

SLTM LIMITED

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



General Information

Directors

S A Fitzgerald

R J McKillop

L Scott

D E Thomas

S R Wemyss

Company Secretary

S Crewes

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 annual report together with the financial statements of SLTM 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.

C R Walklin resigned as a Director on 1 March 2013.

D G Doran resigned as a Director on 16 June 2013.

L Scott was appointed as a Director on 28 August 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 Company's result for the year ended 31 December 2013 is a profit after tax of £3,136,000 (2012: £1,963,000). The Directors consider the result to be satisfactory.

Dividends

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

S Crewes, Company Secretary

Edinburgh, 20 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 act as a Unit Trust Manager. As at 31 December 2013, the Company managed 16 unit trusts (2012: 17) with assets under management of £19.2bn (2012: £18.9bn).

Future outlook

The Directors are confident that the Company will maintain its financial position 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 16 to these financial statements. Other key business risks include competition from other providers of investment management services.

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

S Crewes, Company Secretary

Edinburgh, 20 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 auditors' responsibilities included in the independent auditors' report, is made to help shareholders distinguish the respective responsibilities of the Directors and the auditors in relation to the financial statements for 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, 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**

		2013	2012
	Note	£'000	£'000
Revenue			
Management fee income		16,204	13,924
Other operating income		3,421	2,800
Net revenue	3	19,625	16,724
Operating expenses			
Administrative expenses		(15,563)	(14,158)
Total operating expenses		(15,563)	(14,158)
Operating profit		4,062	2,566
Finance income	5	30	46
Finance costs	6	(6)	(12)
Profit before tax		4,086	2,600
Tax expense	7	(950)	(637)
Profit for the year attributable to equity holders of the Company		3,136	1,963

The notes on pages 9 to 19 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**

		2013	2012
	Note	£'000	£'000
Assets			
Current assets			
Investment securities	8	12,523	29
Trade and other receivables	9	7,769	18,614
Cash and cash equivalents	10	14,080	11,845
Total assets		34,372	30,488
Equity			
Share capital	11	6,050	6,050
Retained earnings	12	9,760	6,624
Total equity		15,810	12,674
Liabilities			
Current liabilities			
Current tax liabilities	13	-	637
Trade and other payables	14	18,562	16,389
Bank overdraft	10	-	788
Total liabilities		18,562	17,814
Total equity and liabilities		34,372	30,488

The notes on pages 9 to 19 form part of these financial statements.

The financial statements and accompanying notes on pages 5 to 19 were approved on behalf of the Board of Directors on 10 February 2014 and signed on its behalf on 20 February 2014 by the following Director:



R J McKillop, Director

**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		10,050	4,661	14,711
Comprehensive Income				
Profit for the year		-	1,963	1,963
Total comprehensive income for the year		-	1,963	1,963
Transactions with owners				
Redemption of preference shares		(4,000)	-	(4,000)
Balance at 31 December 2012		6,050	6,624	12,674
Balance at 1 January 2013		6,050	6,624	12,674
Comprehensive Income				
Profit for the year		-	3,136	3,136
Total comprehensive income for the year		-	3,136	3,136
Balance at 31 December 2013		6,050	9,760	15,810

The Company did not recognise any income or expenses 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 19 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2013

		2013	2012
	Note	£'000	£'000
Cash flows from operating activities			
Profit before tax		4,086	2,600
Interest income classified as investing activity	5	(30)	(46)
Interest expense classified as financing activity	6	6	12
		<u>4,062</u>	<u>2,566</u>
Adjustments for:			
Movement of investment securities held as part of manager's box		(5)	(3)
Purchase of investment securities		(20,580)	-
Disposal of investment securities		8,098	-
Fair value movement on investment securities		(6)	-
Movement in operating assets and liabilities	15	13,018	(1,141)
Group relief included in operating assets and liabilities		(951)	472
Group relief paid		(637)	(472)
Net cash flows from operating activities		<u>2,999</u>	<u>1,422</u>
Cash flows from investing activities			
Interest received	5	30	46
Net cash flows from investing activities		<u>30</u>	<u>46</u>
Cash flows used in financing activities			
Interest paid	6	(6)	(12)
Redemption of preference shares		-	(4,000)
Net cash flows used in financing activities		<u>(6)</u>	<u>(4,012)</u>
Net increase / (decrease) in cash, cash equivalents and bank overdrafts		3,023	(2,544)
Cash, cash equivalents and bank overdrafts at the beginning of the year		<u>11,057</u>	<u>13,601</u>
Cash, cash equivalents and bank overdrafts at the end of the year	10	<u>14,080</u>	<u>11,057</u>

