

# **Standard Life Investments**

## **STANDARD LIFE INVESTMENTS LIMITED**

### **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015**



Registered in Scotland Number SC123321

## **General Information**

### **Directors**

A S Acheson  
R A Charnock  
C M Clark  
D T Cumming  
W R Littleboy  
R L Paris  
N K Skeoch (Chief Executive)  
G B Stern  
M Tumilty  
C R Walklin

### **Company Secretary**

D J Burns

### **Registered Office**

1 George Street  
Edinburgh  
EH2 2LL  
United Kingdom

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

**Directors' report  
for the year ended 31 December 2015**

The Directors present their report together with the audited financial statements of Standard Life Investments Limited (the Company) for the year ended 31 December 2015.

**Directors**

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

R A Renaud resigned as a Director on 30 January 2015.

J Martin resigned as a Director on 31 December 2015.

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

**Result for the year**

The result for the year ended 31 December 2015 is a profit after tax of £154,042,000 (2014: £130,112,000). The Directors consider the result to be satisfactory.

**Dividends**

The Directors recommended and paid dividends of £131,000,000 in 2015 (2014: £143,000,000) to its parent company.

**Charitable and political donations**

The Company made no charitable donations during the year (2014: £nil). The Company did not make any donations to any political party, organisation or election candidate, or incur any political expenditure.

**Annual general meeting**

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

**Independent Auditors**

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

**Disclosure of information to the Independent Auditors**

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's Independent Auditors in connection with preparing their report) of which the Company's Independent 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 Independent 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', written over a horizontal line.

**D J Burns, Company Secretary  
Edinburgh, 15 February 2016**

**Strategic report  
for the year ended 31 December 2015**

**Review of the Company's business**

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

**Future outlook**

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

**Key performance indicators (KPIs)**

The Directors of Standard Life Investments (Holdings) Limited (SLIH), the Company's direct parent undertaking, manage the operations of the Standard Life Investments (Holdings) Limited group (the Group), on a divisional basis. The Company is a direct subsidiary of SLIH, and therefore, a member of the Group. The Company's Directors therefore believe that an analysis using KPIs for the Company is not necessary or appropriate for gaining an understanding of the development, performance or position of the business of the Company. The KPIs of the Group can be found in the Group's annual report and financial statements (Group Annual Report).

**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 financial statements. Other key business risks include the development and retention of key employees as well as competition from other providers of investment management services.

**Employees**

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

The Company keeps staff informed of progress and policies through line management channels, training courses, conferences and an internal communication programme, which consists of various in-house publications and briefing seminars with staff. The Company carries out regular employee surveys to measure employee engagement and uses the results to develop action plans.

**Environmental matters**

The Company follows the environmental strategy of the Standard Life Group which is to consume fewer of the world's resources, reduce waste, recycle more and dispose of what remains sensitively.

**On behalf of the Board of Directors**



**C R Walklin, Director**

**London, 15 February 2016**

## **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Strategic Report, Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB).

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 International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (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 2015**

|                                                                          |             | <b>2015</b>      | <b>2014</b>      |
|--------------------------------------------------------------------------|-------------|------------------|------------------|
|                                                                          | <b>Note</b> | <b>£'000</b>     | <b>£'000</b>     |
| <b>Revenue</b>                                                           |             |                  |                  |
| Management fee income                                                    |             | 603,590          | 490,628          |
| Other operating income                                                   | <b>3</b>    | 54,441           | 58,187           |
| <b>Total revenue</b>                                                     |             | <b>658,031</b>   | <b>548,815</b>   |
| Fee and commission expense                                               |             | (32,357)         | (20,094)         |
| <b>Net revenue</b>                                                       |             | <b>625,674</b>   | <b>528,721</b>   |
| <b>Operating expenses</b>                                                |             |                  |                  |
| Administrative expenses                                                  |             | (433,512)        | (367,868)        |
| <b>Total operating expenses</b>                                          |             | <b>(433,512)</b> | <b>(367,868)</b> |
| <b>Operating profit</b>                                                  |             | <b>192,162</b>   | <b>160,853</b>   |
| Finance income                                                           | <b>6</b>    | 6                | 4                |
| Finance costs                                                            | <b>7</b>    | (191)            | (64)             |
| Gain on disposal of assets held for sale                                 | <b>18</b>   | 5,995            | -                |
| Restructuring costs                                                      | <b>8</b>    | (16,070)         | (6,647)          |
| Net foreign exchange loss                                                |             | (1,539)          | (1,452)          |
| <b>Profit before tax</b>                                                 |             | <b>180,363</b>   | <b>152,694</b>   |
| Tax expense                                                              | <b>9</b>    | (26,321)         | (22,582)         |
| <b>Profit for the year attributable to equity holders of the Company</b> |             | <b>154,042</b>   | <b>130,112</b>   |

The notes on pages 9 to 40 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2015 or 31 December 2014. A separate statement of comprehensive income is therefore not disclosed.

**Statement of financial position  
as at 31 December 2015**

|                                                            |             | <b>2015</b>    | <b>2014</b>    |
|------------------------------------------------------------|-------------|----------------|----------------|
|                                                            | <b>Note</b> | <b>£'000</b>   | <b>£'000</b>   |
| <b>Assets</b>                                              |             |                |                |
| <b>Non-current assets</b>                                  |             |                |                |
| Intangible assets                                          | <b>11</b>   | 22,177         | 11,516         |
| Tax assets                                                 | <b>12</b>   | 12,769         | 12,074         |
| Investments in subsidiaries                                | <b>13</b>   | 27,934         | 27,906         |
| Investments in associates                                  | <b>14</b>   | 27,773         | 28,409         |
| <b>Total non-current assets</b>                            |             | <b>90,653</b>  | <b>79,905</b>  |
| <b>Current assets</b>                                      |             |                |                |
| Investments in associates                                  | <b>14</b>   | 108,860        | 84,243         |
| Derivative assets                                          | <b>15</b>   | 31             | -              |
| Trade and other receivables                                | <b>16</b>   | 183,440        | 161,927        |
| Cash and cash equivalents                                  | <b>17</b>   | 1,020          | 2,229          |
| <b>Total current assets</b>                                |             | <b>293,351</b> | <b>248,399</b> |
| <b>Assets held for sale</b>                                | <b>18</b>   | -              | 670            |
| <b>Total assets</b>                                        |             | <b>384,004</b> | <b>328,974</b> |
| <b>Equity</b>                                              |             |                |                |
| Share capital                                              | <b>19</b>   | 34,440         | 34,440         |
| Retained earnings                                          | <b>20</b>   | 127,845        | 103,488        |
| <b>Equity attributable to equity holders of the parent</b> |             | <b>162,285</b> | <b>137,928</b> |
| <b>Liabilities</b>                                         |             |                |                |
| <b>Non-current liabilities</b>                             |             |                |                |
| Trade and other payables                                   | <b>21</b>   | 36,809         | 29,299         |
| <b>Total non-current liabilities</b>                       |             | <b>36,809</b>  | <b>29,299</b>  |
| <b>Current liabilities</b>                                 |             |                |                |
| Current tax liabilities                                    | <b>12</b>   | 3,788          | 1,444          |
| Trade and other payables                                   | <b>21</b>   | 181,122        | 160,303        |
| <b>Total current liabilities</b>                           |             | <b>184,910</b> | <b>161,747</b> |
| <b>Total liabilities</b>                                   |             | <b>221,719</b> | <b>191,046</b> |
| <b>Total equity and liabilities</b>                        |             | <b>384,004</b> | <b>328,974</b> |

The notes on pages 9 to 40 form part of these financial statements.

The financial statements on pages 5 to 40 were approved on behalf of the Board of Directors on 8 February 2016 and signed on its behalf on 15 February 2016 by the following Director:



**C R Walklin, Director**

**Statement of changes in equity  
for the year ended 31 December 2015**

|                                                |             |                      | <b>Retained</b> | <b>Total equity</b>    |
|------------------------------------------------|-------------|----------------------|-----------------|------------------------|
|                                                | <b>Note</b> | <b>Share capital</b> | <b>earnings</b> | <b>attributable to</b> |
|                                                |             | <b>£'000</b>         | <b>£'000</b>    | <b>equity holders</b>  |
|                                                |             |                      |                 | <b>of the parent</b>   |
|                                                |             |                      |                 | <b>£'000</b>           |
| <b>Balance at 1 January 2014</b>               |             | 34,440               | 113,662         | 148,102                |
| <b>Comprehensive income</b>                    |             |                      |                 |                        |
| Profit for the year                            |             | -                    | 130,112         | 130,112                |
| <b>Total comprehensive income for the year</b> |             | -                    | <b>130,112</b>  | <b>130,112</b>         |
| <b>Other changes in equity</b>                 |             |                      |                 |                        |
| Tax taken to equity                            | 20          | -                    | 2,714           | 2,714                  |
| <b>Total other changes in equity</b>           |             | -                    | <b>2,714</b>    | <b>2,714</b>           |
| <b>Transactions with owners</b>                |             |                      |                 |                        |
| Dividends and distributions to equity holders  | 10          | -                    | (143,000)       | (143,000)              |
| <b>Balance at 31 December 2014</b>             |             | <b>34,440</b>        | <b>103,488</b>  | <b>137,928</b>         |
| <b>Balance at 1 January 2015</b>               |             | 34,440               | 103,488         | 137,928                |
| <b>Comprehensive income</b>                    |             |                      |                 |                        |
| Profit for the year                            |             | -                    | 154,042         | 154,042                |
| <b>Total comprehensive income for the year</b> |             | -                    | <b>154,042</b>  | <b>154,042</b>         |
| <b>Other changes in equity</b>                 |             |                      |                 |                        |
| Tax taken to equity                            | 20          | -                    | 1,315           | 1,315                  |
| <b>Total other changes in equity</b>           |             | -                    | <b>1,315</b>    | <b>1,315</b>           |
| <b>Transactions with owners</b>                |             |                      |                 |                        |
| Dividends and distributions to equity holders  | 10          | -                    | (131,000)       | (131,000)              |
| <b>Balance at 31 December 2015</b>             |             | <b>34,440</b>        | <b>127,845</b>  | <b>162,285</b>         |

The notes on pages 9 to 40 form part of these financial statements.

