

Notes to the Company financial statements

A. Net investment return

	2007 £m	Restated 2006 £m
Interest and similar income		
Cash and cash equivalents	18	13
Loans and receivables to subsidiaries and associates	81	33
	99	46
Income from subsidiary undertakings		
Dividend income	273	-
Interest income from equity instruments	34	-
	307	-
Foreign exchange gains/(losses) on instruments other than at fair value through profits or loss	37	(1)
	37	(1)
(Losses)/gains on financial instruments		
Equity securities and interests in pooled investment funds	10	3
Derivative financial instruments	(35)	1
	(25)	4
Net investment return	418	49

B. Administrative expenses

	Notes	2007 £m	2006 £m
Staff costs and other employee related costs	C	34	20
Stamp duty paid on sale of demutualisation shares		-	5
Auditors' remuneration	E	-	-
Other administrative expenses		54	30
Total other administrative expenses		88	55

C. Staff costs and other employee related costs

	Notes	2007 £m	2006 £m
The aggregate remuneration payable in respect of employees was:			
Wages and salaries		29	16
Social security costs		2	1
Pension costs	D	2	2
Employee share-based payments		1	1
Total staff costs and other employee related costs		34	20

The staff who manage the affairs of the Company are employed by Standard Life Employee Services Limited (SLES�), a subsidiary of the Company. These costs are recharged to the Company and the amounts recharged are set out above.

The information required to be disclosed under the Companies Act 1985 in respect of Directors' remuneration is provided in Note W(c).

Details of the employee share-based payment schemes operated by the Group are given in Note 41 of the consolidated financial statements.

D. Pension and other post retirement benefit provisions

The staff who manage the affairs of the Company are members of a defined benefit pension scheme and a defined contribution pension scheme operated by the Group for its employees in the UK. There is no contractual agreement or policy for charging the net defined benefit cost of the defined benefit scheme across the participating UK companies. The sponsoring employer for the defined benefit scheme is SLAL, and therefore the net defined benefit cost of the scheme is recognised by SLAL. As a result the Company treats its participation in the defined benefit plan as a defined contribution plan. Contributions to defined contribution plans are expensed when employees have rendered services in exchange for such contributions, generally in the year of contribution. The contributions to the defined contribution and the defined benefit plans recognised as an expense for the year ended 31 December 2007 were £2m (2006: £2m).

Further information on the Group's pension schemes is given in Note 33 of the consolidated financial statements.

E. Auditors' remuneration

In 2007 auditors' remuneration amounted to £0.5m (2006: £0.5m) in respect of the audit of the Company's financial statements. Auditors' remuneration for services other than the statutory audit of the Company are disclosed in Note 7 of the consolidated financial statements.

F. Income tax credit

(a) Current year tax credit

	2007	2006
	£m	£m
Current tax credit – United Kingdom	8	9
Deferred tax expense arising from the current period	(1)	(1)
Total income tax credit	7	8

The aggregate tax effect of items charged directly to equity is £nil (2006: credit of £1m). This is deferred tax relating to employee benefits.

(b) Reconciliation of tax credit

	2007	Restated 2006
	£m	£m
Profit/(loss) before tax	228	(47)
Tax at UK corporation tax rate of 30% (2006: 30%)	(68)	14
Dividends not subject to UK corporation tax	82	-
Permanent differences	(7)	(6)
Total income tax credit	7	8

G. Investments in subsidiaries

	Notes	2007 £m	Restated 2006 £m
At 1 January		4,649	-
Acquisition of subsidiaries		102	3,420
Capital injections into newly established subsidiaries		14	-
Capital injections into existing subsidiaries		52	743
Acquisition of equity instrument in SLAL		-	486
Dividend in specie		-	2,008
Reduction in carrying value of SLAL following dividend in specie		-	(2,008)
Reduction in carrying value of Standard Life Healthcare Limited following dividend from pre-acquisition distributable reserves	Q	(20)	-
Fair value gain		2	-
Foreign exchange gain		9	-
At 31 December		4,808	4,649

On demutualisation of SLAC on 10 July 2006, the eligible members of SLAC received shares (demutualisation shares) in the Company. The Company acquired the ordinary share capital of SLAL as compensation for the issue of the demutualisation shares. On the same date, SLAL distributed as a dividend in specie, certain subsidiaries to the Company which had been transferred to it on demutualisation of SLAC.