The notes on pages 9 to 19 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 (EU) 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 consistently applied 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 have been adopted by the Company

The Company has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and interpretations which are effective from 1 January 2013 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Company's financial statements:

IFRS 13 Fair Value Measurement

Amendment to IAS 19 Employee Benefits

Amendment to IAS 1 Presentation of Financial Instruments

Amendment to IFRS 7 Financial Instruments: Disclosures

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

Annual improvements to IFRSs 2009-2012 Cycle

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's annual accounting periods beginning on or after 1 January 2014 or later periods. The Company has not early adopted the standards, amendments and interpretations described below:

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

Amendment to IAS 32 Financial Instruments: Presentation (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)

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

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

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

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

(v) 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 periods beginning on or after 1 January 2014)

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

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

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

(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 operating income includes the gross value of sales and liquidations of units in unit trusts, net of discounts, less the gross value of creations and repurchases of units in unit trusts.

Investment gains and losses resulting from changes in market value on investments classified as FVTPL are recognised in the period in which they occur.

Distributions from collective investment schemes are recognised when the right to receive payment is established.

Registrars' fees and 'Other operating income' are recognised on an accruals basis.

(c) Expense recognition

'Administrative expenses' are recognised on an accruals basis.

(d) Income tax**Current tax**

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

(e) Financial assets - designation**(i) Designation as fair value through profit or loss (FVTPL)**

Financial assets are designated as FVTPL where the asset or liability is part of a group of assets that are evaluated and managed on a fair value basis.

All investment securities including units or shares in collective investment vehicles that are held as part of the manager's box, equity securities and seed monies are designated as FVTPL. Box positions are not held to create speculative proprietary positions but are managed in accordance with specified criteria and authorisation limits.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in 'Current assets', except for maturities greater than 12 months after the statement of financial position date. These are 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)****(f) Investment securities**

Management determines the classification of investment securities at initial recognition. The Company recognises investment securities at fair value on the trade date of the transaction. Directly attributable transaction costs are not included in the initial measurement value but are recognised in the income statement.

Fair values are based upon the current quoted bid price where an active market exists. Where a quoted price in an active market cannot be obtained, an appropriate market consistent valuation technique (for example discounted cash flows and recent market transactions) is used to determine fair value.

(g) 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 the 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.

(h) 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. For the purpose of the statement of cash flows 'Cash and cash equivalents' also include bank overdrafts, which are included in current liabilities on the statement of financial position.

(i) Trade and other payables

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

(j) Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Key estimates and judgements

The preparation of financial statements, in conformity with IFRS, may require the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In the process of applying the Company's accounting policies, management has made no key estimates or judgements.

3. Net revenue

	2013	2012
	£'000	£'000
Investment management fees (net of rebates)	16,204	13,924
Net registrars' fees	3,386	2,797
Realised gains on investment securities	8	-
Profit on unit dealing	6	3
Other income	21	-
Net revenue	19,625	16,724

Notes to the financial statements (continued)**4. Operating profit**

The Company has no employees (2012: nil) and is managed by the parent undertaking. Certain expenses, including auditor's remuneration (see below), are met by the parent undertaking and are recovered from the Company through administrative and management charges.