**Statement of cash flows**  
**for the year ended 31 December 2015**

|                                                                         | <b>Note</b> | <b>2015</b>      | <b>2014</b>      |
|-------------------------------------------------------------------------|-------------|------------------|------------------|
|                                                                         |             | <b>£'000</b>     | <b>£'000</b>     |
| <b>Cash flows generated from operating activities</b>                   |             |                  |                  |
| Profit before tax                                                       |             | 180,363          | 152,694          |
| Movement in operating assets and liabilities                            | <b>22</b>   | 6,816            | (43,972)         |
| Non-cash items relating to investing and financing activity             |             | (23,255)         | 57,584           |
| Group relief movement included in operating assets and liabilities      |             | (4,325)          | 11,542           |
| Taxation and group relief paid                                          |             | (19,035)         | (29,746)         |
| <b>Net cash flows generated from operating activities</b>               |             | <b>140,564</b>   | <b>148,102</b>   |
| <b>Cash flows used in investing activities</b>                          |             |                  |                  |
| Additions to intangible assets                                          | <b>11</b>   | (11,415)         | (6,634)          |
| Proceeds from disposal of assets held for sale                          | <b>13</b>   | 670              | -                |
| Additions to subsidiaries                                               | <b>13</b>   | (28)             | -                |
| <b>Net cash flows used in investing activities</b>                      |             | <b>(10,773)</b>  | <b>(6,634)</b>   |
| <b>Cash flows used in financing activities</b>                          |             |                  |                  |
| Dividends and distributions to equity holders                           | <b>10</b>   | (131,000)        | (143,000)        |
| <b>Net cash used in financing activities</b>                            |             | <b>(131,000)</b> | <b>(143,000)</b> |
| <b>Net decrease in cash and cash equivalents</b>                        |             | <b>(1,209)</b>   | <b>(1,532)</b>   |
| Cash and cash equivalents at the beginning of the year                  |             | 2,229            | 3,761            |
| <b>Cash and cash equivalents at the end of the year</b>                 | <b>17</b>   | <b>1,020</b>     | <b>2,229</b>     |
| <b>Supplemental disclosures on cash flows from operating activities</b> |             |                  |                  |
| Interest received                                                       | <b>6</b>    | 6                | 4                |
| Interest paid                                                           | <b>7</b>    | (191)            | (64)             |
| Dividends received from subsidiary undertakings                         | <b>10</b>   | 44,642           | 53,052           |
| Dividends received from associate                                       | <b>10</b>   | 7,008            | 2,565            |

The notes on pages 9 to 40 form part of these financial statements.

**Notes to the financial statements for the year ended 31 December 2015****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 (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRS IC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a going concern basis and under the historical cost convention.

***(ii) New Interpretations and amendments to existing standards that have been adopted by the Company***

There have been no new interpretations or amendments to existing accounting standards that have impacted the Company. As a result of amendments to the Companies Act 2006 additional information is required in relation to Related Undertakings. This is detailed in Note 30.

***(iii) Standards, interpretations and amendments to existing standards that are not yet effective and have not been early adopted by the Company*****IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)**

IFRS 15 will replace IAS 11 Construction Contracts, IAS 18 Revenue, and related interpretations. IFRS 15 provides a new five-step revenue recognition model for determining recognition and measurement of revenue from contracts with customers. Extensive new disclosure requirements including estimate and judgement thresholds will also be introduced.

The Company's revenue generated from the following contracts are exempt from this standard:

- Financial instruments as covered within IAS 39, IFRS 9, 10 and 11; and
- Investments in associates and joint ventures within IAS 28.

During 2015 the IASB has issued an exposure draft with clarifications to the standard and delayed the mandatory adoption date until 1 January 2018. The Company does not intend to early adopt the standard which has not been endorsed by the EU.

A detailed impact assessment was commenced in 2015, reviewing contracts and analysing the revenue recognised by the Company. From the work completed to date, no material impacts to profit or net assets have been identified. Further analysis of the revenues generated within our investment management business will be completed in 2016.

**IFRS 9 'Financial Instruments' (effective for annual reporting periods beginning on or after 1 January 2018)**

IFRS 9 introduces new categories for recognising financial instruments and introduces one classification approach for all financial assets as well as requiring that impairment losses are recognised on an expected basis rather than an incurred basis. Initial analysis indicates IFRS 9 is unlikely to have an impact on the Company because financial assets are currently measured at FVTPL or amortised cost. The standard has not yet been endorsed by the EU.

**IFRS 16 'Leases' (effective for annual reporting periods beginning on or after 1 January 2019)**

Under IAS 17 'Leases', lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 'Leases' replaces this and now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. IFRS 16 'Leases' is likely to result in leases being included in the statement of financial position for the Company. The standard has not yet been endorsed by the EU.

**(b) Revenue recognition*****(i) Management fee income***

The Company's primary source of revenue is fee income from investment management activities. Fee income includes management fees and performance fees and is shown net of rebates.

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. The fees are recognised as the service is provided and when it is probable that the fee will be received.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****1. Accounting policies (continued)**

Performance fees are earned from some clients where the actual performance of the clients' assets exceeds defined benchmarks by an agreed level of outperformance over a set time period. They are only recognised at the end of these performance periods, when a reliable estimate of the fee can be made and it is almost certain that the fee will be received.

**(II) Other operating income**

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

Distributions from collective investment schemes and dividend income are recognised when the right to receive payment is established.

**(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 asset 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.

Non-financial assets other than goodwill which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(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 investments in associates are reported as part of the fair value gain or loss.

**(e) Intangible assets**

Intangible assets relate to internally developed software and are recognised in the statement of financial position if it is probable that the relevant future economic benefits attributable to the assets will flow to the Company and their cost can be measured reliably and either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or arising 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 five 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.

**(f) Income 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.

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.

Current and deferred tax is recognised in the income statement except when it relates to items recognised in other comprehensive income or directly in equity, in which case it is credited or charged to other comprehensive income or directly in equity respectively.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****1. Accounting policies (continued)****(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 with the exception of the investment in HDFC Asset Management Company Limited (HDFC AMC) which is held at cost.

**(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 and are included in 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, including structured entities, over which the Group has control. Control exists if the Company has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to affect its returns.

The Company 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 acquired, 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 associates**

Associates are entities over which the Group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee. The Group considers itself to have significant influence over entities where the Company through its role as investment manager, has decision making power over the relevant activities of that entity. All investments in associates are accounted for using the FVTPL method, with the exception of the investment in HDFC AMC which is held at cost.

The Company conducts annual impairment tests on the carrying value of its associates that are held at cost and intangible assets. The recoverable amount is determined from value-in-use calculations. The key assumptions in the value-in-use calculations reflect management's expectations of the medium-term operating performance of the associates and growth prospects in the associate's market.

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

**(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. Estimates and assumptions used in determining fair values are disclosed in Note 2(i).

**(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.

**(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) Assets held for sale**

Assets which have been classified as held for sale are presented separately in the statement of financial position. Assets are classified as held for sale when their carrying amount will be recovered principally through a sale transaction. The relevant assets in the prior year were investments in subsidiaries and were therefore valued at cost.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****1. Accounting policies (continued)****(n) 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.

**(o) Trade and other payables**

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

**(p) 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.

**(q) Pension costs and other post retirement benefits**

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

The Group has no obligation to fund any deficit and has no right to any asset relating to the pension scheme. The assets and liabilities are included in the ultimate parent's financial statements. 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.

**(r) Dividends**

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

**(s) Employee cash-based long-term incentive payments**

The Company operates cash based LTIPs for certain senior employees. These are accounted for under IAS 19 'Employee Benefits' and are re-measured at fair value at each reporting date and at the settlement date, with any difference in value taken to the income statement.

**(t) Employee share-based payments**

Standard Life Group operates share incentive plans for all employees, share-based LTIPs and restricted stock 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 share-based payment employee transactions, services received are measured at fair value.

Fair value of options granted under share incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

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 Group from its employees is recharged to the Group by Standard Life Group. Market vesting conditions and non-vesting conditions, such as the requirement of employees to save in a Save-as-you-earn scheme, are included in the calculation of the fair value of the instruments at the date of grant. Vesting conditions which are not market conditions are included in assumptions about the number of instruments that are expected to vest.

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

**Notes to the financial statements for the year ended 31 December 2015 (continued)****1. Accounting policies (continued)****(t) Employee share-based payments (continued)**

If the equity instruments do not vest until the employee has fulfilled specified vesting conditions, the Group 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 Group 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.

Cancellations of awards granted arise where non-vesting conditions attached to the award are not met during the vesting period. Cancellations are accounted for as an acceleration of vesting and the remaining unrecognised expense in respect of the fair value of the award is recognised immediately.

At each period end the Group reassesses the number of equity instruments expected to vest and recognises any difference between the revised and original estimate in the income statement with a corresponding adjustment to the amount due to the Standard Life Group.

**(u) 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) 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.

**(ii) Long-term incentive plans**

The key judgement in respect of Standard Life Group's LTIP is in relation to the number of awards expected to vest at each individual vesting date or the cash amount payable at each reporting 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, Taxation, Depreciation and Amortisation (EBITDA) from third party assets under management.

**(iii) Impairment assumptions**

The Company conducts annual impairment tests on its intangible assets and on the carrying value of the associate and subsidiaries which are held at cost. 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 associates and subsidiaries markets. Any assets which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****3. Other operating income**

|                                                            | <b>2015</b>   | <b>2014</b>   |
|------------------------------------------------------------|---------------|---------------|
|                                                            | <b>£'000</b>  | <b>£'000</b>  |
| Income from shares in Group undertakings                   | 51,650        | 55,618        |
| (Losses) / gains on financial instruments carried at FVTPL | (59)          | 1,368         |
| Distributions from private equity funds                    | 1,122         | 860           |
| Additional Phoenix recharge income                         | 1,446         | -             |
| Other                                                      | 282           | 341           |
| <b>Total other operating income</b>                        | <b>54,441</b> | <b>58,187</b> |

**4. Staff and other employee related costs**

|                                                                 | <b>2015</b>    | <b>2014*</b>   |
|-----------------------------------------------------------------|----------------|----------------|
|                                                                 | <b>£'000</b>   | <b>£'000</b>   |
| The aggregate remuneration payable in respect of employees was: |                |                |
| Wages and salaries                                              | 145,999        | 130,914        |
| Social security costs                                           | 23,302         | 20,996         |
| Other pension costs                                             | 8,007          | 10,136         |
| Share based payment expenses                                    | 22,272         | 16,108         |
| Cash based LTIPs                                                | 12,813         | 13,891         |
| Other                                                           | 6,344          | 4,717          |
| <b>Total staff and other employee related costs</b>             | <b>218,737</b> | <b>196,762</b> |

\* The 2014 total staff figures have been restated to remove contractor costs and ensure consistency with the staff number disclosures.

