Standard Life Investments

STANDARD LIFE INVESTMENTS (USA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

Registered in Scotland Number SC215736

General Information

Directors

C M Clark

J G Morris

W H Perry

R A Renaud

N K Skeoch

S Weeple

Company Secretary

D J Burns

Registered Office

1 George Street

Edinburgh

EH2 2LL

United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

68 - 73 Queen Street

Edinburgh

EH2 4NH

United Kingdom

Directors' annual report
for the year ended 31 December 2012

The Directors present their report together with the audited financial statements of Standard Life Investments (USA) Limited (the Company) for the year ended 31 December 2012.

Directors

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

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

Principal activities

The principal activity of the Company is to provide investment management and marketing services to other members of the Standard Life Group, and to third parties.

Business review

The result for the year ended 31 December 2012 is a loss of £473,000 (2011: £1,348,000). The Directors consider the results to be satisfactory in the context of the Company's longer term business plans and objectives.

Future outlook

The Directors are confident of improving on the performance in the future.

Dividend

The Directors did not recommend paying a dividend in 2012 (2011: £nil).

Key performance indicators (KPIs)

The Directors of Standard Life Investments (Holdings) Limited (SLIH) manage the operations of the Standard Life Investments (Holdings) Limited Group (the Group), in which the Company is a wholly owned subsidiary, on a divisional basis. The Company's Directors therefore believe that an analysis using key performance indicators for the Company is not necessary or appropriate for gaining an understanding of the development, performance and position of the Company.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The main business risks to which the Company is exposed, and its financial risk management objectives and policies are considered in Note 17 to this report and financial statements. Other key business risks include competition from other providers of investment management services.

Creditor payment policy

It is the Company's policy to negotiate payment terms with principal suppliers and to pay in accordance with the terms agreed. For other suppliers, where goods and services have been supplied to specification, payment is made in accordance with the terms offered by the supplier. There was an average of 16 days (2011: 13 days) taken to make payment for services provided in 2012.

Annual general meeting

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

Independent Auditors

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

Directors' annual report (continued)
for the year ended 31 December 2012

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware.

Each of the Directors has taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board of Directors

D J Burns, Company Secretary

Edinburgh, 28 February 2013

Statement of Directors' responsibilities for preparing the financial statements for the year ended 31 December 2012

The following statement, which should be read in conjunction with the statement of auditors' responsibilities included in the independent auditors' report, is made to help shareholders distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements for 2012.

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Company's financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial statements of the Standard Life Group must be prepared in accordance with IFRSs issued by the International Accounting Standards Board, as adopted for use in the European Union, the Companies Act 2006 and Article 4 of the IAS Regulation. The Directors have elected to prepare the Company's financial statements on the same basis.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Income statement
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Revenue			
Management fee income		10,466	6,993
Other operating income		7,384	3,781
Net revenue		**17,850**	**10,774**
Operating expenses			
Administrative expenses	4	(18,138)	(12,677)
Total operating expenses		**(18,138)**	**(12,677)**
Operating loss	4	**(288)**	**(1,903)**
Finance income	5	14	12
Net foreign exchange (losses) / gains		(149)	144
Loss before tax		**(423)**	**(1,747)**
Tax (expense) / credit	6	(50)	399
Loss for the year attributable to equity holders of the Company		**(473)**	**(1,348)**

The notes on pages 9 to 24 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2012 and 31 December 2011 and has therefore not disclosed a separate statement of comprehensive income.

Statement of financial position
as at 31 December 2012

	Note	2012 £'000	2011 £'000
Assets			
Non-current assets			
Property and equipment	7	1,110	1,360
Deferred tax asset	8	677	559
Investment in subsidiary	9	160	-
Total non-current assets		**1,947**	**1,919**
Current assets			
Current tax recoverable	8	5	3
Trade and other receivables	10	1,795	1,749
Cash and cash equivalents	11	7,226	3,904
Total current assets		**9,026**	**5,656**
Total assets		**10,973**	**7,575**
Equity			
Share capital	12	11,600	11,600
Retained earnings	13	(10,358)	(9,885)
Total attributable to equity holders of the Company		**1,242**	**1,715**
Liabilities			
Non-current liabilities			
Deferred income	15	529	575
Trade and other payables	14	2,126	1,117
Total non-current liabilities		**2,655**	**1,692**
Current liabilities			
Current tax liability	8	152	-
Deferred income	15	65	73
Trade and other payables	14	6,859	4,095
Total current liabilities		**7,076**	**4,168**
Total liabilities		**9,731**	**5,860**
Total equity and liabilities		**10,973**	**7,575**

The notes on pages 9 to 24 form part of these financial statements.

