Standard Life
Investments

STANDARD LIFE INVESTMENTS (USA) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Registered in Scotland Number SC215736

General Information

Directors

J Boyce

C M Clark

W H Perry

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 2013

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 2013.

Directors

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

J G Morris resigned as a Director on 1 May 2013.

R A Renaud resigned as a Director on 1 May 2013.

J Boyce was appointed as a Director on 1 May 2013.

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 2013 is a profit of £712,000 (2012: £473,000 loss).

Dividend

The Directors did not recommend paying a dividend in 2013 (2012: £nil).

Annual general meeting

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

Independent Auditors

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

Disclosure of information to auditors

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

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

By order of the Board of Directors

D J Burns, Company Secretary

Edinburgh, 17 February 2014

Strategic annual report
for the year ended 31 December 2013

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.

Future outlook

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

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 17 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 plc group (the Standard Life Group) which is to consume fewer of the world's resources, reduce waste, recycle more and dispose of what remains sensitively.

By order of the Board of Directors

D J Burns, Company Secretary

Edinburgh, 17 February 2014

Statement of Directors' responsibilities for preparing the financial statements for the year ended 31 December 2013

The following statement, which should be read in conjunction with the statement of Independent Auditors responsibilities included in the Independent Auditors' Report, is made to help shareholders distinguish the respective responsibilities of the Directors and the Independent Auditors in relation to the financial statements for 2013.

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 (IASB), 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 the 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 2013

	Note	2013 £'000	2012 £'000
Revenue			
Management fee income		13,548	10,466
Other operating income		11,513	7,384
Net revenue		**25,061**	**17,850**
Operating expenses			
Administrative expenses		(23,507)	(18,138)
Total operating expenses		**(23,507)**	**(18,138)**
Operating profit / (loss)		**1,554**	**(288)**
Finance income	5	17	14
Finance cost		-	-
Net foreign exchange losses		(411)	(149)
Profit / (loss) before tax		**1,160**	**(423)**
Tax expense	6	(448)	(50)
Profit / (Loss) for the year attributable to equity holders of the Company		**712**	**(473)**

The notes on pages 9 to 23 form part of these financial statements.

The Company has not recorded any other comprehensive income during the years to 31 December 2013 and 31 December 2012 and has therefore not disclosed a separate statement of comprehensive income.

Statement of financial position
as at 31 December 2013

	Note	2013 £'000	2012 £'000
Assets			
Non-current assets			
Property and equipment	7	556	1,110
Deferred tax asset	8	826	677
Investment in subsidiary	9	167	160
Total non-current assets		**1,549**	**1,947**
Current assets			
Current tax recoverable	8	1	5
Trade and other receivables	10	2,383	1,795
Cash and cash equivalents	11	9,340	7,226
Total current assets		**11,724**	**9,026**
Total assets		**13,273**	**10,973**
Equity			
Share capital	12	11,600	11,600
Retained earnings	13	(9,646)	(10,358)
Total attributable to equity holders of the Company		**1,954**	**1,242**
Liabilities			
Non-current liabilities			
Deferred income	15	452	529
Trade and other payables	14	2,897	2,126
Total non-current liabilities		**3,349**	**2,655**
Current liabilities			
Current tax liability	8	-	152
Deferred income	15	57	65
Trade and other payables	14	7,913	6,859
Total current liabilities		**7,970**	**7,076**
Total liabilities		**11,319**	**9,731**
Total equity and liabilities		**13,273**	**10,973**

The notes on pages 9 to 23 form part of these financial statements.

The financial statements and accompanying notes on pages 5 to 23 were approved on behalf of the Board of Directors on 13 February 2014 and signed on its behalf on 17 February 2014 by the following Director:

N K Skeoch, Director

Registered in Scotland Number SC215736

Statement of changes in equity
for the year ended 31 December 2013

	Note	Share capital £'000	Retained earnings £'000	Total equity attributable to equity holders of the Company £'000
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**
Balance at 1 January 2013		11,600	(10,358)	1,242
Comprehensive income				
Profit for the year		-	712	712
Total comprehensive income for the year		-	**712**	**712**
Balance at 31 December 2013		**11,600**	**(9,646)**	**1,954**

The Company did not recognise any income or expense directly in equity (2012: £nil). The total recognised income for the year comprised of the profit for the year.