The average number of staff of the Company during the year was 1,180 (2014: 1,022). The staff split by activity is as follows:

|                                             | <b>2015</b>  | <b>2014</b>  |
|---------------------------------------------|--------------|--------------|
| Fund management                             | 327          | 298          |
| Global client group                         | 287          | 225          |
| Operations and change                       | 368          | 337          |
| Executive office, support, finance and risk | 198          | 162          |
|                                             | <b>1,180</b> | <b>1,022</b> |

Details of Directors' remuneration for services to the Company are contained in Note 25, 'Related party transactions'.

**5. Operating profit**

The following have been included in arriving at operating profit:

|                                                                                                      | <b>2015</b>  | <b>2014</b>  |
|------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                      | <b>£'000</b> | <b>£'000</b> |
| Staff and other employee related costs (Note 4)                                                      | 218,737      | 196,762      |
| Operating lease rentals                                                                              | -            | 115          |
| Amortisation of intangibles (Note 11)                                                                | 754          | 604          |
| Independent Auditors' remuneration (see below)                                                       | 648          | 304          |
| Fees payable to the Company's Independent Auditors for the audit of the Company financial statements | 79           | 24           |
| Fees payable to the Company's Independent Auditors:                                                  |              |              |
| Services pursuant to legislation                                                                     | 5            | 4            |
| Other assurance services                                                                             | 436          | 237          |
| Tax services                                                                                         | 128          | 39           |
| <b>Total payable to the Company's Independent Auditors</b>                                           | <b>648</b>   | <b>304</b>   |

**6. Finance income**

Interest income of £6,000 (2014: £4,000) is derived primarily from 'Cash and cash equivalents'.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****7. Finance costs**

Finance costs of £191,000 (2014: £64,000) consist of overdraft interest and interest claims.

**8. Restructuring costs**

Of the restructuring costs of £16,070,000 (2014: £6,647,000), £15,060,000 (2014: £6,647,000) relates to expenses incurred by the Company in connection with the integration of Ignis Asset Management Limited and its subsidiary entities into the SLI Group and £1,676,000 (2014 : £nil) relates to recharges occurred in reorganising operations.

**9. Tax expense****(a) Analysis of the tax charge for the year:**

|                                                      | <b>2015</b>    | <b>2014</b>    |
|------------------------------------------------------|----------------|----------------|
|                                                      | <b>£'000</b>   | <b>£'000</b>   |
| <b>Current tax</b>                                   |                |                |
| United Kingdom corporation tax                       | 27,934         | 23,528         |
| Overseas tax                                         | 61             | -              |
| Adjustment to current tax in respect of prior years  | 239            | 173            |
| <b>Total current tax</b>                             | <b>28,234</b>  | <b>23,701</b>  |
| <b>Deferred tax</b>                                  |                |                |
| Deferred tax credit arising in the current year      | (1,447)        | (1,119)        |
| Adjustment to deferred tax in respect of prior years | (466)          | -              |
| <b>Total deferred tax</b>                            | <b>(1,913)</b> | <b>(1,119)</b> |
| <b>Total tax expense</b>                             | <b>26,321</b>  | <b>22,582</b>  |

**(b) Tax relating to items taken directly to equity**

|                                                                   | <b>2015</b>    | <b>2014</b>    |
|-------------------------------------------------------------------|----------------|----------------|
|                                                                   | <b>£'000</b>   | <b>£'000</b>   |
| Current tax credit on reserves for employee share-based payments  | (2,533)        | (4,232)        |
| Deferred tax charge on reserves for employee share-based payments | 1,218          | 1,518          |
|                                                                   | <b>(1,315)</b> | <b>(2,714)</b> |

**(c) Reconciliation of tax expense:**

|                                                        | <b>2015</b>   | <b>2014</b>   |
|--------------------------------------------------------|---------------|---------------|
|                                                        | <b>£'000</b>  | <b>£'000</b>  |
| Profit before tax                                      | 180,363       | 152,694       |
| Tax at UK corporation tax rate of 20.25% (2014: 21.5%) | 36,524        | 32,829        |
| Effects of:                                            |               |               |
| Income not taxable                                     | (11,707)      | (11,997)      |
| Disallowable expenses                                  | 636           | 904           |
| Transfer pricing                                       | 198           | 62            |
| Adjustment to deferred tax in respect of prior years   | 239           | 173           |
| Adjustment to current tax in respect of prior years    | (466)         | -             |
| Impairment of subsidiaries                             | -             | (46)          |
| Changes in deferred tax rate                           | 836           | 657           |
| Overseas tax                                           | 61            | -             |
| <b>Total tax expense</b>                               | <b>26,321</b> | <b>22,582</b> |

From 1 April 2015 the main rate of UK corporation tax has decreased from 21% to 20%. Accordingly, this results in an average current tax rate of 20.25% for the year (2014: 21.5%).

**Notes to the financial statements for the year ended 31 December 2015 (continued)****10. Dividends**

|                                                 | <b>2015</b>            | <b>2014</b>            |
|-------------------------------------------------|------------------------|------------------------|
|                                                 | <b>£'000</b>           | <b>£'000</b>           |
| Dividends paid to parent undertaking            | 131,000                | 143,000                |
| <b>Total dividends</b>                          | <b>131,000</b>         | <b>143,000</b>         |
| Dividends received from subsidiary undertakings | 44,642                 | 53,052                 |
| Dividend received from associate                | 7,008                  | 2,565                  |
|                                                 | <b>51,650</b>          | <b>55,617</b>          |
|                                                 | <b>2015</b>            | <b>2014</b>            |
|                                                 | <b>pence per share</b> | <b>pence per share</b> |
| Dividends paid to parent undertaking            | 380                    | 415                    |

**11. Intangible assets**

|                                  | <b>Total</b>  |
|----------------------------------|---------------|
|                                  | <b>£'000</b>  |
| <b>Cost:</b>                     |               |
| At 1 January 2014                | 6,694         |
| Additions                        | 6,634         |
| <b>At 31 December 2014</b>       | <b>13,328</b> |
| Additions                        | 11,415        |
| <b>At 31 December 2015</b>       | <b>24,743</b> |
| <b>Accumulated amortisation:</b> |               |
| At 1 January 2014                | 1,208         |
| Amortisation for the year        | 604           |
| <b>At 31 December 2014</b>       | <b>1,812</b>  |
| Amortisation for the year        | 754           |
| <b>At 31 December 2015</b>       | <b>2,566</b>  |
| <b>Net book value:</b>           |               |
| <b>At 31 December 2014</b>       | <b>11,516</b> |
| <b>At 31 December 2015</b>       | <b>22,177</b> |

Intangible assets, consisting of internally developed software, are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to 'Administrative expenses' on a straight-line basis over the estimated useful life of up to five years of the intangible asset.

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

There has been no impairment recorded in the year (2014: nil).

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

|                                     | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------|---------------|---------------|
|                                     | <b>£'000</b>  | <b>£'000</b>  |
| Deferred tax assets (see (b) below) | 12,769        | 12,074        |
| <b>Total tax assets</b>             | <b>12,769</b> | <b>12,074</b> |
| Current tax liabilities             | 3,788         | 1,444         |
| <b>Total tax liabilities</b>        | <b>3,788</b>  | <b>1,444</b>  |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****12. Tax assets and liabilities (continued)****(b) Recognised deferred tax**

|                                                       | <b>2015</b>   | <b>2014</b>   |
|-------------------------------------------------------|---------------|---------------|
|                                                       | <b>£'000</b>  | <b>£'000</b>  |
| <b>Deferred tax assets comprise:</b>                  |               |               |
| Employee benefits                                     | 12,678        | 12,590        |
| Legal & marketing provision                           | 530           | 130           |
| Unrelieved capital allowances                         | 71            | 5             |
| <b>Gross deferred tax assets</b>                      | <b>13,279</b> | <b>12,725</b> |
| Less: offset of deferred tax liabilities              | (510)         | (651)         |
| <b>Net deferred tax assets</b>                        | <b>12,769</b> | <b>12,074</b> |
| <b>Deferred tax liabilities comprise:</b>             |               |               |
| Unrealised gain on investment securities              | (510)         | (651)         |
| <b>Gross deferred tax liabilities</b>                 | <b>(510)</b>  | <b>(651)</b>  |
| Less: offset against deferred tax assets              | 510           | 651           |
| <b>Net deferred tax liabilities</b>                   | <b>-</b>      | <b>-</b>      |
| <b>Movements in net deferred tax assets comprise:</b> |               |               |
| At 1 January                                          | 12,074        | 12,473        |
| Amounts credited to the income statement (note 9(a))  | 1,913         | 1,119         |
| Deferred tax taken to equity                          | (1,218)       | (1,518)       |
| <b>At 31 December</b>                                 | <b>12,769</b> | <b>12,074</b> |

The standard rate of UK corporation tax for the accounting period is 20.25% (2014: 21.5%). The UK tax rate will reduce to 19% from 1 April 2017 and 18% from 1 April 2020. These future rate changes have been taken into account in the calculation of the UK deferred tax balance at 31 December 2015.

**13. Investments in subsidiaries**

|                               | <b>2015</b>   | <b>2014</b>   |
|-------------------------------|---------------|---------------|
|                               | <b>£'000</b>  | <b>£'000</b>  |
| <b>At 1 January</b>           | 27,906        | 28,362        |
| Additional investment         | 28            | -             |
| Impairment reversals          | -             | 214           |
| Reclassified as held for sale | -             | (670)         |
| <b>At 31 December</b>         | <b>27,934</b> | <b>27,906</b> |

The impairment write down recognised during 2014 related to Standard Life Investments (France) SAS. The carrying values of the investment was impaired to it's recoverable amount of £2,633,000.