Approved on behalf of the Board of Directors and authorised for issue on 28 February 2013 by the following Director:

N K Skeoch, Director

Registered in Scotland Number SC215736

Statement of changes in equity
for the year ended 31 December 2012

	Note	Share capital £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
Balance at 1 January 2011		9,100	(8,537)	563
Comprehensive expense				
Loss for the year		-	(1,348)	(1,348)
Total comprehensive expense for the year		-	**(1,348)**	**(1,348)**
Transactions with owners				
Preference share issue	**12**	2,500	-	2,500
Balance at 31 December 2011		**11,600**	**(9,885)**	**1,715**
Balance at 1 January 2012		11,600	(9,885)	1,715
Comprehensive expense				
Loss for the year		-	(473)	(473)
Total comprehensive expense for the year		-	**(473)**	**(473)**
Balance at 31 December 2012		**11,600**	**(10,358)**	**1,242**

The Company did not recognise any income or expense directly in equity (2011: £nil). The total recognised income for the year comprised of the loss for the year.

The notes on pages 9 to 24 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Cash flows from operating activities			
Loss before tax		(423)	(1,747)
Finance income classified as investing activity	5	(14)	(12)
		(437)	(1,759)
Adjustments for:			
Movement in operating assets and liabilities	16	3,673	1,109
Depreciation of property and equipment	7	603	154
Group relief included in operating assets and liabilities		(493)	(279)
Group relief received		475	751
Net cash flows from / (used in) operating activities		**3,821**	**(24)**
Cash flows used in investing activities			
Purchase of property and equipment	7	(353)	(1,432)
Interest received	5	14	12
Investment in subsidiary	9	(160)	-
Net cash flows used in investing activities		**(499)**	**(1,420)**
Cash flows from financing activities			
Issue of preference shares	12	-	2,500
Net cash flows from financing activities		**-**	**2,500**
Net increase in cash and cash equivalents		3,322	1,056
Cash and cash equivalents at the beginning of the year		3,904	2,848
Cash and cash equivalents at the end of the year	11	**7,226**	**3,904**

The notes on pages 9 to 24 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2012

1. Accounting policies

(a) Basis of preparation

(i) Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Commission for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

The principal accounting policies set out below have been applied consistently to all financial reporting periods presented in these financial statements, unless otherwise stated. All amounts classified as current are expected to be settled/recovered in less than 12 months unless otherwise stated in the notes to these financial statements.

(ii) New standards, interpretations and amendments to published standards that are deemed not relevant to the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2012 or later periods. These are listed below and are deemed not relevant to the Company:

Amendment to IFRS 1 First time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

Amendment to IFRS 7 Financial instruments: Disclosures – Transfer of financial assets

Amendment to IAS 12 Income Taxes – Deferred Tax: Recovery of underlying assets

(iii) Standards, interpretations and amendments to published standards that are not yet effective and have not been early adopted by the Company

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's annual accounting periods beginning on or after 1 January 2013 or later periods. The Company has not early adopted the standards, amendments and interpretations described below:

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

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

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

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

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

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

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

IAS 28 Investments in Associates and Joint Ventures (2011) (effective for annual periods beginning on or after 1 January 2013)

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

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

Annual improvements to IFRSs 2009-2011 Cycle (effective for annual periods beginning on or after 1 January 2013)

Amendment to IAS 32 Financial Instruments: Presentation (effective for annual periods beginning on or after 1 January 2014)

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

Notes to the financial statements (continued)

1. Accounting policies (continued)

(b) Revenue recognition

(i) Management fee income

All fees and costs associated with the provision of investment management services are recognised, subject to recoverability, as the services are provided.

(ii) Other operating income

The majority of 'Other operating income' consists of amounts received relating to costs recharged to other subsidiaries within the Group.

(c) Expense recognition

(i) Impairment of non-financial assets

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

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

(ii) Administrative expenses

'Administrative expenses' are recognised on an accruals basis.

