



**STANDARD LIFE INVESTMENTS
(USA) LIMITED**

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



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COMPANIES HOUSE

Registered in Scotland Number SC215736

General Information

Directors

J T Boyce

C M Clark

E Lochen

W H Perry

Company Secretary

H S Kidd

Registered Office

1 George Street

Edinburgh

EH2 2LL

United Kingdom

Independent Auditors

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

United Kingdom

Directors' report

for the year ended 31 December 2016

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 2016.

Directors

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

D J Burns resigned as Company Secretary on the 10 May 2016.

H S Kidd was appointed as Company Secretary on the 10 May 2016.

E Lochen was appointed as a Director on 10 May 2016.

S A Weeple was appointed as a Director on 10 May 2016.

S A Weeple resigned as a Director on 9 December 2016.

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

Result for the year

The result for the year ended 31 December 2016 is a profit of £10,376,000 (2015: £7,232,000).

Future outlook

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

Dividend

The Directors recommended and paid a dividend of £7,000,000 in 2016 (2015: £nil) to its parent company.

Annual general meeting

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

Independent Auditors

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

Disclosure of information to Auditors

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

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

By order of the Board of Directors



H S Kidd, Company Secretary

London, 20 February 2017

Strategic report

for the year ended 31 December 2016

Review of the Company's business

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

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) on a divisional basis. The Company is an indirect subsidiary of SLIH, therefore a member of the Group. The Company's Directors therefore believe that an analysis using KPIs for the Company is not necessary or appropriate for gaining an understanding of the development, performance and position of the Company. The KPIs of the Group can be found in the Group's annual report and financial statements.

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 19 to this report and financial statements. Other key business risks include competition from other providers of investment management services.

Employees

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

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

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

Environmental matters

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

On behalf of the Board of Directors



C M Clark, Director

London, 20 February 2017

Statement of Directors' responsibilities

The Directors 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 the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

Income statement**for the year ended 31 December 2016**

		2016	2015
	Note	£'000	£'000
Revenue			
Management fee income		56,455	43,720
Other operating income		137	839
Net revenue		56,592	44,559
Operating expenses			
Administrative expenses		(44,745)	(37,416)
Total operating expenses		(44,745)	(37,416)
Net revenue less expenses		11,847	7,143
Finance income	5	48	47
Finance costs	6	-	(1)
Net foreign exchange gains		3,770	564
Profit before tax		15,665	7,753
Tax expense	7	(5,289)	(521)
Profit for the year attributable to equity holders of the Company		10,376	7,232

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 2016 and 31 December 2015 and has therefore not disclosed a separate statement of comprehensive income.

Statement of financial position
as at 31 December 2016

		2016	2015
	Note	£'000	£'000
Assets			
Non-current assets			
Property and equipment	8	1,924	2,328
Deferred tax asset	9	6,168	4,932
Investment in subsidiary	10	231	231
Total non-current assets		8,323	7,491
Current assets			
Current tax recoverable	9	320	56
Trade and other receivables	11	5,222	4,842
Cash and cash equivalents	12	23,526	18,650
Total current assets		29,068	23,548
Total assets		37,391	31,039
Equity			
Share capital	13	5,459	5,459
Retained earnings	15	10,608	7,232
Total attributable to equity holders of the Company		16,067	12,691
Liabilities			
Non-current liabilities			
Deferred income	17	509	572
Trade and other payables	16	3,028	3,586
Total non-current liabilities		3,537	4,158
Current liabilities			
Current tax liability	9	-	442
Deferred income	17	174	146
Trade and other payables	16	17,613	13,602
Total current liabilities		17,787	14,190
Total liabilities		21,324	18,348
Total equity and liabilities		37,391	31,039

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

The financial statements and accompanying notes on pages 5 to 24 were approved on behalf of the Board of Directors on 8 February 2017 and signed on its behalf on 20 February 2017 by the following Director:



C M Clark, Director

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

		Share capital	(Accumulated losses) / retained earnings	Total equity attributable to equity holders of the Company
	Note	£'000	£'000	£'000
Balance at 1 January 2015		11,600	(6,141)	5,459
Comprehensive income				
Companies Act equity restructuring		(6,141)	6,141	-
Profit for the year		-	7,232	7,232
Total comprehensive income for the year		(6,141)	13,373	7,232
Balance at 31 December 2015		5,459	7,232	12,691
Balance at 1 January 2016		5,459	7,232	12,691
Comprehensive income				
Profit for the year		-	10,376	10,376
Total comprehensive income for the year		-	10,376	10,376
Transactions with owners				
Dividends paid	14	-	(7,000)	(7,000)
Balance at 31 December 2016		5,459	10,608	16,067

The Company did not recognise any income or expense directly in equity (2015: £nil). The total recognised income for the year comprised of the profit 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 2016

		2016	2015
	Note	£'000	£'000
Cash flows from operating activities			
Profit before tax		15,665	7,753
Finance income classified as investing activity	5	(48)	(47)
		<u>15,617</u>	<u>7,706</u>
Adjustments for:			
Movement in operating assets and liabilities	18	3,038	2,805
Depreciation of property and equipment	8	622	358
Group relief included within operating assets and liabilities		-	2
Tax paid		(6,604)	(5,014)
Group relief paid		-	(3)
Foreign exchange gain on tax		(653)	(170)
Tax charge for subsidiary		26	83
Net cash flows from operating activities		<u>12,046</u>	<u>5,767</u>
Cash flows used in financing activities			
Dividends paid	14	(7,000)	-
Net cash flows used in financing activities		<u>(7,000)</u>	<u>-</u>
Cash flows used in investing activities			
Purchase of property and equipment	8	(218)	(2,623)
Interest received	5	48	47
Investment in subsidiary	10	-	(64)
Net cash flows used in investing activities		<u>(170)</u>	<u>(2,640)</u>
Net increase in cash and cash equivalents		4,876	3,127
Cash and cash equivalents at the beginning of the year		18,650	15,523
Cash and cash equivalents at the end of the year	12	<u>23,526</u>	<u>18,650</u>

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

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

1. Presentation of the financial statements

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 endorsed by the European Union (EU), with interpretations issued by the IFRS Interpretations Committee (IFRS IC), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

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

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

There have been no new interpretations or amendments to existing 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 11 Construction contracts, IAS 18 Revenue and related interpretations.

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

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

(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

Other income is recognised on an accruals basis.

(c) Expense recognition

Administrative expenses are recognised on an accruals basis.

(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.

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

(ii) Administrative expenses

Administrative expenses are recognised on an accruals basis.

Notes to the financial statements for the year ended 31 December 2016 (continued)**1. Presentation of the financial statements (continued)****(d) Foreign currency**

The income statement is translated into Sterling using spot exchange rates for expenses and average exchange rates for the invoicing period for revenues. Assets and liabilities are translated at the closing rate at the statement of financial position date or at the historic rate.

(e) 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.

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 (LTIP)

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 Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), from third-party assets under management.

3. Staff and other employee related costs***Accounting Policy***

The Standard Life Group operates a number of defined benefits and defined contribution plans. The pension plans are funded by payments from employees and by the Standard Life Group of companies, determined by periodical 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.

The contributions are recognised in staff expenses when they are due.

The average number of staff employed by the Company during the year was 99 (2015: 88).

Notes to the financial statements for the year ended 31 December 2016 (continued)**3. Staff and other employee related costs (continued)**

	2016	2015
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	26,553	20,587
Share based long term incentive plans	1,674	2,197
Cash based long term incentive plans	477	1,682
Social security costs	1,010	788
Other pension costs	970	685
Health care and insurance	1,553	1,118
Other	666	771
Total staff and other employee related costs	32,903	27,828

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 2016 were £970,000 (2015: £685,000).

4. Operating Profit

Details of Directors' remuneration are contained in Note 20, 'Related party transactions'.

The following have been included in the operating profit:

	2016	2015
	£'000	£'000
Staff and other employee related costs (Note 3)	32,903	27,828
Operating lease rentals	1,168	1,031
Depreciation of property and equipment (Note 8)	622	358
Auditors' remuneration (see below)	14	6
	34,707	29,223
Fees payable to the Company's auditors for the audit of the financial statements	14	6
Total payable to the Company's auditors	14	6

5. Finance income

The Company had interest income for 2016 of £48,000 (2015: £47,000), derived from 'Cash and cash equivalents'.