The notes on pages 9 to 23 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Profit / (loss) before tax		1,160	(423)
Finance income classified as investing activity	5	(17)	(14)
		1,143	(437)
Adjustments for:			
Movement in operating assets and liabilities	16	1,152	3,673
Depreciation of property and equipment	7	614	603
Group relief included within operating assets and liabilities		(422)	(493)
Group relief (paid) / received		(323)	475
Net cash flows from operating activities		**2,164**	**3,821**
Cash flows used in investing activities			
Purchase of property and equipment	7	(60)	(353)
Interest received	5	17	14
Investment in subsidiary	9	(7)	(160)
Net cash flows used in investing activities		**(50)**	**(499)**
Net increase in cash and cash equivalents		2,114	3,322
Cash and cash equivalents at the beginning of the year		7,226	3,904
Cash and cash equivalents at the end of the year	11	**9,340**	**7,226**

The notes on pages 9 to 23 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2013

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 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 adopted by the Company

Adoption of IFRS 13 Fair value measurement – IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS. There was no impact on the Company from the adoption of IFRS 13.

(iii) 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 2013 or later periods. These are listed below and are deemed not relevant to the Company:

Amendment to IAS 1 Presentation of Financial Instruments

Amendment to IAS 12 Income Taxes – Deferred Tax

Amendment to IAS 19 Employee Benefits

Amendment to IFRS 7 Financial Instruments: Disclosures

Annual improvements to IFRSs 2009-2011 Cycle

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

IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

IAS 27 Separate Financial Statements (2011) (effective for annual periods beginning on or after 1 January 2014)

IAS 28 Investments in Associates and Joint Ventures (2011) (effective for annual periods beginning on or after 1 January 2014)

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

Amendment to IAS 36 Impairment of Assets: Presentation (effective for annual periods beginning on or after 1 January 2014)

International Financial Reporting Interpretations Committee (IFRIC) Interpretation 21 Levies (effective for annual periods beginning on or after 1 January 2014)

Amendment to IAS 39 Financial Instruments: Recognition and Measurement (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.

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

(ii) Administrative expenses

'Administrative expenses' are recognised on an accruals basis.

(d) Foreign currency

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

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 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.

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.

(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 56 (2012: 42).

	2013	2012
	£'000	£'000
The aggregate remuneration payable in respect of employees was:		
Wages and salaries	11,258	8,908
Share based long term incentive plans	2,217	1,683
Cash based long term incentive plans	1,072	177
Social security costs	450	543
Pension costs	109	126
Health care and insurance	673	502
Other	893	841
Total staff and other employee related costs	**16,672**	**12,780**

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 2013 were £109,000 (2012: £126,000).

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

Notes to the financial statements (continued)

4. Operating Profit

The following have been included in the operating profit:

	2013	2012
	£'000	£'000
Staff and other employee related costs (Note 3)	16,672	12,780
Operating lease rentals	1,059	1,040
Depreciation of property and equipment (Note 7)	614	603
Auditors' remuneration (see below)	39	33
Fees payable to the Company's auditors for the audit of the financial statements	6	6
Tax compliance fees	33	27
Total payable to the Company's auditors	**39**	**33**

5. Finance Income

The Company had interest income for 2013 of £17,000 (2012: £14,000), derived from 'Cash and cash equivalents'.

6. Tax charge

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

	2013	2012
	£'000	£'000
Current tax		
United Kingdom corporation tax	456	154
Adjustment to tax in respect of prior years	5	12
Overseas tax	136	2
Total current tax	**597**	**168**
Deferred tax		
Deferred tax credit arising in the current year (Note 8(b))	(149)	(118)
Total deferred tax	**(149)**	**(118)**
Total tax charge	**448**	**50**

(b) Reconciliation of tax expense:

	2013	2012
	£'000	£'000
Profit / (loss) before tax	1,160	(423)
Tax at UK corporation tax rate of 23.25% (2012: 24.5%)	270	(104)
Effects of:		
Permanent differences	80	79
Prior year adjustment in respect of current tax	5	14
Change in tax rate	87	17
Overseas tax	6	44
Total tax charge	**448**	**50**

From 1 April 2013 the main rate of UK corporation tax has decreased from 24% to 23%. Accordingly, this results in an average current tax rate of 23.25% 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 2012	188	1,363	1,012	2,563
Additions	50	303	-	353
At 31 December 2012	**238**	**1,666**	**1,012**	**2,916**
Additions	18	42	-	60
At 31 December 2013	**256**	**1,708**	**1,012**	**2,976**
Accumulated Depreciation:				
At 1 January 2012	150	625	428	1,203
Depreciation for the year	34	360	209	603
At 31 December 2012	**184**	**985**	**637**	**1,806**
Depreciation for the year	32	374	208	614
At 31 December 2013	**216**	**1,359**	**845**	**2,420**
Net Book Value:				
At 31 December 2013	**40**	**349**	**167**	**556**
At 31 December 2012	**54**	**681**	**375**	**1,110**