(d) Foreign currency

Foreign currency transactions and fair values are translated using the exchange rates applying to the functional currency, which is US Dollars, 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.

(e) Property and equipment

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

(f) Income tax

(i) Current tax

The current tax credit is based on the taxable results for the year, using tax rates enacted or substantively enacted at the statement of financial position date, including any adjustments in respect of prior years. Amounts are charged or credited to the income statement or equity as appropriate.

(ii) Deferred tax

Deferred tax is provided using the statement of financial position liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable results will be available against which the temporary differences can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

Deferred tax is recognised in the income statement except when it relates to items recognised directly in the statement of changes in equity in which case it is credited or charged directly to retained earnings through the statement of changes in equity.

(g) Financial assets - designation

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets. The Company's loans and receivables comprise 'Trade and other receivables' and 'Cash and cash equivalents' in the statement of financial position.

Notes to the financial statements (continued)
1. Accounting policies (continued)

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment where this is deemed necessary. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) may be considered indicators that the trade receivable is impaired.

The amount of any provision is the difference between the asset's carrying amount and its estimated realisable value. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of any loss is recognised in the income statement within 'Administrative expenses'. When a trade receivable is uncollectible, it is written off against 'Trade and other receivables'. Subsequent recoveries of amounts previously written off are credited against 'Administrative expenses' in the income statement.

(i) Cash and cash equivalents

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

(j) Trade and other payables

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

(k) 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.

(l) Pension costs and other post retirement benefits

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

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

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

(m) 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.

(n) Investments in subsidiaries

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

The Group uses the acquisition method of accounting for the value of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition costs are expensed when incurred.

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

(o) Employee cash-based long term incentive payments

The Standard Life Group operates cash based long term incentive plans (LTIPs) for certain senior employees. These are accounted for under IAS 19 'Employee Benefits' and are remeasured 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 (continued)

1. Accounting policies (continued)

(p) Employee share-based payments

Standard Life Group operates share incentive plans for all employees, share-based LTIPs for senior employees and may award annual performance shares to all eligible employees when targets for each scheme are met. The schemes are all in respect of Standard Life plc shares and further details are set out in Note 19. The majority of schemes are treated as equity-settled share-based payment schemes under IFRS 2 Share-based payment. The awards in respect of employees employed by and domiciled in the USA are cash-settled.

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:

Long Term Incentive Plans

The key judgement in respect of Standard Life Group's LTIP is in relation to the number of awards the Directors expect to vest at each individual vesting date. This judgement is arrived at using a number of factors including expectations of the Group's future cumulative pre-variable compensation EBIT from third-party assets under management.

3. Staff and other employee related costs

The average number of staff employed by the Company during the year was 42 (2011: 34).

	2012	2011
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	8,908	6,185
Social security costs	543	230
Pension costs	126	83
Health care and insurance	502	395
Long-term incentive plans	1,860	1,552
Other	841	610
Total staff and other employee related costs	**12,780**	**9,055**

The staff who manage the affairs of the Company are either members of a defined contribution pension scheme operated by the Company or participate in defined contribution or defined benefit schemes to which the Company makes a contribution. Contributions to the schemes are expensed when employees have rendered services in exchange for such contributions, generally in the year of contribution. The contributions recognised as an expense for the year ended 31 December 2012 were £126,000 (2011: £83,000).

Details of Directors' remuneration are contained in Note 18, 'Related party transactions'.

Notes to the financial statements (continued)

4. Operating Loss

The following have been included in the operating loss:

	2012	2011
	£'000	£'000
Depreciation of property and equipment (Note 7)	603	154
Operating lease rentals	1,040	736
Staff and other employee related costs (Note 3)	12,780	9,055
Auditors' remuneration (see below)	33	63
Fees payable to the Company's auditors for the audit of the financial statements	6	7
Tax compliance fees	27	56
Total payable to the Company's auditors	**33**	**63**

5. Finance income

The Company had interest income for 2012 of £14,000 (2011: £12,000), which is derived from 'Cash and cash equivalents'.