6. Finance Costs

The Company had interest expenses for 2016 of £nil (2015: £1,000), comprising overdraft interest.

7. Tax expense**Accounting Policy**

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.

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

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

Notes to the financial statements for the year ended 31 December 2016 (continued)**7. Tax expense (continued)**

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

	2016	2015
	£'000	£'000
Current tax		
United Kingdom corporation tax	2,943	1,861
Double tax relief	(2,943)	(1,861)
Adjustment to United Kingdom tax in respect of prior years	-	442
Overseas tax	6,048	4,215
Adjustment to overseas tax in respect of prior years	(100)	(315)
Total current tax	5,948	4,342
Deferred tax		
Deferred tax credit arising in the current year	(659)	(3,180)
Prior year adjustment	-	(641)
Total deferred tax	(659)	(3,821)
Total tax expense	5,289	521

(b) Reconciliation of tax expense:

	2016	2015
	£'000	£'000
Profit before tax	15,665	7,753
Tax at US Federal corporation tax rate of 35% (2015: 35%)	5,483	2,714
Effects of:		
Permanent differences	(382)	77
Adjustments in respect of prior years - UK current tax	-	442
Adjustments in respect of prior years - overseas current tax	(100)	(315)
Change in tax rate	(464)	-
Overseas tax	717	508
Prior year adjustment in respect of deferred tax	-	(641)
Deferred tax asset not previously recognised	383	(2,018)
Foreign exchange differences on tax charges	(849)	(246)
Canadian branch losses	501	-
Total tax expense	5,289	521

The standard rate of US Federal Corporation tax for the accounting period is 35% (2015: 35%).

The taxable profits are also subject to Corporation tax in multiple US states. The combined US Federal and US State Corporation taxes generate an applicable Corporation tax rate of 37.87% (2015: 35%). This applicable Corporation tax rate has been used in the calculation of the deferred tax balances at 31 December 2016.

The company does not have any taxable profits in the UK because these are eliminated in full by the double taxation relief available in respect of the US Federal tax suffered.

Notes to the financial statements for the year ended 31 December 2016 (continued)**8. Property and equipment****Accounting Policy**

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

	Computers	Furniture & equipment	Leasehold improvements	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2015	256	1,709	1,034	2,999
Additions	200	547	1,876	2,623
At 31 December 2015	456	2,256	2,910	5,622
Additions	181	32	5	218
At 31 December 2016	637	2,288	2,915	5,840
Accumulated Depreciation:				
At 1 January 2015	246	1,677	1,013	2,936
Depreciation for the year	45	127	186	358
At 31 December 2015	291	1,804	1,199	3,294
Depreciation for the year	80	192	350	622
At 31 December 2016	371	1,996	1,549	3,916
Net Book Value:				
At 31 December 2016	266	292	1,366	1,924
At 31 December 2015	165	452	1,711	2,328

9. Tax assets & liabilities**(a) Tax assets and liabilities**

	2016	2015
	£'000	£'000
Deferred tax assets (see (b) below)	6,168	4,932
Current tax recoverable	320	56
Tax assets	6,488	4,988
Current tax liabilities	-	442
	-	442

Notes to the financial statements for the year ended 31 December 2016 (continued)**9. Tax assets & liabilities (continued)****(b) Recognised deferred tax**

	2016	2015
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	1,848	1,976
Accrued bonuses	4,549	2,939
Depreciable assets	(276)	17
Timing difference on deferred rent	47	-
Net deferred tax assets	6,168	4,932
Movements in net deferred tax assets comprise:		
At 1 January	4,932	1,046
Amounts credited to the income statement (Note 7)	659	3,821
Foreign exchange gain	577	65
At 31 December	6,168	4,932

Deferred tax assets are recognised to the extent that it is probable that when they reverse the associated tax deduction will be capable of being offset against taxable profits and gains in future periods. The value attributed to them takes into account the certainty or otherwise of the recoverability. Their recoverability is measured against anticipated taxable profits and gains.

The company has approximately £3.1 million of cumulative Canadian tax losses which have been generated by its Canadian branch. A deferred tax asset has not been recognised in respect of these losses because the future taxable profits and gains of the Canadian branch are uncertain.