During the year the Company increased its investment in SLAL, Standard Life Oversea Holdings Limited, Standard Life (Mauritius Holdings) 2006 Limited and Standard Life Investments (Global Liquidity Funds) plc – Euro Plus Sub Fund. The Company also established a subsidiary, Standard Life Wealth Limited, and provided seed capital for the Standard Life Strategic Investment Allocation Fund, as part of the new discretionary investment management proposition.

Details of the Company's principal subsidiaries are given in Note 45 of the consolidated financial statements.

H. Investments in associates and joint ventures

(a) Investments in associates

The following are particulars of the Company's share of significant associates, all of which are unlisted:

Name of associate	Country of incorporation or registration	% interest held
At 31 December 2007		
Tenet Group Limited	England	23.0
Threesixty Services LLP	England	25.0
At 31 December 2006		
Tenet Group Limited	England	23.0

(b) Investments in joint ventures

The following are particulars of the Company's share of significant joint ventures, all of which are unlisted:

Name of joint venture	Country of incorporation or registration	% interest held
At 31 December 2007		
Heng An Standard Life Insurance Company Limited	China	50.0

The interest in Heng An Standard Life Insurance Company Limited was acquired during the year from a subsidiary undertaking of the Company.

I. Tax assets and liabilities

	2007 £m	2006 £m
Current tax recoverable	-	2
Deferred tax assets	1	1
Total tax assets	1	3
Deferred tax liabilities	2	1
Total tax liabilities	2	1

There are no current tax liabilities.

The Company has surrendered the benefit of tax losses to underlying subsidiaries for a consideration of £7m (2006: £7m) which will be receivable within one year. Accordingly, no tax losses are available for carry forward. The Company has provided deferred tax amounting to £2m (2006: £1m) in respect of unrealised gains on investment securities.

	2007 £m	2006 £m
Recognised deferred tax		
Deferred tax assets comprise:		
Employee benefits	1	1
Net deferred tax assets	1	1
Deferred tax liabilities comprise:		
Unrealised gains on investments	(2)	(1)
Net deferred tax liabilities	(2)	(1)
Movements in deferred tax liabilities comprise:		
At 1 January	-	-
Amounts charged to net profit	(1)	(1)
Amounts credited to equity	-	1
At 31 December	(1)	-

J. Derivative financial instruments

The Company uses derivative financial instruments in order to reduce the risk from potential movements in foreign exchange rates, equity indices and interest rates. These instruments are designated as held for trading.

At 31 December 2007

	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Debt derivatives:			
Futures	2	-	-
Equity derivatives:			
Futures	3	-	-
Foreign exchange derivatives:			
Options	2	-	-
Forwards	311	-	(9)
Interest rate derivatives:			
Interest rate swaps	8	-	-
	326	-	(9)

The derivative financial instrument liabilities of £9m are expected to be settled within twelve months.

At 31 December 2006	Contract amount £m	Fair value assets £m	Fair value liabilities £m
Foreign exchange derivatives:			
Forwards	177	1	-
	177	1	-

The derivative financial instrument assets of £1m are expected to be recovered within twelve months.

K. Investment securities

	2007 £m	2006 £m
Equity securities and interests in pooled investment funds:		
Listed	20	12
Unlisted	5	5
Total equity securities and interests in pooled investment funds	25	17
Debt securities:		
Unlisted	1	1
Total debt securities	1	1
Total investment securities	26	18

The amount of debt securities expected to be recovered after more than twelve months is £1m (2006: £1m). Due to the nature of equity securities and interests in pooled investment funds, there is no fixed term associated with these securities.

L. Other assets

	Notes	2007 £m	2006 £m
Outstanding sales of investment securities		-	5
Outstanding receipt of proceeds from share issue		4	4
Due from related parties	W	18	9
Accrued income		3	4
Other		3	3
Total other assets		28	25

The carrying amounts of other assets approximate the fair values at the year end.