	2013	2012
	£'000	£'000
Auditors' remuneration (see below)	44	42
Fees payable to the Company's auditors for the audit of the financial statements	9	9
Fees payable to the Company's auditors pursuant to legislation	10	10
Tax services	25	23
Total payable to the Company's auditors	44	42

5. Finance income

All finance income for 2013 and 2012 is derived from 'Cash and cash equivalents'.

6. Finance costs

All finance costs for 2013 and 2012 relate to overdraft expenses.

7. Tax expense

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

	2013	2012
	£'000	£'000
Current tax		
United Kingdom corporation tax	950	637
Total current tax	950	637
Total tax expense	950	637

(b) Reconciliation of tax expense :

	2013	2012
	£'000	£'000
Profit before tax	4,086	2,600
Tax at UK corporation tax rate of 23.25% (2012: 24.5%)	950	637
Total tax expense	950	637

From 1 April 2013 the main rate of UK corporation tax decreased from 24% to 23%. Accordingly, this results in an average current tax rate of 23.25% for the year.

8. Investment securities

	2013	2012
	£'000	£'000
Investments in regulated collective investment vehicles	12,489	-
Manager's box	34	29
Total investment securities	12,523	29

All investments are 'approved securities', 'regulated collective investment schemes' or 'approved derivatives' within the meaning of the Financial Conduct Authority (FCA) rules. Related party disclosures are disclosed within Note 17 'Related party transactions'.

Notes to the financial statements (continued)**9. Trade and other receivables**

	2013	2012
	£'000	£'000
Amounts due from collective investment schemes	2,022	8,811
Amounts due from funds / unit trusts	1,387	3,673
Amounts owed by Standard Life Group Undertakings	-	2,104
Prepayments and accrued income	4,360	4,026
Total trade and other receivables	7,769	18,614

All 'Trade and other receivables' are current and have a maturity of less than one year or no contractual maturity date.

All of the financial assets above are non-interest bearing. Note 16 to these financial statements provides an analysis of the credit risks from the financial assets noted above.

10. Cash and cash equivalents

	2013	2012
	£'000	£'000
Cash at bank and in hand	60	94
Short term bank deposits	14,020	11,751
	14,080	11,845
Bank overdraft	-	(788)
Cash and cash equivalents	14,080	11,057

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).

11. Share capital

	Allotted, Called Up and Fully Paid			
	2013		2012	
	No.	£'000	No.	£'000
Ordinary shares of £1 each	6,050,000	6,050	6,050,000	6,050
	6,050,000	6,050	6,050,000	6,050

12. Retained earnings

	2013	2012
	£'000	£'000
At 1 January	6,624	4,661
Profit for the year attributable to equity holders	3,136	1,963
At 31 December	9,760	6,624

13. Tax liabilities

	2013	2012
	£'000	£'000
Tax Liabilities		
Current tax liabilities	-	637
	-	637

Notes to the financial statements (continued)**14. Trade and other payables**

	2013	2012
	£'000	£'000
Amounts due to investors in collective investment schemes	2,049	1,386
Amounts due to funds / unit trusts	1,550	8,369
Amounts owed to Standard Life Group Undertakings	13,217	5,062
Amounts owed to parent	1,450	1,191
Other	296	381
Total trade and other payables	18,562	16,389

All 'Trade and other payables' 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.

15. Movement in operating assets and liabilities

	2013	2012
	£'000	£'000
Movement in operating assets:		
Trade and other receivables	10,845	(3,336)
	10,845	(3,336)
Movement in operating liabilities:		
Trade and other payables	2,173	2,195
	2,173	2,195
Movement in operating assets and liabilities	13,018	(1,141)

16. 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 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. If there are any risks identified outwith these timescales, through internal or external events, or significant business developments, that could have a material impact on the Group's financial position, Risk and Compliance will co-ordinate an immediate review of the ICAAP and arrange for its resubmission to the Board where necessary.