The following are particulars of the Company's subsidiary undertakings as at the statement of financial position date:

| <b>Name</b>                                              | <b>Country of registration/<br/>incorporation</b> | <b>Share class</b> | <b>Direct or indirect % owned</b> | <b>Nature of business</b>                 |
|----------------------------------------------------------|---------------------------------------------------|--------------------|-----------------------------------|-------------------------------------------|
| <b>Parent Entity - Standard Life Investments Limited</b> |                                                   |                    |                                   |                                           |
| Standard Life Investments (Mutual Funds) Limited         | Scotland                                          | Ordinary           | 100                               | Collective investment products management |
| SLTM Limited                                             | Scotland                                          | Ordinary           | 100                               | Collective investment products management |
| Standard Life Investments (Corporate Funds) Limited      | Scotland                                          | Ordinary           | 100                               | Investment management                     |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****13. Investments in subsidiaries (continued)**

| <b>Name</b>                                                                           | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>Direct or<br/>Indirect %<br/>owned</b> | <b>Nature of<br/>business</b>  |
|---------------------------------------------------------------------------------------|---------------------------------------------------|--------------------|-------------------------------------------|--------------------------------|
| <b>Parent Entity - Standard Life Investments Limited</b>                              |                                                   |                    |                                           |                                |
| Standard Life Investments (Private Equity) Limited                                    | Scotland                                          | Ordinary           | 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 |
| Standard Life Investments (France) SAS                                                | France                                            | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Japan) Limited                                             | Japan                                             | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Switzerland) Limited                                       | Switzerland                                       | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner EPGF) Limited                              | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner UK PDF) Limited                            | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner PDFI) Limited                              | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner GARS) Limited                              | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 1 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 2 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 3 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 4 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 5 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 6 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 7 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 8 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 9 UK PDF) Limited*                             | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustee No. 10 UK PDF) Limited*                            | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustees No. 11 UK PDF) Limited*                           | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (Trustees No. 12 UK PDF) Limited*                           | Scotland                                          | Ordinary           | 100                                       | Investment management          |
| HDFC Asset Management Company Limited                                                 | India                                             | Ordinary           | 40                                        | Investment management          |
| Castlepoint General Partner Limited                                                   | England & Wales                                   | Ordinary           | 100                                       | Investment management          |
| Standard Life Investments (General Partner MAC) Limited                               | Scotland                                          | Ordinary           | 100                                       | Investment management          |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****13. Investments in subsidiaries (continued)**

| <b>Name</b>                                                                               | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>Direct or indirect % owned</b> | <b>Nature of business</b>      |
|-------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------|-----------------------------------|--------------------------------|
| <b>Parent Entity - Standard Life Investments Limited (continued)</b>                      |                                                   |                    |                                   |                                |
| Standard Life Investments (General Partner European Real Estate Club) Limited             | England & Wales                                   | Ordinary           | 100                               | Property investment management |
| Standard Life Investments (General Partner CRED) Limited                                  | England & Wales                                   | Ordinary           | 100                               | Property investment management |
| Standard Life Investments - India Advantage Fund*                                         | Mauritius                                         | Ordinary           | 100                               | Investment management          |
| Standard Life Investments (General Partner European Real Estate Club) Limited             | England & Wales                                   | Ordinary           | 100                               | Investment management          |
| Standard Life Investments Brent Cross General Partner Limited                             | Scotland                                          | Ordinary           | 100                               | Investment management          |
| <b>Parent Entity - Standard Life Investments (Private Equity) Limited</b>                 |                                                   |                    |                                   |                                |
| SL Capital Partners LLP                                                                   | Scotland                                          | LLP                | 60                                | Investment management          |
| <b>Parent Entity - Standard Life Investments (Corporate Funds) Limited</b>                |                                                   |                    |                                   |                                |
| Standard Life Investments (PDF. No 1) Limited                                             | Jersey                                            | Ordinary           | 50.1                              | Investment management          |
| Touchstone Insurance Company Limited                                                      |                                                   |                    |                                   | General property insurance     |
|                                                                                           | Guernsey                                          | Ordinary           | 0.0001                            |                                |
| Standard Life Investments Global Absolute Return Strategies Master Fund Limited*          | Cayman Islands                                    | Ordinary           | 100                               | Investment management          |
| Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited* | Cayman Islands                                    | Ordinary           | 100                               | Investment management          |
| Standard Life Investments European RE Club (Offshore Feeder) Limited                      | Cayman Islands                                    | Ordinary           | 100                               | Property investment management |
| <b>Parent Entity - SL Capital Partners LLP</b>                                            |                                                   |                    |                                   |                                |
| SLCP (Holdings) Limited                                                                   | Scotland                                          | Ordinary           | 60                                | Holding Company                |
| <b>Parent Entity - Standard Life Investments (USA) Limited</b>                            |                                                   |                    |                                   |                                |
| Standard Life Investments Securities LLC                                                  | USA                                               | Ordinary           | 100                               | Investment management          |
| <b>Parent Entity - SLCP (Holdings) Limited</b>                                            |                                                   |                    |                                   |                                |
| SLCP (General Partner ESP 2006) Limited                                                   | Scotland                                          | Ordinary           | 60                                | Investment management          |
| SLCP (General Partner ESP 2008) Limited                                                   | Scotland                                          | Ordinary           | 60                                | Investment management          |
| SLCP (General Partner ESP 2008 Coinvestment) Limited                                      | Scotland                                          | Ordinary           | 60                                | Investment management          |
| SLCP (General Partner ESP CAL) Limited                                                    | Scotland                                          | Ordinary           | 60                                | Investment management          |
| SLCP (General Partner NASP 2006) Limited                                                  | Scotland                                          | Ordinary           | 60                                | Investment management          |
| SLCP (General Partner NASP 2008) Limited                                                  | Scotland                                          | Ordinary           | 60                                | Investment management          |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****13. Investments in subsidiaries (continued)**

| <b>Name</b>                                                | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>Direct or indirect % owned</b> | <b>Nature of business</b>              |
|------------------------------------------------------------|---------------------------------------------------|--------------------|-----------------------------------|----------------------------------------|
| <b>Parent Entity - SLCP (Holdings) Limited (continued)</b> |                                                   |                    |                                   |                                        |
| SLCP (General Partner) Limited                             | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner II) Limited                          | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner ESP 2004) Limited                    | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner CPP) Limited                         | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Edcastle) Limited                    | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Tidal Reach) Limited                 | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner ESF I) Limited                       | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner ESF II) Limited                      | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner NASF I) Limited                      | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner USA) Limited                         | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner SOF I) Limited                       | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner SOF II) Limited                      | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Pearl Private Equity) Limited        | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Pearl Strategic Credit) Limited      | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SL Capital Partners (US) Limited                           | Scotland                                          | Ordinary           | 60                                | Equity research and marketing services |
| SLCP (General Partner Europe VI) Limited                   | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner EC) Limited                          | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| Ignis Cayman GP2 Limited                                   | Cayman Islands                                    | Ordinary           | 60                                | Investment management                  |
| Ignis Cayman GP3 Limited                                   | Cayman Islands                                    | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Infrastructure I) Limited            | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| SLCP (General Partner Infrastructure Secondary I) Limited  | Scotland                                          | Ordinary           | 60                                | Investment management                  |
| <b>Parent Entity - Castlepoint General Partner Limited</b> |                                                   |                    |                                   |                                        |
| Castlepoint Nominee Limited*                               | England & Wales                                   | Ordinary           | 100                               | Investment management                  |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****13. Investments in subsidiaries (continued)**

| Name                                                                                                         | Country of registration/<br>incorporation | Share class | Direct or<br>Indirect %<br>owned | Nature of<br>business |
|--------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------|----------------------------------|-----------------------|
| <b>Parent Entity - Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited</b> |                                           |             |                                  |                       |
| Standard Life Investments UK Shopping Centre Feeder Fund Company Limited*                                    | Jersey                                    | Ordinary    | 100                              | Investment management |

\* These entities are noted as subsidiaries due to ownership of share capital, however are not consolidated within the consolidated accounts of the Company's parent, in line with the requirements of IFRS 10.

**14. Investments in associates**

|                                           | 2015           | 2014           |
|-------------------------------------------|----------------|----------------|
|                                           | £'000          | £'000          |
| Investment in the Seabury Assets Fund plc | 108,860        | 84,243         |
| Investment in HDFC AMC                    | 13,448         | 13,448         |
| Other                                     | 14,325         | 14,961         |
|                                           | <b>136,633</b> | <b>112,652</b> |

  

|                      | 2015           | 2014           |
|----------------------|----------------|----------------|
|                      | £'000          | £'000          |
| <b>Presented as:</b> |                |                |
| Non-current          | 27,773         | 28,409         |
| Current              | 108,860        | 84,243         |
|                      | <b>136,633</b> | <b>112,652</b> |

The Company has two material associates, the details of which are noted below.

Seabury Assets Fund plc (Seabury) is an open-ended umbrella investment company incorporated in Ireland. The Company owns Class A ordinary shares in the No. 1 fund within Seabury and owns 9.9%.

HDFC AMC is an investment management company incorporated in India. The Company holds a 40% (2014: 40%) interest in the equity share capital of HDFC AMC, which has a financial year end date of 31 March.

All other associates, the carrying amount of which is noted above, are measured at FVTPL. None of these are considered individually material to the Company (2014: none). Note 30 provides further details on these associates.

**15. Derivative assets**

Derivative assets consists of foreign exchange forwards valued at £31,000 (2014: £nil) on a contract amount of £10,346,000 (2014: £nil). The fair value movement on derivative financial instruments was a loss of £298,000 (2014: £nil). This has been recognised in operating income during the year.

**16. Trade and other receivables**

|                                                  | 2015           | 2014           |
|--------------------------------------------------|----------------|----------------|
|                                                  | £'000          | £'000          |
| Amounts owed by subsidiary undertakings          | 137,861        | 125,771        |
| Amounts owed by Standard Life Group undertakings | 11,993         | 9,992          |
| Prepayments and accrued income                   | 19,216         | 17,234         |
| Management fee debtors                           | 12,978         | 8,659          |
| Other                                            | 1,392          | 271            |
| <b>Total trade and other receivables</b>         | <b>183,440</b> | <b>161,927</b> |

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

**Notes to the financial statements for the year ended 31 December 2015 (continued)****17. Cash and cash equivalents**

|                                        | <b>2015</b>  | <b>2014</b>  |
|----------------------------------------|--------------|--------------|
|                                        | <b>£'000</b> | <b>£'000</b> |
| Cash at bank and in hand               | 764          | 2,063        |
| Short-term bank deposits               | 256          | 166          |
| <b>Total cash and cash equivalents</b> | <b>1,020</b> | <b>2,229</b> |

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 (2014: A or above).

**18. Assets held for sale**

Assets held for sale of £670,000 in the prior year related to the investment in Standard Life Investments Inc. This subsidiary was sold on 30 January 2015 to Standard Life Oversea Holdings Limited for a consideration of £6,665,000.

