

Registration number: SC123321



Standard Life Investments Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2017

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Company Information

Directors S A Fitzgerald
 R L Paris
 M J Gilbert
 N K Skeoch
 M Tumilty

Company secretary H S Kidd

Registered office 1 George Street
 Edinburgh
 Lothian
 EH2 2LL

Auditors KPMG LLP
 Chartered Accountants and Statutory Auditors
 Saltire Court
 20 Castle Terrace
 Edinburgh
 United Kingdom
 EH1 2EG

Directors' Report for the year ended 31 December 2017

The directors present their report together with the audited financial statements of Standard Life Investments Limited (the Company) for the year ended 31 December 2017.

Directors

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

Directors of the Company during the year were as follows:

A S Acheson (resigned 1 December 2017)
R A Charnock (resigned 1 December 2017)
C M Clark (resigned 14 August 2017)
D T Cumming (resigned 31 March 2017)
R L Paris
G B Stern (resigned 1 December 2017)
M J Gilbert (appointed 12 December 2017)
W R Littleboy (resigned 14 November 2017)
N K Skeoch
M Tumilty
C R Walklin (resigned 1 December 2017)

The following Director was appointed after the year end:

S A Fitzgerald (appointed 4 January 2018)

Company Secretaries of the Company during the year were as follows:

D J Burns (resigned as Company Secretary 4 April 2017)
H S Kidd (appointed as Company Secretary 4 April 2017)

Result for the year

The result for the year ended 31 December 2017 is a profit after tax of £176,770,000 (2016: £242,676,000). The Directors consider the result to be satisfactory.

Future outlook

The Directors are confident that the Company will maintain its financial position in the future.

Dividends

The directors recommended and paid dividends of £185,000,000 in 2017 (2016: £208,000,000) to its parent company.

Charitable donations

The Company did not make any material charitable donations throughout the year (2016: nil).

Annual general meeting

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

Directors' Report for the year ended 31 December 2017 (continued)

Independent Auditors

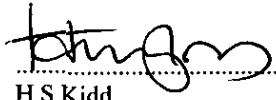
During the financial year ended 31 December 2017, the Standard Life Aberdeen Group appointed KPMG LLP (KPMG) as principal auditor replacing PricewaterhouseCoopers LLP (PwC). The Independent Auditors, KPMG, have indicated their willingness to continue in office.

Disclosure of information to the auditor

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.

Approved by the Board on 15 February 2018 and signed on its behalf by:



H S Kidd
Company secretary

Strategic Report for the year ended 31 December 2017

Review of the Company's business

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

During the year, the ultimate parent of the Company (Standard Life plc) merged with Aberdeen Asset Management plc to form Standard Life Aberdeen plc. The merger completed on 14 August 2017 and the Company became part of the Standard Life Aberdeen group. A review will be conducted in 2018 as part of the wider integration activities to ascertain what additional impact, if any, this will have on the Company.

Key performance indicators (KPIs)

The Company uses a number of key performance indicators (KPIs) to monitor the performance of the business throughout the year. These KPIs are shown below:

	2017 £ 000	2016 £ 000
Net revenue	724,554	777,532
Revenue less expenses	231,038	293,127

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 Standard Life Aberdeen Group, of which the Company is a part, has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the Group that includes a clearly stated corporate organisational structure, appropriately delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework. The main business risks to which the Company is exposed, and its financial risk management objectives and policies, are considered in Note 27 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 is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, religious belief, sex, sexual orientation, marital status or disablement. The Company will continue to employ, arrange for retraining, or retire on disability pension, any member of staff who becomes disabled, as may be appropriate. The Company communicates with its employees on a regular basis, with an emphasis on listening and responding to staff aspirations and development needs, making it clear how their role contributes to the Group's goals, either through the Group's intranet facility or through regular meetings with management. All employees are encouraged to participate in the Group's share schemes.

The Company is committed to engaging with employee representatives on a broad range of issues, including consultation on any major business change. The Company has a Partnership Agreement with BRIDGE, the Standard Life Investments Staff Association, which outlines how the Company and BRIDGE will work on shared objectives including employment security, terms and conditions, equality and diversity and health and safety. Additional details relating to employees are disclosed in the Standard Life Aberdeen plc accounts.

Strategic Report for the year ended 31 December 2017 (continued)

Environmental matters

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

Approved by the Board on 15 February 2018 and signed on its behalf by:


.....
S A Fitzgerald
Director

Statement of Directors' Responsibilities

The Directors acknowledge they are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

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 apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Income Statement for the year ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Revenue			
Management fee income		669,013	681,820
Other operating income	3	82,981	132,672
Total revenue		751,994	814,492
Fee and commission expense		(27,440)	(36,961)
Net revenue		724,554	777,531
Operating expenses			
Administrative expenses		(493,516)	(484,404)
Total operating expenses		(493,516)	(484,404)
Revenue less expenses		231,038	293,127
Finance income	6	18	7
Finance costs	7	(75)	(63)
Restructuring costs	8	(30,957)	(17,347)
Net foreign exchange gain/(loss)		1,552	(2,675)
Profit before tax		201,576	273,049
Tax expense	9	(24,806)	(30,373)
Profit for the year attributable to equity holders of the Company		176,770	242,676

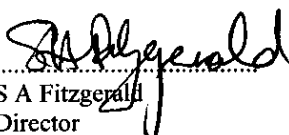
The notes on pages 11 to 58 form part of these financial statements.

The Company has not recorded any other comprehensive income during the year to 31 December 2017 or 31 December 2016. A separate statement of comprehensive income is therefore not disclosed.

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Non-current assets			
Property and equipment	11	22,003	2,132
Intangible assets	12	29,661	27,372
Deferred tax assets	13	3,243	8,875
Investments in subsidiaries	14	28,118	28,148
Investments in associates	15	9,568	13,448
Investment securities	16	17,518	16,751
Total non-current assets		110,111	96,726
Current assets			
Investment securities	16	64,025	137,140
Derivative assets	17	76	107
Current tax assets	13	15,701	-
Trade and other receivables	18	191,810	171,763
Cash and cash equivalents	19	3,228	1,768
Total current assets		274,840	310,778
Assets held for sale	20	3,880	-
Total assets		388,831	407,504
Equity			
Share capital	21	34,440	34,440
Retained earnings	22	154,681	162,543
Equity attributable to equity holders of the parent		189,121	196,983
Non-current liabilities			
Onerous lease provision	23	5,495	-
Trade and other payables	24	5,225	28,034
Total non-current liabilities		10,720	28,034
Current liabilities			
Current tax liabilities	13	-	6,133
Onerous lease provision	23	2,950	-
Trade and other payables	24	186,040	176,354
Total current liabilities		188,990	182,487
Total liabilities		199,710	210,521
Total equity and liabilities		388,831	407,504