6. Tax credit

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

	2012	2011
	£'000	£'000
Current tax		
United Kingdom corporation tax	154	(457)
Adjustment to tax in respect of prior years	14	2
Total current tax	**168**	**(455)**
Deferred tax		
Deferred tax (credit) / charge arising in the current year (Note 8(b))	(118)	56
Total deferred tax	**(118)**	**56**
Total tax charge / (credit)	**50**	**(399)**

(b) Reconciliation of tax expense / (credit) :

	2012	2011
	£'000	£'000
Loss before tax	(423)	(1,747)
Tax at UK corporation tax rate of 24.5% (2011: 26.5%)	(104)	(463)
Effects of:		
Permanent differences	79	13
Prior year adjustment in respect of current tax	14	2
Disallowable expenses	17	7
Change in tax rate	44	42
Total tax charge / (credit)	**50**	**(399)**

From 1 April 2012 the main rate of UK corporation tax has decreased from 26% to 24%. Accordingly, this results in an average current tax rate of 24.5% for the year.

Notes to the financial statements (continued)

7. Property & Equipment

	Computers	Furniture & equipment	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2011	157	586	388	1,131
Additions	31	777	624	1,432
At 31 December 2011	**188**	**1,363**	**1,012**	**2,563**
Additions	50	303	-	353
At 31 December 2012	**238**	**1,666**	**1,012**	**2,916**
Accumulated Depreciation:				
At 1 January 2011	134	557	358	1,049
Depreciation for the year	16	68	70	154
At 31 December 2011	**150**	**625**	**428**	**1,203**
Depreciation for the year	34	360	209	603
At 31 December 2012	**184**	**985**	**637**	**1,806**
Net Book Value:				
At 31 December 2012	**54**	**681**	**375**	**1,110**
At 31 December 2011	**38**	**738**	**584**	**1,360**

8. Tax assets & liabilities

(a) Tax assets and liabilities

	2012	2011
	£'000	£'000
Deferred tax assets (see (b) below)	677	559
Current tax recoverable	5	3
Tax assets	**682**	**562**
Current tax liabilities	152	-
	152	-

(b) Recognised deferred tax

	2012	2011
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	632	548
Depreciable assets	45	11
Net deferred tax assets	**677**	**559**
Movements in net deferred tax assets comprise:		
At 1 January	559	615
Amounts credited / (charged) to the income statement (Note 6)	118	(56)
At 31 December	**677**	**559**

Deferred tax balances have been measured at 23% (2011: 25%), this being the tax rate substantively enacted at the statement of financial position date.

Notes to the financial statements (continued)

9. Investment in subsidiary

	2012
	£'000
At 1 January	-
Investment in subsidiary	160
At 31 December	**160**

The following are particulars of the Company's subsidiary undertaking:

Name	Country of registration/ incorporation	Share class	% owned	Nature of business
Standard Life Investment Securities LLC	United States	Ordinary	100	Broker dealer

10. Trade and other receivables

	2012	2011
	£'000	£'000
Amounts owed by Standard Life Group undertakings	1,622	1,542
Prepayments	173	207
Total trade and other receivables	**1,795**	**1,749**

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. Note 17 to these financial statements provides an analysis of the credit and foreign currency risks from the financial assets noted above.

11. Cash and cash equivalents

	2012	2011
	£'000	£'000
Cash at bank and in hand	756	467
Short term bank deposits	6,470	3,437
Total cash and cash equivalents	**7,226**	**3,904**

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 (2011: A or above).

12. Share capital

	Authorised			
	2012		2011	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	1,000,000	1,000	1,000,000	1,000
Redeemable Preference Shares of £1 each	19,000,000	19,000	19,000,000	19,000

	Allotted, Called Up and Fully Paid			
	2012		2011	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	100,000	100	100,000	100
Redeemable Preference Shares of £1 each	11,500,000	11,500	11,500,000	11,500

Notes to the financial statements (continued)

12. Share capital (continued)

The redeemable preference shares are zero coupon, carry no voting rights and, on giving 30 days notice, are redeemable by the Company at any time. The redemption price for each redeemable preference share is £1. On a liquidation or reduction of capital, the surplus assets of the Company remaining after payment of its liabilities are applied first in paying, to the holders of the redeemable preference shares, an amount equal to the subscription price (inclusive of any premium) paid for such shares and the balance remaining thereafter is distributed amongst the holders of the ordinary shares.

