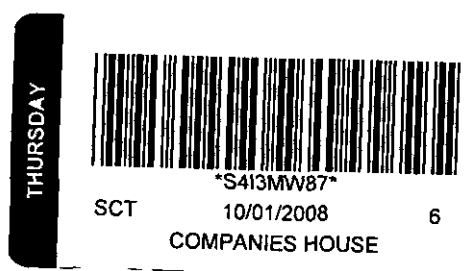


# The Standard Life Assurance Company 2006

Financial Statements for the year ended 30 September 2007

Registration no Scotland Number SZ4



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## **Directors and Officers**

### **Executive Directors**

Sandy Crombie  
Trevor Matthews  
David Nish

### **Company Secretary**

Malcolm Wood

### **Registered Office**

Standard Life House  
30 Lothian Road  
Edinburgh  
EH1 2DH

### **Registered Number**

SZ4

### **Auditors**

PricewaterhouseCoopers LLP  
Edinburgh

## Report by the Directors

The directors present their report and the audited financial statements of the Standard Life Assurance Company 2006 (the Company) for the year ended 30 September 2007

### Principal activities and business review

The Company was almost exclusively involved in managing a block of third party structured settlement assignment policies issued between 1 January 2005 and 9 July 2006 and managing the portfolio of structured settlement annuity contracts issued by the Company up to 31 December 2004. This business was written in Canada. At 15 June 2007 this block of structured settlements business was transferred to Standard Life Assurance Limited (SLAL).

The only contract remaining in the Company is a with profits Capital Redemption Policy (the 'sole member policy') that was issued by the Company to SLAL immediately following demutualisation. It is expected no further business will be written by the Company. The Company retained Standard Life Plc's and its subsidiaries' (the Group) holding of shares in the joint venture HDFC Standard Life Insurance Company Limited pending approval for the transfer of the shares to another company in the Group. This transfer is anticipated to take place by 31 December 2007 (see Note 29). From 15 June 2007 the Company is involved in the management of its investment activities.

### Principal risks and uncertainties

As stated above there was a significant reduction in the entity's activities during the prior period and only one policy remained in the Company at year-end. It is expected that no further business will be written by the Company. Consequently the Company is not subject to significant business risk or uncertainty. The key financial risk to which the Company is exposed is credit risk as outlined in note 27 of the financial statements.

### Key performance indicators (KPIs)

Given the continued decrease in the size of the Company's operations during the period and the nature of the remaining business, the Company's directors are of the opinion that the analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Directors

The names of the current Directors are listed on page 3. The changes to Directors during the period are shown below.

John Hylands (resigned 31 March 2007)

David Nish (appointed 31 March 2007)

### Employees

The staff who manage the affairs of the Company in the UK are employed by Standard Life Employee Services Limited ('SLESL'), a related party and their costs prior to demutualisation were recharged to the Company. Since demutualisation, costs in respect of employee services have been met by a related undertaking. The Group is committed to an equal opportunities policy. The sole criterion for selection or promotion is the suitability of any applicant for the job regardless of ethnic origin, religion, sex, marital status or disablement.

The Group will continue to employ, arrange for retraining, or retire on disability pension any member of staff who becomes disabled, as may be appropriate.

### Supplier payment policy

It is the Company's policy to negotiate payment terms with suppliers and to pay in accordance with the terms agreed. At 30 September 2007 there were no trade creditors outstanding (2006 average duration Nil days).

## **Report by the Directors *continued***

### **Statement on disclosure of information to the auditors**

In accordance with Company Law, as the Company's directors, we certify that.

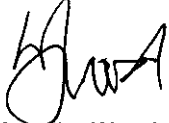
So far as we are aware, there is no relevant information of which the Company's auditors are unaware, and

As the directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, Chartered Accountants have indicated their willingness to continue in office and their re appointment will be proposed at the Annual General Meeting

### **On behalf of the Board of Directors**



**Malcolm Wood, Secretary**  
**Edinburgh,**  
**14 December 2007**

## **Statement of directors' responsibilities in respect of the Annual Report and the financial statements**

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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 year. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors confirm that suitable accounting policies have been used and applied consistently in the preparation of the financial statements. They also confirm that reasonable and prudent judgements and estimates have been made in preparing financial statements for the year ended 30 September 2007 and that applicable standards have been followed

The directors have responsibility for ensuring the maintenance of proper accounting records for the Company, for safeguarding the assets of the Company and for taking reasonable steps for preventing and detecting fraud and other irregularities

## **Independent Auditors' Report to the Member of the Standard Life Assurance Company 2006**

We have audited the financial statements of The Standard Life Assurance Company 2006 for the year ended 30 September 2007 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expenses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs as at 30 September 2007 and of its result and cash flows for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*PricewaterhouseCoopers LLP*  
**PricewaterhouseCoopers LLP**  
**Chartered Accountants and Registered Auditors**  
**Edinburgh**  
**14 December 2007**

# **Income Statement** **For the year ended 30 September 2007**

		12 months to 30 September 2007		9 months to 30 September 2006	
	Notes	£m	£m	£m	£m
<b>Continuing operations</b>					
Net investment return	2		0.8		1.7
Other income					0.2
<b>Total net revenue</b>			<b>0.8</b>		<b>1.9</b>
<b>Result before tax from continuing operations</b>			<b>0.8</b>		<b>1.9</b>
Tax expense	7		0.7		
<b>Result after tax from continuing operations</b>			<b>0.1</b>		<b>1.9</b>
<b>Discontinued operations</b>					
<b>Revenue</b>					
Gross earned premium				1,461.7	
Premium ceded to reinsurers				(51.0)	
Net earned premium				1,410.7	
Net investment return	2	0.1		2,090.6	
Income from joint ventures and associates				28.7	
Fee and commission income	3			154.7	
Other income				12.1	
<b>Total net revenue</b>		<b>0.1</b>		<b>3,696.8</b>	
<b>Expenses</b>					
Claims and benefits		12.1		1,833.8	
Claim recoveries from reinsurers		(41.8)		(65.9)	
Net insurance benefits and claims		(29.7)		1,767.9	
Change in reinsurance assets	20	32.6		73.9	
Change in insurance and participating liabilities	20	(14.2)		(514.4)	
Change in investment contract liabilities		11.4		1,523.4	
Change in deduction from liabilities due to present value of future results				(180.0)	
<b>Administrative expenses</b>					
Restructuring and demutualisation expenses				115.2	
Other administrative expenses	4			541.7	
				656.9	
Finance costs				52.0	
<b>Total expenses</b>		<b>0.1</b>		<b>3,379.7</b>	
<b>Result before tax from discontinued operations</b>				<b>317.1</b>	
Tax expense	7			100.7	
<b>Result after tax from discontinued operations</b>					<b>216.4</b>
<b>Result after tax</b>		-	<b>0.1</b>		<b>218.3</b>
Transfer to unallocated divisible surplus			0.1		218.3
<b>Balance on Income Statement</b>			-		