**19. Share capital**

|                            | <b>Allotted, Called Up and Fully Paid</b> |              |             |              |
|----------------------------|-------------------------------------------|--------------|-------------|--------------|
|                            | <b>2015</b>                               |              | <b>2014</b> |              |
|                            | <b>No.</b>                                | <b>£'000</b> | <b>No.</b>  | <b>£'000</b> |
| Ordinary Shares of £1 each | 34,440,000                                | 34,440       | 34,440,000  | 34,440       |

**20. Retained earnings**

|                                                    | <b>2015</b>    | <b>2014</b>    |
|----------------------------------------------------|----------------|----------------|
|                                                    | <b>£'000</b>   | <b>£'000</b>   |
| <b>At 1 January</b>                                | 103,488        | 113,662        |
| Profit for the year attributable to equity holders | 154,042        | 130,112        |
| Dividends and distributions                        | (131,000)      | (143,000)      |
| Tax credit relating to share option scheme         | 1,315          | 2,714          |
| <b>At 31 December</b>                              | <b>127,845</b> | <b>103,488</b> |

**21. Trade and other payables**

|                                                  | <b>2015</b>    | <b>2014</b>    |
|--------------------------------------------------|----------------|----------------|
|                                                  | <b>£'000</b>   | <b>£'000</b>   |
| Accruals & deferred income                       | 162,203        | 150,333        |
| Amounts owed to Standard Life Group undertakings | 43,140         | 33,562         |
| Amounts owed to subsidiary undertakings          | 10,959         | 4,886          |
| Other                                            | 1,629          | 821            |
| <b>Total trade and other payables</b>            | <b>217,931</b> | <b>189,602</b> |
| <b>Presented as:</b>                             |                |                |
| Non-current                                      | 36,809         | 29,299         |
| Current                                          | 181,122        | 160,303        |
| <b>Total trade and other payables</b>            | <b>217,931</b> | <b>189,602</b> |

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.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****22. Movement in operating assets and liabilities**

|                                                     | <b>2015</b>     | <b>2014</b>     |
|-----------------------------------------------------|-----------------|-----------------|
|                                                     | <b>£'000</b>    | <b>£'000</b>    |
| <b>Movement in operating assets:</b>                |                 |                 |
| Trade and other receivables                         | (21,513)        | (60,561)        |
|                                                     | <b>(21,513)</b> | <b>(60,561)</b> |
| <b>Movement in operating liabilities:</b>           |                 |                 |
| Trade and other payables                            | 28,329          | 16,589          |
|                                                     | <b>28,329</b>   | <b>16,589</b>   |
| <b>Movement in operating assets and liabilities</b> | <b>6,816</b>    | <b>(43,972)</b> |

**23. Structured Entities**

A structured entity is defined as an entity where control is not necessarily held through voting rights linked to ownership stake but rather through rights arising from contractual agreements that give power to direct the relevant activities.

The principal types of structured entities in which the Company has an interest include:

OEICs – open ended variable capital vehicles with a sub-fund umbrella structure

SICAVs – European equivalent of OEICs with a similar sub-fund umbrella structure

Unit Trusts – a range of trusts, each offering a different investment objective and risk profile

The purpose and activity of these vehicles is to invest the pooled assets in order to secure investment returns (either capital or income returns) in return for a management fee. There are no material differences in the risks, exposure or operation of the unstructured entities and therefore we have combined the relevant disclosure. The combined Assets under Management of these entities is £103.1bn (2014: £94.0bn).

**Unconsolidated structured entities****(i) Investments in unconsolidated structured entities**

The Company has investments in associates where Standard Life Investments Limited is the asset manager and has significant influence. The types of vehicles that are included in this category are listed above.

The Company's maximum exposure to loss in respect of the interests presented above is the carrying value of the Company's investment or the management fee debtor. Information on how the Company manages its exposure to risk can be found in Note 24 'Financial Risk Management'.

**(ii) Other interests in unconsolidated structured entities**

Where the Company is the asset manager of a particular investment vehicle with day to day responsibility for the operation of that vehicle, it considers itself to be a sponsor of that entity. These disclosures relate to interests in structured entities in which the Company does not have a direct holding but does sponsor the vehicle.

There are no current intentions to provide support to an unconsolidated structured entity in the foreseeable future. Information on how the Company manages its exposure to risk can be found in Note 24 'Financial Risk Management'.

**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.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)****(b) The Group's approach to risk and capital management**

The Company operates within the governance structure of the Standard Life Group. The Group also has its own established governance framework, with clear terms of reference for the board of directors of SLIH (the Group 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 Group Board, to identify the risks to which the Company is exposed and to quantify their impact on economic capital, including changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk. The Group is required at all times to maintain at least this level of capital. While the Company does not have its own ICAAP it is a part of the Group ICAAP. The Group's calculation thereof is subject to review by the Financial Conduct Authority (FCA) who also monitor compliance by way of quarterly and annual submissions made by the Group and periodic visits.

The ICAAP is subject to high level quarterly review within the Group, with detailed annual review and approval by the Group Board. The potential impact of any significant risks identified out with 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**

| <b>2015</b>                 |                |                              |                             |                |
|-----------------------------|----------------|------------------------------|-----------------------------|----------------|
| <b>Financial assets</b>     |                |                              |                             |                |
|                             | <b>FVTPL</b>   | <b>Loans and receivables</b> | <b>Non-financial assets</b> | <b>Total</b>   |
|                             | <b>£'000</b>   | <b>£'000</b>                 | <b>£'000</b>                | <b>£'000</b>   |
| Intangible assets           | -              | -                            | 22,177                      | 22,177         |
| Investments in subsidiaries | -              | -                            | 27,934                      | 27,934         |
| Derivative assets           | 31             | -                            | -                           | 31             |
| Tax assets                  | -              | -                            | 12,769                      | 12,769         |
| Investments in associates   | 123,185        | -                            | 13,448                      | 136,633        |
| Trade and other receivables | -              | 181,965                      | 1,475                       | 183,440        |
| Cash and cash equivalents   | -              | 1,020                        | -                           | 1,020          |
| <b>Total assets</b>         | <b>123,216</b> | <b>182,985</b>               | <b>77,803</b>               | <b>384,004</b> |

| <b>2014</b>                 |               |                              |                             |                |
|-----------------------------|---------------|------------------------------|-----------------------------|----------------|
| <b>Financial assets</b>     |               |                              |                             |                |
|                             | <b>FVTPL</b>  | <b>Loans and receivables</b> | <b>Non-financial assets</b> | <b>Total</b>   |
|                             | <b>£'000</b>  | <b>£'000</b>                 | <b>£'000</b>                | <b>£'000</b>   |
| Intangible assets           | -             | -                            | 11,516                      | 11,516         |
| Investments in subsidiaries | -             | -                            | 27,906                      | 27,906         |
| Tax assets                  | -             | -                            | 12,074                      | 12,074         |
| Investments in associates   | 99,204        | -                            | 13,448                      | 112,652        |
| Assets held for sale        | -             | -                            | 670                         | 670            |
| Trade and other receivables | -             | 160,592                      | 1,335                       | 161,927        |
| Cash and cash equivalents   | -             | 2,229                        | -                           | 2,229          |
| <b>Total assets</b>         | <b>99,204</b> | <b>162,821</b>               | <b>66,949</b>               | <b>328,974</b> |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)**

|                          | <b>2015</b>                  |                                  |                |
|--------------------------|------------------------------|----------------------------------|----------------|
|                          | <b>Financial liabilities</b> | <b>Non-financial liabilities</b> | <b>Total</b>   |
|                          | <b>£'000</b>                 | <b>£'000</b>                     | <b>£'000</b>   |
| Current tax liabilities  | -                            | 3,788                            | 3,788          |
| Trade and other payables | 217,500                      | 431                              | 217,931        |
| <b>Total liabilities</b> | <b>217,500</b>               | <b>4,219</b>                     | <b>221,719</b> |

  

|                          | <b>2014</b>                  |                                  |                |
|--------------------------|------------------------------|----------------------------------|----------------|
|                          | <b>Financial liabilities</b> | <b>Non-financial liabilities</b> | <b>Total</b>   |
|                          | <b>£'000</b>                 | <b>£'000</b>                     | <b>£'000</b>   |
| Current tax liabilities  | -                            | 1,444                            | 1,444          |
| Trade and other payables | 189,185                      | 417                              | 189,602        |
| <b>Total liabilities</b> | <b>189,185</b>               | <b>1,861</b>                     | <b>191,046</b> |

**(ii) Fair value of assets and liabilities**

All financial assets 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).

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

|                          | <b>2015</b>    |                |                |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>   |
|                          | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   |
| <b>Assets</b>            |                |                |                |                |
| Derivative assets        | -              | 31             | -              | 31             |
| Investment in associates | 386            | 113,982        | 8,817          | 123,185        |
|                          | <b>386</b>     | <b>114,013</b> | <b>8,817</b>   | <b>123,216</b> |

  

|                          | <b>2014</b>    |                |                |               |
|--------------------------|----------------|----------------|----------------|---------------|
|                          | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
|                          | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>   | <b>£'000</b>  |
| <b>Assets</b>            |                |                |                |               |
| Investment in associates | 256            | 89,554         | 9,394          | 99,204        |
|                          | <b>256</b>     | <b>89,554</b>  | <b>9,394</b>   | <b>99,204</b> |

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.

Level 2 securities consist of unlisted investments in regulated collective investment schemes. These investments are valued using prices sourced directly or indirectly. Since they are not generally considered to be quoted in an active market, they have been treated as level 2 within the fair value hierarchy.

Valuation techniques are used for level 3 equity securities. The Company's exposure to these relates primarily 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.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)**

Private equity fund valuations are provided by the respective managers of the underlying funds and are assessed on an individual investment basis, with an adjustment made if necessary for significant movements between the date of the valuation and the end of the reporting period. Sensitivities are determined by comparison to the private equity market. 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.

A 10% change in the assumptions to reasonably possible alternatives would impact shareholder profit before tax or shareholder total assets or liabilities by £1,406,900 (2014: £939,400) for level 3 investments.

**(iii) Reconciliation of movements in level 3 instruments**

Included in level 3 investment securities are private equity co-investments and an investment in an unregulated property fund. The movements in level 3 financial assets and liabilities held at fair value are set out below.

|                                                          | <b>2015</b>                          | <b>2014</b>                          |
|----------------------------------------------------------|--------------------------------------|--------------------------------------|
|                                                          | <b>Investments<br/>in associates</b> | <b>Investments<br/>in associates</b> |
|                                                          | <b>£'000</b>                         | <b>£'000</b>                         |
| <b>At 1 January</b>                                      | <b>9,394</b>                         | <b>12,895</b>                        |
| Total gains or losses recognised in the income statement | 14                                   | 780                                  |
| Purchases                                                | 703                                  | 2,500                                |
| Sales                                                    | (901)                                | (6,195)                              |
| Foreign exchange adjustment                              | (393)                                | (586)                                |
| <b>At 31 December</b>                                    | <b>8,817</b>                         | <b>9,394</b>                         |

Total gains and losses recognised in the income statement shown above are included in 'Other operating income'.