13. Retained earnings

	2012	2011
	£'000	£'000
At 1 January	**(9,885)**	**(8,537)**
Loss for the year attributable to equity holders of the Company	(473)	(1,348)
At 31 December	**(10,358)**	**(9,885)**

14. Trade and other payables

	2012	2011
	£'000	£'000
Amounts owed to Standard Life Group undertakings	82	26
Accruals	8,903	5,186
Total trade and other payables	**8,985**	**5,212**
Presented as:		
Non-current	2,126	1,117
Current	6,859	4,095
Total trade and other payables	**8,985**	**5,212**

All 'Trade and other payables' with the exception of certain accruals are expected to be settled within 12 months and are classified as current. All of the financial liabilities listed above are non-interest bearing.

15. Deferred income

	2012	2011
	£'000	£'000
At 1 January	648	-
Additions during the year	52	651
Released to the income statement	(106)	(3)
At 31 December	**594**	**648**
Presented as:		
Non-current	529	575
Current	65	73
Total deferred income	**594**	**648**

Notes to the financial statements (continued)
16. Movement in operating assets and liabilities

	2012	2011
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	(46)	(291)
	(46)	**(291)**
Movement in operating liabilities:		
Deferred income	(54)	648
Trade and other payables	3,773	752
	3,719	**1,400**
Movement in operating assets and liabilities	**3,673**	**1,109**

17. Financial risk management

(a) Standard Life Group approach to risk management

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

(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the Group) approach to risk and capital management

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

The Group takes and manages risks to achieve its corporate, financial and regulatory objectives. The types of risk inherent in the pursuit of these objectives and the extent of exposure to these risks form the Group's risk profile. The Board has approved a risk policy which outlines the framework for identifying, assessing, monitoring and controlling risk.

Capital is managed within the regulatory framework in which the Group operates. This makes use of an Internal Capital Adequacy Assessment Process (ICAAP), approved by the Board, to identify the risks to which the business is exposed and to quantify their impact on economic capital, including changes thereto by way of stress and scenario tests. The ICAAP estimates how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk. The Group is required at all times to maintain at least this level of capital. 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 Financial Services Authority (FSA) who also monitor compliance by way of quarterly and annual submissions made by the Group and periodic visits.

The ICAAP is subject to high level quarterly review within the Group, with detailed annual review and approval by the Board. The potential impact of any significant risks identified outwith these timescales would be subject to immediate review.

Notes to the financial statements (continued)
17. Financial risk management (continued)

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

(i) Statement of financial position reconciliation

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

	2012		
	Financial assets		
	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000
Property and equipment	-	1,110	1,110
Deferred tax asset	-	677	677
Investment in subsidiary	-	160	160
Current tax recoverable	-	5	5
Trade and other receivables	1,622	173	1,795
Cash and cash equivalents	7,226	-	7,226
Total assets	**8,848**	**2,125**	**10,973**

	2011		
	Financial assets		
	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000
Property and equipment	-	1,360	1,360
Deferred tax asset	-	559	559
Current tax recoverable	-	3	3
Trade and other receivables	1,542	207	1,749
Cash and cash equivalents	3,904	-	3,904
Total assets	**5,446**	**2,129**	**7,575**

	2012		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Deferred income	-	594	594
Current tax liabilities	-	152	152
Trade and other payables	8,985	-	8,985
Total liabilities	**8,985**	**746**	**9,731**

	2011		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Deferred income	-	648	648
Trade and other payables	5,212	-	5,212
Total liabilities	**5,212**	**648**	**5,860**

Notes to the financial statements (continued)
17. Financial risk management (continued)

(ii) Fair value of assets and liabilities

None of the assets are categorised as FVTPL and therefore are not disclosed in fair value hierarchy levels.

Due to the short term nature of current financial assets and current financial liabilities, the amortised cost is approximate to the fair value.

(iii) Credit risk

The Company is exposed to credit risk through capital investments, cash, trade receivables and intercompany balances. For cash deposits an internal credit assessment of each counterparty is used to set counterparty limits by the Group. This is presented to the Standard Life Group Credit Risk Committee for review and approval. Trade and other receivables are with Standard Life Group entities which have had no defaults in the past.

Management fee income provides the bulk of the Company's revenues. Funds are managed in accordance with legal agreements in place with both Standard Life Group companies and third parties, that specify contractual payment terms. The majority of receipts by value are received either monthly or quarterly.

Cash deposits, comprising the majority of 'Cash and cash equivalents', are placed for terms of less than 3 months, with counterparties selected according to the criteria noted above.

