

Consolidated income statement

For the year ended 31 December 2007

	Notes	2007 £m	Restated 2006* £m
Revenue			
Gross earned premium		3,732	4,056
Premium ceded to reinsurers		(86)	(93)
Net earned premium		3,646	3,963
Net investment return	3	5,803	10,862
Fee and commission income	4	593	521
Other income		71	86
Total net revenue		10,113	15,432
Expenses			
Claims and benefits paid		7,598	6,666
Claim recoveries from reinsurers		(66)	(69)
Net insurance benefits and claims		7,532	6,597
Change in reinsurance assets	29	311	(16)
Change in insurance and participating liabilities	29	(2,336)	119
Change in investment contract liabilities		2,073	5,429
Change in deduction from liabilities due to present value of future results	29	-	(180)
Change in unallocated divisible surplus	30	(247)	286
Administrative expenses			
Restructuring and corporate transaction expenses	8	31	100
Other administrative expenses	5	2,266	2,186
		2,297	2,286
Change in liability for third party interest in consolidated funds	27	(78)	116
Finance costs	5	122	114
Total expenses		9,674	14,751
Share of profits from associates and joint ventures	14	181	129
Profit before tax		620	810
Tax expense attributable to policyholders' returns	9	111	357
Profit before tax attributable to equity holders		509	453
Total tax expense		44	415
Less: Tax attributable to policyholders' returns		(111)	(357)
Tax (credit)/expense attributable to equity holders' profits	9	(67)	58
Profit for the year		576	395
Attributable to:			
Equity holders of Standard Life plc		465	283
Minority interest	27	111	112
		576	395
Earnings per share			
Basic (pence per share)	10	21.7	13.5
Diluted (pence per share)	10	21.4	13.0

* For an explanation of the restatement, see Note 47.

Prior to the demutualisation of The Standard Life Assurance Company (SLAC) on 10 July 2006, the parent company of the Group was a mutual insurer and the results of the Group were attributable to participating policyholders. However, the format of the consolidated income statement for the year ended 31 December 2006 was aligned with that of an equity holder owned company. The impact of the presentation adopted for the consolidated income statement for the year ended 31 December 2006 on the results for the period 1 January 2006 to 10 July 2006 when the Group was a mutual insurer is explained in detail in the Group accounting policies basis of preparation and in Note 1.

The Notes on pages 107 to 260 are an integral part of these consolidated financial statements.

Pro forma reconciliation of Group underlying profit to profit for the period

For the year ended 31 December 2007

	Notes	2007 £m	Period 10 July to 31 December 2006 £m
Underlying profit before tax attributable to equity holders of Standard Life plc			
Life & Pensions			
UK		395	110
Canada		168	100
Europe		63	51
Other		(12)	(7)
Total life and pensions		614	254
Investment management		83	37
Banking		32	21
Healthcare		13	13
Other		(28)	(35)
Underlying profit before tax attributable to equity holders of Standard Life plc and adjusted items		714	290
Profit attributable to minority interest		111	60
Underlying profit before tax attributable to equity holders and adjusted items		825	350
Adjusted for the following items:			
Volatility arising on different asset and liability valuation bases		(302)	68
Impairment of intangibles		-	(5)
Restructuring and corporate transaction expenses	8	(31)	(12)
Profit on part disposal of joint venture		17	-
Profit before tax attributable to equity holders		509	401
Tax credit/(charge) attributable to:			
Underlying profit		11	(39)
Adjusted items		56	(19)
Total tax credit/(expense) attributable to equity holders' profits		67	(58)
Profit for the year/period	1	576	343

Prior to the demutualisation of SLAC on 10 July 2006, the results of the Group were attributable to participating policyholders and the parent company of the Group did not have equity holders. Therefore, the pro forma reconciliation of Group underlying profit to profit for the comparative period is only presented for the period from 10 July to 31 December 2006.

Underlying profit is calculated by adjusting the profit for the period for volatility that arises from different International Financial Reporting Standards (IFRS) measurement bases for liabilities and backing assets, volatility arising from derivatives that are part of economic hedges but do not qualify as hedge relationships under IFRS, restructuring costs, significant corporate transaction expenses, impairment of intangibles and profit or loss arising on the disposal of a subsidiary, joint venture or associate. The Directors believe that, by eliminating this volatility from the equity holder profits, they are presenting a more meaningful indication of the underlying business performance of the Group.

Consolidated balance sheet

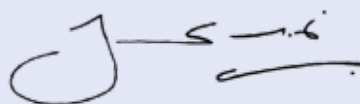
As at 31 December 2007

	Notes	2007 £m	Restated 2006 £m
Assets			
Intangible assets	12	69	60
Deferred acquisition costs	13	693	445
Investments in associates and joint ventures	14	4,146	3,627
Investment property	15	10,646	11,338
Property, plant and equipment	16	870	1,067
Deferred tax assets	17	111	17
Reinsurance assets	29	476	740
Loans and receivables	18	13,056	12,021
Derivative financial assets	19	520	333
Investment securities	20	102,304	97,224
Other assets	21	1,754	2,147
Cash and cash equivalents	22	9,335	6,436
Total assets		143,980	135,455
Equity			
Share capital	23	217	210
Share premium reserve	24	792	799
Retained earnings	25	776	298
Other reserves	26	1,497	1,571
Equity attributable to equity holders of Standard Life plc		3,282	2,878
Minority interest	27	391	307
Total equity		3,673	3,185
Liabilities			
Non-participating contract liabilities	29	79,742	71,133
Participating contract liabilities	29	37,888	39,996
Third party interest in consolidated funds	27	1,501	961
Borrowings	31	6,118	6,506
Subordinated liabilities	32	1,908	1,834
Pension and other post retirement benefit provisions	33	203	220
Deferred income	34	340	257
Deferred tax liabilities	17	480	615
Current tax liabilities	17	252	268
Customer accounts related to banking activities and deposits by banks	35	6,080	5,071
Derivative financial liabilities	19	642	432
Other liabilities	36	5,153	4,977
Total liabilities		140,307	132,270
Total equity and liabilities		143,980	135,455

Approved on behalf of the Board of Directors on 12 March 2008 by the following Directors:



Gerry Grimstone, Chairman



David Nish, Group Finance Director

The Notes on pages 107 to 260 are an integral part of these consolidated financial statements.