**(iv) Credit risk**

The Company is exposed to credit risk through capital investments, cash deposits, trade receivables and intercompany balances. For cash 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 from Standard Life Group entities who have had no defaults in the past.

Cash deposits, comprising the majority of 'Cash and cash equivalents', are placed for terms of less than three months, with counterparties selected according to the criteria noted and are all rated (Standard & Poor's) A or above (2014: A or above).

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

|                             | <b>2015</b>    | <b>2014</b>    |
|-----------------------------|----------------|----------------|
|                             | <b>£'000</b>   | <b>£'000</b>   |
| Trade and other receivables | 181,965        | 160,592        |
| Derivative assets           | 31             | -              |
| Investment in associates    | 123,185        | 99,204         |
| Cash and cash equivalents   | 1,020          | 2,229          |
|                             | <b>306,201</b> | <b>262,025</b> |

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 £257,000 (2014: £2,235,000), of which £231,000 is overdue for less than one month (2014: £403,000), £26,000 (2014: £1,832,000) for greater than one month, £nil over three months (2014: £nil), £nil over six months (2014: £nil) and £nil (2014: £nil) over twelve months.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)****(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 Company was incorporated in Scotland and domiciles in Scotland.

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 profit after tax of £48,136,000 (2014: £38,514,000).

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 within financial assets and liabilities at the statement of financial position date was as follows:

| <b>2015</b>                 |                 |              |               |                         |
|-----------------------------|-----------------|--------------|---------------|-------------------------|
|                             | <b>Sterling</b> | <b>USD</b>   | <b>Euro</b>   | <b>Other currencies</b> |
|                             | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>            |
| Investment in associates    | 114,151         | 531          | 8,442         | 61                      |
| Derivative assets           | -               | -            | 31            | -                       |
| Trade and other receivables | 164,757         | 156          | 15,517        | 1,535                   |
| Cash and cash equivalents   | 184             | 147          | 61            | 628                     |
|                             | <b>279,092</b>  | <b>834</b>   | <b>24,051</b> | <b>2,224</b>            |
|                             |                 |              |               | <b>306,201</b>          |

| <b>2014</b>                 |                 |              |               |                         |
|-----------------------------|-----------------|--------------|---------------|-------------------------|
|                             | <b>Sterling</b> | <b>USD</b>   | <b>Euro</b>   | <b>Other currencies</b> |
|                             | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b>  | <b>£'000</b>            |
| Investments in associates   | 89,695          | 769          | 8,707         | 33                      |
| Trade and other receivables | 146,849         | 320          | 10,030        | 3,393                   |
| Cash and cash equivalents   | 1,372           | 50           | 50            | 757                     |
|                             | <b>237,916</b>  | <b>1,139</b> | <b>18,787</b> | <b>4,183</b>            |
|                             |                 |              |               | <b>262,025</b>          |

| <b>2015</b>              |                 |              |              |                         |
|--------------------------|-----------------|--------------|--------------|-------------------------|
|                          | <b>Sterling</b> | <b>USD</b>   | <b>Euro</b>  | <b>Other currencies</b> |
|                          | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>            |
| Trade and other payables | 201,500         | 5,221        | 6,717        | 4,062                   |
|                          | <b>201,500</b>  | <b>5,221</b> | <b>6,717</b> | <b>4,062</b>            |
|                          |                 |              |              | <b>217,500</b>          |

| <b>2014</b>              |                 |              |              |                         |
|--------------------------|-----------------|--------------|--------------|-------------------------|
|                          | <b>Sterling</b> | <b>USD</b>   | <b>Euro</b>  | <b>Other currencies</b> |
|                          | <b>£'000</b>    | <b>£'000</b> | <b>£'000</b> | <b>£'000</b>            |
| Trade and other payables | 182,810         | 3,027        | 1,911        | 1,437                   |
|                          | <b>182,810</b>  | <b>3,027</b> | <b>1,911</b> | <b>1,437</b>            |
|                          |                 |              |              | <b>189,185</b>          |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)**

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

|                            | <b>2015</b>                                          |                                                      |
|----------------------------|------------------------------------------------------|------------------------------------------------------|
|                            | <b>10% increase in currency<br/>against Sterling</b> | <b>10% decrease in currency<br/>against Sterling</b> |
|                            | <b>Euro</b>                                          | <b>Euro</b>                                          |
|                            | <b>£'000</b>                                         | <b>£'000</b>                                         |
| Impact on profit after tax | 2,131                                                | (1,744)                                              |

  

|                            | <b>2014</b>                                          |                                                      |
|----------------------------|------------------------------------------------------|------------------------------------------------------|
|                            | <b>10% increase in currency<br/>against Sterling</b> | <b>10% decrease in currency<br/>against Sterling</b> |
|                            | <b>Euro</b>                                          | <b>Euro</b>                                          |
|                            | <b>£'000</b>                                         | <b>£'000</b>                                         |
| Impact on profit after tax | 1,639                                                | (1,341)                                              |

The Company has exposure to market risk in the UK only for equity securities.

The Company has minimal exposure to interest rate risk through its 'Cash and cash equivalents' as disclosed in the statement of financial position.

**(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 Group Board and the Financial Risk and Capital Management Forum.

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:

|                              | <b>2015</b>                  |                                     |                                            |                                          |
|------------------------------|------------------------------|-------------------------------------|--------------------------------------------|------------------------------------------|
|                              | <b>Derivative<br/>assets</b> | <b>Investment<br/>in associates</b> | <b>Trade and<br/>other<br/>receivables</b> | <b>Cash and<br/>cash<br/>equivalents</b> |
|                              | <b>£'000</b>                 | <b>£'000</b>                        | <b>£'000</b>                               | <b>£'000</b>                             |
| Due on demand                | 31                           | 108,860                             | -                                          | 1,020                                    |
| Due within 1 month           | -                            | -                                   | 32,085                                     | -                                        |
| Due within 1 year            | -                            | -                                   | 26                                         | -                                        |
| No contractual maturity date | -                            | 14,325                              | 149,854                                    | -                                        |
|                              | <b>31</b>                    | <b>123,185</b>                      | <b>181,965</b>                             | <b>1,020</b>                             |

  

|                              | <b>2014</b>                         |                                            |                                          |
|------------------------------|-------------------------------------|--------------------------------------------|------------------------------------------|
|                              | <b>Investment<br/>in associates</b> | <b>Trade and<br/>other<br/>receivables</b> | <b>Cash and<br/>cash<br/>equivalents</b> |
|                              | <b>£'000</b>                        | <b>£'000</b>                               | <b>£'000</b>                             |
| Due on demand                | 84,243                              | -                                          | 2,229                                    |
| Due within 1 month           | -                                   | 403                                        | -                                        |
| Due within 1 year            | -                                   | 1,832                                      | -                                        |
| No contractual maturity date | 14,961                              | 158,357                                    | -                                        |
|                              | <b>99,204</b>                       | <b>160,592</b>                             | <b>2,229</b>                             |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****24. Financial risk management (continued)**

| <b>Financial liabilities</b> | <b>2015</b>                     | <b>2014</b>    |
|------------------------------|---------------------------------|----------------|
|                              | <b>Trade and other payables</b> |                |
|                              | <b>£'000</b>                    | <b>£'000</b>   |
| Due within 1 month           | 12,904                          | 37,340         |
| Due within 1 year            | 113,688                         | 103,418        |
| Due between 1 and 5 years    | 36,809                          | 29,299         |
| No contractual maturity date | 54,099                          | 19,127         |
|                              | <b>217,500</b>                  | <b>189,184</b> |

**(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 as quantitative and qualitative risk limits.

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.

The impact of new products, significant changes in business operations, or any material one-off transactions on the operational risk profile of the Company is assessed and managed.

**(d) Compliance with FCA 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 FCA 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 FCA 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 FCA, to take a view on whether the Company needs to hold additional capital against firm-specific risks not covered by Pillar 1;

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\\_Disclosure/getLatest.pdf](http://www.standardlifeinvestments.com/Global_Pillar_3_Disclosure/getLatest.pdf)**

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

**25. Related party transactions****(a) Parent and ultimate controlling party**

The Company's parent undertaking is Standard Life Investments (Holdings) Limited, 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 to download on the website [www.standardlife.com](http://www.standardlife.com).

**Notes to the financial statements for the year ended 31 December 2015 (continued)****25. Related party transactions (continued)****(b) 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.

The following are details of significant transactions with related parties (excluding key management personnel) during the year and year end balances arising from such transactions:

| <b>2015</b>                      |                 |                 |                                        |                                        |
|----------------------------------|-----------------|-----------------|----------------------------------------|----------------------------------------|
|                                  | <b>Revenues</b> | <b>Expenses</b> | <b>Amounts owed by related parties</b> | <b>Amounts owed to related parties</b> |
|                                  | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>                           | <b>£'000</b>                           |
| Pension schemes                  | -               | 13,267          | -                                      | -                                      |
| Standard Life Group undertakings | 608,287         | 92,128          | 149,854                                | 54,099                                 |
| Other                            | 2,406           | 19,581          | -                                      | -                                      |
|                                  | <b>610,693</b>  | <b>124,976</b>  | <b>149,854</b>                         | <b>54,099</b>                          |

  

| <b>2014</b>                      |                 |                 |                                        |                                        |
|----------------------------------|-----------------|-----------------|----------------------------------------|----------------------------------------|
|                                  | <b>Revenues</b> | <b>Expenses</b> | <b>Amounts owed by related parties</b> | <b>Amounts owed to related parties</b> |
|                                  | <b>£'000</b>    | <b>£'000</b>    | <b>£'000</b>                           | <b>£'000</b>                           |
| Pension schemes                  | -               | 10,136          | -                                      | -                                      |
| Standard Life Group undertakings | 517,755         | 73,395          | 135,763                                | 38,448                                 |
| Other                            | 2,044           | 15,201          | -                                      | -                                      |
|                                  | <b>519,799</b>  | <b>98,732</b>   | <b>135,763</b>                         | <b>38,448</b>                          |

Dividend income from subsidiaries amounted to £44,642,000 (2014: £53,052,000). Dividends owed by subsidiaries amounted to £nil (2014: £nil).