Refer to Note 1 for further information concerning the continuing and discontinued operations. The notes on pages 23 to 49 form an integral part of these financial statements.

# **Balance Sheet** **As at 30 September 2007**

	Notes	30 September 2007 £m	30 September 2006 £m
<b>Assets</b>			
Investments in associates and joint ventures	11	15.8	12.0
Reinsurance assets	20		558.6
Investment securities	16	2.6	29.6
Other assets	17		24.4
Cash and cash equivalents	18	38.3	16.9
<b>Total assets</b>		<b>56.7</b>	<b>641.5</b>
<b>Liabilities</b>			
Non-participating contract liabilities			
Non-participating insurance contracts	19, 20		294.3
Non-participating investment contracts	19, 20		282.6
			<b>576.9</b>
Unallocated divisible surplus	22	40.7	42.1
Derivative financial liabilities	15	15.9	12.0
Other liabilities	25	0.1	10.5
<b>Total liabilities</b>		<b>56.7</b>	<b>641.5</b>

Approved on behalf of the Board of Directors on 14 December 2007 by the following Directors

Sandy Crombie



David Nish



The notes on pages 23 to 49 form an integral part of these financial statements

**Statement of Recognised Income and Expenses**  
**For the year ended 30 September 2007**

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Actuarial (losses)/gains on defined benefit pension schemes	23		(10 2)
Revaluation of land and buildings	13		32 8
Exchange differences on translating foreign operations	22	0 1	(5 2)
Other		(1 6)	(1 8)
<b>Net income not recognised in the Income Statement transferred to unallocated divisible surplus</b>	22	<b>(1 5)</b>	<b>15 6</b>
Net income recognised in the Income Statement transferred to the unallocated divisible surplus	22	0 1	218 3
<b>Total transfer to unallocated divisible surplus</b>		<b>(1 4)</b>	<b>233 9</b>

The notes on pages 23 to 49 form an integral part of these financial statements

## Cash Flow Statement

### For the year ended 30 September 2007

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>Cash flows from operating activities</b>			
Transfer to unallocated divisible surplus		0 1	218 3
Tax expense	7	0	100 7
<b>Result before tax</b>		<b>0 8</b>	<b>319 0</b>
Gain on disposal of property and equipment			(1 3)
Depreciation of property and equipment	4		0 5
Amortisation of intangible assets	4		2 3
Amortisation of deferred acquisition costs	4		16 0
Impairment losses on subsidiaries			27 0
Reversal of impairment on property and equipment	4		(9 7)
Change in present value of future results on non-participating contracts			(180 0)
Finance costs			52 0
Foreign exchange loss on investment activity		0 2	4 0
Income arising from associates and joint ventures			(28 7)
Net decrease/(increase) in operating assets and liabilities	26	22	(1,095 5)
Adjustment for investment income			89 0
Taxation paid		(1 0)	(144 0)
Change in unallocated divisible surplus		(1 4)	
<b>Net cash flows from discontinued operating activities</b>		<b>21 4</b>	<b>(949 4)</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	13		(17 6)
Proceeds from sale of property and equipment			3 0
Acquisition of investment in joint ventures			(9 0)
Purchase of intangible assets	8		(2 8)
<b>Net cash flows from discontinued investing activities</b>			<b>(26 4)</b>
<b>Cash flows from financing activities</b>			
Interest paid on subordinated liabilities			(48 0)
<b>Net cash flows from discontinued financing activities</b>			<b>(48 0)</b>
Net transfer of assets and liabilities arising from demutualisation transaction			(1,323 0)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>21 4</b>	<b>(2,346 8)</b>
Cash and cash equivalents at the beginning of the year/period	18	16 9	2,360 7
Effects of exchange rate changes on cash and cash equivalents			3 0
<b>Cash and cash equivalents at the end of the year/period</b>	<b>18</b>	<b>38 3</b>	<b>16 9</b>
<b>Supplemental disclosures</b>			
<b>Included in operating activities are</b>			
Interest received		0 7	658 0
Dividend received			540 0
Rental income received on investment properties			116 0

The only cash flows in relation to the continuing operations which directly impact the Cash Flow Statement are those relating to investment income. The rest of the Cash Flow Statement above therefore relates to discontinued operations.

For the 9 months ended 30 September 2006 cash flows in relation to unit trusts and other investment funds are classified for financial reporting purposes as subsidiaries and have been classified as operating cash flows.

The notes on pages 23 to 49 form an integral part of these financial statements.

## Accounting policies

The full accounting policies from the Company's 2006 financial statements have been disclosed below as they reflect the relevant policies for the comparative period included in these financial statements. Many of these policies are not applicable to the year ended 30 September 2007 due to the change in the Company's operations as explained in Note 1.

### (a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU) and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss (FVTPL), property and investment property. The principal accounting policies set out below have been consistently applied where relevant to all financial reporting periods presented in these consolidated financial statements, unless otherwise stated.

### (i) Amendments to published standards that have been adopted by the Company

The requirements of IFRIC 9 *Reassessment of embedded derivatives* have been adopted from 1 October 2006.