The notes on pages 11 to 58 form part of these financial statements. The financial statements on pages 7 to 58 were approved on behalf of the Board on 15 February 2018 and signed on its behalf by:


 S A Fitzgerald
 Director

(Registration number: SC123321)

Statement of Changes in Equity for the year ended 31 December 2017

	Note	Share capital £ 000	Retained earnings £ 000	Total £ 000
Balance at 1 January 2016		34,440	127,845	162,285
Comprehensive income				
Profit for the year		-	242,676	242,676
Total Comprehensive income		-	242,676	242,676
Other changes in equity				
Tax taken to equity	9	-	22	22
Total other changes in equity		-	22	22
Transactions with owners				
Dividends to equity holders	10	-	(208,000)	(208,000)
Balance at 31 December 2016		34,440	162,543	196,983
 Balance at 1 January 2017		 34,440	 162,543	 196,983
Comprehensive income				
Profit for the year		-	176,770	176,770
Total Comprehensive income		-	176,770	176,770
Other changes in equity				
Tax taken to equity	9	-	368	368
Total other changes in equity		-	368	368
Transactions with owners				
Dividends to equity holders	10	-	(185,000)	(185,000)
Balance at 31 December 2017		34,440	154,681	189,121

The notes on pages 11 to 58 form part of these financial statements.

Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit before tax		201,576	273,049
Non-cash items relating to investing and financing activities	25	12,409	5,220
Group relief movement included in operating assets and liabilities		(17,828)	(1,044)
Purchase of other investment securities		(758,776)	(853,412)
Disposal of other investment securities		833,220	826,041
Fair value movement in investment securities		(2,096)	(3,336)
Movement in operating assets and liabilities	25	(33,170)	(1,866)
Taxation and group relief paid		(22,781)	(23,143)
Net cash flows generated from operating activities		212,554	221,509
Cash flows used in investing activities			
Additions to property and equipment	11	(20,523)	(2,132)
Additions to intangible assets	12	(5,544)	(10,359)
Proceeds from disposal of subsidiary	14	30	-
Additions to subsidiaries	14	-	(214)
Interest received	6	18	7
Net cash flows used in investing activities		(26,019)	(12,698)
Cash flows used in financing activities			
Interest paid	7	(75)	(63)
Dividends and distributions to equity holders	10	(185,000)	(208,000)
Net cash flows used in financing activities		(185,075)	(208,063)
Net cash used in financing activities		(185,075)	(208,063)
Net increase in cash and cash equivalents		1,460	748
Cash and cash equivalents at the beginning of the year		1,768	1,020
Cash and cash equivalents at the end of the year	19	3,228	1,768

The notes on pages 11 to 58 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 December 2017

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.

The financial statements have been prepared as separate financial statements. The Company has taken advantage of the exemption within IAS 27, paragraph 10 whereby it is not required to prepare consolidated financial statements as the Company's ultimate parent, Standard Life Aberdeen plc, produces consolidated financial statements that are available for public use and comply with IFRS.

(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.

(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 18 'Revenue' and related interpretations. IFRS 15 provides a new five-step revenue recognition model for determining recognition and measurement of revenue from contracts with customers. New disclosure requirements including estimate and judgement thresholds will also be introduced. In 2015 the IASB issued amendments to the standard and delayed the mandatory adoption date until 1 January 2018. A detailed impact assessment was completed in 2017 for all major revenue streams, reviewing contracts and analysing the revenue recognised. No significant impacts to profit or net assets were identified for the Company.

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. As well as presentation and measurement changes, IFRS 9 also introduces additional disclosure requirements. Initial analysis indicates IFRS 9 is unlikely to have an impact on the Company because financial assets are currently measured at Fair Value Through Profit and Loss (FVTPL) or amortised cost.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

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)

IFRS 16 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 main impact on the Company of IFRS 16 will be for property that the Company leases for use as office space which is currently classified as operating leases. As a result of the new standard the property leased by the Company will be brought onto the statement of financial position at inception of a lease. At inception the right of use asset will be measured equal to the present value of the lease liability. The present value of the lease liability takes into account prepayments and incentives and will be measured using the interest rate implicit in the lease or the incremental borrowing rate. 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 Company is currently assessing the impact of the new standard.

(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.

Administration expenses

Administrative expenses are recognised on an accruals basis.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

(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. They are included in current assets except for maturities greater than 12 months after the statement of financial position date. These are considered as non-current assets. The Company's loans and receivables comprise 'Trade and other receivables' in the statement of financial position.

(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 Aberdeen 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 Aberdeen 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.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

1 Accounting policies (continued)

(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 below.

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.

Additionally, at the end of each reporting period, the Company assesses whether objective evidence of impairment exists for intangible assets. Impairments are recognised in the income statement in the period in which they occur, to the extent that the carrying value exceeds its recoverable amount. Internally developed software is assessed for impairment annually. Internally developed software currently in development is also reviewed annually for impairment by comparing the carrying value with its recoverable amount.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)**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 income from shares in Group undertakings are recognised when the right to receive payment is established. Other income is recognised on an accruals basis.

	2017	2016
	£ 000	£ 000
Income from shares in Group undertakings	61,465	118,541
Income from associate	11,540	8,381
Gains on financial instruments carried at FVTPL	1,926	2,136
Distributions from private equity funds	1,379	1,458
Service fees	4,520	2,009
Other	2,151	147
Total other operating income	82,981	132,672

4 Staff and other employee related costs

The aggregate remuneration payable in respect of employees was:

	2017	2016
	£ 000	£ 000
Wages and salaries	151,365	147,855
Social security costs	22,508	21,405
Other pension costs	12,715	10,404
Share-based payment expenses	13,467	26,723
Cash based LTIPs	107	4,473
Other	5,274	8,588
Total staff and other employee related costs	205,436	219,448

The average number of staff of the Company during year was 1,489 (2016: 1,322). The staff split by activity is as follows:

	2017	2016
Fund management	417	369
Global client group	425	352
Operations and change	427	402
Executive office, support, finance and risk	220	199
	1,489	1,322

Details of Directors' remuneration for services to the Company are contained in Note 28, 'Related party transactions'.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

5 Administrative expenses

The following have been included in administrative expenses:

	2017 £ 000	2016 £ 000
Staff and other employee related costs (note 4)	205,436	219,448
Amortisation of intangibles (note 12)	4,021	4,144
Independent auditors' remuneration (see below)	300	658

During the financial year ended 31 December 2017, the Standard Life Aberdeen Group appointed KPMG as principal auditor replacing PricewaterhouseCoopers LLP (PwC). Accordingly the following relates to KPMG for 2017 and PwC for 2016 and has been included in operating expenses. 2016 fees have been adjusted to exclude VAT:

Audit of the financial statements	25	26
Services pursuant to legislation	203	109
Other assurance services	72	391
Tax advisory services	-	72
Tax compliance services	-	60
Total payable to the Company's auditors	300	658

6 Finance income

Finance income of £18,000 (2016: £7,000) is derived primarily from 'Cash and cash equivalents'.

