabilities	Total
£'000	£'000	£'000	£'000
Trade and other payables	-	-	69,009
Total liabilities	-	-	69,009

(ii) Fair value of assets and liabilities

All financial assets and that are held as FVTPL are carried at their fair value which is stated in the table above. All assets listed as FVTPL are classified as designated on initial recognition. 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).

24. Financial risk management (continued)

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

2011				
	Level 1	Level 2	Level 3	Total
Assets	£'000	£'000	£'000	£'000
Investment securities	57	84,261	5,754	90,072
	57	84,261	5,754	90,072

2010				
	Level 1	Level 2	Level 3	Total
Assets	£'000	£'000	£'000	£'000
Investment securities	43	133,385	5,447	138,875
	43	133,385	5,447	138,875

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market, and are therefore treated as level 1 instruments within the fair value hierarchy.

A valuation technique is used for unlisted equity securities. The Company's exposure to unlisted equity securities primarily relates to private equity investments. The majority of the Company's private equity investments are carried out through European fund of funds structures, where the Company receives valuations from the investment managers of the underlying funds. The valuation of these investments by the investment managers of the underlying funds is based on European Venture Capital Association Guidelines, including price/earnings ratio based valuations. The valuations received from investment managers of the underlying funds are reviewed and where appropriate adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are treated as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

(iii) Reconciliation of movements in level 3 instruments

Level 3 investment securities principally comprise interests in Private Equity co-investments. The movements in level 3 financial assets and liabilities held at fair value are set out below.

	2011	2010
	Investment securities	Investment securities
	£'000	£'000
At 1 January	5,447	2,977
Total gains or losses recognised in the income statement	114	1,272
Purchases	866	1,344
Sales	(534)	(18)
Foreign exchange adjustment	(139)	(128)
At 31 December	5,754	5,447

(iv) Credit risk

The Company is exposed to credit risk through capital investments, cash and margin deposits, trade receivables and intercompany balances. For cash and margin deposits an internal credit assessment of each counterparty is used to set counterparty limits by the Group. This is presented to the Standard Life Group Credit Risk Committee for review and approval.

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 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.

24. Financial risk management (continued)

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

	2011	2010
	£'000	£'000
Trade and other receivables	82,776	26,860
Cash and cash equivalents	2,043	3,251
	84,819	30,111

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 £50,000 (2010: £781,000), of which £nil (2010: £517,000) was overdue for greater than 3 months, £nil over 6 months (2010: £50,000) and £nil (2010: £nil) over 12 months.

(v) 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.

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 and profit before tax of £26,527,000 (2010: £25,238,000) and a change in equity of £19,497,000 (2010: £18,171,000).

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:

	2011			
	Sterling	Euro	Other currencies	Total
	£'000	£'000	£'000	£'000
Investment securities	85,002	4,629	441	90,072
Trade and other receivables	80,280	1,286	2,325	83,891
Cash and cash equivalents	1,796	51	196	2,043
	167,078	5,966	2,962	176,006

	2010			
	Sterling	Euro	Other currencies	Total
	£'000	£'000	£'000	£'000
Investment securities	134,361	4,071	443	138,875
Trade and other receivables	26,284	1,013	159	27,456
Cash and cash equivalents	3,251	-	-	3,251
	163,896	5,084	602	169,582

A 10% movement in the exchange rate between Sterling and the main currency to which the Company is exposed, would have the following impact:

	2011	
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Euro	Euro
	£'000	£'000
Impact on profit before tax	597	(597)
Impact on equity	439	(439)

24. Financial risk management (continued)

	2010	
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Euro	Euro
	£'000	£'000
Impact on profit before tax	508	(508)
Impact on equity	366	(366)

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 on the profits of the Company is shown below:

	2011	
	10% increase in interest rates	10% decrease in interest rates
	£'000	£'000
Impact on profit before tax:		
Cash and cash equivalents	1	(1)
	1	(1)

	2010	
	10% increase in interest rates	10% decrease in interest rates
	£'000	£'000
Impact on profit before tax:		
Cash and cash equivalents	2	(2)
	2	(2)

(vi) 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:

Financial assets	2011		
	Investment securities	Trade and other receivables	Cash and cash equivalents
	£'000	£'000	£'000
Due on demand	-	-	2,043
Due within 1 month	-	8,338	-
No contractual maturity date	90,072	74,438	-
	90,072	82,776	2,043

24. Financial risk management (continued)

	2010		
	Investment	Trade and other	Cash and cash
	securities	receivables	equivalents
	£'000	£'000	£'000
Financial assets			
Due on demand	-	-	3,251
Due within 1 month	-	5,759	-
No contractual maturity date	138,875	21,101	-
	138,875	26,860	3,251
	2011		2010
	Trade and other payables		
	£'000	£'000	
Financial liabilities			
Due within 1 month	18,811	23,379	
Due within 1 year	45,418	36,851	
Due between 1 and 5 years	16,500	2,717	
No contractual maturity date	8,587	6,062	
	89,316	69,009	

(vii) Operational risk

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

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

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

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

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

(d) Compliance with FSA regulatory requirements

The Capital Requirements Directive 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 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 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.standardlifeinvestments.com/Global_Pillar_3_Policy/getLatest.pdf

The Pillar 3 disclosure does not fall within the remit of the annual audit.

25. 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:

2011			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Key management personnel	-	13,054	-
Parent	-	-	1,761
Pension schemes	-	6,138	-
Investment in associate	4,025	38	-
Other (including fellow subsidiaries)	193,093	55,289	72,677
	197,118	74,519	74,438
			32,909

2010			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Key management personnel	-	10,386	-
Parent	-	121	-
Pension schemes	-	5,124	-
Investment in associate	3,202	103	-
Other (including fellow subsidiaries)	260,699	26,969	21,101
	263,901	42,703	21,101
			13,734

Key management personnel comprises 10 people (2010: 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 (2010: £nil). Interest paid to other related parties amounted to £nil (2010: £121,000).

Dividend income from subsidiaries amounted to £31,356,000 (2010: £29,245,000). Dividends owed by subsidiaries amounted to £nil (2010: £nil).

Dividend income from the associate amounted to £4,025,000 (2010: £3,202,000). Dividends owed by the associate amounted to £nil (2010: £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.

26. 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 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 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 2011 were £6,138,000 (2010: £5,124,000).

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

Changes to the UK defined benefit scheme

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

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

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

Contributions to UK defined benefit schemes

The following table shows the actual contributions made to the Standard Life Group plans in 2010 and 2011:

	2011	2010
	£m	£m
United Kingdom - normal funding	30	31
United Kingdom - additional contributions	20	70

Expected contributions to the plans in 2012 are as follows:

	2012
	£m
United Kingdom - normal funding	29
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 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:

	2011	2010
	£m	£m
Present value of funded obligation	(1,972)	(1,724)
Fair value of plan assets	2,519	2,005
Surplus not recognised	(209)	-
Net asset / (liability) on the Standard Life plc group balance sheet	338	281

26. Pension obligations (continued)**(b) Defined benefit obligation**

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

	2011	2010
	£m	£m
At 1 January	1,724	1,700
Current service cost	38	47
Interest cost	92	95
Actuarial (gains) / losses	217	(17)
Past service cost	(64)	(59)
Benefits paid	(35)	(42)
At 31 December	1,972	1,724

The defined benefit obligation is funded as follows:

	2011	2010
	£m	£m
Wholly funded	1,972	1,724
At 31 December	1,972	1,724

(c) Plan assets

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

	2011	2010
	£m	£m
At 1 January	2,005	1,644
Expected return on plan assets	124	105
Actuarial losses	375	197
Contributions by employer	50	101
Benefits paid	(35)	(42)
At 31 December	2,519	2,005

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

	2011	2010
	£m	£m
Equities	472	490
Bonds - government	457	317
Bonds - corporate	701	577
Property	52	47
Other	837	574
Total	2,519	2,005

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.

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:

	2011	2010
	%	%
Total expected return	5.45	6.15

The actual return on plan assets during 2011 was £303m (2009: £168m).

26. Pension obligations (continued)**(d) Principal assumptions**

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

	2011	2010
	%	%
Rate of increase in salaries	4.45-5.45	4.65-5.65
Rate of increase in pensions	2.85	3.05-3.65
Discount rate	4.60	5.30
Inflation assumption	2.85-3.45	3.05-3.65
Rate of return on plan assets	5.45	6.15

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 £49m (2010: £43m).

