

**STANDARD LIFE INVESTMENTS
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016**



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 2016**

The Directors present their report together with the audited financial statements of Standard Life Investments Limited (the Company) for the year ended 31 December 2016.

Directors

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

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 2016 is a profit after tax of £242,676,000 (2015: £154,042,000). The Directors consider the result to be satisfactory.

Dividends

The Directors recommended and paid dividends of £208,000,000 in 2016 (2015: £131,000,000) to its parent company.

Charitable and political donations

The Company made no charitable donations during the year (2015: £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

PricewaterhouseCoopers LLP has been the Standard Life Group's auditors since 1994. In order to comply with regulations regarding mandatory auditor rotation and tendering, in last year's annual Standard Life plc accounts it was announced that the Standard Life Group were about to commence a tender process for the appointment of the external auditor. This tender resulted in the proposal, subject to shareholder approval at the 2017 AGM, to appoint KPMG as the external independent auditor for the 2017 financial year.

Disclosure of information to Auditors

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's 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



D J Burns, Company Secretary

Edinburgh, 21 February 2017

**Strategic report
for the year ended 31 December 2016**

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 25 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 takes pride in the high achieving, diverse and healthy working environment it has created, where all employees are valued, empowered and treated as individuals. Its approach to diversity and inclusion is defined in its broadest sense including, for example, age, socio-economic background, gender, disability, experience and ethnicity. The Company is committed to enabling all our people to fulfil their potential and to providing an inclusive workplace where all forms of diversity are valued. This covers the recruitment process, policies, working practices and the Company's people networks.

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 Group also carries out regular employee surveys to measure employee engagement and uses the results to develop action plans.

Additional details are disclosed in the Standard Life plc accounts.

Environmental matters

The Company follows the environmental strategy of the Standard Life Group which is disclosed within the Standard Life plc accounts

On behalf of the Board of Directors



C R Walklin, Director

Edinburgh, 21 February 2017

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 2016**

		2016	2015
	Note	£'000	£'000
Revenue			
Management fee income		681,820	603,590
Other operating income	3	132,672	54,441
Total revenue		814,492	658,031
Fee and commission expense		(36,961)	(32,357)
Net revenue		777,531	625,674
Operating expenses			
Administrative expenses		(484,404)	(433,512)
Total operating expenses		(484,404)	(433,512)
Revenue less expenses		293,127	192,162
Finance income	6	7	6
Finance costs	7	(63)	(191)
Gain on disposal of assets held for sale	19	-	5,995
Restructuring	8	(17,347)	(16,070)
Net foreign exchange loss		(2,675)	(1,539)
Profit before tax		273,049	180,363
Tax expense	9	(30,373)	(26,321)
Profit for the year attributable to equity holders of the Company		242,676	154,042

The notes on pages 9 to 45 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2016 or 31 December 2015. A separate statement of comprehensive income is therefore not disclosed.

**Statement of financial position
as at 31 December 2016**

		2016	2015
	Note	£'000	£'000
Assets			
Non-current assets			
Property and equipment	11	2,132	-
Intangible assets	12	27,372	22,177
Deferred tax assets	13	8,875	12,769
Investments in subsidiaries	14	28,148	27,934
Investments in associates	15	30,199	27,773
Total non-current assets		96,726	90,653
Current assets			
Investments in associates	15	137,140	108,860
Derivative assets	16	107	31
Trade and other receivables	17	171,763	183,440
Cash and cash equivalents	18	1,768	1,020
Total current assets		310,778	293,351
Total assets		407,504	384,004
Equity			
Share capital	20	34,440	34,440
Retained earnings	21	162,543	127,845
Equity attributable to equity holders of the parent		196,983	162,285
Liabilities			
Non-current liabilities			
Trade and other payables	22	28,034	36,809
Total non-current liabilities		28,034	36,809
Current liabilities			
Current tax liabilities	13	6,133	3,788
Trade and other payables	22	176,354	181,122
Total current liabilities		182,487	184,910
Total liabilities		210,521	221,719
Total equity and liabilities		407,504	384,004

The notes on pages 9 to 45 form part of these financial statements.

The financial statements on pages 5 to 45 were approved on behalf of the Board of Directors on 7 February 2017 and signed on its behalf on 21 February 2017 by the following Director:



C R Walklin, Director

**Statement of changes in equity
for the year ended 31 December 2016**

			Retained earnings	Total equity attributable to equity holders of the parent
	Note	Share capital		
		£'000	£'000	£'000
Balance at 1 January 2015		34,440	103,488	137,928
Comprehensive income				
Profit for the year		-	154,042	154,042
Total comprehensive income for the year		-	154,042	154,042
Other changes in equity				
Tax taken to equity	21	-	1,315	1,315
Total other changes in equity		-	1,315	1,315
Transactions with owners				
Dividends and distributions to equity holders	10	-	(131,000)	(131,000)
Balance at 31 December 2015		34,440	127,845	162,285
Balance at 1 January 2016		34,440	127,845	162,285
Comprehensive income				
Profit for the year		-	242,676	242,676
Total comprehensive income for the year		-	242,676	242,676
Other changes in equity				
Tax taken to equity	9(b)	-	22	22
Total other changes in equity		-	22	22
Transactions with owners				
Dividends and distributions to equity holders	10	-	(208,000)	(208,000)
Balance at 31 December 2016		34,440	162,543	196,983

The notes on pages 9 to 45 form part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2016**