All other assets are expected to be recovered within twelve months.

M. Cash and cash equivalents

	2007 £m	2006 £m
Demand and term deposits with original maturity of less than three months	102	191
Other short-term investments	79	191
Total cash and cash equivalents	181	382

Demand and term deposits with original maturity of less than three months are subject to variable interest rates.

Other short-term investments include the Company's investments in Standard Life Investments (Global Liquidity Funds) plc, which are subject to a mixture of fixed and variable interest rates.

N. Share capital

Details of the Company's share capital are given in Note 23 of the consolidated financial statements.

O. Share premium reserve

Details of the premium arising on the shares issued by the Company are given in Note 24 of the consolidated financial statements.

P. Retained earnings

	Notes	2007 £m	Restated 2006 £m
At 1 January		(35)	-
Profit/(loss) for the year attributable to equity holders		235	(39)
Transfer from merger reserve	Q	20	-
Transfer from equity compensation reserve for vested employee share-based payments	Q	-	4
At 31 December		220	(35)

Details of the dividends paid during the year by the Company are provided in Note 11 of the consolidated financial statements. Note 11 also includes information regarding the final dividend proposed by the Directors for the year ended 31 December 2007.

Q. Reconciliation of movements in other reserves

	Notes	Merger reserve £m	Equity compensation reserve £m	Special reserve £m	Total £m
At 1 January 2007		3,214	11	500	3,725
Reserve credit for employee share-based payment schemes		-	12	-	12
Transfer to retained earnings	G,P	(20)	-	-	(20)
Vested employee share-based payments		-	(5)	-	(5)
Dividends and appropriations		-	-	(197)	(197)
At 31 December 2007		3,194	18	303	3,515
At 1 January 2006		-	-	-	-
Merger relief on issue of demutualisation shares		3,214	-	-	3,214
Release of merger relief on demutualisation shares		(1,872)	-	-	(1,872)
Merger relief on ordinary shares acquired in operating subsidiaries following dividend in specie		1,872	-	-	1,872
Share premium reduction		-	-	500	500
Reserves credit for employee share-based payment schemes		-	15	-	15
Transfer to retained earnings for vested employee share-based payments	P	-	(4)	-	(4)
At 31 December 2006		3,214	11	500	3,725

During the year the Company received a dividend from a subsidiary undertaking, Standard Life Healthcare Limited, which was made partly from its pre-acquisition distributable reserves. As a result £20m of the merger reserve was realised and transferred to retained earnings.

The dividends and appropriations of £197m, paid during the year, have been treated as a deduction from the special reserve.

Further information on these reserves is given in Note 26 of the consolidated financial statements.

R. Subordinated liabilities

	2007 £m	2006 £m
Subordinated guaranteed bonds:		
6.75% £500,000,000 Fixed rate perpetual	502	502
6.375% €750,000,000 Fixed/floating rate 12 July 2022	561	514
Mutual Assurance Capital Securities:		
6.546 % £300,000,000 Fixed rate perpetual	314	314
5.314 % €360,000,000 Fixed rate perpetual	274	251
Total subordinated liabilities	1,651	1,581

The total of subordinated liabilities is expected to be settled after more than twelve months.

Further information of the terms and conditions of the subordinated liabilities is given in Note 32 of the consolidated financial statements.

S. Other liabilities

	Notes	2007 £m	2006 £m
Due to related parties	W	43	72
Insurance contract liability	W	10	-
Other liabilities		15	9
Total other liabilities		68	81

The carrying amounts of other liabilities approximate the fair values at the year end.

All other liabilities are expected to be settled within twelve months.

Insurance contract liability relates to a guarantee issued during the year by the Company to an investment fund managed by a subsidiary of the Company to cover the difference between amortised cost and marked to market value of the underlying assets of a sub-fund should there be a need to sell assets below amortised cost to meet investor withdrawals. The guarantee is undated and is for a maximum of £60m. The Company is exposed to insurance risk, as defined by IFRS 4 *Insurance Contracts*, arising from the guarantee, and profit and equity are sensitive to the assumed level of withdrawals.