The value of the unrecognised deferred tax asset is £0.56 million, being calculated at the applicable Canadian corporate tax rate of 26.5%.

10. Investment in subsidiary**Accounting Policy**

Subsidiaries are all entities, including structured entities, over which the Group has control. Control exists and consolidation is required 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.

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.

	2016	2015
	£'000	£'000
At 1 January	231	167
Additional investment	-	64
At 31 December	231	231

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

Name	Country of registration/ incorporation	Share class	% owned	Nature of business
Standard Life Investments Securities LLC ¹	United States	Ordinary	100	Broker dealer

The address of the subsidiary is shown below:

¹ Registered office: Corporation Service Company, Suite 400, Wilmington DE, United States

Notes to the financial statements for the year ended 31 December 2016 (continued)**11. Trade and other receivables****Accounting Policy**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less a provision for impairment where this is deemed necessary.

	2016	2015
	£'000	£'000
Amounts owed by Standard Life Group undertakings	4,744	4,429
Other debtors	79	196
Prepayments	399	217
Total trade and other receivables	5,222	4,842

All 'Trade and other receivables' are current and have a maturity of less than one year or have no contractual maturity date. All of the financial assets above are non-interest bearing. Note 19 to these financial statements provides an analysis of the credit and foreign currency risks from the financial assets noted above.

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

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

	2016	2015
	£'000	£'000
Cash at bank and in hand	1,389	680
Short term bank deposits	22,137	17,970
Total cash and cash equivalents	23,526	18,650

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

All of the 'Cash and cash equivalents' balances at the statement of financial position date were held with counterparties rated (Standard & Poor's) A or above (2015: A or above).

13. Share capital

	Allotted, Called Up and Fully Paid			
	2016		2015	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	5,459,594	5,459	5,459,594	5,459
	5,459,594	5,459	5,459,594	5,459

14. Dividends Paid

	2016	2015
	£'000	£'000
Dividend paid to parent undertaking	7,000	-
	7,000	-

A dividend of £1.28 per ordinary share was paid during the year.

Notes to the financial statements for the year ended 31 December 2016 (continued)**15. Retained earnings**

	2016	2015
	£'000	£'000
At 1 January	7,232	(6,141)
Profit for the year attributable to equity holders of the Company	10,376	7,232
Companies Act equity restructuring	-	6,141
Dividends paid	(7,000)	-
At 31 December	10,608	7,232

16. Trade and other payables**Accounting Policy**

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

	2016	2015
	£'000	£'000
Amounts owed to Standard Life Group undertakings	138	11
Accruals	20,503	17,177
Total trade and other payables	20,641	17,188
Presented as:		
Non-current	3,028	3,586
Current	17,613	13,602
Total trade and other payables	20,641	17,188

All 'Trade and other payables', with the exception of certain accruals, are current and expected to be settled within 12 months or have no contractual maturity date. All of the financial liabilities listed above are non-interest bearing.

17. Deferred income

	2016	2015
	£'000	£'000
At 1 January	718	463
Additions during the year	-	337
Foreign exchange gain	103	20
Released to the income statement	(138)	(102)
At 31 December	683	718
Presented as:		
Non-current	509	572
Current	174	146
Total deferred income	683	718

Notes to the financial statements for the year ended 31 December 2016 (continued)**18. Movement in operating assets and liabilities**

	2016	2015
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	(380)	(1,748)
	(380)	(1,748)
Movement in operating liabilities:		
Deferred income	(35)	255
Trade and other payables	3,453	4,298
	3,418	4,553
Movement in operating assets and liabilities	3,038	2,805

19. Financial risk management**(a) Standard Life Group approach to risk management**

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

(b) 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 adopted Standard Life 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) 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 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 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 outwith these timescales would be subject to immediate review.

Notes to the financial statements for the year ended 31 December 2016 (continued)**19. Financial risk management (continued)****(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the Group) approach to risk and capital management (continued)****(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.