	Note	2016 £'000	2015 £'000
Cash flows generated from operating activities			
Profit before tax		273,049	180,363
Movement in operating assets and liabilities	23	(1,866)	6,816
Non-cash items relating to investing and financing activity	23	(25,542)	(23,255)
Group relief movement included in operating assets and liabilities		(1,044)	(4,325)
Taxation and group relief paid		(23,144)	(19,035)
Net cash flows generated from operating activities		221,453	140,564
Cash flows used in investing activities			
Additions to property and equipment	11	(2,132)	-
Additions to intangible assets	12	(10,359)	(11,415)
Proceeds from disposal of assets held for sale	19	-	670
Additions to subsidiaries	14	(214)	(28)
Net cash flows used in investing activities		(12,705)	(10,773)
Cash flows used in financing activities			
Dividends and distributions to equity holders	10	(208,000)	(131,000)
Net cash used in financing activities		(208,000)	(131,000)
Net increase / (decrease) in cash and cash equivalents		748	(1,209)
Cash and cash equivalents at the beginning of the year		1,020	2,229
Cash and cash equivalents at the end of the year	18	1,768	1,020
Supplemental disclosures on cash flows from operating activities			
Interest received	6	7	6
Interest paid	7	(63)	(191)
Dividends received from subsidiary undertakings	10	118,541	44,642
Dividends received from associate	10	8,381	7,008

The notes on pages 9 to 45 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2016

1. Accounting policies

The Company's significant accounting policies are included at the beginning of the relevant note. This section outlines the basis of preparation, significant accounting policies which apply to the financial statements as a whole, and a summary of the Company's critical accounting estimates and judgements in applying 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 31.

(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.

It provides a new five-step revenue recognition model for the recognition of and measurement of revenue from contracts with customers.

A detailed impact assessment commenced in 2015, reviewing contracts and analysing the revenue recognised by the Group. Further analysis of the revenues generated within the investment management business was completed in 2016 with no material impact expected.

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

IFRS 9 will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 allows two measurement categories for financial assets in the statement of financial position: amortised cost and fair value. All equity instruments and derivative instruments are measured at fair value. Initial analysis indicates IFRS9 is unlikely to have an impact on the Group 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 periods beginning on or after 1 January 2019 with earlier adoption permitted if IFRS 15 has also been applied)

The IASB issued IFRS 16 *Leases* on 13 January 2016 with a mandatory effective date of 1 January 2019. The new standard replaces IAS 17 *Leases* and introduces a new single accounting approach for lessees for all leases (with limited exceptions). As a result there is no longer a distinction between operating leases and finance leases, and lessees will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The accounting for leases by lessors remains largely unchanged.

The Group leases property for use as office space which is currently classified as operating leases. As a result of the new standard the property leased by the Group will be brought onto the balance sheet. The right of use asset will be measured at the amount of the lease liability, adjusted for items such as lease prepayments and lease incentives received. The lease liability will be measured using the interest rate implicit in the lease. The right of use asset will be depreciated over the life of the lease and the interest expense on the lease liability will be recognised separately. The standard has not yet been endorsed by the EU. The Group will commence its full impact assessment of the standard on the consolidated financial statements during 2017.

Notes to the financial statements for the year ended 31 December 2016 (continued)**1. Accounting policies (continued)****(b) Revenue recognition*****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.

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.

(c) Expense recognition***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 which have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(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) 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 investments in associates 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.

Notes to the financial statements for the year ended 31 December 2016 (continued)**1. Accounting policies (continued)****(f) Derivatives**

Management determines the classification of derivatives at initial recognition. 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.

(g) 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.

(h) Pension costs and other post-retirement benefits

The Standard Life Group operates a number of defined benefit and defined contribution plans. 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. The contributions are recognised in staff expenses when they are due.

(i) 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.

(j) 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 on the next page.

Notes to the financial statements for the year ended 31 December 2016 (continued)**2. Key estimates and judgements (continued)****Key judgements made in selecting accounting policies and critical accounting estimates (continued)****Impairment assumptions**

The Company performs an annual review to consider whether there has been any indication that there may be an impairment of the carrying value of investments in subsidiaries. If there is considered to have been an impairment trigger event then an impairment review is performed. The impairment review compares the carrying value to the value in use of the subsidiary. The value in use calculation is based on a discounted cash flow model which reflects management's expectations of the future operating performance of the subsidiary. The key assumptions that have been applied include the future cash flows which are based on the regular reforecasting undertaken within the business and includes forecast asset flows, market movements, revenues and operating margins as well as long term growth rates and the discount factor.

3. Other operating income**Accounting Policy**

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 private equity schemes and dividend income are recognised when the right to receive payment is established.

Other income is recognised on an accruals basis.

	2016	2015
	£'000	£'000
Income from shares in Group undertakings	126,922	51,650
Gains / (losses) on financial instruments carried at FVTPL	2,136	(59)
Distributions from private equity funds	1,458	1,122
Other	2,156	1,728
Total other operating income	132,672	54,441

4. Staff and other employee related costs

	2016	2015
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	147,855	145,999
Social security costs	21,405	23,302
Other pension costs	10,404	8,007
Share based payment expenses	26,723	22,272
Cash based LTIPs	4,473	12,813
Other	8,588	6,344
Total staff and other employee related costs	219,448	218,737

The average number of staff of the Company during the year was 1,322 (2015: 1,180). The staff split by activity is as follows:

	2016	2015
Fund management	369	327
Global client group	352	287
Operations and change	402	368
Executive office, support, finance and risk	199	198
	1,322	1,180

Details of Directors' remuneration for services to the Company are contained in Note 26, 'Related party transactions'.

Notes to the financial statements for the year ended 31 December 2016 (continued)**5. Operating profit**

The following have been included in arriving at operating profit:

The following have been included in arriving at operating profit:

	2016	2015
	£'000	£'000
Staff and other employee related costs (Note 4)	219,448	218,737
Amortisation of intangibles (Note 12)	4,144	754
Independent Auditors' remuneration (see below)	790	600
 Fees payable to the Company's Independent Auditors for the audit of the Company financial statements	 31	 31
Fees payable to the Company's Independent Auditors:		
Services pursuant to legislation	131	5
Other assurance services	469	436
Tax advisory services	87	81
Tax compliance services	72	47
Total payable to the Company's Independent Auditors	790	600

6. Finance income

Interest income of £7,000 (2015: £6,000) is derived primarily from 'Cash and cash equivalents'.