The movement in the insurance contract liability during the year comprised:

	2007 £m	2006 £m
At 1 January	-	-
Guarantee issued	10	-
At 31 December	10	-

T. Risk management

(a) Overview

An overview of the Group risk management framework and policies is provided in Note 37 of the consolidated financial statements.

The Company is exposed to market, credit, liquidity and insurance risks, each of which are described below.

(b) Market risk

The Group risk management framework defines market risk as the risk that arises from the Group's exposure to market movements, which could result in fluctuations in the value of their financial assets, the amount of their financial liabilities or the income from their financial assets. The most significant element of market risk for the Company arises from its exposure to fluctuations in interest rates. The Company is exposed to fluctuations in the fair value of future cash flows of financial instruments caused by changes in market interest rates. Financial assets and liabilities which are subject to the most significant exposure to interest rate risk include cash investments, derivative financial instruments and subordinated liabilities. The Company is also exposed to fluctuations in the equity securities markets and changes in the value of its holdings and the return on those holdings.

Appetites for market risk are managed through the Group market risk policy and the Company defines its own market risk policy adopting relevant minimum standards and limits contained within the Group policy. The Company is required to manage risk in accordance with the policy and to take mitigating action as appropriate to operate within defined risk appetites. The Company ensures that risks remain within the approved market risk appetite through the use of a number of specific controls and techniques including defined lists of permitted securities and/or application of investment constraints and the active use of derivatives to improve the matching characteristics of assets and liabilities.

The Company's investments are generally held in the currency of its operational geographical locations, principally to assist with matching of liabilities. However, on the basis that geographical diversification helps to reduce the risk profile of a portfolio, the Company may believe it is appropriate to hold non-domestic assets to support domestic liabilities. In these cases, derivative financial instruments may be employed to manage currency exposure.

Derivative instruments are also utilised to reduce risk arising from exposure to fluctuations in interest rates and equity indices. Transactions in derivatives are listed on a regulated market or are with an approved counterparty. In employing derivatives, the Company must always have sufficient cash equivalents or underlying assets to cover any potential obligation or exercise right.

(b) (i) Market risk concentrations

The Group restricts market risk concentrations by ensuring that exposure is divided among a number of instruments. For each type of asset within a portfolio, responsibility for setting adequately diversified benchmarks and for limiting the structure of market risk exposure is set by the Company.

The following tables provide information regarding the market risk exposure of the Company at 31 December 2007 and 31 December 2006 showing diversification by asset type and geographic region. The market risk exposure to foreign currency assets is either matched by liabilities held in the same currency or managed using derivative financial instruments.

The geographic classification for loans and receivables and cash and cash equivalents is determined by the currency of the underlying financial instruments.

2007	Geography							
	UK		Continental Europe		Canada		Total	
	£m	%	£m	%	£m	%	£m	%
Debt securities	1	-	-	-	-	-	1	-
Equity securities	5	-	20	1%	-	-	25	1%
Loans and receivables	334	21%	835	52%	203	13%	1,372	86%
Cash and cash equivalents	179	11%	1	-	1	-	181	11%
Derivative financial assets	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	28	2%
Total	519	32%	856	53%	204	13%	1,607	100%

2006	Geography							
	UK		Continental Europe		Canada		Total	
	£m	%	£m	%	£m	%	£m	%
Debt securities	1	-	-	-	-	-	1	-
Equity securities	5	-	12	1%	-	-	17	1%
Loans and receivables	329	20%	765	45%	176	10%	1,270	75%
Cash and cash equivalents	380	23%	1	-	1	-	382	23%
Derivative financial assets	1	-	-	-	-	-	1	-
Other financial assets	-	-	-	-	-	-	25	1%
Total	716	43%	778	46%	177	10%	1,696	100%

(b) (ii) Sensitivity analysis – market risk

The table below illustrates the sensitivity of profit after tax and equity to reasonably possible variations in the key assumptions made in relation to the Company's most significant market risk exposures. The sensitivity analysis has been performed by varying the assumption as at the balance sheet date and considering the consequential impacts on profits after tax and equity, assuming other assumptions remain unchanged. The results of the sensitivity analysis may also have been different from those illustrated had the tests been applied at a date other than the balance sheet date. When illustrating the impact of equity and property risk, the expectations of corporate earnings and rents remain unchanged.