8. Tax assets & liabilities

(a) Tax assets and liabilities

	2013	2012
	£'000	£'000
Deferred tax assets (see (b) below)	826	677
Current tax recoverable	1	5
Tax assets	**827**	**682**
Current tax liabilities	-	152
	-	**152**

(b) Recognised deferred tax

	2013	2012
	£'000	£'000
Deferred tax assets comprise:		
Employee benefits	755	632
Depreciable assets	71	45
Net deferred tax assets	**826**	**677**
Movements in net deferred tax assets comprise:		
At 1 January	677	559
Amounts credited to the income statement (Note 6)	149	118
At 31 December	**826**	**677**

Deferred tax assets (£333,000) that are expected to be realised during 2014 have been measured at the 2014 average current tax rate of 21.5%. All other deferred tax balances are expected to be realised more than 12 months after the balance sheet date and have been measured at 20% (2012: 23%), this being the tax rate substantively enacted at the statement of financial position date.

Notes to the financial statements (continued)
8. Tax assets & liabilities (continued)

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 based on business plans.

There is an unrecognised deferred tax asset in respect of US non-operating losses of £1m, which is measured at 35%, this being the US tax rate at the statement of financial position date.

9. Investment in subsidiary

	2013	2012
	£'000	£'000
At 1 January	160	-
Additional investment	7	160
At 31 December	**167**	**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

	2013	2012
	£'000	£'000
Amounts owed by Standard Life Group undertakings	2,197	1,622
Prepayments	186	173
Total trade and other receivables	**2,383**	**1,795**

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 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

	2013	2012
	£'000	£'000
Cash at bank and in hand	2,063	756
Short term bank deposits	7,277	6,470
Total cash and cash equivalents	**9,340**	**7,226**

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 (2012: A or above).

12. Share capital

	Allotted, Called Up and Fully Paid			
	2013		2012	
	No.	£'000	No.	£'000
Ordinary Shares of £1 each	11,600,000	11,600	100,000	100
Redeemable Preference Shares of £1 each	-	-	11,500,000	11,500

Notes to the financial statements (continued)

12. Share capital (continued)

During 2013 11,500,000 Redeemable Preference Shares of £1 each were converted to 11,500,000 Ordinary Shares of £1 each.

13. Retained earnings

	2013	2012
	£'000	£'000
At 1 January	**(10,358)**	**(9,885)**
Profit / (loss) for the year attributable to equity holders of the Company	712	(473)
At 31 December	**(9,646)**	**(10,358)**

14. Trade and other payables

	2013	2012
	£'000	£'000
Amounts owed to Standard Life Group undertakings	499	82
Accruals	10,311	8,903
Total trade and other payables	**10,810**	**8,985**
Presented as:		
Non-current	2,897	2,126
Current	7,913	6,859
Total trade and other payables	**10,810**	**8,985**

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

	2013	2012
	£'000	£'000
At 1 January	594	648
Additions during the year	52	52
Released to the income statement	(137)	(106)
At 31 December	**509**	**594**
Presented as:		
Non-current	452	529
Current	57	65
Total deferred income	**509**	**594**

16. Movement in operating assets and liabilities

	2013	2012
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	(588)	(46)
	(588)	**(46)**
Movement in operating liabilities:		
Deferred income	(85)	(54)
Trade and other payables	1,825	3,773
	1,740	**3,719**
Movement in operating assets and liabilities	**1,152**	**3,673**

Notes to the financial statements (continued)

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 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 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 Conduct Authority (FCA) who also monitor compliance by way of quarterly and annual submissions made by the Group and periodic visits.

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

(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.

	2013		
	Financial assets		
	Loans and receivables	**Non-financial assets**	**Total**
	£'000	**£'000**	**£'000**
Property and equipment	-	556	556
Deferred tax asset	-	826	826
Investment in subsidiary	-	167	167
Current tax recoverable	-	1	1
Trade and other receivables	2,197	186	2,383
Cash and cash equivalents	9,340	-	9,340
Total assets	**11,537**	**1,736**	**13,273**

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

	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**

	2013		
	Financial liabilities	Non-financial liabilities	Total
	£'000	£'000	£'000
Deferred income	-	509	509
Trade and other payables	10,810	-	10,810
Total liabilities	**10,810**	**509**	**11,319**

	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**

(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 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 (2012: A or above).