7 Finance costs

Finance costs of £75,000 (2016: £63,000) consist of overdraft interest and interest claims.

8 Restructuring costs

Costs are classified as restructuring costs if they relate to one-off significant events as defined by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Restructuring costs were incurred as follows: Integration of Ignis Asset Management Ltd £8,145,000 (2016: £15,052,000), merger with and integration of Aberdeen Asset Management plc £22,812,000 (2016: £nil) and internal recharges from Standard Life Aberdeen plc £nil (2016: £2,295,000).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

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. Where local tax law allows, deferred tax assets and liabilities are netted off on the statement of financial position. The tax rates used to determine deferred tax are those enacted or substantively enacted at the reporting date.

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.

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

	2017 £ 000	2016 £ 000
Current taxation		
United Kingdom corporation tax	18,547	27,049
Overseas tax	106	(5)
Adjustment to current tax in respect of prior years	174	(369)
Total current tax	18,827	26,675
Deferred tax		
Deferred tax expense arising in the current year	5,979	3,698
Total deferred tax	5,979	3,698
Total tax expense	24,806	30,373

(b) Tax relating to items taken directly to equity

	2017 £ 000	2016 £ 000
Current tax credit on reserves for employee share-based payments	-	(219)
Deferred tax (credit)/charge on reserves for employee share-based payments	(368)	197
Total tax credit taken directly to equity	(368)	(22)

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

9 Tax expense (continued)

(c) Reconciliation of tax expense:

	2017 £ 000	2016 £ 000
Profit before tax	201,576	273,049
Corporation tax at standard rate of 19.25% (2016: 20%)	38,803	54,610
Effects of:		
Income not taxable	(14,097)	(25,410)
Disallowable expenses	433	728
Transfer pricing	(158)	34
Adjustment to current tax in respect of prior years	174	(369)
Changes in deferred tax rates	(455)	785
Overseas tax	106	(5)
Total tax expense	24,806	30,373

The standard rate of UK corporation tax for the accounting period is 19.25% (2016: 20%). The UK corporation tax rate has reduced to 19% from 1 April 2017 and will reduce further to 17% from 1 April 2020. This future rate change has been taken into account in the calculation of the UK deferred tax balance at 31 December 2017.

10 Dividends

Accounting policy

Dividends paid are recognised directly in equity in the Company's financial statements in the period in which they are paid. Dividends received are recognised in the income statement when the right to receive payment is established.

	2017 £ 000	2016 £ 000
Dividends paid to parent undertaking	185,000	208,000
Total dividends paid	185,000	208,000
Dividends received from subsidiary undertakings	61,465	118,541
Dividends received from associate	11,540	8,381
Total dividends received	73,005	126,922
	2017 pence per share	2016 pence per share
Dividends paid to parent undertaking	537	604

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

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 the estimated useful life of the asset. The estimated useful life of leasehold buildings is up to fifteen years. The estimated useful life of all other remaining property and equipment is between three and five years.

	Leasehold buildings £ 000	Furniture & equipment £ 000	Computer equipment £ 000	Total £ 000
Cost:				
At 1 January 2016	-	-	-	-
Additions	2,132	-	-	2,132
At 31 December 2016	2,132	-	-	2,132
Additions	10,180	8,201	2,142	20,523
At 31 December 2017	12,312	8,201	2,142	22,655
Depreciation:				
At 1 January 2016	-	-	-	-
At 31 December 2016	-	-	-	-
Charge for the year	263	253	136	652
At 31 December 2017	263	253	136	652
Net book value:				
At 31 December 2017	12,049	7,948	2,006	22,003
At 31 December 2016	2,132	-	-	2,132

Notes to the Financial Statements for the year ended 31 December 2017 (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. Internally developed software and internally developed software currently in development are assessed for impairment annually. Impairment losses are calculated and recorded on an individual basis in a manner consistent with policy in note 1(c). Amortisation commences at the time from which an intangible asset becomes available for use.

	Total £ 000
Cost:	
At 1 January 2016	24,743
Additions	10,359
At 31 December 2016	35,102
Additions	5,544
At 31 December 2017	40,646
Accumulated amortisation:	
At 1 January 2016	2,566
Amortisation for the year	4,144
R&D tax claimed on capitalised expenditure*	1,020
At 31 December 2016	7,730
Amortisation for the year	4,021
R&D tax claimed on capitalised expenditure*	(766)
At 31 December 2017	10,985
Net book value:	
At 31 December 2016	27,372
At 31 December 2017	29,661

* The Research and Development (R&D) 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 (2016: nil).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

13 Tax assets and liabilities

(a) Tax assets and liabilities

	2017 £'000	2016 £'000
Deferred tax assets (see (b) below)	3,243	8,875
Income tax asset	15,701	-
Total tax assets	18,944	8,875
Current tax liabilities	-	6,133
Total tax liabilities	-	6,133

(b) Recognised deferred tax

	2017 £'000	2016 £'000
Deferred tax assets comprise:		
Employee benefits	7,132	10,839
Legal and marketing provision	247	504
Unrelieved capital allowances	-	104
Gross deferred tax assets	7,379	11,447
Less: offset of deferred tax liabilities	(4,136)	(2,572)
Net deferred tax assets	3,243	8,875
Deferred tax liabilities comprise:		
Unrealised gain on investment securities	(1,347)	(1,003)
Research and Development claim on capitalised expenses	(2,578)	(1,569)
Accelerated capital allowances	(211)	-
Gross deferred tax liabilities:	(4,136)	(2,572)
Less: offset against deferred tax assets	-	2,572
Net deferred tax liabilities	(4,136)	-
Movements in net deferred tax assets comprise:		
At 1 January	8,875	12,769
Amounts debited to the income statement (note 9(a))	(5,979)	(3,698)
Deferred tax taken to equity	347	(196)
At 31 December	3,243	8,875

The standard rate of UK corporation tax for the accounting period is 19.25% (2016: 20%). The UK corporation tax rate has reduced to 19% from 1 April 2017 and will reduce further to 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 2017.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries

Accounting Policy

Subsidiaries are all entities, including structured entities, over which the Company 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.