	Equity/property				Interest			
	+10%		-10%		+1%		-1%	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Impact on profit after tax and equity	2	1	(2)	(1)	3	3	(3)	(3)

Limitations

The sensitivity analysis is non-linear and larger or smaller impacts should not be derived from these results. The sensitivity analysis represents the impact on profits as at the year end that the changes in assumptions can have. The sensitivity will vary with time, both due to changes in market conditions and changes in the actual asset mix, this mix being actively managed.

Correlations between the different risks and/or other factors may mean that experience would differ from that expected if more than one risk event occurred simultaneously.

T. Risk management *continued***(c) Credit risk**

The Group risk management framework defines credit risk as the risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner. It also includes the risk of a reduction in the value of corporate bonds due to widening of corporate bond spreads.

Appetites for credit risk are managed through the Group credit risk policy. The Company defines its own credit risk policy adopting relevant minimum standards and limits contained within the Group policy. The Company is required to manage risk in accordance with the Group policy and to take mitigating action as appropriate to operate within defined risk appetites.

In managing credit risk, the Company sets maximum exposure limits to types of financial instruments and counterparties. The limits are established using the following controls:

Financial Instrument with credit risk exposure	Control
Cash and cash equivalents	Maximum exposure limits are set with reference to credit ratings issued by Standard & Poor's and Moody's.
Derivative financial assets	Maximum exposure limits, net of collateral, are set with reference to long-term credit ratings issued by Standard & Poor's and Moody's.
Debt securities	Limits are set on the proportion of the total portfolio of debt securities which may be placed with counterparties rated below certain credit rating levels.
Other financial instruments and liabilities	Appropriate limits are set for other financial instruments and liabilities which the Company may be exposed to from time to time.

(c) (i) Credit exposure of financial assets

The table below provides information regarding the credit quality of financial assets that are neither past due nor impaired at the year end, by classifying financial assets according to Standard & Poor's credit ratings of the counterparties. The analysis also provides information on the concentration of credit risk. AAA is the highest possible rating and rated financial assets that fall outside the range of AAA to BBB are classified as below BBB. Assets that are not rated by Standard & Poor's but are rated by another agency are categorised on a basis consistent with the Standard & Poor's rating. If a financial asset is not rated by an external agency, it is classified as not rated, which includes assets such as loans to subsidiaries.

The total amount in the tables below represents the Company's credit exposure to financial assets that are neither past due nor impaired at 31 December 2007 and 31 December 2006 without taking into account collateral held.

	Credit rating								Total	
	AAA		AA		A		Not rated			
2007	£m	%	£m	%	£m	%	£m	%	£m	%
Debt securities	-	-	-	-	-	-	1	-	1	-
Loans to subsidiaries and associates	-	-	-	-	-	-	1,372	87%	1,372	87%
Cash and cash equivalents	79	5%	102	6%	-	-	-	-	181	11%
Derivative financial assets	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	24	2%	24	2%
Total	79	5%	102	6%	-	-	1,397	89%	1,578	100%

2006	Credit rating								Total	
	AAA		AA		A		Not rated			
	£m	%	£m	%	£m	%	£m	%	£m	%
Debt securities	-	-	-	-	-	-	1	-	1	-
Loans to subsidiaries and associates	-	-	-	-	-	-	1,270	76%	1,270	76%
Cash and cash equivalents	205	12%	64	4%	85	5%	28	2%	382	23%
Derivative financial assets	-	-	-	-	-	-	1	-	1	-
Other assets	-	-	-	-	-	-	21	1%	21	1%
Total	205	12%	64	4%	85	5%	1,321	79%	1,675	100%

At 31 December 2007, £4m (2006: £4m) of other assets were deemed to be past due by greater than one year (2006: 3-6 months past due). This amount was not in respect of rated assets. Assets are deemed to be past due when a counterparty has failed to make a payment when contractually due.