### (ii) 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 accounting periods beginning on or after 1 January 2007 or later periods. The Company has not early adopted the standards, amendments and interpretations described below.

*IFRS 7 Financial Instruments: Disclosures* and a complementary amendment to *IAS 1 Presentation of Financial Statements* and complementary revised guidance on implementing *IFRS 4 Insurance Contracts* (all effective from 1 January 2007).

*IFRS 7* introduces new disclosures to the information on financial instruments and the revision to *IFRS 4* reflects the changes made by *IFRS 7* and affects the disclosure section of the amended *IFRS 4*. The amendment to *IAS 1* introduces disclosures on the level of management of capital resources. This will be applied by the Company for annual periods beginning 1 October 2007. The Standard has no financial impact but will change the disclosures surrounding the Company's Financial Instruments and Insurance Contracts.

*Amendment to IAS 1 Presentation of financial statements* (effective from 1 January 2009)

The revised standard will prohibit the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' will be required to be shown in a performance statement but there will be a choice as to whether to present only the statement of comprehensive income or both the income statement and statement of comprehensive income. The revised Standard also requires that, where restatements or reclassifications of comparative information are made, a restated balance sheet must be presented as at the beginning of the comparative period. The Company will apply the revisions to *IAS 1* from 1 October 2009. The revisions will have an impact on the presentation of owner changes in equity and of comprehensive income but will not have a financial impact on the Company's financial statements.

*Amendment to IAS 23 Borrowing costs* (effective from 1 January 2009 prospective application)

The publication of the revised standard has followed the joint short term convergence project between the IASB and the US FASB. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are required to be capitalised as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company will apply the revisions to *IAS 23* from 1 October 2009, but it is not expected to have a significant impact on the Company's financial statements.

### (iii) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations

*IFRS 8 Operating Segments* (effective from 1 January 2009)

*IFRS 8* will replace *IAS 14, Segment reporting* and proposes that the 'management approach' is adopted for reporting the financial performance of operating segments. The Company is not required to adopt this standard since it is not included in its scope.

**(a) Basis of preparation continued**

**(iii) Interpretations to existing standards that are not yet effective and not relevant for the Company's operations continued**

IFRIC 10 *Interim Financial Reporting and Impairment* (effective for annual periods beginning on or after 1 November 2006)

The Company does not produce an interim financial report and therefore, the interpretation is not relevant to the Company's operations

IFRIC 11 *IFRS 2 – Group and treasury share transactions* (effective for annual periods beginning on or after 1 March 2007)

The interpretation is not relevant to the Company's operations since it is a mutual insurer and does not bear any costs in respect of employee services

IFRIC 12 *Service concession arrangements* (effective for annual periods beginning on or after 1 January 2008)

The interpretation applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services and as such is not relevant to the Company's operations

IFRIC 13, *Customer loyalty programmes relating to IAS 18, Revenue* (effective for annual periods beginning on or after 1 July 2008)

The interpretation clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values. The interpretation is not deemed relevant to the Company's operations due to the nature of the Company's businesses

IFRIC 14, IAS 19 *The limit on a defined benefit asset, minimum funding requirements and their interaction* (effective from 1 January 2009)

The Company does not operate a defined benefit pension scheme and as such the interpretation is not relevant to the Company's operations

**(iv) Judgement in applying accounting policies**

The preparation of financial statements, in conformity with generally accepted accounting principles (GAAP), requires management to exercise judgements in applying the accounting policies that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses arising during the period. The areas where those judgements have the most significant effect on the amounts recognised in the financial statements are as follows

- As at 30 September 2006 classification of insurance and investment contracts – refer to (g),
- As at 30 September 2006 insurance contract liabilities – refer to (t), (u), (v), (w) and Note 20,
- As at 30 September 2007 valuation of investments and joint ventures refer to (d) and valuation of derivative financial statements refer to (r)

**(b) Basis of consolidation**

The Company has taken advantage of the exemption in IAS 27 whereby it is not required to prepare consolidated financial statements. The results of the Company are consolidated in the financial statements of Standard Life Plc, a company incorporated in Scotland. Standard Life Plc prepares its financial statements under IFRS and they are publicly available from Standard Life House, 30 Lothian Road, Edinburgh, EH1 2DH

**(c) Subsidiaries**

Subsidiaries are all entities, including special purpose entities, over which the Company has the power to govern the financial and operating policies. Such power, generally but not exclusively, accompanies a shareholding of more than one half of the voting rights

The Company uses the purchase method of accounting for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition

The Company has two categories of investments in subsidiaries: operating subsidiaries that undertake the activities of the Group and investment subsidiaries whose primary function is to generate capital or income growth through holding investments. Operating subsidiaries are held at cost and investment subsidiaries are held at fair value through profit or loss (FVTPL) since they are managed on a fair value basis

#### **(d) Associates and joint ventures**

Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights

Where the Company has a significant holding in an investment vehicle that meets the definition of an associate or joint venture and that investment in associate backs policyholder liabilities including the unallocated divisible surplus, that investment is accounted for at fair value through profit and loss in accordance with IAS 39

#### **(e) Foreign currency translation**

The financial statements are presented in millions pounds Sterling, which is the Company's presentation currency

Foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. Gains and losses arising from such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement

Translation differences on non monetary items, such as equities held at FVTPL, are reported as part of the fair value gain or loss in the income statement. Translation differences on financial assets and liabilities held at amortised cost are included in foreign exchange gains or losses in the income statement

#### **(f) Segment reporting**

The Company has elected not to voluntarily provide segment information as permitted by IFRS

#### **(g) Classification of insurance and investment contracts**

The measurement basis of assets and liabilities arising from life and pensions business contracts is dependent upon the classification of those contracts as either insurance or investment contracts. A contract is classified as insurance only if it transfers significant insurance risk. Insurance risk is significant if an insured event could cause an insurer to pay significant additional benefits to those payable if no insured event occurred, in any scenario, excluding scenarios that lack commercial substance. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant. Life and pensions business contracts that are not considered to be insurance contracts are classified as investment contracts