	2017 £ 000	2016 £ 000
Subsidiaries		
At 1 January	28,148	27,934
Disposals	(30)	-
Additions	-	214
At 31 December	28,118	28,148

The disposal in 2017 was as a result of the transfer of Standard Life Investments (Japan) Limited to Aberdeen Standard Investments (Japan) Limited.

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

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments (Mutual Funds) Limited	Collective investment products management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
SLTM Limited	Collective investment products management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Corporate Funds) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Private Capital) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments (USA) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	100%	100%
Standard Life Investments (Hong Kong) Limited	Investment management	30th Floor, Jardine House, One Connaught Place, Hong Kong	100%	100%
Standard Life Investments No. 2 (Hong Kong) Limited	Investment management	30th Floor, Jardine House, One Connaught Place, Hong Kong	0%	100%
Standard Life Investments (Jersey) Limited	Property investment management	Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey	100%	100%
Standard Life Investments (France) SAS	Investment management	100 Avenue des Champs Elysees, 1 Rue de Berri, F-75008, Paris, France	100%	100%
Standard Life Investments (Japan) Limited	Investment management	Tokyo Bankers Club Building 15F, 1-3-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	0%	100%
Standard Life Investments (Schweiz) AG	Investment management	Schweizergasse 14 8001 Zürich, Switzerland	100%	100%
Standard Life Investments (Singapore) Pte. Limited	Property investment management	8 Marina Boulevard #05-02, Marina Bay Financial Centre Tower 1, 018981, Singapore	100%	100%
Standard Life Investments (General Partner EPGF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, United Kingdom	100%	100%
Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited	Investment management	Bow Bells House, 1 Bread Street, London, EC4M 9HH, England & Wales	100%	100%
Standard Life Investments (General Partner UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	100%	100%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments (General Partner PDFI) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (General Partner GARS) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 1 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 2 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 3 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 4 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 5 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 6 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 7 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 8 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustee No. 9 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments (Trustee No. 10 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustees No. 11 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (Trustees No. 12 UK PDF) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Castlepoint General Partner Limited	Investment management	11th Floor, Two Snowhill, Birmingham, B4 6WR England & Wales	100%	100%
Standard Life Investments (General Partner MAC) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (General Partner European Real Estate Club) Limited	Property investment management	Bow Bells House, 1 Bread Street, London, EC4M 9HH England & Wales	100%	100%
Standard Life Investments (General Partner European Real Estate Club II) Limited	Property investment management	Bow Bells House, 1 Bread Street, London, EC4M 9HH England & Wales	100%	100%
Standard Life Investments (General Partner European Real Estate Club III) Limited	Property investment management	Bow Bells House, 1 Bread Street, London, EC4M 9HH England & Wales	100%	100%
Standard Life Investments (General Partner CRED) Limited	Property investment management	Bow Bells House, 1 Bread Street, London, EC4M 9HH England & Wales	100%	100%
Standard Life Investments - India Advantage Fund	Property investment management	C/O CIM Fund Services, 33 Edith Cavell Street, Port Louis Mauritius	100%	100%
Standard Life Investments Brent Cross General Partner Limited	Property investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments (General Partner GFS) Limited	Property investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	100%
Standard Life Investments (General Partner Global Tactical Asset Allocation) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL Scotland	100%	0%
Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Parent Entity - Standard Life Investments (Corporate Funds) Limited				
Standard Life Investments (PDF No. 1) Limited	Investment management	Elia, 44 Esplanade, St Helier, Jersey, JE4 9WG	50.01%	50.01%
Touchstone Insurance Company Limited	General property insurance	1 George Street, Edinburgh, EH2 2LL, Scotland	0%	0%
Standard Life Investments Global Absolute Return Strategies Master Fund Limited	Investment management	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104	100%	100%
Standard Life Investments Global Absolute Return Strategies Offshore Feeder Fund Limited	Investment management	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104	100%	100%
Standard Life Investments European RE Club II (Offshore Feeder) Limited	Investment management	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104	100%	100%
Standard Life Investments Global Focused Strategies Master Fund Limited	Investment management	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104	100%	100%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Standard Life Investments Global Focused Strategies Offshore Feeder Fund Limited	Investment management	c/o Maples Corporate Services Limited, Ugland House, Grand Cayman, KY1-1104	100%	100%
Standard Life Investments European RE Club (Offshore Feeder) Limited	Property investment management	PO BOX 309, Ugland House, Grand Cayman, Cayman Islands, KY1-1104	100%	100%
Standard Life Investments No.2 (Hong Kong) Limited	Investment management	30th Floor, Jardine House, One Connaught Place, Hong Kong	0%	50%
Parent Entity - SL Capital Partners LLP				
SLCP (Holdings) Limited	Holdings Company	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
Parent Entity - Standard Life Investments (USA) Limited				
Standard Life Investments Securities LLC	Investment management	Corporation Service Company Suite 400, Wilmington DE, US	100%	100%
Parent Entity - SLCP (Holdings) Limited				
SLCP (General Partner ESP 2006) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESP 2008) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESP 2008 Coinvestment) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESP CAL) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner NASP 2006) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner NASP 2008) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner II) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
SLCP (General Partner) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESP 2004) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner CPP) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner Edcastle) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner Tidal Reach) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESF I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner ESF II) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner NASF I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner USA) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner SOF I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner SOF II) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner SOF III) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner Pearl Private Equity) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner Pearl Strategic Credit) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SL Capital Partners (US) Limited	Equity research and marketing services	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
SLCP (General Partner Europe VI) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner EC) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
Ignis Cayman GP2 Limited	Investment management	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104	60%	60%
Ignis Cayman GP3 Limited	Investment management	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104	60%	60%
SLCP (General Partner Infrastructure I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner Infrastructure Secondary I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (Founder Partner Ignis Private Equity) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (Founder Partner Ignis Strategic Credit) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
SLCP (General Partner 2016 Co-investment) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%
Parent Entity - Standard Life Investments (General Partner UK Shopping Centre Feeder Fund LP) Limited				
Standard Life Investments UK Shopping Centre Feeder Fund Company Limited	Investment management	Ogier House, The Esplanade, St. Helier, JE49WG	100%	100%
Parent Entity - Standard Life Investments (General Partner European Real Estate Club) Limited				
European RE Club (Luxembourg) S.a.r.l.	Investment management	Ogier House, The Esplanade, St. Helier, JE49WG	100%	100%
European RE Club (Luxembourg) S.a.r.l. II	Investment management	6B, Rue Gabriel Lippmann, Parc D'Activite Syrdall 2, L-5365 Munsbach	100%	100%
Parent Entity - Castlepoint General Partner Limited				