	2016		
	Financial assets		
	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000
Property and equipment	-	1,924	1,924
Deferred tax asset	-	6,168	6,168
Current tax recoverable	-	320	320
Investment in subsidiary	-	231	231
Trade and other receivables	4,774	448	5,222
Cash and cash equivalents	23,526	-	23,526
Total assets	28,300	9,091	37,391

	2015		
	Financial assets		
	Loans and receivables	Non-financial assets	Total
	£'000	£'000	£'000
Property and equipment	-	2,328	2,328
Deferred tax asset	-	4,932	4,932
Investment in subsidiary	-	231	231
Current tax recoverable	-	56	56
Trade and other receivables	4,625	217	4,842
Cash and cash equivalents	18,650	-	18,650
Total assets	23,275	7,764	31,039

	2016		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Deferred income	-	683	683
Trade and other payables	20,641	-	20,641
Total liabilities	20,641	683	21,324

	2015		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Deferred income	-	718	718
Current tax liabilities	-	442	442
Trade and other payables	17,188	-	17,188
Total liabilities	17,188	1,160	18,348

Notes to the financial statements for the year ended 31 December 2016 (continued)**19. Financial risk management (continued)****(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the Group) approach to risk and capital management (continued)****(ii) Fair value of assets and liabilities**

None of the assets are categorised as fair value through profit and loss (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 deposits, trade and other 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. The majority of 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 all 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 (2015: A or above).

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

	2016	2015
	£'000	£'000
Trade and other receivables	4,774	4,625
Cash and cash equivalents	23,526	18,650
	28,300	23,275

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 (2015: £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 £3,494,000 (2015: £2,842,000).

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:

	2016			
	CAD Dollar	Sterling	US Dollar	Total
	£'000	£'000	£'000	£'000
Trade and other receivables	29	4,731	14	4,774
Cash and cash equivalents	87	22,142	1,297	23,526
	116	26,873	1,311	28,300

Notes to the financial statements for the year ended 31 December 2016 (continued)**19. Financial risk management (continued)****(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the Group) approach to risk and capital management (continued)****(iv) Market risk (continued)**

	2015			
	HK Dollar	CAD Dollar	Sterling	US Dollar
	£'000	£'000	£'000	£'000
Trade and other receivables	79	196	4,339	11
Cash and cash equivalents	-	160	17,975	515
	79	356	22,314	526
				23,275

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

	10% increase / (decrease) in currency against Sterling			
	2016	2015	2016	2015
	US Dollar	US Dollar	US Dollar	US Dollar
	£'000	£'000	£'000	£'000
Impact on profit after tax	117	47	(95)	(38)

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 / (decrease) in interest rates			
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Impact on profit after tax:				
Cash and cash equivalents	9	7	(9)	(7)

(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

	2016		
	Trade and other receivables	Cash and cash equivalents	Total
	£'000	£'000	£'000
Due on demand	-	23,526	23,526
No contractual maturity	4,774	-	4,774
	4,774	23,526	28,300

Notes to the financial statements for the year ended 31 December 2016 (continued)**19. Financial risk management (continued)****(b) Standard Life Investments (Holdings) Limited and its subsidiaries (the Group) approach to risk and capital management (continued)****(v) Liquidity risk (continued)****Financial assets**

	2015		
	Trade and other receivables	Cash and cash equivalents	Total
	£'000	£'000	£'000
Due on demand	-	18,650	18,650
No contractual maturity	4,625	-	4,625
	4,625	18,650	23,275

Financial liabilities

	2016	2015
	Trade and other payables	Trade and other payables
	£'000	£'000
Due within 1 month	224	177
Due within 1 year	17,251	13,414
Due between 1 and 5 years	3,028	3,586
No contractual maturity	138	11
	20,641	17,188

(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 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 defined within the operational risk framework.

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, as well as monitoring key risk indicators which can highlight changing risk profiles.

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 Group sets an acceptable level of operational risk through defining and observing qualitative risk appetite statements and determining a quantitative operational risk limit.

The impact of a material change to the operational risk profile of the Group, such as through a one-off transaction, the launch of new products etc. is assessed and managed through the risk governance processes.

20. Related party transactions**(a) 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 be downloaded from the website www.standardlife.com.

Notes to the financial statements for the year ended 31 December 2016 (continued)**20. Related party transactions (continued)****(b) 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.