At 31 December 2007, no financial assets are considered to be impaired (2006: £nil). An allowance account is not used by the Company to record separately the impairment of assets by credit losses. Instead the carrying amount of an asset subject to any impairment charge is directly reduced by the amount of the impairment.

(d) Liquidity risk

The Group risk management framework defines liquidity risk as the risk that the Group or individual Group companies, although solvent, do not have sufficient financial resources available to meet their obligations as they fall due, or can secure them only at excessive cost.

The appetite for liquidity risk is managed through the Group liquidity risk policy. The Company defines its own liquidity risk policy adopting relevant minimum standards and limits contained within the Group Policy. The Company is required to manage risk in accordance with the Group policy and to take mitigating action as appropriate to operate within defined risk appetites.

The Company manages liquidity risk primarily by placing limits on the volume of financial assets held which are both not quoted and not regularly traded on a recognised exchange and maintenance of a portfolio of committed bank facilities (a number of which are currently undrawn).

Liquidity risk is managed by the central Group treasury function. Group treasury are also responsible for the production and management of the contingency funding plan if required.

(d) (i) Maturity analysis

The cash flows payable by the Company under its financial liabilities have been analysed by remaining contractual maturity at the balance sheet date.

Non-derivative contractual cash flows

The following table shows the contractual cash flows of non-derivative liabilities payable by the Company under these instruments by remaining contractual maturity at the balance sheet date. The amounts shown are the contractual undiscounted cash flows, whereas the Company manages inherent liquidity risk based on expected undiscounted cash flows.

T. Risk management *continued***(d) Liquidity risk** *continued***(d) (i) Maturity analysis** *continued*

	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	No contractual maturity date £m	Total £m
2007								
Subordinated liabilities	103	961	573	528	669	-	-	2,834
Other liabilities	-	-	-	-	-	-	68	68
Total	103	961	573	528	669	-	68	2,902

	Within 1 year £m	1-5 years £m	5-10 years £m	10-15 years £m	15-20 years £m	Greater than 20 years £m	No contractual maturity date £m	Total £m
2006								
Subordinated liabilities	99	401	1,152	547	169	534	-	2,902
Other liabilities	-	-	-	-	-	-	81	81
Total	99	401	1,152	547	169	534	81	2,983

Other liabilities include contractual undiscounted cash flows relating to insurance contracts of £10m (2006: £nil).

The Company ensures that it can meet its financial obligations as they fall due by maintaining suitable levels of liquid assets.

Contractual cash flows on derivatives settled on a net basis

The Company uses derivatives that will be settled on a net basis. These derivatives consist mainly of interest rate swaps. As at 31 December 2007 contractual undiscounted cash flows on derivatives settled on a net basis were £nil (2006: £nil).

Contractual cash flows on derivatives settled on a gross basis

The Company uses derivatives that will be settled on a gross basis. These derivatives include foreign exchange forwards and cross currency swaps. As at 31 December 2007 undiscounted contractual cash flows on derivatives settled on a gross basis amounted to £9m (2006: £nil) and related to outflows on foreign exchange forwards with a contractual maturity date within one year.

(e) Insurance risk

Insurance risk is defined by the Group risk management framework as being the risk that arises from inherent uncertainties as to the occurrence, amount and timing of contract liabilities. Insurance risk is managed through the Group insurance policy. The Company is required to manage risk in accordance with the policy and take mitigating action as appropriate.

(f) Reconciliation by category of financial instruments

The following tables reconcile the Company's financial instruments by IAS 39 *Financial Instruments: Recognition and Measurement* categories to the line items presented in the Company balance sheet.