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

14 Investment in subsidiaries (continued)

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Castlepoint Nominee Limited	Investment management	11th Floor, Two Snowhill, Birmingham, West Midlands, B4 6WR	100%	100%
Parent Entity - Standard Life Investments (Private Capital) Limited				
SLIPC (General Partner Infrastructure II) SARL	Investment management	2 Boulevard de la Foire, Luxembourg, 1528	100%	0%
SLIPC (General Partner Infrastructure II LTP 2017) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	100%	0%
SLIPC (General Partner SCF I) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	100%	0%
SLIPC (General Partner PMD Co-invest 2017) Limited	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	100%	0%
SL Capital Partners LLP	Investment management	1 George Street, Edinburgh, EH2 2LL, Scotland	60%	60%

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

15 Investments in associates

Accounting Policy

Associates are entities where the Company can significantly influence decisions made relating to the financial and operating policies of the entity but does not control the entity. For entities where voting rights exist, significant influence is presumed where the Group holds between 20% and 50% of the voting rights. Where the Company has an investment in an associate, a portion of which is held by, or is held indirectly through, a mutual fund, unit trust or similar entity that portion of the investment is measured at fair value through profit or loss (FVTPL).

During the year ended 31 December 2017 we have changed our judgement in determining when the Company has significant influence over investment vehicles managed by the Company. In general, investment vehicles which are not subsidiaries are now considered to be associates where the Group holds more than 20% of the voting rights. Previously our judgement was that the Company had significant influence over all investment vehicles where, through its role as investment manager, it had power over the investment decisions of the vehicle. As a result previously the Company classified all Company managed investment vehicles which were not subsidiaries and in which the Company held an investment as associates. The reason for the change in accounting policy is to make the financial statements more relevant to users as it is more consistent with peers. Following the presentational change discussed, the Company only has one investment in associate HDFC which is held at cost.

The Company conducts annual impairment tests on the carrying value of its associates that are held at cost. 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 associates market.

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

	2017 £ 000	2016 £ 000
Investment in HDFC AMC	9,568	13,448
	<u>9,568</u>	<u>13,448</u>

The Company has one material associate, the details of which are noted below:

Name of associate	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
HDFC Asset Management Company Limited (HDFC AMC)	Investment Management Company	HUL House, 2nd Floor, H.T. Parekh Marg, 165-166, Backbay Reclamation, Churchgate, Mumbai India	38.24%	40%

During the year, £3,880,000 of the investment in HDFC AMC was classified as Held for Sale. Refer to note 20 for further information.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

16 Investment Securities

Accounting Policy

During the year ended 31 December 2017, Standard Life Aberdeen Group, and therefore the Company, has amended its accounting policy in relation to investment in associates. Previously, the Company determined associates to be entities over which the Company had significant influence but not control, where significant influence was determined to be the power to participate in the financial and operational policy decisions of the investee. For the Company, significant influence was considered to be present where, Standard Life Investments Limited, through its role as investment manager, had decision making power over the relevant activities of that entity.

In general, investment vehicles which are not subsidiaries are now considered to be associates where the Group holds more than 20% of the voting rights only. This change in accounting policy is deemed to make the financial statements more relevant to users and more consistent with industry presentation. The impact of this change in accounting policy on the Company is that items previously disclosed as investment in associates are now disclosed as investment securities where they do not meet the 20% voting right threshold. Investment securities are all accounted for using the FVTPL method.

	2017 £ 000	2016 £ 000
Investments in the Seabury Assets Fund plc	64,025	137,140
Seed capital investments	795	671
Private equity investments	16,723	16,080
	81,543	153,891

Presented as:	2017 £ 000	2016 £ 000
Non-Current	17,518	16,751
Current	64,025	137,140
	81,543	153,891

The Company has one material investment security, the details of which are noted below:

Name of investment security	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2017	2016
Seabury Asset Fund plc	Open ended Umbrella Investment Company	70 Sir Rogerson's Quay Dublin Ireland	3.69%	7.79%

All other investment securities, are measured at FVTPL and are not considered individually material to the Company.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

17 Derivative assets

Accounting Policy

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. 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 or recent market transactions) is used to determine fair value. Details of the fair value hierarchy levels assigned are given in Note 27.

Derivative assets consists of foreign exchange forwards valued at £76,000 (2016: £107,000) on a contract amount of £8,797,000 (2016: £8,712,000). The fair value movement on derivative financial instruments was a loss of £182,000 (2016: loss of £1,215,000). This has been recognised in operating income during the year.

18 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.

	2017 £ 000	2016 £ 000
Amounts owed by related parties	150,653	135,387
Prepayments and accrued income	24,169	23,093
Management fees debtors	16,882	12,963
Other	106	320
Total trade and other receivables	191,810	171,763

All trade and other receivables are current and have a maturity of less than one year or no contractual maturity date. All of the financial assets above are non-interest bearing.

19 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.

	2017 £ 000	2016 £ 000
Cash at bank and in hand	2,920	1,460
Short-term bank deposits	308	308
	3,228	1,768

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 (2016: A or above).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

20 Assets held for sale

Accounting Policy

Assets and liabilities which have been classified as held for sale, are presented separately in the statement of financial position. Assets and liabilities are classified as held for sale when their carrying amount will be recovered principally through a sale transaction. The relevant assets are measured at cost.

At 31 December 2017 £3,880,000 of the holding in HDFC AMC is classified as held for sale.

There were no disposals of assets held for sale during the year (2016: no disposals).

21 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 shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	34,440	34,440	34,440	34,440

22 Retained earnings

	2017 £ 000	2016 £ 000
At 1 January	162,543	127,845
Profit for the year attributable to equity holders	176,770	242,676
Dividends and distributions	(185,000)	(208,000)
Tax credit relating to share option scheme	368	22
At 31 December	154,681	162,543

23 Onerous lease provision

Accounting Policy

A provision for the onerous lease is made equal to the present value of the expected expenditure required to settle the obligation.