The Company has written life and pensions business contracts which contain discretionary participating features (e.g. with profits business). These contracts provided a contractual right to receive additional benefits as a supplement to guaranteed benefits. These additional benefits are based on the performance of with profits funds and their amount and timing are at the discretion of the Company. These contracts are referred to as participating contracts

Generally, life and pensions business product classes are sufficiently homogeneous to permit a single classification at the level of the product class. However, in some cases, a product class may contain individual contracts that fall across multiple classifications (hybrid contracts). For certain significant hybrid contracts the product class is separated into the insurance element, a non participating investment element and a participating investment element so that each element is accounted for separately

**(h) Revenue recognition**

**(i) Deposit accounting for non participating investment contracts**

Contributions received on non participating investment contracts are treated as policyholder deposits and not reported as revenue in the income statement

Deposit accounting is also applied to reinsurance contracts that do not qualify as insurance contracts under policy (g) above

The fee income associated with non participating investment contracts is dealt with under policy (h)(iv) below

**(ii) Premiums**

Premiums received on life and pensions business insurance contracts and participating investment contracts are recognised as revenue when due for payment, except for unit linked premiums which are accounted for when the corresponding liabilities are recognised. For single premium business, this is the date from which the policy is effective. For regular premium contracts, receivables are taken at the date when payments are due.

**(iii) Net investment income**

Gains and losses resulting from changes in both market value and foreign exchange on investments classified as FVTPL are recognised in the income statement in the period in which they occur.

Changes in the fair value of derivative financial instruments that are not hedging instruments are recognised immediately in the income statement.

For loans and receivables measured at amortised cost, interest income recognised in the income statement is calculated using the effective interest rate (EIR) method.

Dividend income is recognised when the right to receive payment is established.

Rental income is recognised in the income statement on a straight line basis over the term of the lease.

**(iv) Fee and commissions**

All fees related to unit linked non participating investment contracts are deemed to be associated with the provision of investment management services. Fees related to the provision of investment management services and administration services are recognised as the services are provided. Front end fees, which are charged on the inception of service contracts, are deferred as a liability and recognised over the life of the contract. Ongoing fees that are charged periodically, either directly or by making a deduction from invested funds, are recognised as received, which corresponds to when the services are provided.

Commissions received or receivable are recognised as revenue on the commencement or renewal date of the related policies. However, when it is probable the Company will be required to render further services during the life of the policy, the commission is deferred as a liability and is recognised as the services are provided.

Trail or renewal commissions, where the Company does not have an unconditional legal right to avoid payment, is deferred at inception of the contract and an offsetting liability for contingent commission is established.

**(i) Expense recognition**

**(i) Deposit accounting for non participating investment contracts**

Withdrawals paid out to policyholders on non participating investment contracts are treated as a reduction to policyholder deposits and not recognised as expenses in the income statement.

Deposit accounting is also applied to reinsurance contracts that do not qualify as insurance contracts under policy (g) above.

**(i) Expense recognition *continued***

**(ii) Claims and benefits paid**

Claims paid on life and pensions business insurance contracts and participating investment contracts and healthcare and general insurance business insurance contracts are recognised as expenses in the income statement

Maturity claims and annuities are accounted for when due for payment. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the insurance liability. Death claims and all other claims are accounted for when notified. Healthcare and general insurance claims are accounted for when there is sufficient evidence of their existence and a reasonable assessment can be made of the monetary amount involved.

Claims payable include the direct costs of settlement. Reinsurance recoveries are accounted for in the same period as the related claim.

**(iii) Change in insurance and participating investment contract liabilities**

The change in insurance and participating investment contract liabilities comprising the full movement in the corresponding liabilities during the period, excluding the impact of foreign exchange adjustments, is recognised in the income statement except for movements arising from the transfer of business as set out in Note 1.

**(iv) Change in investment contract liabilities**

Benefits paid in respect of non-participating investment contracts are recognised in the income statement as changes in investment contract liabilities.

**(v) Change in unallocated divisible surplus (UDS)**

The change in UDS recognised in the income statement comprises the movement in the UDS during the period except where movements are taken through the Statement of Recognised Income and Expenses as required by IAS 1 *Presentation of financial statements*.

**(j) Impairment of non-financial assets**

The carrying amounts of non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, at least at each balance sheet date. An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its net selling price (fair value less costs to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit, or group of units, to which the asset belongs.

**(k) Intangible assets**

Intangible assets, including internally developed software and software purchased from third parties, are recognised in the balance sheet if it is probable that the relevant future economic benefits attributable to the asset will flow to the Company and its cost can be measured reliably and are either identified as separable (i.e. capable of being separated from the entity and sold, transferred, rented, or exchanged) or they arise from contractual or other legal rights, regardless of whether those rights are transferable or separable.

Intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the intangible asset. Impairment losses are calculated and recorded on an individual basis in a manner consistent with policy (j).

## **(I) Deferred acquisition costs**

### **(i) UK, Ireland and Germany – participating insurance and participating investment contracts**

Acquisition costs incurred in issuing participating insurance or participating investment contracts are not deferred where such costs are borne by a with profits fund that is subject to the FSA's realistic capital regime. For other participating investment contracts incremental costs directly attributable to the issue of the contracts are deferred. For other participating insurance contracts, acquisition costs which include both incremental acquisition costs and other indirect costs of acquiring and processing new business, are deferred.

Deferred acquisition costs are amortised in proportion to projected margins over the period the relevant contracts are expected to remain in force. After initial recognition deferred acquisition costs are reviewed by category of business and written off to the extent that they are no longer considered to be recoverable.

### **(ii) Canada – insurance and participating investment contracts**

Implicit allowance is made for deferred acquisition costs in the Canadian Asset Liability Valuation Model (CALM) therefore no explicit deferred acquisition costs have been recognised separately for business written by the Canadian branches.

### **(iii) UK, Ireland, Germany and Canada – non participating investment contracts**

Incremental costs directly attributable to securing rights to receive fees for asset management services sold with unit linked investment contracts are deferred. Where such costs are borne by a with profits fund that is subject to the FSA's realistic capital regime deferral is limited to the level of any related deferred income.