Financial assets are analysed by category as follows:

	At fair value through profit or loss		Loans and receivables	Cash and cash equivalents	Total
	Held for trading	Designated on initial recognition			
2007	£m	£m	£m	£m	£m
Loans to subsidiaries	-	-	1,368	-	1,368
Loans to associates	-	-	4	-	4
Derivative financial assets	-	-	-	-	-
Investment securities	-	26	-	-	26
Other assets	-	-	28	-	28
Cash and cash equivalents	-	-	-	181	181
Total financial assets	-	26	1,400	181	1,607
Non-financial assets	-	-	-	-	4,867
Total assets	-	26	1,400	181	6,474

	At fair value through profit or loss		Loans and receivables	Cash and cash equivalents	Total
	Held for trading	Designated on initial recognition			
2006	£m	£m	£m	£m	£m
Loans to subsidiaries	-	-	1,270	-	1,270
Loans to associates	-	-	-	-	-
Derivative financial assets	1	-	-	-	1
Investment securities	-	18	-	-	18
Other assets	-	-	25	-	25
Cash and cash equivalents	-	-	-	382	382
Total financial assets	1	18	1,295	382	1,696
Non-financial assets	-	-	-	-	4,666
Total assets	1	18	1,295	382	6,362

T. Risk management *continued***(f) Reconciliation by category of financial instruments** *continued*

Financial liabilities are analysed by category as follows:

2007	At fair value through profit or loss			Total £m
	Held for trading £m	Designated on initial recognition £m	Financial liabilities at amortised cost £m	
Subordinated liabilities	-	-	1,651	1,651
Derivative financial liabilities	9	-	-	9
Other liabilities	-	-	68	68
Total financial liabilities	9	-	1,719	1,728
Non-financial liabilities	-	-	-	2
Total Liabilities	9	-	1,719	1,730

2006	At fair value through profit or loss			Total £m
	Held for trading £m	Designated on initial recognition £m	Financial liabilities at amortised cost £m	
Subordinated liabilities	-	-	1,581	1,581
Derivative financial liabilities	-	-	-	-
Other liabilities	-	-	81	81
Total financial liabilities	-	-	1,662	1,662
Non-financial liabilities	-	-	-	1
Total Liabilities	-	-	1,662	1,663

U. Contingencies**(a) Legal proceedings and regulations**

The Company, like other financial organisations, is subject to legal proceedings in the normal course of its business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigations) will have a material effect on the results and financial position of the Company.

(b) Joint ventures and associates

The Company has entered into agreements to share in the assets and liabilities of joint venture and associate investments. The directors do not anticipate any material losses from such investments, and the operations of such investments are not material in relation to the operations of the Company.

The Company's share of contingent liabilities of the joint ventures and associates is not significant in relation to the operations of the Company.

(c) Issued share capital

The Scheme of Demutualisation (the Scheme) of SLAC sets a ten-year time limit for those eligible members of SLAC who were not allocated shares at the date of demutualisation to claim their entitlement. As future issues of these shares are dependent upon the actions of eligible members, it is not practical to estimate the financial effect of this potential obligation.

V. Commitments

Under the trust deed in respect of the Group's UK defined benefit pension scheme, SLES (the principal employer) must pay contributions to pension scheme as the trustees' actuary may certify necessary. The Company has guaranteed the obligations of SLES to the UK defined benefit pension scheme for a period of 15 years from 10 July 2006.

W. Related party transactions

(a) Transactions with and balances from/(to) related parties

In the normal course of business, the Company enters into transactions with related parties that relate to insurance, banking and investment management business. Such related party transactions are at arm's length.

The year end balances with related parties arising from transactions carried out by the Company with related parties are as follows:

	Notes	2007 £m	2006 £m
Due from related parties:			
Subsidiaries	L	18	9
Loans to subsidiaries		1,368	1,270
Loans to associates		4	-
		1,390	1,279
Due to related parties:			
Subsidiaries	S	53	72
		53	72
		2007	2006
		£m	£m
Revenues from related parties:			
Subsidiaries		393	33
		393	33
Expenses to related parties:			
Subsidiaries		83	46
		83	46

(b) Compensation of key management personnel

Key management personnel of the Company, comprising 17 people (2006: 18), including all Directors, both executive and non-executive and the direct reports of the Chief Executive Officer.

The summary of compensation of key management personnel is as follows:

	2007 £m	2006 £m
Salaries and other short-term employee benefits	4	2
Post-employment benefits	-	-
Other long-term benefits	-	1
Termination benefits	1	-
Share-based payments	1	1
Total compensation of key management personnel	6	4

A number of key management personnel of the Company are also key management personnel of other entities within the Standard Life Group. For the purposes of this note an apportionment of the total compensation paid to the key management personnel of the Company by the Group has been made based on an estimate of the services rendered to the Company.