As a result of the merger with Aberdeen Asset Management plc the properties rented in London, Frankfurt and Australia have now been vacated. Accordingly, a provision was made for the onerous leases reflecting the rent and occupancy costs expected to be incurred from the date the space becomes vacant to the next lease break point. £2,950,000 of the provision is expected to be utilised within one year and is presented as current liabilities, with £5,495,000 due after one year and presented as non-current liabilities.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

24 Trade and other payables

Accounting Policy

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

	2017	2016
	£ 000	£ 000
Accruals and deferred income	123,100	144,659
Amounts owed to Standard Life Aberdeen Group undertakings	56,546	48,111
Amounts owed to subsidiary undertakings	9,005	9,609
Other	2,614	2,009
Total trade and other payables	191,265	204,388
Presented as:	2017	2016
	£ 000	£ 000
Non-current	5,225	28,034
Current	186,040	176,354
Total trade and other payables	191,265	204,388

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.

25 Statement of cash flows

a) Movement in operating assets and liabilities

	2017	2016
	£ 000	£ 000
Movement in operating assets:		
Trade and other receivables	(20,047)	11,677
	(20,047)	11,677
Movement in operating liabilities:		
Trade and other payables	(13,123)	(13,543)
	(13,123)	(13,543)
Movement in operating assets and liabilities	(33,170)	(1,866)

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

	2017	2016
	£ 000	£ 000
Finance income	(18)	(7)
Finance costs	75	63
Depreciation of property and equipment	652	-
Amortisation of intangible assets	4,021	4,144
Research cost provision	(766)	1,020
Onerous lease provision	8,445	-
Net cash flows from investing and financing activities	12,409	5,220

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

26 Structured entities

Accounting Policy

The Company has an investment in the Seabury Assets Fund as well as immaterial holdings in a range of vehicles including open-ended investment companies (OEIC's), unit trusts and SICAV's. These vehicles are structured in such a way that voting or similar rights are not the dominant factor in deciding who controls the entity and as such are classified as structured entities.

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

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

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

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

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

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

Unconsolidated structured entities

(i) Investments in unconsolidated structured entities

The Company has investments where Standard Life Investments Limited is the asset manager. 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 27 '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 27 'Financial Risk Management'.

27 Financial risk management

(a) Standard Life Aberdeen Group approach to risk management

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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

(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 Company operates within the Standard Life Aberdeen Group risk policies and has approved certain Group specific policies which determine the framework for identifying, assessing, monitoring and controlling risk.

Capital is managed within the regulatory framework in which the Group operates. This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Group Board, to identify the risks to which the business is exposed and to quantify their impact on 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 monitor 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 Group Board. The potential impact of any significant risks identified out with these timescales would be subject to immediate review.

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

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

(i) Statement of financial position reconciliation

	2017			
	FVTPL	Loans and receivables	Non-financial assets	Total
	£000	£000	£000	
Property and equipment	-	-	22,003	22,003
Intangible assets	-	-	29,661	29,661
Deferred tax assets	-	-	3,243	3,243
Investments in subsidiaries	-	-	28,118	28,118
Investments in associates	-	-	9,568	9,568
Investment securities	81,543	-	-	81,543
Derivative assets	76	-	-	76
Current tax assets	-	-	15,701	15,701
Trade and other receivables	-	184,399	7,411	191,810
Cash and cash equivalents	3,228	-	-	3,228
Assets held for sale	-	-	3,880	3,880
Total assets	84,847	184,399	119,585	388,831

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

	2016			Total
	FVTPL £000	Loans and receivables £000	Non-financial assets £000	
Property and equipment	-	-	2,132	2,132
Intangible assets	-	-	27,372	27,372
Deferred tax assets	-	-	8,875	8,875
Investments in subsidiaries	-	-	28,148	28,148
Investments in associates	-	-	13,448	13,448
Investment securities	153,891	-	-	153,891
Derivative assets	107	-	-	107
Trade and other receivables	-	167,293	4,470	171,763
Cash and cash equivalents	1,768	-	-	1,768
Total assets	155,766	167,293	84,445	407,504

	2017			Total
	Financial liabilities £000	Non-financial liabilities £000		
Trade and other payables	190,719	546		191,265
Onerous lease provision	-	8,445		8,445
	190,719	8,991		199,710

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

(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 (unquoted) 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).

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

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

2017				
Assets	Level 1 £000	Level 2 £000	Level 3 £000	Total
Derivative assets	-	76	-	76
Investment securities	9,322	64,025	8,196	81,543
	9,322	64,101	8,196	81,619
2016				
Assets	Level 1 £000	Level 2 £000	Level 3 £000	Total
Derivative assets	-	107	-	107
Investment securities	7,799	137,198	8,894	153,891
	7,799	137,305	8,894	153,998

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

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

Valuation techniques are used for level 3 equity securities. The Company's exposure to these relates primarily to private equity investments. The majority of the Company's private equity investments are carried out through European fund of funds structures, where the Company receives valuations from the investment managers of the underlying funds. The valuation of these investments by the investment managers of the underlying funds is based on European Venture Capital Association Guidelines, including price/earnings ratio based valuations.

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.

Changing unobservable inputs in the measurement of the fair value of level 3 financial assets to reasonably possible alternative assumptions would not have a significant impact on profit for the year or total assets.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

(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.

	2017 £000	2016 £000
At 1 January	8,894	8,817
Total gains or losses recognised in the income statement	253	(801)
Purchases	250	917
Sales	(1,422)	(1,369)
Foreign exchange adjustment	221	1,330
At 31 December	8,196	8,894

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 Aberdeen Group Credit Risk Committee for review and approval. Intercompany balances with Standard Life Aberdeen 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 majority 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 Aberdeen 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 Aberdeen 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 (2016: A or above).

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

	2017 £000	2016 £000
Trade and other receivables	184,399	167,293
Derivative assets	76	107
Investment securities	81,543	153,891
Cash and cash equivalents	3,228	1,768
	269,246	323,059

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 £659,000 (2016: £193,000), of which £65,000 is overdue for less than one month (2016: £nil) and £594,000 (2016: £122,000) for greater than one month and £nil (2016: £nil) over twelve months.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

(v) Market risk

Market risk is the risk of adverse impact on the Company of changes in the fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates 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 £60,296,000 (2016: £54,546,000).