Deferred acquisition costs are amortised over the life of the contracts as the related revenue is recognised. After initial recognition deferred acquisition costs are reviewed by category of business and are written off to the extent that they are no longer considered to be recoverable.

### **(iv) UK, Ireland and Germany – non participating insurance contracts**

Acquisition costs incurred in issuing non participating insurance contracts are not deferred where such costs are borne by a with profits fund that is subject to the FSA's realistic capital regime. For other non participating insurance contracts acquisition costs, which include both incremental acquisition costs and other indirect costs of acquiring and processing new business, are deferred.

Deferred acquisition costs are amortised in proportion to projected margins over the period the relevant contracts are expected to remain in force. After initial recognition deferred acquisition costs are reviewed by category of business and are written off to the extent that they are no longer considered to be recoverable.

### **(m) Investment property**

Property held for long-term rental yields or investment gain that is not occupied by the Company is classified as investment property.

Investment property is initially recognised at cost including any directly attributable transaction costs. Subsequently investment property is measured at fair value. Fair value is determined without any deduction for transaction costs that may be incurred on sale or other disposal, unless the property is under development with a view to resale and is based on valuations at least annually, by external independent qualified valuers. Gains or losses arising from changes in fair value are recognised in the income statement. Investment property is not depreciated.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long term rental yields and is not occupied by companies in the Company. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments.

Rental income from investment property is recognised in the income statement on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income and are also spread over the term of the lease.

#### **(n) Property, plant and equipment**

Land and buildings consists of property occupied by the Company and property that is being constructed or developed for future use as investment property. Land and buildings are recognised initially at cost and subsequently at fair value, based on valuations, at least annually, by external independent qualified valuers less subsequent depreciation on buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the fair value of land and buildings are recognised in the unallocated divisible surplus.

Owner-occupied properties are depreciated on a straight line basis over their estimated useful lives, generally between thirty and fifty years. The depreciable amount of an asset is determined by the difference between the fair value and the residual value. The residual value is the amount that would be received on disposal if the asset was already at the age and condition expected at the end of its useful life. Properties under development are not depreciated.

Equipment is stated at historical cost less depreciation. Depreciation on equipment is charged to the income statement on a straight line basis over their estimated useful lives of between two and fifteen years. The residual values and useful lives of the assets are reviewed at each balance sheet date and adjusted if appropriate.

#### **(o) Income tax**

The current tax expense is based on the taxable profits for the year, after adjustments in respect of prior periods.

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

Temporary differences arising from investments in subsidiaries and associates give rise to deferred tax only to the extent that it is probable that the temporary difference will reverse in the foreseeable future or the timing of the reversal of that difference cannot be controlled. Deferred tax is provided on unremitted earnings of subsidiaries to the extent that the temporary difference created is expected to reverse in the foreseeable future.

Deferred tax is recognised in the income statement except when it relates to items recognised directly in the statement of recognised income and expense in which case it is credited or charged directly to unallocated divisible surplus through the statement of recognised income and expense.

The income tax expense is determined using rates enacted or substantively enacted at the balance sheet date.

#### **(p) Reinsurance assets**

Reinsurance assets primarily include balances due for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits, subject to the terms of the contract. Reinsurance assets that do not qualify as insurance contracts, under the classification requirements described in policy (g), are classified as financial assets and measured at FVTPL.

Amounts due from reinsurers in respect of claims incurred are separately recognised in 'Other assets' and are accounted for on a basis consistent with loans and receivables (refer to policy (q)).

If a reinsurance asset is considered to be impaired, the carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the income statement. The recoverable amount is determined as the carrying amount less any impairment losses. Impairment losses are determined using the process adopted for assessing the impairment of financial assets held at amortised cost on an individual basis (refer to policy (q)).

#### **(q) Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as FVTPL. Financial assets classified as loans and receivables include deposits with credit institutions, loans secured by mortgages and loans secured on policies.

Loans and receivables are initially measured at fair value less directly attributable transaction costs. Subsequently, they are measured at amortised cost, using the EIR method, less any impairment losses. Revenue from financial assets classified as loans and receivables is recognised in the income statement on an EIR basis.

#### **(q) Loans and receivables *continued***

Impairment on individual loans is determined, at each reporting date, by an evaluation of the exposure on a case-by-case basis. The impairment loss is calculated as the difference between the present value of future cash flows, discounted at the loan's original effective rate, and the loan's current carrying value. Any impairment loss identified is recognised in the income statement. Subsequent recoveries are credited to the income statement.

If there is no evidence of impairment on an individual basis, a collective impairment review is undertaken whereby the assets are grouped together, on the basis of similar credit risk characteristics, in order to calculate a collective impairment loss.

#### **(r) Investment securities and derivatives**

Management determines the classification of investment securities and derivatives at initial recognition. The Company has designated its investment securities as fair value through profit and loss. All derivatives are held at fair value and changes in fair value are recorded in the income statement.

Financial assets and liabilities are designated at FVTPL where the asset or liability is part of a group of assets that are evaluated and managed on a fair value basis. The Company holds portfolios of equities and debt securities that are all managed and monitored, through quarterly investment reports, on a fair value basis so as to maximise returns either for with profits policyholders or equity holders.

The Company uses derivative financial instruments including forwards, swaps, futures, and options for the purposes of matching contractual liabilities, reducing investment risks and for efficient portfolio management activities. In accordance with its treasury policy, the Company does not hold or issue derivative financial instruments for speculative trading purposes.

The Company recognises these assets at fair value on the trade date of the transaction. In the case of derivatives where no initial premium is paid or received the initial measurement value is Nil. 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. If a price/technique is not available to provide a reliable fair value the investment is carried at cost less a provision for impairment.

#### **(s) 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. For the purposes of the cash flow statement cash and cash equivalents also include bank overdrafts, which are included in borrowings on the balance sheet.