W. Related party transactions *continued***(c) Directors' remuneration**

The remuneration paid to the Directors is as follows:

	2007 £m	2006 £m
Aggregate emoluments	5	3
Amounts receivable under cash-based long term incentive schemes	-	1

Reference should be made to the Directors' remuneration report on pages 84 to 99 for details of Directors' interests, including share options, in the share capital of the Company. The Directors' remuneration report is presented for years ending 31 December 2007 and 31 December 2006. The Directors' remuneration report shows remuneration paid to Directors over those periods, and, except as stated, reflects remuneration paid by SLAC and its subsidiaries prior to demutualisation on 10 July 2006 and by the Company and its subsidiaries after that date.

The Directors are participants in a Long-Term Incentive Plan (LTIP) operated by the Group. Prior to demutualisation of SLAC on 10 July 2006, the LTIP was a cash-based award dependant on certain performance conditions being achieved over a three-year period. 2006 was the last year in which cash awards could be received. On demutualisation of SLAC the cash awards were converted into awards over shares of the Company and in future years the LTIP will be a share-based scheme. The conversion was based on the average middle-market share price during the 20 dealing days following demutualisation. The benefits arising under the incentive plan are recorded in the year in which entitlement was determined.

The shares awarded under LTIP schemes only become receivable by the Directors when the performance conditions are met at the end of the three-year vesting period, therefore no amounts in respect of these awards are disclosed above.

Retirement benefits are accruing to 4 (2006: 5) Directors under a defined benefit scheme operated by the Company.

(d) Transactions with and balances from/(to) key management personnel

The detailed disclosures of transactions incurred by the Company with key management personnel during the year and year end balances arising from such transactions are contained within the audited section of the Directors' remuneration report on pages 84 to 99.

All transactions between the key management and the Company during the year are on commercial terms which are equivalent to those available to all employees of the Group.

During the year to 31 December 2007, the key management personnel contributed £1.4m (2006: £1.3m) to products sold by the Group. This primarily relates to investments in self invested personal pension (SIPP) products with the transfer of funds from an external provider.

At 31 December 2007 key management personnel had no outstanding loans (2006: £nil).

X. Fair value of financial assets and liabilities

The estimated fair values of financial assets and liabilities whose carrying value does not approximate fair value are as follows:

	Notes	Carrying value £m	Fair value £m
At 31 December 2007			
Financial assets			
Loans to subsidiaries		1,368	1,411
Financial liabilities			
Subordinated guaranteed bonds	R	1,063	1,080
Mutual Assurance Capital Securities	R	588	563

	Notes	Restated Carrying value £m	Restated Fair value £m
At 31 December 2006			
Financial assets			
Loans to subsidiaries		1,270	1,380
Financial liabilities			
Subordinated guaranteed bonds	R	1,016	1,114
Mutual Assurance Capital Securities	R	565	577

The estimated fair values are calculated by discounting the expected future cash flows at current market rates. The carrying value of all other financial assets and liabilities approximates their fair value.

Y. Reclassification of loans to subsidiaries to investments in subsidiaries

During the year SLAL, a subsidiary undertaking, was required to reclassify a financial instrument from financial liabilities to equity instruments under *IAS 32 Financial Instruments: Presentation*, following the reconsideration of the instrument's terms and conditions. As a result, the Company, as holder of the instrument, was required to reclassify its investment from 'loans and receivables', recorded as 'loans to subsidiaries' in the balance sheet, to 'investments in subsidiaries'.

Any income arising from the instrument was previously recognised in the income statement on an EIR basis. However, the income should be recognised at the point the Company has the unconditional right to receive the income, which is considered to be at the time of receipt of the interest income on the instrument.

The comparative information has been restated to correct this error and the effect of the restatement on the financial statements is summarised below.

	2006 Effect of restatement £m
Decrease in interest income from loans and receivables	(16)
Decrease in profit	(16)
Decrease in loans to subsidiaries	(502)
Increase in investments in subsidiaries	486
Decrease in equity	(16)