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:

2017					
	Sterling £000	USD £000	Euro £000	Other currencies £000	Total £000
Investment securities	72,552	1,557	7,434	-	81,543
Derivative assets	-	-	76	-	76
Trade and other receivables	171,310	1,703	9,832	1,554	184,399
Cash and cash equivalents	1,187	414	447	1,180	3,228
	245,049	3,674	17,789	2,734	269,246
2016					
	Sterling £'000	USD £'000	Euro £'000	Other currencies £'000	Total £'000
Investment securities	144,534	1,065	8,123	169	153,891
Derivative assets	-	-	107	-	107
Trade and other receivables	150,615	1,241	12,411	3,026	167,293
Cash and cash equivalents	737	246	164	621	1,768
	295,886	2,552	20,805	3,816	323,059
2017					
	Sterling £000	USD £000	Euro £000	Other currencies £000	Total £000
Trade and other payables	176,654	3,507	5,087	5,471	190,719
	176,654	3,507	5,087	5,471	190,719

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

	2016				
	Sterling £000	USD £000	Euro £000	Other currencies £000	Total £000
Trade and other payables	187,953	4,635	3,693	7,710	203,991
	187,953	4,635	3,693	7,710	203,991

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:

	2017	
	10% increase in currency against Sterling Euro £'000	10% decrease in currency against Sterling Euro £'000
Impact on profit after tax	1,403	(1,148)

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

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

The Company has minimal exposure to interest rate risk through only 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'.

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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

	2017				
	Due on demand £000	Due within 1 month £000	No contractual maturity date £000	Total £000	
Financial assets					
Derivative assets	76	-	-	76	
Trade and other receivables	-	33,640	150,759	184,399	
Cash and cash equivalents	3,228	-	-	3,228	
Investment securities	64,025	-	17,518	81,543	
	2016				
	Due on demand £000	Due within 1 month £000	No contractual maturity date £000	Total £000	
Financial assets					
Derivative assets	107	-	-	107	
Trade and other receivables	-	12,964	154,329	167,293	
Cash and cash equivalents	1,768	-	-	1,768	
Investment securities	137,140	-	16,751	153,891	
	2017				
	Due within 1 month £000	Due within 1 year £000	Due between 1 and 5 years £000	No contractual maturity date £000	Total £000
Financial liabilities					
Trade and other payables	30,385	89,558	5,225	65,551	190,719
	2016				
	Due within 1 month £000	Due within 1 year £000	Due between 1 and 5 years £000	No contractual maturity date £000	Total £000
Financial liabilities					
Trade and other payables	45,062	73,175	28,034	57,720	203,991

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

27 Financial risk management (continued)

(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 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 through the risk governance processes.

(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:

https://www.standardlifeinvestments.com/Pillar_3_disclosure.pdf

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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

28 Related party transactions

(a) Parent and ultimate controlling party

The Company's parent undertaking is Standard Life Investments (Holdings) Limited (registered office 1 George Street, Edinburgh, EH2 2LL) whilst the ultimate controlling party is Standard Life Aberdeen plc (registered office Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH).

During the year, the ultimate parent of the Company (Standard Life plc) merged with Aberdeen Asset Management plc to form Standard Life Aberdeen plc. The merger completed on 14 August 2017 and the Company became part of the Standard Life Aberdeen group.

Copies of the Annual Report and Accounts of Standard Life Aberdeen plc are available to the public to download on the website www.standardlifeaberndeen.com.

(b) Company transactions between and balances with related parties

	2017			
	Revenues £000	Expenses £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Pension scheme	-	12,715	-	-
Standard Life Aberdeen Group undertakings	700,304	122,793	150,653	65,551
Other	1,883	31,495	-	-
	702,187	167,003	150,653	65,551
	2016			
	Revenues £000	Expenses £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Pension scheme	-	10,404	-	-
Standard Life Aberdeen Group undertakings	763,668	114,814	135,387	57,720
Other	2,455	23,238	-	-
	766,123	148,456	135,387	57,720

Dividend income from subsidiaries amounted to £61,465,000 (2016: £118,541,000). Dividends owed by subsidiaries amounted to £nil (2016: £nil). Dividend income received from HDFC AMC amounted to £11,540,000 (2016: £8,381,000). At 31 December £3,880,000 of the holding in HDFC AMC is classified as held for sale. Dividends owed by HDFC AMC amounted to £nil (2016: £nil).

In 2017 the Company received revenue from a collective investment scheme of £281,000 (2016: £744,000). 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.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

28 Related party transactions (continued)

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 within a related party.

(c) Key management personnel

Key management personnel comprises 10 people (2016: 10 people) comprising of all Directors. The remuneration of the Directors during the year was as follows:

	2017 £000	2016 £000
Short-term benefits	7,065	9,487
Share-based payment expenses	3,096	5,268
Total key management personnel remuneration	10,161	14,755

£8,395,000 (2016: £12,370,000) was owing to key management personnel at the statement of financial position date. Ten Directors (2016: 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 (2016: ten) Directors whose qualifying services were received or are receivable in the year. Ten (2016: ten) Directors exercised share options during the year. Retirement benefits are accruing to three Directors (2016: five) in respect of their services to the Company and its subsidiaries under a defined benefit scheme operated by the Standard Life Aberdeen Group and two (2016: three) under a defined contribution scheme.

The highest paid Director of the Company received aggregate remuneration during the year of £2,751,000 (2016: £3,332,000). At 31 December 2017, the highest paid Director also held accrued pension benefits of £nil (2016: £nil) under the defined benefit pension scheme operated by the Standard Life Aberdeen Group. The Company pension contributions for the highest paid Director for the year were £nil (2016: £nil). 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.

Transactions with key management personnel and their close family members

All transactions between key management and their close family members and the Company during the year are on terms which are equivalent to those available to all employees of the Company. During the year to 31 December 2017, key management personnel and their close family members contributed £2,200,000 (2016: £500,000) to products sold by the Company. As 31 December 2017 the total value of key management personnel's investment in Company products was £11,600,000 (2016: £10,100,000).

29 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 Aberdeen 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 2017 were £12,715,000 (2016: £10,404,000). Details of the UK defined benefit pension schemes are disclosed in the consolidated financial statements of Standard Life Aberdeen plc.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

30 Employee share-based payments

Accounting Policy

Standard Life Aberdeen Group operates share incentive plans for all employees. The Company operates 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 Aberdeen 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 Aberdeen Group and the employees have a shared understanding of the terms and conditions of the award. If that award is subject to an approval process then the grant date is the date when that approval is obtained. The charge in respect of the services received by the Company from its employees is recharged to the Company by Standard Life Aberdeen 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 Company recognises immediately the full charge in the income statement with a corresponding amount due to Standard Life Aberdeen Group.

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

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 Company 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 Aberdeen Group.

The Company does not operate any share-based payment schemes. During the year the Company's ultimate parent company, Standard Life Aberdeen 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:

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

30 Employee share-based payments (continued)

(a) Share options

(i) Long-term incentive plans

The Standard Life Aberdeen Group operated the following LTIPs:

Plan	Recipients	Grant date	Conditions which must be met prior to vesting
Standard Life Aberdeen plc long-term incentive plan (Standard Life Aberdeen 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 Aberdeen Annual Report.
Standard Life Investments long-term incentive plan (Company's LTIP)	Executives and senior management of Standard Life Investments 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 Aberdeen 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 Company's LTIP in respect of certain employees overseas which are cash settled. The reduction in share-based payment expenses and cash based LTIP expenses during the year are in relation to the Company's LTIP scheme.