#### **(t) Insurance and investment contract liabilities**

For insurance contracts and participating investment contracts IFRS 4 *Insurance Contracts* permits the continued application of previously applied GAAP, except where a change is deemed to make the financial statements more relevant to the economic decision-making needs of users and no less reliable, or more reliable, and no less relevant to those needs. The Company therefore adopts UK GAAP, including the requirements of FRS 27 *Life Assurance* in relation to its UK regulated with profits funds, for the measurement of its insurance and participating investment contract liabilities. As permitted under UK GAAP, the Company adopts local regulatory valuation methods, adjusted for consistency with asset measurement policies, for the measurement of liabilities under insurance contracts and participating investment contracts issued by overseas branches.

Further details on these policies and the policies for the measurement of non participating investment contracts are given in (u), (v) and (w) below.

#### **(u) Participating contract liabilities**

Participating contract liabilities are analysed into the following components

- Participating insurance contract liabilities
- Participating investment contract liabilities
- Unallocated divisible surplus
- Present value of future profits on non participating contracts, which is treated as a deduction from the gross participating contract liabilities

The policy for measuring each component is noted below

#### **(i) Participating insurance and investment contract liabilities**

The Capital Redemption Policy is classed as an investment contract with discretionary participating features and is valued using the gross premium valuation method and an appropriate discount rate. Since this is the only remaining contract and is valued at considerably less than £500m a section 148 waiver has been granted so that the Company no longer falls under the FSA's realistic regime.

The following sections on previous valuation approaches are therefore included as they relate to the period up to 10 July 2006

Participating contract liabilities arising under contracts held in with profits funds falling within the scope of the FSA's realistic capital regime are measured on a FSA realistic basis. Under this approach the value of participating insurance and participating investment contract liabilities in each with profits fund is calculated as

- With profits benefits reserves (WPBR) for the fund as determined under the FSA realistic basis, plus
- Future policy related liabilities (FPRL) for the fund as determined under the FSA realistic basis, less
- Any amounts due to equity holders included in FPRL, less
- The portion of future profits on non participating contracts included in FPRL not due to equity holders, where this portion can be separately identified (see policy (u)(iii) below)

The WPBR is primarily based on the retrospective calculation of accumulated assets shares. The FPRL comprises other components such as a market consistent stochastic valuation of the cost of options and guarantees.

Prior to the demutualisation of SLAC, all business was held within one with profits fund. On a FSA realistic basis, the element of future profits on non participating contracts included in the FPRL could not be directly allocated to participating insurance and investment contract liabilities. Hence the present value of future profits on non participating contracts was presented as a separate item deducted from liabilities comprising participating contract liabilities and the unallocated divisible surplus.

In accordance with Company policy for overseas branches, the method used to determine participating contract liabilities for the Canadian business is based on Canadian accounting and regulatory valuation principles. In accordance with Canadian accounting principles, for most participating business the value of participating policy liabilities is set equal to the value of the assets set aside in a separate fund for this business, unless this is insufficient to cover guaranteed benefits, in which case a higher liability is recognised. Generally, Canadian GAAP measures assets at cost or amortised cost, however, as the Company's policy is to measure investment securities at FVTPL an adjustment is made to the Canadian GAAP liability to reflect the impact of the measurement change in the backing assets.

#### **(ii) Unallocated divisible surplus (UDS)**

The UDS represents the difference between assets and all other recognised liabilities in the Company's with profits funds. It is recognised as a liability.

#### **(v) Non participating contract liabilities**

##### **(i) Non-participating insurance contracts (life and pension business)**

The insurance contract liabilities for conventional business are calculated using the gross premium method. In general terms, a gross premium valuation basis is one in which the premiums brought into account are the full amounts receivable under the contract. The method includes explicit estimates of premiums, expected claims and costs of maintaining contracts. Cash flows are discounted at the valuation rate of interest determined in accordance with FSA requirements. The relaxations to reserving requirements for non participating insurance contracts set out in the FSA's Policy Statement PS 06/14 have been adopted during 2007.

The liability for annuity contracts is calculated by discounting the expected future annuity payments together with an appropriate estimate of future expenses at an assumed rate of interest derived from yields on the underlying assets.

In accordance with Company policy for overseas branches, the method used to determine the insurance contract liabilities for the Canadian business is based on Canadian accounting and regulatory valuation principles (CALM). The Canadian regulations set the value of policy liabilities equal to the value of a set of supporting assets just sufficient with reinvestment and disinvestments to meet all policy liabilities when due. Generally, Canadian GAAP measures assets at cost or amortised cost, however, as the Company's policy is to measure investment securities at FVTPL an adjustment is made to the CALM liabilities to reflect the impact of the measurement change in the backing assets.

##### **(ii) Non-participating investment contracts (life and pensions business)**

Unit linked non participating investment contract liabilities are designated as FVTPL as they are implicitly managed on a fair value basis as their value is directly linked to the market value of the underlying portfolio of assets. The fair value of a unit linked liability is equal to the value of the (funded) units allocated to the contracts. The unit value is based on the bid value of the fund assets at the reporting date before expenses of selling or buying the underlying assets.

Liabilities for non linked investment contracts are measured at amortised cost. Amortised cost is calculated as the fair value of contributions received at the date of initial recognition, less the effect of payments such as transaction costs, plus or minus the cumulative amortisation, using the EIR method, of any difference between that initial amount and the maturity value, and less any write-down for surrender payments. At each reporting date, the amortised cost liability is determined as the value of future best estimate cash flows discounted at the EIR.

#### **(w) Liability Adequacy Test**

The Company applies a Liability Adequacy Test at each reporting date to ensure that the insurance liabilities are adequate in the light of the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is provided for in full. The deficiency is recognised in the income statement.

#### **(x) Borrowings**

Borrowings include bank overdrafts and certificates of deposit, commercial paper, medium terms notes and mortgage backed securities issued by Standard Life Bank. Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are carried at amortised cost with any difference between the carrying value and redemption value being recognised in the income statement over the period of the borrowings on an EIR basis.

#### **(y) Subordinated liabilities**

Subordinated liabilities are initially recognised at the value of proceeds received net of issue expenses. The total finance costs are charged to the income statement over the relevant term of the instrument using the EIR. The carrying amount of the debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debt in the period.