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 (2011: A or above).

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

	2012	2011
	£'000	**£'000**
Trade and other receivables	1,622	1,542
Cash and cash equivalents	7,226	3,904
	8,848	**5,446**

At the statement of financial position date, none of the financial assets above were impaired and 'Trade and other receivables' classified as past due amounted to £nil (2011: £nil).

(iv) Market risk

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

This Company was incorporated in Scotland and domiciles in the USA.

The Group uses sensitivity test-based analysis, including market and property value changes, foreign exchange and interest rate movements, detailed in its ICAAP, to understand their impact on expected earnings for decision making and planning purposes.

The impact of a fall in asset values at a point in time would primarily impact revenue, which is accrued based on those values, and is not hedged. A 10% change in market levels would result in a change in profit after tax of £790,000 (2011: £514,000).

The Company transacts most of its business in US Dollars and has exposure to foreign exchange movements through its foreign currency denominated cash and trade and other receivables balances, all unhedged. The Company's currency exposure at the statement of financial position date was as follows:

	2012		
	Sterling	**US Dollar**	**Total**
	£'000	**£'000**	**£'000**
Trade and other receivables	1,489	306	1,795
Cash and cash equivalents	6,471	755	7,226
	7,960	**1,061**	**9,021**

Notes to the financial statements (continued)
17. Financial risk management (continued)

	2011		
	Sterling	US Dollar	Total
	£'000	£'000	£'000
Trade and other receivables	1,489	260	1,749
Cash and cash equivalents	3,440	464	3,904
	4,929	**724**	**5,653**

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

	10% increase in currency		10% decrease in currency	
	2012	2011	2012	2011
	US Dollar	US Dollar	US Dollar	US Dollar
	£'000	£'000	£'000	£'000
Impact on loss after tax	89	59	(73)	(48)

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

	5bps increase in interest rates		5bps decrease in interest rates	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Impact on loss after tax:				
Cash and cash equivalents	3	2	(3)	(2)

(v) Liquidity risk

Liquidity risk is the risk of the Company being unable to maintain sufficient cash and marketable securities to enable it to meet cash flow obligations as they fall due.

The Company's cash flows are such that short term liabilities are generally matched by similarly short term assets, and longer term liabilities are covered by short term assets, normally held in cash or highly liquid securities. The Group manages its liquidity risk by regular monitoring of its cash position, credit control including credit risk assessment noted above, forward planning including cash flow analysis, and regular reporting thereon to the Board and the Operational Risk Committee.

Surplus cash is generally invested in cash deposits with institutions meeting the Group's credit risk approval criteria, repayable on demand. These are disclosed in the statement of financial position under 'Cash and cash equivalents'.

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

Financial assets	2012		
	Trade and other receivables	Cash and cash equivalents	Total
	£'000	£'000	£'000
Due on demand	-	7,226	7,226
No contractual maturity	1,622	-	1,622
	1,622	**7,226**	**8,848**

Notes to the financial statements (continued)
17. Financial risk management (continued)

Financial assets

	2011		
	Trade and other receivables	**Cash and cash equivalents**	**Total**
	£'000	**£'000**	**£'000**
Due on demand	-	3,904	3,904
No contractual maturity	1,542	-	1,542
	1,542	**3,904**	**5,446**

Financial liabilities

	2012	2011
	Trade and other payables	**Trade and other payables**
	£'000	**£'000**
Due within 1 month	224	579
Due within 1 year	6,553	3,490
Due between 1 and 5 years	2,126	1,117
No contractual maturity	82	26
	8,985	**5,212**

(vi) Operational risk

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

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

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

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

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

18. Related party transactions

Parent and ultimate controlling party

The Company's parent undertaking is Standard Life Investments Limited, whilst its ultimate controlling party is Standard Life plc.

Copies of the Annual Report and Financial Statements of Standard Life plc are available to the public from Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

Transactions between and balances with related parties

In the normal course of business, the Company enters into transactions with related parties in respect of its investment management business. Such related party transactions are at arm's length.

Notes to the financial statements (continued)

18. Related party transactions (continued)

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

2012	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	10,466	1,301	1,489	-
Other (including fellow subsidiaries)	7,307	-	133	82
	17,773	**1,301**	**1,622**	**82**

2011	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	6,993	523	1,008	-
Other (including fellow subsidiaries)	3,769	-	534	26
	10,762	**523**	**1,542**	**26**

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad and doubtful debts has been recognised in the year, or in the prior period, in respect of the amounts owed by related parties.