(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 Company annual bonus. Under the terms of the 2017 and 2016 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 Company prior to the end of the awards vesting period.

(iii) Sharesave (save-as-you-earn)

The Standard Life Aberdeen 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.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

30 Employee share-based payments (continued)

(b) Share awards

(i) Share incentive plans

The Standard Life Aberdeen 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.

(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 Aberdeen plc LTIP and the Group's LTIP):

	2017			
	Number of options '000s			
	Long-term incentive plan (including RSP)	Short-term incentive plan	Sharesave	Weighted average exercise price for Sharesave
Outstanding at Jan 1	31,428	34	2,296	290p
Granted	21,580	-	607	345p
Forfeited	(4,411)	-	(52)	306p
Exercised	(4,131)	(17)	(508)	275p
Cancelled	-	-	(41)	196p
Expired	-	-	(6)	306p
Outstanding at 31 Dec	44,466	17	2,296	308p
Weighted average remaining contractual life of options outstanding (years)	1.88	.73	2.66	

	2016			
	Number of options '000s			
	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	

The number of options for 2017 has been determined 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 2017 (continued)

30 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):

2017				
	Long-term incentive plan (excluding RSP)	RSP	Short-term incentive plans	Sharesave
Options granted during the year				
Date of grant	27 March 2017	Throughout	None	17 October 2017
Share price at grant date	354p	368p		429p
Weighted average fair value	354p	368p		67p
Exercise price	nil	nil		345p
Option term (years)	3.24	2.22		3.34
Options exercised during the year				
Weighted average share price at time of exercise	351p	363p	356p	421p
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

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.

The following table shows the range of exercise prices of options outstanding at 31 December 2017. All options are exercisable for a period of six months after the vesting date.

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

30 Employee share-based payments (continued)

	2017 Number of options outstanding (000's)	2016 Number of options outstanding (000's)
Long-term incentive plans		
£nil	44,466	31,428
Short-term incentive plans		
£nil	17	34
Sharesave		
157p	-	50
221p	9	65
272p	113	133
283p	942	974
296p	245	646
328p	384	428
345p	603	-
Outstanding 31 December	46,779	33,758

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.

	2017	2016
Number of instruments granted	132,224	117,134
Share price at date of grant	396p	333p
Fair value per granted instrument at grant date	396p	333p

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:

	2017 £'000	2016 £'000
Share options granted under LTIP's	12,665	25,915
Share options granted under Sharesave	456	593
Share options granted under short-term incentive plans	182	37
Matching shares granted under share incentive plans	164	178
	13,467	26,723

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

31 Commitments

(a) Operating lease commitments

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

	2017 £ 000	2016 £ 000
Within one year	5,531	6,928
In two to five years	20,804	21,244
In over five years	44,330	49,244
	70,665	77,416

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.

(b) Commitments to associates

The Company has entered into partnership agreements which have committed the Company to invest a maximum of £18,942,000 (2016: £18,557,000) into limited partnerships. During the year the Company invested £250,000 (2016: £419,000) with a remaining maximum commitment of £3,748,000 (2016: £3,905,000).

32 Contingent assets

In 2016 a minimum fee arrangement was in place with an external party, in relation to an agreement by the Company to sell investment solutions directly to customers and there was a minimum fee of £2,191,000 as at 31 December 2016. This arrangement has now ceased and there are no fees due.

33 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, 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, investment securities and subsidiaries are shown in Note 15, 16 and 14 respectively.

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

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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
SL Capital ESF I LP Limited Partnership	Scotland	Ordinary	1.0	Investment management
ESP CPPIB European Mid Market Fund Limited Partnership	Scotland	Ordinary	0.5	Investment management
ESP Tidal Reach Limited Partnership	Scotland	Ordinary	1.0	Investment management
ESP Golden Bear Europe Fund Limited Partnership	Scotland	Ordinary	2.9	Investment management
SL Capital NASF I A Limited Partnership	Scotland	Ordinary	1.6	Investment management
Standard Life Investments AAA Income Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Growth fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Unconstrained SICAV	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments American Equity Unconstrained SICAV (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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
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	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 SICAV European Corporate Bond Fund (1)	Luxembourg	Ordinary	0.0	Investment management
Standard Life Investments Global SICAV Pan European Corporate Bond Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Higher Income Fund	United Kingdom	Ordinary	0.0	Investment management
Standard Life Investments Indian Equities SICAV (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 (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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
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
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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
Standard Life Investments Global Emerging Markets Unconstrained Equity SICAV	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 (2)	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

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
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
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)	Jersey	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Global Equity Fund (3)	Jersey	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Bridge Fund (3)	Jersey	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Global Fixed Interest Fund (3)	Jersey	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Sterling Fixed Interest Fund (3)	Jersey	Ordinary	0.0	Investment management
Standard Life Wealth Phoenix (3)	Jersey	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 Total Return Credit SICAV (1)	Luxembourg	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 Fund (1)	Luxembourg	Ordinary	0.0	Investment management

Notes to the Financial Statements for the year ended 31 December 2017 (continued)
33 Related undertakings (continued)

Name	Country of incorporation/ registration	Share class	% owned	Nature of business
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
Standard Life Investments Absolute Return Global Bond Strategies Fund (1)	Luxembourg	Ordinary	0.0	Investment management
SLI Enhanced Diversification Global Emerging Markets Equity SICAV (1)	Luxembourg	Ordinary	0.0	Investment management
Standard Life Wealth (Offshore) Income Fund (3)	Jersey	Ordinary	0.0	Investment management

(1) Entities domiciled in Luxembourg are registered at the following office: 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg

(2) Entities domiciled in Ireland are registered at the following office: 70 Sir Rogerson's Quay, Dublin

(3) Entities domiciled in Jersey are registered at the following office: Liberte House, 19-23 Motte Street, St. Helier, JE4 5RL, Jersey

34 Events after the statement of financial position date

There have been no significant events after the reporting period.

Independent Auditor's Report to the Members of Standard Life Investments Limited

Opinion

We have audited the financial statements of Standard Life Investments Limited ("the company") for the year ended 31 December 2017 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
 - have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
 - in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
 - in our opinion those reports have been prepared in accordance with the Companies Act 2006.
-

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Catherine Burnet (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Saltire Court
20 Castle Terrace
Edinburgh
United Kingdom
EH1 2EG

15 February 2018