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

		2016	
		Revenues	Expenses
		£'000	£'000
Parent		56,034	1,800
Standard Life Group undertakings		198	730
		56,232	2,530
		£'000	£'000
		4,717	-
		27	138
		4,744	138

		2015	
		Revenues	Expenses
		£'000	£'000
Parent		43,564	2,681
Standard Life Group undertakings		156	-
		43,720	2,681
		£'000	£'000
		4,292	-
		137	11
		4,429	11

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 current year, or in the prior year, in respect of the amounts owed by related parties.

c) 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 time spent managing the entity. The key management personnel compensation apportioned to the Company was as follows:

	2016	2015
	£'000	£'000
Short-term employee benefits	2,627	1,355
Other long-term benefits	685	827
	3,312	2,182

There was £2,402,000 (2015: £2,022,000) owing to key management personnel at the statement of financial position date.

Four Directors of the Company (2015: three) are participants in Long Term Incentive Schemes. The benefits arising under the incentive schemes are recorded in the period in which entitlement is determined. Of these Directors, there were four (2015: three) Directors whose qualifying services were received or are receivable in the year.

Three (2015: three) Directors exercised share options during the year.

At 31 December 2016 retirement benefits are accruing to no Directors in respect of services to the Company under a defined benefit scheme operated by the Standard Life Group (2015: nil) and no Directors (2015: nil) under a defined contribution scheme.

Notes to the financial statements for the year ended 31 December 2016 (continued)**20. Related party transactions (continued)****c) Compensation of key management personnel (continued)**

The highest paid Director of the Company received aggregate remuneration during the year of £1,255,000 (2015: £1,101,000). At 31 December 2016, the highest paid Director held accrued pension benefits of £nil (2015: £nil) under a defined benefit pension scheme operated by the Standard Life Group. The Company pension contributions for the highest paid Director for the year were £nil (2015: £nil).

The highest paid Director has exercised share options during the year and qualifying services in relation to the Company long term incentive schemes were received or are receivable during the year.

21. Employee share-based payments**Accounting Policy**

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 the below note. 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.

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

Recipients	Grant date	Conditions which must be met prior to vesting
Executives and senior management of Standard Life Investments	Granted annually in March	Service and performance conditions as set out in the Standard Life Group Directors remuneration report

The awards in respect of employees working and domiciled in US are cash-settled.

The terms and conditions attaching to the ongoing arrangements are set out in the table below. The assumptions disclosed are based on the weighted average number of awards. The number of options outstanding during the year is as follows:

	2016	2015
	Number of options	
	('000)	('000)
Outstanding at start of year	2,014	987
Granted	1,795	1,349
Forfeited	(230)	-
Exercised	(283)	(322)
Outstanding at end of year	3,296	2,014

The weighted average remaining contractual life of options outstanding is 2.03 years (2015: 2.13). The exercise price for options granted under long term and short term incentive schemes is nil. Fair value of options granted under the Group's incentive schemes is determined using a relevant valuation technique, such as the Black Scholes option pricing model.

Notes to the financial statements for the year ended 31 December 2016 (continued)**21. 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:

Long term incentive plans	
Options granted during the year	
Share price at grant date	349p
Weighted average fair value	349p
Exercise price	Nil
Dividends	The plans include the entitlement to the receipt of dividends in respect of awards that ultimately vest between the date of grant and the vesting date
Option term	3.29 years
Options exercised during the year	
Weighted average share price at time of exercise	350p

No departures from share option schemes are expected at grant date, with any leavers being accounted for on departure. All options are exercisable for a period of six months after the vesting date.

22. Commitments**Accounting Policy**

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.

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

	2016	2015
	£'000	£'000
Within one year	1,184	1,069
Expiring during years two to five	3,454	4,186
	4,638	5,255

23. Related undertakings

The Companies Act 2006 requires disclosure of certain information about the Company's related undertakings. Details on the Company's subsidiaries are shown in Note 10. The Company has no other significant holdings and therefore has no other disclosures in related undertakings.

24. 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

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of financial position as at 31 December 2016;
- the Income statement for the year then ended;
- the Statement of cash flows for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matters prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Independent auditors' report to the Members of Standard Life Investments (USA) Limited

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

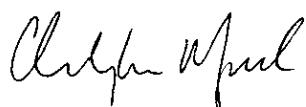
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

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

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

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



Christopher Meyrick (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Edinburgh

20 February 2017