7. Finance costs

Finance costs of £63,000 (2015: £191,000) consist of overdraft interest and interest claims.

8. Restructuring costs

£15,052,000 (2015: £15,060,000) of the restructuring costs relate to expenses incurred by the Company in connection with the integration of Ignis Asset Management Limited. £2,295,000 (2015: £1,010,000) relates to recharges for Standard Life.

9. Tax expense**Accounting Policy**

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 2016 (continued)**9. Tax expense (continued)****(a) Analysis of the tax charge for the year:**

	2016	2015
	£'000	£'000
Current tax		
United Kingdom corporation tax	27,050	27,934
Overseas tax	(5)	61
Adjustment to current tax in respect of prior years	(369)	239
Total current tax	26,676	28,234
Deferred tax		
Deferred tax credit arising in the current year	3,697	(1,447)
Adjustment to deferred tax in respect of prior years	-	(466)
Total deferred tax	3,697	(1,913)
Total tax expense	30,373	26,321

(b) Tax relating to items taken directly to equity

	2016	2015
	£'000	£'000
Current tax credit on reserves for employee share-based payments	(219)	(2,533)
Deferred tax charge on reserves for employee share-based payments	197	1,218
	(22)	(1,315)

(c) Reconciliation of tax expense:

	2016	2015
	£'000	£'000
Profit before tax	273,049	180,363
Tax at UK corporation tax rate of 20% (2015: 20.25%)	54,610	36,524
Effects of:		
Income not taxable	(25,410)	(11,707)
Disallowable expenses	728	636
Transfer pricing	34	198
Adjustment to deferred tax in respect of prior years	-	239
Adjustment to current tax in respect of prior years	(369)	(466)
Changes in deferred tax rate	785	836
Overseas tax	(5)	61
Total tax expense	30,373	26,321

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% for the year (2015: 20.25%).

Notes to the financial statements for the year ended 31 December 2016 (continued)**10. Dividends****Accounting Policy**

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

	2016	2015
	£'000	£'000
Dividends paid to parent undertaking	208,000	131,000
Total dividends	208,000	131,000
Dividends received from subsidiary undertakings	118,541	44,642
Dividend received from associate	8,381	7,008
	126,922	51,650
	2016	2015
	pence per share	pence per share
Dividends paid to parent undertaking	604	380

11. Property and equipment**Accounting Policy**

Property and equipment is capitalised at cost and depreciation is charged to the income statement, within 'Administrative expenses', on a straight-line basis, over their estimated useful lives of between three and five years.

Additions of £2,132,000 in the year relate to leasehold improvements (2015:£nil).

The property and equipment is not yet in use therefore no depreciation has been charged.

Notes to the financial statements for the year ended 31 December 2016 (continued)**12. Intangible assets****Accounting Policy**

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). Amortisation commences at the time from which an intangible asset becomes available for use.

	Total
Cost:	£'000
At 1 January 2015	13,328
Additions	11,415
At 31 December 2015	24,743
Additions	10,359
At 31 December 2016	35,102
Accumulated amortisation:	
At 1 January 2015	1,812
Amortisation for the year	754
At 31 December 2015	2,566
Amortisation for the year	4,144
R&D tax credit claimed on capitalised expenditure *	1,020
At 31 December 2016	7,730
Net book value:	
At 31 December 2015	22,177
At 31 December 2016	27,372

* The Research and Development tax credit will be recognised in the income statement over the periods in which amortisation is recognised.

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).

There has been no impairment recorded in the year (2015: nil).

Notes to the financial statements for the year ended 31 December 2016 (continued)**13. Tax assets and liabilities****(a) Tax assets and liabilities**

	2016	2015
	£'000	£'000
Deferred tax assets (see (b) below)	8,875	12,769
Total tax assets	8,875	12,769
Current tax liabilities	6,133	3,788
Total tax liabilities	6,133	3,788

(b) Recognised deferred tax

	2016	2015
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	10,839	12,678
Legal and marketing provision	504	530
Unrelieved capital allowances	104	71
Gross deferred tax assets	11,447	13,279
Less: offset of deferred tax liabilities	(2,572)	(510)
Net deferred tax assets	8,875	12,769
Deferred tax liabilities comprise:		
Unrealised gain on investment securities	(1,003)	(510)
Research and Development claim on capitalised expenses	(1,569)	-
Gross deferred tax liabilities	(2,572)	(510)
Less: offset against deferred tax assets	2,572	510
Net deferred tax liabilities	-	-

Movements in net deferred tax assets comprise:

At 1 January	12,769	12,074
Amounts credited to the income statement (note 9(a))	(3,697)	1,913
Deferred tax taken to equity	(197)	(1,218)
At 31 December	8,875	12,769

The standard rate of UK corporation tax for the accounting period is 20% (2015: 20.25%). The UK tax rate will reduce to 19% from 1 April 2017 and 17% 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 2016.

14. Investments in subsidiaries**Accounting Policy**

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's investments in subsidiaries are held at cost.

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.

	2016	2015
	£'000	£'000
At 1 January	27,934	27,906
Additions	214	28
At 31 December	28,148	27,934

The additional investments in 2016 relate to Standard Life Investments (Switzerland) Limited (£67,000) and Standard Life Investments (Singapore) Limited (£147,000). The additional investment in 2015 relates to Standard Life Investments (Japan) Limited.

Notes to the financial statements for the year ended 31 December 2016 (continued)**14. Investments in subsidiaries (continued)**

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

The registered head office of all related undertakings is 1 George St, Edinburgh, EH2 2LL unless otherwise stated.