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	
	Scheme specific basis reflecting membership demographics	'Double entry' table, CMI cohort projections with underpin		
United Kingdom			60	
	Male, age today NRA	40	Female, age today NRA	40
United Kingdom	28.3	30.3	29.3	29.9

27. 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 affecting the Company are as follows:

(i) Long Term Incentive Plan (LTIP)

Under the terms of the LTIP, share options are awarded to executives and senior management based on performance results of the Standard Life Group over a three year period.

The performance period and grant date for the active LTIP schemes are as follows:

Plan	2011	2010	2009
Grant date	31/03/2011 1 January 2011	25/06/2011 1 January 2011	20/04/2009 1 January 2011
Performance period	- 31 Dec 2013	- 31 Dec 2012	- 31 Dec 2011

For each of the LTIP schemes additional grants have been made to individuals who joined the scheme between the grant date and 31 December in the year of the grant.

The performance target of the 2009 plan was altered during 2010. For 2009, the performance condition is based on the Standard Life Group's return on capital, while the performance condition for the 2010 - 2011 performance period of the 2009 plan is based on the Standard Life Group's IFRS operating profit. Since this modification relates to non-market vesting conditions, there was no impact on the fair value of the granted instruments recognised by the Standard Life Group. In addition, in respect of the 2009 plan, the number of options that ultimately vest is also subject to a Total Shareholder Return multiplier.

The performance target for the 2010 plan is based on the Standard Life Group's IFRS operating profit.

The performance target for the 2011 plan is in two parts. Part I is based on the Standard Life Group's IFRS operating profit. Part II is based on the Group's performance against its 2013 Group scorecard.

27. Employee share based payments (continued)**(ii) Standard Life Investments Long Term Incentive Plan**

Under the terms of the 2011, 2010 and 2009 Standard Life Investments LTIP, 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 Standard Life Investments' earnings before interest and tax (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. The participants are also entitled to receive dividends in the form of an entitlement to additional shares. 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 the Standard Life Investments long-term incentive plans shown in Note 27(b) 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.

(iii) Share Incentive plans

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

(iv) Annual bonus deferred shares

The majority of the members of the executive and senior management including Executive Directors participate in the Group annual bonus. Under the terms of the 2011 and 2010 annual bonus, half of any bonus in excess of 25% of salary is settled in shares which are deferred for a period of two years, subject to the deferred amount being worth 10% or more of salary.

The value of any dividends paid on those shares over the two year deferral period will be added to the value of the deferred bonus. Should an employee resign during the two year deferral period, some or all of the deferred shares will be forfeited.

The share-based payment expense in respect of the deferred shares has been measured with reference to the proportion of the annual bonus entitlement to be settled in deferred shares and will be recognised over the vesting period, which includes a two year deferral period. The share-based payment expense in respect of annual bonus deferred shares amounted to £36k (2010: £8k).

The number of instruments granted in 2011 was 25,529 (2010: 6,330).

(v) Save-as-you-earn

During the year the Standard Life Group launched a Save-as-you-earn (SAYE) plan, allowing eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in Standard Life plc at a predetermined price at the end of the savings period. Employees are granted a predetermined number of options based on the monthly savings amount and duration of their contract. The conditions attached to the options are that the employee remains in employment for three years after the grant date of the options and that the employee satisfies the monthly savings requirement.

(a) 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	2011	2010	2009
Date of Grant	31 March 2011	25 June 2010	20 April 2009
Number of instruments granted	412,701	376,061	340,945
Share price at date of grant	207p	179p	187p
Expected outcome of meeting performance criteria (at the grant date)	50%	50%	50%
Fair value per granted instrument determined at the grant date	207p	179p	155p

27. Employee share based payments (continued)

The majority of share options are granted to participants in the Long Term Incentive Plan 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 Group.

The share options granted will have a nil exercise price and settlement will be made in the form of shares. Both the contractual life and expected option life at grant date is 3.5 years. No departures are expected at the grant date, with any leavers being accounted for on departure.

The 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.