#### **(z) Pension costs and other post retirement benefits**

The Company did operate a number of defined benefit and defined contribution plans, the assets of which are held in separate trustee administered funds. The pension plans are funded by payments from employees and by the relevant Company, determined by periodic actuarial calculations.

For defined benefit plans, the liability recognised in the balance sheet is the present value of the defined benefit obligation less the fair value of plan assets, together with adjustments for past service costs. Plan assets exclude any insurance contracts or non transferable financial instruments issued by the Company. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method whereby estimated future cash outflows are discounted using interest rates of high quality corporate bonds denominated in the currency in which the benefits will be paid of similar term as the pension liability.

Actuarial gains and losses are recognised in the statement of recognised income and expense in the period in which they occur.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised in staff expenses when they are due.

#### **(aa) Deferred income**

Front-end fees on service contracts, including investment management service contracts are deferred as a liability and amortised to the income statement over the period services are provided.

#### **(bb) Provisions and contingent liabilities**

Provisions for restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Contingent liabilities are disclosed if the future obligation is probable and the amount cannot be reasonably estimated.

#### **(cc) Leases**

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Where the Company is the lessee, payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

Where the Company is the lessor, lease income from operating leases is recognised in the income statement on a straight line basis over the lease term. Initial direct costs incurred in arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Company has not entered into any material finance lease arrangements as either the lessor or lessee.

#### **(dd) Derecognition and offset of financial assets and liabilities**

A financial asset (or a part of a group of similar financial assets) is derecognised where

- The rights to receive cash flows from the asset have expired,
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or
- The Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial asset and liabilities are offset and the net amount reported in the balance sheet 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.

## Notes to the financial statements

### 1. Continuing and discontinued operations of the Company

#### Discontinued operations

On 10 July 2006 the Company demutualised and a new holding company for the Group, Standard Life Plc, was admitted to the London Stock Exchange. Except for the operations noted below, the significant parts of the Company's business were transferred to SLAL on that date. Full details of the impact of demutualisation were provided in the Company's 2006 financial statements.

After the demutualisation of the Company, it was almost exclusively involved in the following operations that were all based in Canada:

- Managing a portfolio of three-party structured settlement contracts under which the Company, between 1 January 2005 and 9 July 2006, assumed property and insurer's obligations to claimants. The company purchased contracts from Standard Life Assurance Company of Canada (SLCC) to match the payments to claimants.
- Managing the portfolio of structured settlement annuity contracts, which had been issued by the Company as part of its regular operations until 31 December 2004 at which point this portfolio was totally indemnity reinsured to SLCC.

On 15 June 2007 all assets and liabilities associated with these structured settlement contracts were transferred to Standard Life Assurance Limited. As set out in note 20, the significant assets and liabilities transferred were insurance contract liabilities of £276.8m, investment contract liabilities of £261.1m and reinsurance assets of £519.7m. The remainder of the transfer was the amounts due from related parties. No gain or loss arose on this transfer.

The results of the operations transferred on 10 July 2006 and 15 June 2007 have been presented as discontinued operations in these financial statements.

#### Continuing operations

The only contract remaining in the Company is a with profits Capital Redemption Policy (the 'sole member policy') that was issued by the Company to SLAL immediately following demutualisation. From 15 June 2007 the Company continued to hold its remaining investments, including its joint venture investment in the HDFC Standard Life Insurance Company Limited which is in the process of being transferred to a related party (see Note 29).

## 2. Net investment return

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>(a) Financial assets other than those at fair value through profit or loss</b>		
Interest income		
Cash and cash equivalents	0.7	34.7
Loans and receivables		21.3
Other		11.7
	0.7	67.7
<b>(b) Net foreign exchange transaction gains</b>	0.1	(0.3)
<b>(c) Gains/(losses) on financial assets at fair value through profit and loss</b>		
Investments in associates and joint ventures	3.8	
Equity securities and interests in pooled investment funds		2,291.8
Debt securities	(0.5)	(244.7)
Derivative financial instruments	(3.2)	(399.3)
	0.1	1,647.8
<b>(d) Investment property</b>		
Rental income		104.5
Net fair value gains		272.6
		377.1
<b>Total net investment return</b>	<b>0.9</b>	<b>2,092.3</b>

Included in financial assets at fair value through profit or loss are dividends on equity securities of £Nil (2006 £509.4m) and interest income on debt securities of £1.1m (2006 £481.9m)

## 3. Fee and commission income

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Fee income on investment contracts at fair value		149.4
Reinsurance commission income		0.4
Other fee and commission income		4.9
<b>Total fee and commission income</b>		<b>154.7</b>

#### 4. Other administrative expenses

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Commission expenses			165.5
Interest expense on borrowings			1.3
Interest on loan from related entity			5.5
Other interest expense			6.0
Staff costs and other employee related costs	5		117.2
Operating lease rentals			0.2
Other corporate expenses			6.2
Auditors' remuneration	6		7.1
Other administrative expenses			248.5
Depreciation of property and equipment	13		0.5
Reversal of impairment on property and equipment	13		(9.7)
Amortisation of intangible assets	8		2.3
			<b>550.6</b>
Acquisition costs deferred during the year / period	9		(24.9)
Amortisation of deferred acquisition costs	9		16.0
<b>Total other administrative expenses</b>			<b>541.7</b>

#### 5. Staff costs and other employee related costs

The staff who manage the affairs of the Company in the UK are employed by SLESL, a related party. Since the demutualisation of the Company on 10 July 2006, costs in respect of employees services have been met by a related undertaking. Prior to demutualisation these costs were recharged to the Company and are shown below in the nine months to 30 September 2006.

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>The aggregate remuneration payable in respect of employees was</b>			
Wages and salaries			95.1
Social security costs			11.2
Other pension costs			
Defined benefit scheme	23		10.0
Defined contribution scheme	23		0.9
<b>Total staff costs and other employee related costs</b>	<b>4</b>		<b>117.2</b>

Refer to Note 28 for information in respect of directors' remuneration as required under the Companies Act 1985.