Compensation of key management personnel

All key management personnel of the Company are Directors. A number of the key management personnel of the Company are also key management personnel of a number of entities within the Standard Life Group. For the purpose of this note an apportionment of the total compensation has been made based on an estimate of the services rendered. The key management personnel compensation apportioned to the Company was as follows:

	2012	2011
	£'000	£'000
Short-term employee benefits	1,122	1,459
Post-employment benefits	3	3
Other long-term benefits	1,181	750
	2,306	**2,212**

There was £1,613,000 (2011: £1,089,000) owing to key management personnel at the statement of financial position date.

Six Directors of the Company (2011: five) are participants in Long Term Incentive Schemes. The benefits arising under the incentive schemes are recorded in the period in which entitlement is determined.

At 31 December 2012 retirement benefits are accruing to one Director in respect of services to the Company under a defined benefit scheme operated by the Standard Life Group (2011: two) and no Directors (2011: two) under a defined contribution scheme.

The highest paid Director of the Company received aggregate remuneration during the year of £873,084 (2011: £828,000). At 31 December 2012, the highest paid Director held accrued pension benefits of £10,458 (2011: £24,000) under a defined benefit pension scheme operated by the Standard Life Group.

Notes to the financial statements (continued)

19. Employee share-based payments

The Company does not operate any share-based payment schemes. During the year the Company's ultimate parent company, Standard Life plc, operated a number of share-based payment schemes, including a Standard Life Investments scheme in which the Company has participants. This is detailed below:

Standard Life Investments (SLI) Long-Term Incentive Plan

Under the terms of the 2012, 2011 and 2010 Standard Life Investments Long-term incentive plans, share options are awarded to participants based on performance results of Standard Life Investments over a three year period. The performance target is based on Standard Life Investments' earnings before interest and tax (EBIT) from third party assets under management, before variable compensation, subject to an investment performance underpin based on the three year money-weighted average investment performance of all assets under management against relevant benchmarks. The participants are also entitled to receive dividends in the form of an entitlement to additional shares. At the grant date the participants are advised of the range of options that will be awarded.

The actual number of options that ultimately vest is determined at the end of the three year performance period. The terms and conditions of the Standard Life Investments long-term incentive plans shown below represent the maximum number of options that can vest.

The majority of the awards granted under the Standard Life Investments long-term incentive plans are equity-settled share-based payment transactions. The awards in respect of employees working and domiciled in USA are cash-settled.

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

Arrangement	2012	2011	2010
Date of Grant	29 Mar 12	31 Mar 11	16 Jun 10
Number of instruments granted	317,906	1,013,774	928,340
Share price at date of grant	228p	207p	188p
Contractual life (years)	3.74 years	3.75 years	3.96 years
Expected option life at grant date (years)	3.5 years	3.25 years	3.5 years
Expected outcome of meeting performance criteria (at the grant date)	50%	50%	50%
Fair value per granted instrument determined at the grant date	228p	207p	188p
Fair value per cash settled instrument granted determined at 31 December	332p	206p	216p

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

	2012	2011
Range of exercise prices	n/a	n/a
Weighted average exercise price	n/a	n/a
Number of options ('000)	1,870	2,688
Weighted average remaining life - Expected	1.09	1.50
Weighted average remaining life - Contractual	1.59	2.00

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

	2012	2011
	Number of options	
	('000)	('000)
Outstanding at start of year	2,688	2,157
Granted	317	1,014
Forfeited	(528)	94
Exercised	(607)	(577)
Outstanding at end of year	1,870	2,688

Notes to the financial statements (continued)

20. Commitments

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

	2012	2011
	£'000	£'000
Within one year	973	778
Expiring during years 2 to 5	3,891	2,333
Expiring after more than 5 years	3,316	4,504
	8,180	**7,615**

21. Events after the statement of financial position date

There have been no significant events after the reporting period.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Standard Life Investments (USA) Limited

We have audited the financial statements of Standard Life Investments USA Limited for the year ended 31 December 2012 which comprise the income statement, the statement of financial position, the statement of cash flows, the statement of changes in equity and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual reports and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 February 2013