Name	Country of registration/ incorporation	Share class	Direct or Indirect % owned	Nature of business
Parent Entity - Standard Life Investments Limited				
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
Standard Life Investments (Private Capital) Limited	Scotland	Ordinary	100	Investment management
Standard Life Investments (USA) Limited	Scotland	Ordinary	100	Investment management
Standard Life Investments (Hong Kong) Limited ¹	Hong Kong	Ordinary	100	Investment management
Standard Life Investments No. 2 (Hong Kong) Limited ¹	Hong Kong	Ordinary	100	Investment management
Standard Life Investments (Jersey) Limited ²	Jersey	Ordinary	100	Property investment management
Standard Life Investments (France) SAS ³	France	Ordinary	100	Investment management
Standard Life Investments (Japan) Limited ⁴	Japan	Ordinary	100	Investment management
Standard Life Investments (Switzerland) Limited ⁵	Switzerland	Ordinary	100	Investment management
Standard Life Investments (Singapore) Pte. Limited ⁶	Singapore	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 ⁷	England and Wales	Ordinary	100	Investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**14. Investments in subsidiaries (continued)**

Name	Country of registration/ incorporation	Share class	Direct or indirect % owned	Nature of business
Parent Entity - Standard Life Investments Limited				
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 ⁸	India	Ordinary	40	Investment management
Castlepoint General Partner Limited ⁹	England & Wales	Ordinary	100	Investment management
Standard Life Investments (General Partner MAC) Limited	Scotland	Ordinary	100	Investment management
Standard Life Investments (General Partner European Real Estate Club) Limited ¹⁰	England & Wales	Ordinary	100	Property investment management
Standard Life Investments (General Partner European Real Estate Club II) Limited ¹⁰	England & Wales	Ordinary	100	Property investment management
Standard Life Investments (General Partner European Real Estate Club III) Limited ¹⁰	England & Wales	Ordinary	100	Property investment management
Standard Life Investments (General Partner CRED) Limited ⁷	England & Wales	Ordinary	100	Property investment management
Standard Life Investments - India Advantage Fund ¹¹	Mauritius	Ordinary	100	Investment management
Standard Life Investments Brent Cross General Partner Limited	Scotland	Ordinary	100	Investment management
Standard Life Investments (General Partner GFS) Limited	Scotland	Ordinary	100	Property investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**14. Investments in subsidiaries (continued)**

Name	Country of registration/ incorporation	Share class	Direct or Indirect % owned	Nature of business
Parent Entity - Standard Life Investments (Private Capital) Limited				
SL Capital Partners LLP	Scotland	LLP	60	Investment management
Parent Entity - Standard Life Investments (Corporate Funds) Limited				
Standard Life Investments (PDF, No 1) Limited ²	Jersey	Ordinary	50.1	Investment management
Touchstone Insurance Company Limited ¹²	Guernsey	Ordinary	0.0001	General property insurance
Standard Life Investments Global Absolute Return Strategies Master Fund Limited ¹³	Cayman Islands	Ordinary	100	Investment management
Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited ¹³	Cayman Islands	Ordinary	100	Investment management
Standard Life Investments European RE Club (Offshore Feeder) Limited ¹⁴	Cayman Islands	Ordinary	100	Property investment management
Standard Life Investments European RE Club II (Offshore Feeder) Limited ¹⁴	Cayman Islands	Ordinary	100	Property investment management
Standard Life Investments Global Focused Strategies Master Fund Limited ¹³	Cayman Islands	Ordinary	100	Property investment management
Standard Life Investments Global Focused Strategies Offshore Feeder Fund Limited ¹³	Cayman Islands	Ordinary	100	Property investment management
Parent Entity - SL Capital Partners LLP				
SLCP (Holdings) Limited	Scotland	Ordinary	60	Holding Company
Parent Entity - Standard Life Investments (USA) Limited				
Standard Life Investments Securities LLC ¹⁶	USA	Ordinary	100	Investment management
Parent Entity - SLCP (Holdings) Limited				
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
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

Notes to the financial statements for the year ended 31 December 2016 (continued)**14. Investments in subsidiaries (continued)**

Name	Country of registration/ incorporation	Share class	Direct or indirect % owned	Nature of business
Parent Entity - SLCP (Holdings) Limited (continued)				
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 SOF III) 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 ¹³	Cayman Islands	Ordinary	60	Investment management
Ignis Cayman GP3 Limited ¹³	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
SLCP (Founder Partner Ignis Private Equity) Limited	Scotland	Ordinary	60	Investment management
SLCP (Founder Partner Ignis Strategic Credit) Limited	Scotland	Ordinary	60	Investment management
SLCP (General Partner 2016 Co-Investment) Limited	Scotland	Ordinary	60	Investment management
Parent Entity - Castlepoint General Partner Limited				
Castlepoint Nominee Limited ⁹	England & Wales	Ordinary	100	Investment management
Castlepoint LP ⁹	England & Wales	Ordinary	0.003	Investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**14. Investments in subsidiaries (continued)****Parent Entity - Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited**

Standard Life Investments UK Shopping Centre Feeder Fund Company Limited ²	Jersey	Ordinary	100	Investment management
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Parent Entity - Standard Life Investments (General Partner European Real Estate Club) Limited

European RE Club (Luxembourg) S.a.r.l. ¹⁵	Luxembourg	Ordinary	100	Investment management
European RE Club (Luxembourg) S.a.r.l. II ¹⁵	Luxembourg	Ordinary	100	Investment management
European RE Club (Luxembourg) S.a.r.l. III ¹⁵	Luxembourg	Ordinary	100	Investment management

Standard Life Investments (General Partner EPGF) Limited

Castlepoint LP ⁹	England & Wales	Ordinary	0.003	Investment management
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1 Registered office: 30th Floor, Jardine House, One Connaught Place, Hong Kong, Hong Kong