Notes to the financial statements (continued)**16. Financial risk management (continued)****(c) The management of financial and non-financial risks****(i) Statement of financial position reconciliation**

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

2013			
Financial assets			
FVTPL	Loans and receivables	Non-financial assets	Total
£'000	£'000	£'000	£'000
Investment securities	12,523	-	12,523
Trade and other receivables	-	7,735	7,769
Cash and cash equivalents	-	14,080	14,080
Total assets	12,523	21,815	34,372

2012			
Financial assets			
FVTPL	Loans and receivables	Non-financial assets	Total
£'000	£'000	£'000	£'000
Investment securities	29	-	29
Trade and other receivables	-	18,602	18,614
Cash and cash equivalents	-	11,845	11,845
Total assets	29	30,447	30,488

		2013
		Financial liabilities
		£'000
Trade and other payables		18,562
Total liabilities		18,562

2012		
Financial liabilities	Non-financial liabilities	Total
£'000	£'000	£'000
Current tax Liabilities	-	637
Trade and other payables	16,389	16,389
Bank overdraft	788	788
Total liabilities	17,177	17,814

(ii) Fair value of assets and liabilities

All financial assets that are held as FVTPL are carried at their fair value which is stated in the table above. All assets listed as FVTPL are classified as designated on initial recognition. There are no liabilities held at FVTPL. Due to the short term nature of current financial assets and current financial liabilities carried at amortised cost, the carrying value is approximate to the fair value.

The accounting standards define fair value hierarchy levels which describe the nature of an instrument's fair value measurement as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)**16. Financial risk management (continued)**

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

2013				
	Level 1	Level 2	Level 3	Total
Assets	£'000	£'000	£'000	£'000
Investment securities	34	12,489	-	12,523

2012				
	Level 1	Level 2	Level 3	Total
Assets	£'000	£'000	£'000	£'000
Investment securities	29	-	-	29

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

Level 2 investment securities consist of listed investments in the Seabury Assets Fund. These investments, similar to those classified as level 1 instruments, are valued using prices sourced from the primary exchange on which they are listed. However, since they are not generally considered to be quoted in an active market, they have been treated as level 2 within the fair value hierarchy.

(iii) Credit risk

The Company is exposed to credit risk through cash deposits, trade receivables and intercompany balances. For cash deposits an internal credit assessment of each counterparty is used to set counterparty limits by the Group. This is presented to the Standard Life Group Credit Risk Committee for review and approval. Trade and other receivables due from fund and collective investment schemes are deemed not to have any past default as the amounts would be paid by the fund or the deal cancelled if the amounts were not paid. Intercompany balances are with Standard Life Group entities that have had no defaults in the past.

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

Cash deposits, comprising the majority of 'Cash and cash equivalents', are placed for terms of less than 3 months, with counterparties selected according to the criteria noted above. All of the 'Cash and cash equivalents' balances at the statement of financial position date were held with counterparties rated (Standard & Poor's) A or above (2012: A or above).

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

	2013	2012
	£'000	£'000
Investment securities	12,523	29
Trade and other receivables	7,735	18,602
Cash and cash equivalents	14,080	11,057
	34,338	29,688

At the statement of financial position date, none of the financial assets above were impaired but 'Trade and other receivables' classified as past due amounted to £nil (2012: £565,072), of which £nil (2012: £nil) was overdue for greater than 3 months and £nil (2012: £nil) over 12 months.

At the statement of financial position date, none of the financial assets were impaired or past due.

(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 and is domiciled in Scotland.

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.

Notes to the financial statements (continued)**16. Financial risk management (continued)**

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 £1,244,000 (2012: £1,051,000).

The Company transacts all of its business in Sterling and is therefore not exposed to exchange rate risk.

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 on the profits of the Company, based on Bank of England base rates prevailing at each year end, is shown below:

2013	
5bps increase in interest rates	5bps decrease in interest rates
£'000	£'000
Impact on profit after tax:	
Cash and cash equivalents	(5)
2012	
5bps increase in interest rates	5bps decrease in interest rates
£'000	£'000
Impact on profit after tax:	
Cash and cash equivalents	(5)

(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 cashflow obligations as they fall due.