At 31 December 2011, 1,130,000 options were outstanding (2010: 859,000). The weighted average remaining expected life at 31 December 2011 was 1.41 years (2010: 1.66 years), while the weighted average remaining contractual life was 1.91 years (2010: 2.16 years).

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

	2011	2010
	Number of options	
	£'000's	£'000's
Outstanding at start of year	859	570
Granted	413	376
Transferred out	-	-
Exercised	-	(43)
Expired	(142)	(44)
Outstanding at end of year	1,130	859

The performance conditions attached to the 2008 LTIP plan were not met and as a result there were no options exercised during 2011. The options exercised in 2010 related to the 2007 plan. The weighted average share price at the time of exercise of options in 2010 was 206p. The weighted average exercise price was nil.

(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	2011	2010	2009
Date of Grant	31/03/2011	16/06/2010	06/11/2009
Number of instruments granted	14,023,898	12,690,066	8,631,351
Share price at date of grant	207p	188p	213p
Contractual life (years)	3.75 years	3.96 years	3.8 years
Expected option life at grant date (years)	3.25 years	3.5 years	2.95 years
Expected outcome of meeting performance criteria (at the grant date)	50%	50%	50%
Fair value per granted instrument determined at the grant date	207p	188p	213p

The share options granted will have a nil exercise price and settlement will be made in the form of shares. No departures are expected at the grant date, with any leavers being accounted for on departure.

At 31 December 2011 there were 34,538,000 options outstanding (2010: 25,142,000). The weighted average remaining expected life at 31 December 2011 was 1.50 years (2010: 1.10 years), while the weighted average remaining contractual life was 2.00 years (2010: 1.57 years).

27. 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.

	2011	2010
	Number of options	
	000's	000's
Outstanding at start of year	25,142	17,333
Granted	14,024	12,690
Forfeited	(576)	(622)
Exercised	(4,052)	(4,259)
Outstanding at end of year	34,538	25,142

The options exercised during 2011 and 2010 relate to the 2008 and 2007 plans respectively. The weighted average share price at the time of exercise of the options was 216p (2010:207p). The weighted average exercise price was nil.

(c) Share incentive plans

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 2011	Share incentive plans 2010	Share incentive plans 2009
Number of instruments granted	67,941	51,194	51,757
Share price at date of grant	206p	203p	198p
Fair value per granted instrument determined at 31 December	206p	203p	198p

At the grant date all awards are expected to vest. No departures are expected at the grant date, with leavers being accounted for on departure.

(d) Save-as-you-earn (SAYE)

The grant date for the SAYE scheme is 15 September 2011. On this date there were 608,000 options granted to employees participating in the three year scheme and 627,000 options granted to employees participating in the five year scheme. The fair value of the three year options is 33.78p and the five year options is 33.35p.

The share options granted will have an exercise price of £1.57 and settlement will be made in the form of shares. No departures are expected at the grant date, with any leavers being accounted for on departure.

As at 31 December 2011, 608,000 options were outstanding in the three year scheme and 627,000 options outstanding in the five year scheme. The remaining expected and contractual lives of three year options are 2.75 and 3.25 years respectively, and of five year options are 4.75 and 5.25 years respectively.

(e) Employee share-based payment expense

The amounts recognised as an expense in relation to the share options granted are as follows:

	2011	2010
	000	000
Share options granted under Long Term Incentive Plans	18,342	14,651
Matching shares granted under share incentive plans	128	109
Annual bonus deferred shares granted	36	-
Save as you earn shares granted	32	-
	18,538	14,760

28. Commitments**Operating lease commitments**

The Company's annual commitments under non-cancellable operating leases for land and buildings were as follows:

	2011	2010
	£'000	£'000
Within one year	154	100
Expiring during years 2 to 5	273	359

Commitments to limited partnerships

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £15,541,000 (2010: £15,918,000) into limited partnerships. During the year the Company invested £26,000 (2010: £1,311,000) with a remaining maximum commitment of £9,751,000 (2010: £10,572,000).

29. 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 2011 which comprise the income statement, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements. 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, set out on page 4, 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the annual report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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.

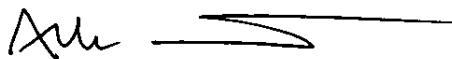
Opinion on other matter prescribed by the Companies Act 2006

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
8 March 2012