2 Registered office: Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey

3 Registered office: 100 Avenue des Champs Elysees, 1 Rue de Berri, F-75008, Paris, France

4 Registered office: Tokyo Bankers Club Building 15F, 1-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan

5 Registered office: Bahnhofstrasse 100, 8001, Zurich

6 Registered office: 8 Marina Boulevard, #05-02, Marina Bay Financial Tower 1, 018981, Singapore

7 Registered office: 100 Barbirolli Square, Manchester, M2 3AB, United Kingdom

8 Registered office: HUL House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai

9 Registered office: 11th floor Two snowhill Birmingham B4 6WR

10 Registered office: 31st floor, 30 St Mary Axe, London, EC3A 8BF

11 Registered office: C/O CIM Fund Services 33 Edith Cavell Street Port Louis Mauritius

12 Registered office: c/o Aon, PO Box 33, Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT, Guernsey

13 Registered office: C/O Maples Corporate Services Limited, PO Box 309, Ugland House, Cayman Islands, KY1-1104

14 Registered office: PO BOX 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104

15 Registered office: 9, rue Gabriel Lippmann, Parc d'Activite, Syrdall 2, L-5365, Munsbach, Luxembourg

16 Registered office: Corporation Service Company, Suite 400, Wilimington DE, United States

* These entities are noted as subsidiaries due to ownership of share capital, however are not consolidated in the Group financial statements.

Notes to the financial statements for the year ended 31 December 2016 (continued)**15. Investments in associates****Accounting Policy**

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 Company considers itself to have significant influence over entities where 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.

	2016	2015
	£'000	£'000
Investment in the Seabury Assets Fund plc	137,140	108,860
Investment in HDFC AMC	13,448	13,448
Other	16,751	14,325
	167,339	136,633

	2016	2015
	£'000	£'000
Presented as:		
Non-current	30,199	27,773
Current	137,140	108,860
	167,339	136,633

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

Seabury Assets Fund plc (Seabury)¹ 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 7.73%.

HDFC AMC² is an investment management company incorporated in India. The Company holds a 40% (2015: 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 (2015: none). Note 31 provides further details on these associates.

¹ Registered office: 70 Sir Rogerson's Quay, Dublin, Ireland

² Registered office: HUL House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai

16. Derivative assets

Derivative assets consists of foreign exchange forwards valued at £107,000 (2015: £31,000) on a contract amount of £8,712,246 (2015: £10,346,000). The fair value movement on derivative financial instruments was a loss of £1,214,708 (2015: loss of £298,000). This has been recognised in operating income during the year.

Notes to the financial statements for the year ended 31 December 2016 (continued)**17. Trade and other receivables****Accounting Policy**

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.

	2016	2015
	£'000	£'000
Amounts owed by subsidiary undertakings	130,120	137,861
Amounts owed by Standard Life Group undertakings	5,267	11,993
Prepayments and accrued income	23,093	19,216
Management fee debtors	12,963	12,978
Other	320	1,392
Total trade and other receivables	171,763	183,440

All of the financial assets above are non-interest bearing and expected to be settled within one year. Note 25 to these financial statements provides an analysis of the credit and foreign currency risks from the financial assets noted above.

18. Cash and cash equivalents**Accounting Policy**

Cash and cash equivalents include cash at bank, money at call and short notice with banks, and any highly liquid investments with less than three months to maturity from the date of acquisition, and are measured at amortised cost.

	2016	2015
	£'000	£'000
Cash at bank and in hand	1,460	764
Short-term bank deposits	308	256
Total cash and cash equivalents	1,768	1,020

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 (2015: A or above).

19. Assets held for sale

There were no disposals of assets held for sale during the year (2015: An asset held for sale with a value of £670,000 as at 31 December 2014, relating to the investment in Standard Life Investments Inc., was sold on 30 January 2015 to Standard Life Overseas Holdings Limited for a consideration of £6,665,000).

20. Share capital**Accounting Policy**

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.

	Allotted, Called Up and Fully Paid			
	2016		2015	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	34,440,000	34,440	34,440,000	34,440

21. Retained earnings

	2016	2015
	£'000	£'000
At 1 January	127,845	103,488
Profit for the year attributable to equity holders	242,676	154,042
Dividends and distributions	(208,000)	(131,000)
Tax credit relating to share option scheme	22	1,315
At 31 December	162,543	127,845

Notes to the financial statements for the year ended 31 December 2016 (continued)**22. Trade and other payables****Accounting Policy**

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

	2016	2015
	£'000	£'000
Accruals and deferred income	144,659	162,203
Amounts owed to Standard Life Group undertakings	48,111	43,140
Amounts owed to subsidiary undertakings	9,609	10,959
Other	2,009	1,629
Total trade and other payables	204,388	217,931
Presented as:		
Non-current	28,034	36,809
Current	176,354	181,122
Total trade and other payables	204,388	217,931

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

23. Statement of cash flows**a) Movement in operating assets and liabilities**

	2016	2015
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	11,677	(21,513)
	11,677	(21,513)
Movement in operating liabilities:		
Trade and other payables	(13,543)	28,329
	(13,543)	28,329
Movement in operating assets and liabilities	(1,866)	6,816

b) Non-cash items relating to investing and financing activities

	2016	2015
	£'000	£'000
Amortisation of intangible assets	4,144	754
Research cost provision	1,020	-
Movement in investment in associates	(30,706)	(24,009)
Net cash flows from investing and financing activities	(25,542)	(23,255)

Notes to the financial statements for the year ended 31 December 2016 (continued)**24. Structured entities****Accounting Policy**

The Company has investments in a range of vehicles which are classified as structured entities. The vehicles are structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity but rather rights arising from contractual agreements give power to direct the relevant activities.

Investments in these entities are classified as investments in associates in the statement of financial position where the Company has significant influence. The relevant investments are measured at FVTPL.

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 £112.1bn (2015: £103.1bn).

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 25 '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 25 'Financial Risk Management'.

25. 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 all Standard Life Group strategy are managed in line with its expectations.

(b) The Group's approach to risk and capital management

The Company operates within the governance structure of the Group. The Group has its own established governance framework, with clear terms of reference for the Group Board (the Board) and risk committees and a clear organisation structure, with documented, delegated authorities and responsibilities.