Dividend income received from HDFC AMC amounted to £7,008,000 (2014: £2,565,000). Dividends owed by HDFC AMC amounted to £nil (2014: £nil).

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received in the year or prior year. 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. The investments held within the collective investment schemes are held with a related party.

**(c) Key management personnel**

Key management personnel comprises 11 people (2014: 14 people) within the Company, including all Directors. The remuneration of the Directors during the year was as follows:

|                                                    | <b>2015</b>   | <b>2014</b>   |
|----------------------------------------------------|---------------|---------------|
|                                                    | <b>£'000</b>  | <b>£'000</b>  |
| Short-term benefits                                | 12,145        | 11,924        |
| Post employment benefits                           | 6             | 18            |
| Share-based payment expenses                       | 7,156         | 7,926         |
| <b>Total key management personnel remuneration</b> | <b>19,307</b> | <b>19,868</b> |

£16,151,000 (2014: £16,798,000) was owing to key management personnel at the statement of financial position date.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****25. Related party transactions (continued)****(c) Key management personnel (continued)**

Ten Directors (2014: thirteen) of the Company were participants in LTIPs. The benefits arising under the incentive schemes are recorded in the period in which entitlement is determined. Of these Directors, there were ten (2014: thirteen) Directors whose qualifying services were received or are receivable in the year.

Ten (2014: thirteen) Directors exercised share options during the year.

Retirement benefits are accruing to five Directors (2014: nine) in respect of their services to the Company and its subsidiaries under a defined benefit scheme operated by the Standard Life Group and two (2014: two) under a defined contribution scheme.

The highest paid Director of the Company received aggregate remuneration during the year of £3,095,000 (2014: £3,208,000). At 31 December 2015, the highest paid Director also held accrued pension benefits of £14,000 (2014: £14,000) under the defined benefit pension scheme operated by the Standard Life Group. The company pension contributions for the highest paid Director for the year were £93,000 (2014: £91,000).

The highest paid Director has exercised share options during the year and qualifying services in relation to the Group's LTIP were received or are receivable during the year.

**26. Pension obligations**

The employees who manage the affairs of the Company are members of defined benefit pension schemes and defined contribution pension schemes 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 schemes across the participating companies. The sponsoring employer for the defined benefit schemes is Standard Life Assurance Limited (SLAL) and therefore the net defined benefit cost of the schemes is recognised by SLAL. As a result the Company records its contributions to the defined benefit schemes as an expense in the period they are payable. The contributions to the defined contribution and the defined benefit plans recognised as an expense for the year ended 31 December 2015 were £8,180,000 (2014: £10,136,000).

Details of the UK defined benefit pension schemes are disclosed in the consolidated financial statements of Standard Life plc.

**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:

**(a) Share options****(i) Long-term Incentive plans**

The Standard Life Group operates the following LTIPs:

| <b>Plan</b>                                                         | <b>Recipients</b>                                             | <b>Grant date</b>          | <b>Conditions which must be met prior to vesting</b>                                                                        |
|---------------------------------------------------------------------|---------------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Standard Life plc long-term incentive plan (Standard Life plc LTIP) | Executives and senior management                              | Granted annually in March  | Service and performance conditions as set out in the Directors' remuneration report within the Standard Life Annual Report. |
| Standard Life Investments long-term incentive plan (Group's LTIP)   | Executives and senior management of Standard Life Investments | Granted annually in March  | Service and performance conditions as set out in the Directors' remuneration report within the Standard Life Annual Report. |
| Restricted stock plan (RSP)                                         | Executives (other than Directors) and senior management       | May be granted at any time | Service or, service and performance conditions. These are tailored to the individual award.                                 |

All of the awards are equity settled other than awards made under the Group's LTIP in respect of employees in the US, France and Asia which are cash settled.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****27. Employee share based payments (continued)****(II) Short-term incentive plan (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 2015 and 2014 annual bonus, half of any bonus earned by executive Directors and members of the executive team above 25% of salary will be settled in nil cost options 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 in the form of additional options to the value of the deferred bonus.

Employees may forfeit some or all of awards made under any of the above share based payment schemes if they leave the Group prior to the end of the awards vesting period.

**(III) Sharesave (Save-as-you-earn)**

The Standard Life Group operates Save-as-you-earn (SAYE) plans, which allow eligible employees in the UK and Ireland 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 the Company. The shares can be purchased at the end of the savings period at a predetermined price.

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. Settlement will be made in the form of shares.

**(b) Share awards****(I) 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 £1,800. The Group offers to match the number of shares bought up to a value of £25 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.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****27. Employee share based payments (continued)****(c) Options granted and weighted average contractual life**

The number and weighted average exercise price for options outstanding during the year are as follows (for the Company element of the Standard Life plc LTIP and the Group's LTIP):

| <b>2015</b>                                                                   |                                      |                  |                                                                      |             |
|-------------------------------------------------------------------------------|--------------------------------------|------------------|----------------------------------------------------------------------|-------------|
| <b>Number of options</b>                                                      |                                      |                  |                                                                      |             |
| <b>000's</b>                                                                  |                                      |                  |                                                                      |             |
| <b>Long-term<br/>Incentive plan<br/>(including RSP)</b>                       | <b>Short-term<br/>Incentive plan</b> | <b>Sharesave</b> | <b>Weighted<br/>average<br/>exercise<br/>price for<br/>Sharesave</b> |             |
| Outstanding at 1 Jan                                                          | 13,334                               | 33               | 1,972                                                                | 242p        |
| Granted                                                                       | 11,632                               | 18               | 681                                                                  | 296p        |
| Forfeited                                                                     | (2,329)                              | -                | (43)                                                                 | 293p        |
| Exercised                                                                     | (1,696)                              | (19)             | (130)                                                                | 211p        |
| Cancelled                                                                     | -                                    | -                | (19)                                                                 | 295p        |
| Outstanding at 31 Dec                                                         | <b>20,941</b>                        | <b>32</b>        | <b>2,461</b>                                                         | <b>257p</b> |
| Exercisable at 31 December                                                    | -                                    | -                | <b>15</b>                                                            |             |
| Weighted average remaining contractual<br>life of options outstanding (years) | <b>2.13</b>                          | <b>1.29</b>      | <b>2.60</b>                                                          |             |
| <b>2014</b>                                                                   |                                      |                  |                                                                      |             |
| <b>Number of options</b>                                                      |                                      |                  |                                                                      |             |
| <b>000's</b>                                                                  |                                      |                  |                                                                      |             |
| <b>Long-term<br/>Incentive plan<br/>(including RSP)</b>                       | <b>Short-term<br/>Incentive plan</b> | <b>Sharesave</b> | <b>Weighted<br/>average<br/>exercise<br/>price for<br/>Sharesave</b> |             |
| Outstanding at 1 Jan                                                          | 22,203                               | 43               | 1,638                                                                | 184p        |
| Granted                                                                       | 5,742                                | 15               | 905                                                                  | 296p        |
| Forfeited                                                                     | (5,629)                              | -                | (6)                                                                  | 285p        |
| Exercised                                                                     | (8,982)                              | (25)             | (550)                                                                | 157p        |
| Cancelled                                                                     | -                                    | -                | (15)                                                                 | 275p        |
| Outstanding at 31 Dec                                                         | <b>13,334</b>                        | <b>33</b>        | <b>1,972</b>                                                         | <b>242p</b> |
| Weighted average remaining contractual<br>life of options outstanding (years) | <b>1.81</b>                          | <b>1.17</b>      | <b>3.03</b>                                                          |             |

The number of options for 2015 has been restated in line with current year methodology. The exercise price for options granted under long-term and short-term incentive schemes is nil. Fair value of options granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****27. Employee share based payments (continued)**

The following table shows the assumptions that were considered in determining the fair value of options granted during the year (for the Group's LTIP):

|                                                  | <b>2015</b>                                                  |            |                                       |                  |
|--------------------------------------------------|--------------------------------------------------------------|------------|---------------------------------------|------------------|
|                                                  | <b>Long-term<br/>incentive plan<br/>(excluding RSP)</b>      | <b>RSP</b> | <b>Short-term<br/>incentive plans</b> | <b>Sharesave</b> |
| <b>Options granted during the year</b>           |                                                              |            |                                       |                  |
| Date of grant                                    | SLI 30 March 2015<br>and Standard Life<br>LTIP 27 March 2015 | Throughout | 27-Mar-15                             | 09-Oct-15        |
| Share price at grant date                        | 480p                                                         | 461p       | 477p                                  | 425p             |
| Weighted average fair value                      | 480p                                                         | 461p       | 477p                                  | 81p              |
| Exercise price                                   | nil                                                          | nil        | nil                                   | 328p             |
| Option term (years)                              | 3.25                                                         | 2.66       | 3.24                                  | 3.54             |
| <b>Options exercised during the year</b>         |                                                              |            |                                       |                  |
| Weighted average share price at time of exercise | 466p                                                         | 475p       | 476p                                  | 424p             |
|                                                  | <b>2014</b>                                                  |            |                                       |                  |
|                                                  | <b>Long-term<br/>incentive plan<br/>(excluding RSP)</b>      | <b>RSP</b> | <b>Short-term<br/>incentive plans</b> | <b>Sharesave</b> |
| <b>Options granted during the year</b>           |                                                              |            |                                       |                  |
| Date of grant                                    | SLI 28 March 2014<br>and Standard Life<br>LTIP 20 May 2014   | Throughout | 28-Mar-14                             | 06-Oct-14        |
| Share price at grant date                        | 380p                                                         | 382p       | 380p                                  | 403p             |
| Weighted average fair value                      | 380p                                                         | 382p       | 380p                                  | 89p              |
| Exercise price                                   | nil                                                          | nil        | nil                                   | 296p             |
| Option term (years)                              | 3.32                                                         | 2.85       | 3.24                                  | 3.58             |
| <b>Options exercised during the year</b>         |                                                              |            |                                       |                  |
| Weighted average share price at time of exercise | 386p                                                         | 386p       | 389p                                  | 401p             |

For the LTIPs, RSPs and short-term incentive plans, the dividend policy includes the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date. For the Sharesave scheme there is no dividend entitlement.

No departures from share option schemes are expected at grant date, with any leavers being accounted for on departure. In determining the fair value of options granted under the Sharesave scheme the historic volatility of the share price over a period of up to five years and a risk free rate determined by reference to swap rates was also considered.