The Company's cashflows are such that short term liabilities are generally matched by similarly short term assets, and longer term liabilities are covered by short term assets, normally held in cash or highly liquid securities. The Group manages its liquidity risk by regular monitoring of its cash position, credit control including credit risk assessment noted above, forward planning including cash flow analysis and regular reporting thereon to the Board 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 table represents the Company's ability to meet its cash commitments as they fall due:

	2013			
	Investment securities	Trade and other receivables	Cash and cash equivalents	Total
Financial assets	£'000	£'000	£'000	£'000
Due on demand	12,489	-	14,080	26,569
Due within 1 month	-	7,735	-	7,735
No contractual maturity date	34	-	-	34
	12,523	7,735	14,080	34,338
	2012			
	Investment securities	Trade and other receivables	Cash and cash equivalents	Total
Financial assets	£'000	£'000	£'000	£'000
Due on demand	-	-	11,845	11,845
Due within 1 month	-	16,498	-	16,498
No contractual maturity date	29	2,104	-	2,133
	29	18,602	11,845	30,476

Notes to the financial statements (continued)**16. Financial risk management (continued)**

	2013		
	Trade and other payables		
Financial liabilities			
Due within 1 month			£'000
No contractual maturity date			3,895
			14,667
			18,562

	2012		
	Trade and other payables	Cash and cash equivalents	Total
Financial liabilities			
Due on demand	£'000	£'000	£'000
Due within 1 month	-	788	788
No contractual maturity date	10,136	-	10,136
	6,253	-	6,253
	16,389	788	17,177

(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 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 Company is assessed and managed.

(d) Compliance with FCA regulatory requirements

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

The FCA framework consists of three 'Pillars':

Pillar 1 sets out the minimum capital requirements that companies need to retain to meet their credit, market and operational risks;

Pillar 2 requires each company, and the FCA, to take a view on whether the company needs to hold additional capital against firm-specific risks not covered by Pillar 1; and

Pillar 3 requires each company to develop a set of disclosures which will allow market participants to assess key information about its underlying risks, risk management controls and capital position.

Notes to the financial statements (continued)**16. Financial risk management (continued)**

Rule II of BIPRU sets out the provision for Pillar 3 disclosure. This must be done in accordance with a formal disclosure document. The disclosure of this document meets the Group's obligation with respect to Pillar 3, and is found at:

http://www.standardlifeinvestments.com/Global_Pillar_3_Policy/getLatest.pdf

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

17. Related party transactions**Parent and ultimate controlling party**

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

Copies of the Annual Report and Accounts of Standard Life plc are available to the public from Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH, or on the website www.standardlife.com.

Company transactions between and balances with related parties

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

The following are details of significant transactions with related parties during the year and year end balances arising from such transactions:

2013			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Parent	-	14,931	-
Standard Life Group entities (excluding parent)	9	-	-
Unit trust manager relationship	16,204	-	4,326
	16,213	14,931	4,326
			Amounts owed to related parties
			£'000
			1,450
			13,217
			-
			14,667
2012			
	Revenues	Expenses	Amounts owed by related parties
	£'000	£'000	£'000
Parent	-	13,648	-
Standard Life Group entities (excluding parent)	-	-	2,104
Unit trust manager relationship	13,927	-	4,026
	13,927	13,648	6,130
			Amounts owed to related parties
			£'000
			1,191
			5,062
			-
			6,253

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

The investments held within the collective investment schemes are held with a related party. Refer to Note 8 'Investment securities' for additional information relating to investment securities.

Compensation of key management personnel

No amounts are payable to the Directors in respect of their services to the Company as at 31 December 2013 (2012: £nil).

18. 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 SLTM 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 SLTM 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.

Independent Auditors' Report to the Members of SLTM Limited**Report on the financial statements (continued)**

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.

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.

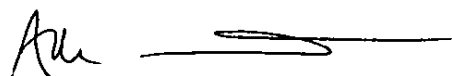
Responsibilities for the financial statements and the audit

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

London

20 February 2014