The Group takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Group's risk profile. The Board has adopted Standard Life Group risk policies and has approved certain Group specific policies which determine the framework for identifying, assessing, monitoring and controlling risk.

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(b) The Group's approach to risk and capital management (continued)**

Capital is managed within the regulatory framework in which the Group operates. This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Board, to identify the risks to which the business is exposed and to quantify their impact on capital, including changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to cover the risks to which the Company is, or might be, exposed to. The Group is required at all times to maintain at least this level of capital. The Company does not have its own ICAAP but is a component of the Group ICAAP. The Group's calculation thereof is subject to review by the FCA who also monitors capital management by way of quarterly and annual submissions made by the Group and periodic visits.

The ICAAP is subject to high level quarterly review within the Group, with detailed annual review and approval by the Board. The potential impact of any significant risks identified 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 line items in the statement of financial position.

(i) Statement of financial position reconciliation

2016				
Financial assets				
	FVTPL	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000	£'000
Intangible assets	-	-	27,372	27,372
Investments in subsidiaries	-	-	28,148	28,148
Property and equipment	-	-	2,132	2,132
Derivative assets	107	-	-	107
Tax assets	-	-	8,875	8,875
Investments in associates	153,891	-	13,448	167,339
Trade and other receivables	-	167,293	4,470	171,763
Cash and cash equivalents	-	1,768	-	1,768
Total assets	153,998	169,061	84,445	407,504

2015				
Financial assets				
	FVTPL	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000	£'000
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
Total assets	123,216	182,985	77,803	384,004

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(i) Statement of financial position reconciliation (continued)**

	2016		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Current tax liabilities	-	6,133	6,133
Trade and other payables	203,991	397	204,388
Total liabilities	203,991	6,530	210,521

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

(ii) Fair value of assets and liabilities

All 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. There are no liabilities held at FVTPL. Due to the short term nature of current financial assets and current financial liabilities carried at amortised cost, the carrying value 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:

	2016			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Derivative assets	-	107	-	107
Investments in associates	614	144,383	8,894	153,891
	614	144,490	8,894	153,998

	2015			
	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Assets				
Derivative assets	-	31	-	31
Investments in associates	386	113,982	8,817	123,185
	386	114,013	8,817	123,216

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.

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(ii) Fair value of assets and liabilities (continued)**

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.

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 £1,416,000 (2015: £1,406,900) 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.

	2016	2015
	Investments in associates	Investments in associates
	£'000	£'000
At 1 January	8,817	9,394
Total gains or losses recognised in the income statement	(801)	14
Purchases	917	703
Sales	(1,369)	(901)
Foreign exchange adjustment	1,330	(393)
At 31 December	8,894	8,817

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. Intercompany balances with Standard Life Group entities have no past history of default. All trade and other receivable balances due, and the financial suitability of material counterparties, are assessed regularly.

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.

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 (2015: A or above).

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

	2016	2015
	£'000	£'000
Trade and other receivables	167,293	181,965
Derivative assets	107	31
Investment in associates	153,891	123,185
Cash and cash equivalents	1,768	1,020
	323,059	306,201

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(iv) Credit risk (continued)**

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 £192,909 (2015: £257,000), of which £nil is overdue for less than one month (2015: £231,000) and £122,252 (2015: £26,000) for greater than one month and £nil (2015: £nil) over twelve months.

(v) Market risk

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

The Company is domiciled in and was incorporated in Scotland.

The Group uses sensitivity test-based analysis including market movements, 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 £54,546,000 (2015: £48,136,000).

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 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:

2016				
	Sterling	USD	Euro	Other currencies
	£'000	£'000	£'000	£'000
Investment in associates	144,534	1,065	8,123	169
Derivative assets	-	-	107	-
Trade and other receivables	150,615	1,241	12,411	3,026
Cash and cash equivalents	737	246	164	621
	295,886	2,552	20,805	3,816
	323,059			

2015				
	Sterling	USD	Euro	Other currencies
	£'000	£'000	£'000	£'000
Investments 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
	279,092	834	24,051	2,224
	306,201			

2016				
	Sterling	USD	Euro	Other currencies
	£'000	£'000	£'000	£'000
Trade and other payables	188,350	4,635	3,693	7,710
	188,350	4,635	3,693	7,710
	204,388			

2015				
	Sterling	USD	Euro	Other currencies
	£'000	£'000	£'000	£'000
Trade and other payables	201,500	5,221	6,717	4,062
	201,500	5,221	6,717	4,062
	217,500			

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(v) Market risk (continued)**

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

	2016	
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Euro	Euro
	£'000	£'000
Impact on profit after tax	1,579	(1,292)
2015		
	10% increase in currency against Sterling	10% decrease in currency against Sterling
	Euro	Euro
	£'000	£'000
Impact on profit after tax	2,131	(1,744)

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 Board.

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'.

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(vi) Liquidity risk (continued)**

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

	2016			
	Derivative	Investment in	Trade and	Cash and cash
	assets	associates	other receivables	equivalents
Financial assets	£'000	£'000	£'000	£'000
Due on demand	107	137,140	-	1,768
Due within 1 month	-	-	12,963	-
Due within 1 year	-	-	-	-
No contractual maturity date	-	16,751	154,330	-
	107	153,891	167,293	1,768

	2015			
	Derivative	Investment in	Trade and	Cash and cash
	assets	associates	other receivables	equivalents
Financial assets	£'000	£'000	£'000	£'000
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	-
	31	123,185	181,965	1,020

	2016	2015
	Trade and other payables	
	£'000	£'000
Due within 1 month	44,811	12,904
Due within 1 year	73,175	113,688
Due between 1 and 5 years	28,285	36,809
No contractual maturity date	57,720	54,099
	203,991	217,500

(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.