Notes to the financial statements (continued)

17. Financial risk management (continued)

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

	2013	2012
	£'000	£'000
Trade and other receivables	2,197	1,622
Cash and cash equivalents	9,340	7,226
	11,537	**8,848**

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 (2012: £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 £1,040,000 (2012: £790,000).

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:

	2013		
	Sterling	US Dollar	Total
	£'000	£'000	£'000
Trade and other receivables	2,156	41	2,197
Cash and cash equivalents	7,293	2,047	9,340
	9,449	**2,088**	**11,537**

	2012		
	Sterling	US Dollar	Total
	£'000	£'000	£'000
Trade and other receivables	1,489	133	1,622
Cash and cash equivalents	6,471	755	7,226
	7,960	**888**	**8,848**

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	
	2013	2012	2013	2012
	US Dollar	US Dollar	US Dollar	US Dollar
	£'000	£'000	£'000	£'000
Impact on profit after tax	178	74	(146)	(61)

Notes to the financial statements (continued)

17. Financial risk management (continued)

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	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Impact on profit after tax:				
Cash and cash equivalents	4	3	(4)	(3)

(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	2013		
	Trade and other receivables	Cash and cash equivalents	Total
	£'000	£'000	£'000
Due on demand	-	9,340	9,340
No contractual maturity	2,197	-	2,197
	2,197	**9,340**	**11,537**

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**

Financial liabilities	2013	2012
	Trade and other payables	Trade and other payables
	£'000	£'000
Due within 1 month	252	224
Due within 1 year	7,161	6,553
Due between 1 and 5 years	2,539	2,126
More than 5 years	359	-
No contractual maturity	499	82
	10,810	**8,985**

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

(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, or on the website www.standardlife.com.

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:

	2013			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	24,689	2,203	2,141	-
Fellow subsidiaries	295	-	56	499
	24,984	**2,203**	**2,197**	**499**

	2012			
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Parent	17,567	1,301	1,489	-
Fellow subsidiaries	206	-	133	82
	17,773	**1,301**	**1,622**	**82**

Notes to the financial statements (continued)
18. Related party transactions (continued)

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:

	2013	2012
	£'000	£'000
Short-term employee benefits	1,143	1,122
Post-employment benefits	3	3
Other long-term benefits	549	1,181
	1,695	**2,306**

There was £1,077,000 (2012: £1,613,000) owing to key management personnel at the statement of financial position date.

Five Directors of the Company (2012: six) 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 five (2012:six) Directors whose qualifying services were received or are receivable in the year.

Five (2012: six) Directors exercised share options during the year.

At 31 December 2013 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 (2012: one) and no Directors (2012: nil) under a defined contribution scheme.

The highest paid Director of the Company received aggregate remuneration during the year of £733,393 (2012: £873,084). At 31 December 2013, the highest paid Director held accrued pension benefits of £30,000 (2012: £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 £60,987. (2012: £10,458).

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.

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

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 Directors remuneration report

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

Notes to the financial statements (continued)
19. Employee share-based payments (continued)

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:

	2013	2012
	Number of options	
	('000)	('000)
Outstanding at start of year	1,870	2,688
Granted	291	317
Forfeited	0	(528)
Exercised	(757)	(607)
Outstanding at end of year	1,404	1,870

The weighted average remaining contractual life of options outstanding is 1.31 years (2012: 1.81). 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.

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	367p
Weighted average fair value	367p
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	3.23 years
Options exercised during the year	
Weighted average share price at time of exercise	355.74p

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.

20. Commitments

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

	2013	2012
	£'000	£'000
Within one year	955	973
Expiring during years two to five	3,819	3,891
Expiring after more than five years	2,299	3,316
	7,073	**8,180**

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

Report on the financial statements

Our opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The financial statements, which are prepared by Standard Life Investments (USA) Limited, comprise:

- the statement of financial position as at 31 December 2013;
- the income statement for the year then ended;
- the statement of changes in equity and the statement of cash flows for the year then ended; and
- the accounting policies and the notes to the financial statements which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and International Financial Reporting Standards (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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('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.

In addition, we read all the financial and non-financial information in the *Annual Report and Financial Statements* 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.

Opinion on matter prescribed by the Companies Act 2006

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

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

Report on the financial statements (continued)

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 if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the 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 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.

Allan McGrath (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Edinburgh

20 February 2014