Consolidated statement of recognised income and expense

For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Fair value (losses)/gains on cash flow hedges		(6)	19
Actuarial losses on defined benefit pension schemes	33	(3)	(12)
Revaluation of land and buildings	16	(26)	66
Exchange differences on translating foreign operations		175	(214)
Equity movements transferred to the unallocated divisible surplus	30	(11)	1
Retained earnings arising on demutualisation	25	-	17
Aggregate policyholder tax effect of items not recognised in income statement	9	-	4
Aggregate equity holder tax effect of items not recognised in income statement	9	-	(8)
Other		-	4
Net income/(expense) not recognised in income statement		129	(123)
Profit for the year		576	395
Total recognised income for the year		705	272
Transfer from/(to) unallocated divisible surplus		-	45
		705	317
Attributable to:			
Equity holders of Standard Life plc		594	205
Minority interest		111	112
		705	317

The impact on the consolidated statement of recognised income and expense for the year ended 31 December 2006 of the presentation adopted for the consolidated income statement in that year for the period 1 January to 10 July 2006, when the parent company of the Group was a mutual insurer, is explained in the Group accounting policies basis of preparation.

Prior to the demutualisation of SLAC, the parent company of the Group did not have equity holders and therefore there are no amounts attributable to equity holders for the period from 1 January to 10 July 2006.

The movements in equity are summarised below:

	Notes	2007 £m	Period 10 July to 31 December 2006 £m
Equity at start of period		3,185	-
Minority interest	27	-	260
Recognised prior to 10 July 2006		-	260
Change in the year/period		(27)	(13)
		(27)	247
Total recognised income for the year/period		705	265
Distributions to equity holders	11	(197)	-
Issue of share capital for cash, net of transaction costs	23, 24	-	1,363
Issue of share capital other than in cash	23, 24	7	146
Difference between fair value and book value of the Group at demutualisation	26	-	(2,065)
Merger relief on issue of demutualisation shares	26	-	3,214
Capitalisation of share premium account	24	(7)	-
Reserves credit for employee share-based payment schemes	26	12	15
Vested employee share-based payment scheme	26	(5)	-
Equity at 31 December		3,673	3,185

The Notes on pages 107 to 260 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2007

	Notes	2007 £m	Restated 2006 £m
Cash flows from operating activities			
Profit before tax		620	810
Gain on disposal of property, plant and equipment		(27)	(3)
Depreciation of property, plant and equipment	5	9	15
Amortisation of intangible assets	5	8	6
Amortisation of deferred acquisition costs	5	135	83
Impairment losses on intangible assets	5	-	14
Impairment losses on property, plant and equipment	5	16	-
Reversal of impairment on property, plant and equipment	5	-	(11)
Interest cost on other borrowings		15	(1)
Change in present value of future results on non-participating contracts		-	(180)
Adjustment for finance costs on bank activities		6	(72)
Finance costs		122	114
Net foreign exchange losses on investment activities	3	(41)	(17)
Share of profits from associates and joint ventures	14	(181)	(129)
Net decrease/(increase) in operating assets and liabilities	38	2,731	(1,331)
Adjustment for investment income		(15)	(10)
Taxation paid		(323)	(304)
Change in unallocated divisible surplus	30	(247)	286
Net cash flows from operating activities		2,828	(730)
Cash flows from investing activities			
Purchase of property, plant and equipment	16	(233)	(281)
Proceeds from sale of property, plant and equipment		165	6
Acquisition of investment in associates and joint ventures	14	(35)	(9)
Proceeds from disposal of investment in associates and joint ventures	14	23	-
Dividends received from associates and joint ventures	14	3	-
Purchase of intangible assets	12	(17)	(36)
Net cash flows from investing activities		(94)	(320)
Cash flows from financing activities			
Proceeds from other borrowings		36	119
Repayment of other borrowings		(28)	(131)
Proceeds from issue of ordinary share capital, net of transaction costs	23, 24	-	1,363
Consideration paid to eligible members in non – permitted countries		-	(59)
Capital contributions from minority interest	27	495	329
Distributions paid to minority interest	27	(31)	(14)
Interest paid		(134)	(134)
Ordinary dividends paid	11	(197)	-
Net cash flows from financing activities		141	1,473
Net increase in cash and cash equivalents		2,875	423
Cash and cash equivalents at the beginning of the year	22	6,194	5,808
Effects of exchange rate changes on cash and cash equivalents		51	(37)
Cash and cash equivalents at the end of the year	22	9,120	6,194
Supplemental disclosures on cash flows from operating activities			
Interest paid		630	628
Interest received		3,581	1,452
Dividends received		1,464	1,452
Rental income received on investment properties		615	634

The impact on the consolidated cash flow statement for the year ended 31 December 2006 of the presentation adopted for the consolidated income statement in that year for the period 1 January to 10 July 2006, when the parent company of the Group was a mutual insurer, is explained in the Group accounting policies basis of preparation.

The Notes on pages 107 to 260 are an integral part of these consolidated financial statements.