Notes to the financial statements for the year ended 31 December 2016 (continued)**25. Financial risk management (continued)****(d) Compliance with FCA regulatory requirements**

The Capital Requirements Directive and Regulation created a revised regulatory capital framework across Europe governing how much capital financial services firms must retain. In the United Kingdom, this has been implemented by our regulator, the FCA, which has created rules and guidance specifically through the creation of the General Prudential Sourcebook (GENPRU), the Investment Firms Prudential Sourcebook (IFPRU) 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.

Chapter 11 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

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

26. 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.

(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:

2016			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Pension schemes	-	10,404	-
Standard Life Group undertakings	755,287	114,814	135,387
Other	2,455	23,238	-
	757,742	148,456	135,387
			57,720
2015			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Pension schemes	-	13,267	-
Standard Life Group undertakings	608,287	92,128	149,854
Other	2,406	19,581	-
	610,693	124,976	149,854
			54,099

Notes to the financial statements for the year ended 31 December 2016 (continued)**26. Related party transactions (continued)****(b) Company transactions between and balances with related parties (continued)**

Dividend income from subsidiaries amounted to £118,541,000 (2015: £44,642,000). Dividends owed by subsidiaries amounted to £nil (2015: £nil).

Dividend income received from HDFC AMC amounted to £8,381,000 (2015: £7,008,000). Dividends owed by HDFC AMC amounted to £nil (2015: £nil).

In 2016 the Company received revenue from a collective investment scheme of £744,000 (2015: £434,000). The investments held in collective investment schemes within the statement of financial position in the year and prior year are held with a related party and the dividend income received in the year and prior year were from a related party.

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 10 people (2015: 11 people) comprising of all Directors. The remuneration of the Directors during the year was as follows:

	2016	2015
	£'000	£'000
Short-term benefits	9,487	12,145
Post-employment benefits	-	6
Share-based payment expenses	5,268	7,156
Total key management personnel remuneration	14,755	19,307

£12,370,000 (2015: £16,151,000) was owing to key management personnel at the statement of financial position date.

Ten Directors (2015: ten) 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 (2015: ten) Directors whose qualifying services were received or are receivable in the year.

Ten (2015: ten) Directors exercised share options during the year.

Retirement benefits are accruing to five Directors (2015: five) in respect of their services to the Company and its subsidiaries under a defined benefit scheme operated by the Standard Life Group and three (2015: two) under a defined contribution scheme.

The highest paid Director of the Company received aggregate remuneration during the year of £3,332,000 (2015: £3,095,000). At 31 December 2016, the highest paid Director also held accrued pension benefits of £nil (2015: £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 £nil (2015: £93,000).

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.

27. 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 2016 were £10,404,000 (2015: £8,007,000).

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

Notes to the financial statements for the year ended 31 December 2016 (continued)**28. Employee share based payments****Accounting Policy**

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 below. 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.

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.

Notes to the financial statements for the year ended 31 December 2016 (continued)**28. Employee share based payments (continued)**

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:

Plan	Recipients	Grant date	Conditions which must be met prior to vesting
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 certain employees overseas which are cash settled.

(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 2016 and 2015 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 £50 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 2016 (continued)**28. 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):

2016				
Number of options				
000's				
	Long-term Incentive plan (including RSP)	Short-term Incentive plan	Sharesave	Weighted average exercise price for Sharesave
Outstanding at 1 Jan	20,941	32	2,461	257p
Granted	15,157	17	981	283p
Forfeited	(1,812)	-	(60)	338p
Exercised	(2,858)	(15)	(804)	194p
Cancelled	-	-	(282)	321p
Outstanding at 31 Dec	31,428	34	2,296	290p
Weighted average remaining contractual life of options outstanding (years)	2.03	1.22	2.81	

2015				
Number of options				
000's				
	Long-term Incentive plan (including RSP)	Short-term Incentive plan	Sharesave	Weighted average exercise price for Sharesave
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	20,941	32	2,461	257p
Exercisable at 31 December	-	-	15	
Weighted average remaining contractual life of options outstanding (years)	2.13	1.29	2.60	

The number of options for 2016 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 2016 (continued)**28. 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):

2016				
	Long-term incentive plan (excluding RSP)	RSP	Short-term incentive plans	Sharesave
Options granted during the year				
Date of grant	24 March 2016	Throughout	24 March 2016	07 October 2016
Share price at grant date	349p	342p	349p	355p
Weighted average fair value	349p	342p	349p	55p
Exercise price	nil	nil	nil	283p
Option term (years)	3.29	2.39	3.23	3.59
Options exercised during the year				
Weighted average share price at time of exercise	350p	349p	357p	341p

2015				
	Long-term incentive plan (excluding RSP)	RSP	Short-term incentive plans	Sharesave
Options granted during the year				
Date of grant	SLI 30 March 2015 and Standard Life LTIP 27 March 2015	Throughout	27 March 2015	09 October 2015
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
Options exercised during the year				
Weighted average share price at time of exercise	466p	475p	476p	424p

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 2016 (continued)**28. Employee share based payments (continued)**

The following table shows the range of exercise prices of options outstanding at 31 December 2016. All options are exercisable for a period of six months after the vesting date.

	2016	2015
	Number of options outstanding (000's)	Number of options outstanding (000's)
Long-term incentive plans	31,428	20,941
£nil		
Short-term incentive plans		
£nil	34	32
Sharesave		
157p	50	594
221p	65	86
272p	133	275
283p	974	-
296p	646	826
328p	428	-
Outstanding at 31 December	33,758	22,754

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.

	2016	2015
Number of instruments granted	117,134	49,470
Share price at date of grant	333p	430p
Fair value per granted instrument at grant date	333p	430p

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:

	2016	2015
	£'000	£'000
Share options granted under LTIPs	25,915	21,624
Share options granted under Sharesave	593	398
Share options granted under short-term incentive plans	37	72
Matching shares granted under share incentive plans	178	178
	26,723	22,272

Notes to the financial statements for the year ended 31 December 2016 (continued)**29. Commitments****Operating lease commitments**

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

	2016	2015
	£'000	£'000
Within one year	6,928	-
Expiring thereafter	70,488	51,361
	77,416	51,361

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 £18,557,000 (2015: £15,976,000) into limited partnerships. During the year the Company invested £917,000 (2015: £419,000) with a remaining maximum commitment of £3,905,000 (2015: £4,195,000).