**Notes to the financial statements for the year ended 31 December 2015 (continued)****27. Employee share based payments (continued)**

The following table shows the range of exercise prices of options outstanding at 31 December 2015. All options are exercisable for a period of six months after the vesting date.

|                                   | <b>2015</b>                                  | <b>2014</b>                                  |
|-----------------------------------|----------------------------------------------|----------------------------------------------|
|                                   | <b>Number of options outstanding (000's)</b> | <b>Number of options outstanding (000's)</b> |
| <b>Long-term Incentive plans</b>  | 20,941                                       | 13,334                                       |
| £nil                              |                                              |                                              |
| <b>Short-term Incentive plans</b> |                                              |                                              |
| £nil                              | 32                                           | 33                                           |
| <b>Sharesave</b>                  |                                              |                                              |
| 157p                              | 594                                          | 626                                          |
| 221p                              | 86                                           | 177                                          |
| 272p                              | 275                                          | 276                                          |
| 296p                              | 826                                          | 893                                          |
| <b>Outstanding at 31 December</b> | <b>22,754</b>                                | <b>15,339</b>                                |

**Share Incentive plans**

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

|                                                 | <b>2015</b> | <b>2014</b> |
|-------------------------------------------------|-------------|-------------|
| Number of instruments granted                   | 49,470      | 48,876      |
| Share price at date of grant                    | 430p        | 389p        |
| Fair value per granted instrument at grant date | 430p        | 389p        |

The fair value of instruments granted under the share incentive plan is calculated by reference to the share price at grant date. The plan includes the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date. 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) Employee share-based payment expense**

The amounts recognised as an expense in Note 4 for equity settled share-based payment transactions with employees are as follows:

|                                                        | <b>2015</b>    | <b>2014</b>    |
|--------------------------------------------------------|----------------|----------------|
|                                                        | <b>£'000's</b> | <b>£'000's</b> |
| Share options granted under LTIPs                      | 21,624         | 15,604         |
| Share options granted under Sharesave                  | 398            | 292            |
| Share options granted under short-term incentive plans | 72             | 37             |
| Matching shares granted under share incentive plans    | 178            | 175            |
|                                                        | <b>22,272</b>  | <b>16,108</b>  |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****28. Commitments****Operating lease commitments**

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

|                     | <b>2015</b>   | <b>2014</b>  |
|---------------------|---------------|--------------|
|                     | <b>£'000</b>  | <b>£'000</b> |
| Within one year     | -             | 125          |
| Expiring thereafter | 51,361        | -            |
|                     | <b>51,361</b> | <b>125</b>   |

The lease relates to the buildings that the employees of the Company occupy, or will occupy, and the amount payable under them is determined at market rates. There are no purchase clauses or restrictions relating to these leases.

**Commitments to limited partnerships**

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £15,976,000 (2014: £16,653,000) into limited partnerships. During the year the Company invested £419,000 (2014: £419,000) with a remaining maximum commitment of £4,195,000 (2014: £5,325,000).

**29. Contingent assets**

A minimum fee arrangement is in place with an external party, in relation to an agreement by the Company to sell investment solutions directly to customers. It is probable that this minimum fee will be payable to the Company and the maximum value of this as at 31 December 2015 is £2,927,000 (2014: £5,000,000).

**30. Related undertakings**

The Companies Act 2006 requires disclosure of certain information about the Company's related undertakings which is set out in this note. Related undertakings are subsidiaries, joint ventures, associates and other significant holdings. In this context significant means either a shareholding greater than or equal to 20% of the nominal value of any class of shares, or a book value greater than 20% of the Group's assets. The Group has no significant holdings in entities other than subsidiaries and associates. Details on the Company's material associates and subsidiaries are shown in Note 14 and 13 respectively.

The following are particulars of the Company's immaterial associates as at the statement of financial position date:

| <b>Name</b>                                            | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>% owned</b> | <b>Nature Of business</b> |
|--------------------------------------------------------|---------------------------------------------------|--------------------|----------------|---------------------------|
| SL Capital ESF I LP Limited Partnership                | United Kingdom                                    | Ordinary           | 1.0            | Investment management     |
| ESP CPPIB European Mid Market Fund Limited Partnership | United Kingdom                                    | Ordinary           | 0.5            | Investment management     |
| ESP Tidal Reach Limited Partnership                    | United Kingdom                                    | Ordinary           | 1.0            | Investment management     |
| ESP Golden Bear Europe Fund Limited Partnership        | United Kingdom                                    | Ordinary           | 2.9            | Investment management     |
| SL Capital NASF I A Limited Partnership                | United Kingdom                                    | Ordinary           | 1.6            | Investment management     |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****30. Related undertakings (continued)**

| <b>Name</b>                                                           | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>% owned</b> | <b>Nature Of business</b> |
|-----------------------------------------------------------------------|---------------------------------------------------|--------------------|----------------|---------------------------|
| Standard Life Investments AAA Income Fund                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments American Equity Growth fund                 | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments American Equity Unconstrained SICAV         | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments American Equity Unconstrained SICAV         | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Asian Equities - SICAV (Luxembourg)         | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Asian Pacific Growth Fund                   | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments China Equity Fund                           | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Continental European Equity Income SICAV    | Luxembourg                                        | Ordinary           | 0.1            | Investment management     |
| Standard Life Investments Corporate Bond Fund                         | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Emerging Market Corporate Bond SICAV        | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Emerging Market Debt Unconstrained Fund     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Enhanced Diversification GEM Equity Fund    | Luxembourg                                        | Ordinary           | 0.1            | Investment management     |
| Standard Life Investments Enhanced-Diversification Growth Fund        | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Ethical Corporate Bond Fund                 | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Equities - SICAV (Luxembourg)      | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Equities Income Fund               | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Equity Growth Fund                 | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Equity Growth Fund                 | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European High Yield Bond Fund               | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Unconstrained Equities             | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments European Smaller Companies SICAV            | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Emerging Market Equity Incomeome     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Bond SICAV                           | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Emerging Markets Equity Fund SICAV   | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Emerging Markets Local Currency Debt | Luxembourg                                        | Ordinary           | 0.1            | Investment management     |
| Standard Life Investments Global Equities Unconstrained SICAV         | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****30. Related undertakings (continued)**

| <b>Name</b>                                                                        | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>% owned</b> | <b>Nature Of business</b> |
|------------------------------------------------------------------------------------|---------------------------------------------------|--------------------|----------------|---------------------------|
| Standard Life Investments Global High Yield Bond SICAV                             | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global High Yield Bond SICAV                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Index Linked Bond Fund                            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Inflation Linked Bond Fund                        | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Selector Fund                                     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV Global Equities Fund                        | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV European Corporate Bond Fund                | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV Pan European Corporate Bond Fund            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Higher Income Fund                                       | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Indian Equities SICAV                                    | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Japanese Equities SICAV                                  | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Japanese Equity Growth Fund                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Japanese Equity High Alpha SICAV (SJHA)                  | Luxembourg                                        | Ordinary           | 0.1            | Investment management     |
| Standard Life Investments Liability Aware Absolute Return III Nominal Profile Fund | Ireland                                           | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Liability Aware Absolute Return III Real Profile Fund    | Ireland                                           | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Equity Income Fund                                | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed IV Fund                                  | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV Global Focused Strategies Fund              | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Market I Fund                                    | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Market IV Fund                                   | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Market V Fund                                    | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed Income I Fund                            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed Income II Fund                           | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed Income III Fund                          | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed Income IV Fund                           | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed Income V Fund                            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-Manager I Fund                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-Manager IV Fund                            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****30. Related undertakings (continued)**

| <b>Name</b>                                                                                                | <b>Country of registration/<br/>Incorporation</b> | <b>Share class</b> | <b>% owned</b> | <b>Nature Of business</b> |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------------|--------------------|----------------|---------------------------|
| Standard Life Investments MyFolio Multi-Manager V Fund                                                     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-manager Income I Fund                                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-manager Income II Fund                                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-manager Income III Fund                                            | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-manager Income IV Fund                                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Multi-manager Income V Fund                                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Corporate Debt Fund                                                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Dynamic Distribution Fund                                                        | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Emerging Market Debt Fund                                                        | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Europe ex UK Smaller Companies Fund                                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Emerging Market Debt Fund                                                        | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Global REIT Focus SICAV Fund                                                                 | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Corporate Bond SICAV                                                      | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Standard Life Investments Emerging Markets Unconstrained Equity SICAV     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Standard Life Investments Emerging Markets Unconstrained Equity SICAV     | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund                         | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV European Corporate Bond Sustainable and Responsible Investment Fund | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global SICAV Global Absolute Return Strategies Fund                              | Luxembourg                                        | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Select Property Fund                                                             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Short Duration Global Index Linked Bond Fund                                     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments UK Equity Unconstrained Fund                                                     | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments UK Smaller Companies Fund                                                        | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Corporate Bond Fund                                                              | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Real estate fund                                                          | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Global Real estate fund                                                          | Ireland                                           | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments MyFolio Managed V Fund                                                           | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |

**Notes to the financial statements for the year ended 31 December 2015 (continued)****30. Related undertakings (continued)**

| <b>Name</b>                                               | <b>Country of registration/<br/>incorporation</b> | <b>Share class</b> | <b>% owned</b> | <b>Nature Of business</b> |
|-----------------------------------------------------------|---------------------------------------------------|--------------------|----------------|---------------------------|
| Standard Life Investments Global Total Return Credit Fund | Luxembourg                                        | Ordinary           | 0.1            | Investment management     |
| Standard Life Investments Multi-Asset Trust               | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments Strategic Bond Fund             | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments UK Equity High Income Fund      | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |
| Standard Life Investments UK Ethical Trust                | United Kingdom                                    | Ordinary           | 0.0            | Investment management     |

**31. Events after the statement of financial position date**

There have been no significant events after the reporting period.

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## **Independent Auditors' Report to the Members of Standard Life Investments Limited**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, Standard Life Investments Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit and cash flows for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

#### **What we have audited**

The financial statements, included within the Annual Report comprise:

- the statement of financial position as at 31 December 2015;
- the income statement for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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#### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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## **Independent Auditors' Report to the Members of Standard Life Investments Limited (continued)**

### **Report on the financial statements (continued)**

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### **Responsibilities for the financial statements and the audit**

##### **Our responsibilities and those of the directors**

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) ("ISAs (UK & 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.

##### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Catrin Thomas (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

15 February 2016