30. 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 2016 is £2,191,000 (2015: £2,927,000).

31. 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 15 and 14 respectively.

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

The registered head office of all related undertakings is 1 George St, Edinburgh, EH2 2LL unless otherwise stated.

Name	Country of registration/ Incorporation	Share class	% owned	Nature Of business
SLCP (General Partner Pearl Strategic Credit) Limited	Scotland	Ordinary	0.6	Investment management
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
SLCP (General Partner Ecastle) Limited	Scotland	Ordinary	0.0	Investment management
Standard Life Investments (General Partner EPGF) Limited	Scotland	Ordinary	0.0	Investment management
SLCP (General Partner ESP 2006) Limited	Scotland	Ordinary	0.0	Investment management
SLCP (General Partner USA) Limited	Scotland	Ordinary	0.0	Investment management
Standard Life Investments AAA Income Fund	United Kingdom	Ordinary	0.0	Investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**31. Related undertakings (continued)**

Name	Country of registration/ Incorporation	Share class	% owned	Nature Of business
Standard Life Investments American Equity Growth fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Unconstrained SICAV ¹	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Unconstrained SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Asian Equities - SICAV (Luxembourg) ¹	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 ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Continental European Equity Income SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Corporate Bond Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Emerging Market Corporate Bond SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Emerging Market Debt Unconstrained 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) ¹	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 High Yield Bond Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments European Unconstrained Equities ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments European Smaller Companies SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Emerging Market Equity Income	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Global Bond SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Emerging Markets Equity Fund SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Emerging Markets Local Currency Debt ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Equities Unconstrained SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global High Yield Bond SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global High Yield Bond SICAV ¹	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 ¹	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 ¹	Luxembourg	Ordinary	0.0	Investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**31. Related undertakings (continued)**

Name	Country of registration/ incorporation	Share class	% owned	Nature Of business
Standard Life Investments Global SICAV European Corporate Bond Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV Pan European Corporate Bond Fund ¹	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 ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Japanese Equities SICAV ¹	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) ¹	Luxembourg	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 ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments MyFolio Managed V Fund	United Kingdom	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
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

Notes to the financial statements for the year ended 31 December 2016 (continued)**31. Related undertakings (continued)**

Name	Country of registration/ Incorporation	Share class	% owned	Nature Of business
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 ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Global REIT Focus SICAV Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Corporate Bond SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global Emerging Markets Unconstrained Equity SICAV ¹	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Global Emerging Markets Unconstrained Equity SICAV ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV Absolute Return Global Bond Strategies Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV European Corporate Bond Sustainable and Responsible Investment Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV Global Absolute Return Strategies Fund ¹	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 feeder fund	Ireland	Ordinary	0.0	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
Standard Life Wealth Balanced Bridge Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth Bridge Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth Falcon Fund	United Kingdom	Ordinary	0.0	Investment management
Global Smaller Companies Fund	United Kingdom	Ordinary	0.0	Investment management
UK Equity High Alpha Fund	United Kingdom	Ordinary	0.0	Investment management
Liability Aware Absolute Return III Nominal Profile Fund ²	Ireland	Ordinary	0.0	Investment management

Notes to the financial statements for the year ended 31 December 2016 (continued)**31. Related undertakings (continued)**

Name	Country of registration/ incorporation	Share class	% owned	Nature Of business
Liability Aware Absolute Return III Real Profile Fund ²	Ireland	Ordinary	0.0	Investment management
Global Equity Income Fund	United Kingdom	Ordinary	0.0	Investment management
MyFolio Managed II Fund	United Kingdom	Ordinary	0.0	Investment management
MyFolio Market II Fund	United Kingdom	Ordinary	0.0	Investment management
MyFolio Market III Fund	United Kingdom	Ordinary	0.0	Investment management
MyFolio Multi-Manager III Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) UK Equity Fund ³	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Global Equity Fund ³	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Bridge Fund ³	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Global Fixed Interest Fund ³	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Sterling Fixed Interest Fund ³	United Kingdom	Ordinary	0.0	Investment management
Standard Life Wealth Phoenix	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II MyFolio Multi-Manager I Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II MyFolio Multi-Manager II Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II MyFolio Multi-Manager III Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II MyFolio Multi-Manager IV Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II MyFolio Multi-Manager V Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments UK Real Estate Fund (PAIF)	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments UK Real Estate Accumulation Feeder Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments UK Real Estate Income Feeder Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments UK Equity Income Unconstrained Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Income Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV Emerging Market Debt Unconstrained Fund ¹	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV II Enhanced-Diversification Multi Asset Fund ¹	Luxembourg	Ordinary	0.0	Investment management
SLI Short Dated Corporate Bond Fund	United Kingdom	Ordinary	0.0	Investment management
UK Equity Growth Fund	United Kingdom	Ordinary	0.0	Investment management
UK Opportunities Fund	United Kingdom	Ordinary	0.0	Investment management

1 Registered office: 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg

2 Registered office: 70 Sir Rogeron's Quay, Dublin

3 Registered office: Liberte House, 19-23 Motte Street, St. Helier, Jersey. JE4 5RL, Jersey

Notes to the financial statements for the year ended 31 December 2016 (continued)

32. Events after the statement of financial position date

There have been no significant events after the reporting period.

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

Report on the financial statements

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 2016 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 and Financial Statements (the "Annual Report"), comprise:

- the Statement of financial position as at 31 December 2016;
- 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 IFRSs as adopted by the European Union, and applicable law.

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' annual report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

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, 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.

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.

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

Report on the financial statements (continued)

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. With respect to the Strategic Report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.



Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
21 February 2017