#### 6. Auditors' remuneration

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Fees payable for the audit of the Company's accounts			0.2
Other services pursuant to legislation			4.6
Other services			1.1
Tax advisory services			1.2
<b>Total auditors' remuneration</b>	<b>4</b>		<b>7.1</b>

The audit fee incurred during the 12 months to 30 September 2007 was met by a related undertaking.

Other services pursuant to legislation includes fees in respect of the audit of the Company's regulatory returns which were met by a related undertaking for the 12 months to 30 September 2007 (2006: £0.1m) and fees incurred in respect of stock exchange listing requirements of £Nil (2006: £4.5m).

## 6. Auditors' remuneration continued

Other services and tax advisory services of £Nil (2006 £2.3m) are in respect of preparation for the demutualisation and the adoption of IFRS in 2005

The Company incurred audit fees in respect of the UK staff pension scheme of £Nil (2006 £24k). Since demutualisation these costs are now met by a related undertaking

## 7. Tax expense

### (a) Current year tax expense

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>Current tax</b>		
United Kingdom	0.7	39.5
Canada and international		26.4
Adjustment to tax expense in respect of prior years		(13.7)
<b>Total current tax</b>	<b>0.7</b>	<b>52.2</b>
<b>Deferred tax</b>		
Deferred tax expenses/(income) arising from the current year/period		48.5
<b>Total deferred tax</b>		<b>48.5</b>
<b>Total tax expense</b>	<b>0.7</b>	<b>100.7</b>

No unrecognised tax losses from previous periods were used to reduce current and deferred tax expenses in the year ended 30 September 2007 (2006 £Nil)

### (b) Tax expense taken to unallocated divisible surplus

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>Deferred tax</b>		
Aggregate tax effect of items credited directly to unallocated divisible surplus	-	-

### (c) Reconciliation of tax expense

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>Result before tax</b>	<b>0.8</b>	<b>319.0</b>
Tax at 30%	0.2	95.7
Permanent differences		14.6
Different tax rates		19.1
Different tax base of mutual life assurance		(4.7)
Adjustment to tax expense in respect of prior years	0.5	(13.7)
Recognition of previously unrecognised tax credit		(8.3)
Deferred tax not recognised		(2.0)
<b>Total tax expense for the period</b>	<b>0.7</b>	<b>100.7</b>

## 8. Intangible assets

	Notes	30 September 2007 £m	30 September 2006 £m
<b>Beginning of period</b>			
Cost			42.9
Accumulated amortisation and impairment			(6.6)
<b>Opening net book amount</b>			<b>36.3</b>
Additions			2.8
Amortisation charge	4		(2.3)
Transfer to Group Undertaking			(11.1)
Transfer out on demutualisation and related transactions			(25.7)
<b>Closing net book amount</b>		-	
<b>At end of period</b>			
Cost			
Accumulated amortisation and impairment			
<b>Closing net book amount</b>			

Intangible assets relate to capitalised software development costs

In the nine months to 30 September 2006 the transfer to Group Undertaking of £11.1m relates to the transfer of software development costs in respect of ongoing WRAP development projects to Standard Life Savings Limited, a related undertaking

## 9. Deferred acquisition costs

	Notes	30 September 2007 £m	30 September 2006 £m
<b>Beginning of period</b>			
Cost			536.9
Accumulated amortisation and impairment			(324.8)
<b>Opening net book amount</b>		-	<b>212.1</b>
Costs deferred	4		24.9
Amortisation charge	4		(16.0)
Transfer out on demutualisation and related transactions			(221.0)
<b>Closing net book amount</b>			
<b>At end of period</b>			
Cost			
Accumulated amortisation and impairment			
<b>Closing net book amount</b>			

All deferred acquisition costs relate to non participating investment contracts

## 10. Investments in subsidiaries

	30 September 2007 £m	30 September 2006 £m
<b>Beginning of period</b>		<b>25,313.8</b>
Transfer to Group Undertaking		(2,210.0)
Fair value (losses) / gains		(363.2)
Acquisition of controlling interest		9,630.7
Cessation of controlling interest or disposal of interest held		(2,666.3)
Impairment losses recognised		(27.0)
Other		14.5
Transfer out on demutualisation and related transactions		(29,692.5)
<b>At end of period</b>		

## 10. Investments in subsidiaries *continued*

During 2006 the Company transferred subsidiaries held at fair value of £2,210m to Standard Life Investment Funds Ltd ("SLIF") after entering into reinsurance agreements in respect of UK unit linked pension business and Irish unit linked business

## 11. Investments in associates and joint ventures

The following are particulars of the Company's principal joint venture, which is unlisted and held at fair value:

Name of joint ventures	Country of incorporation	30 September 2007 % interest held	30 September 2006 % interest held
HDFC Standard Life Insurance Company Limited	India	12.2%	18.60%

## 12. Investment property

	30 September 2007 £m	30 September 2006 £m
Beginning of period		4,385.2
Additions resulting from subsequent expenditure		228.7
Foreign exchange adjustment		(2.9)
Net fair value (losses)		(355.2)
Disposals		(2,398.7)
Transfer out on demutualisation and related transactions		(1,857.1)
At end of period		-

The fair value of investment properties can be analysed as:

Freehold

Long leasehold

Short leasehold

Investment property is stated at fair value. The properties in the UK and certain properties in other regions were independently valued in accordance with the Royal Institution of Chartered Surveyors' guidelines on the basis of determining the open market value of such properties.

The rental income arising from investment properties during the year amounted to £Nil (2006 £104.5m) which is included in net investment return. Direct operating expenses (included within other administration expenses) arising in respect of such properties during the year amounted to £Nil (2006 £8m).

### 13. Property and equipment

	Notes	Land and buildings £m	Equipment £m	Total £m
<b>Cost</b>				
At 1 January 2006		409.8	12.1	421.9
Additions		17.6		17.6
Disposals		(1.7)		(1.7)
Revaluations	22	32.8		32.8
Transfer to Group Undertaking		(154.5)		(154.5)
Impairment losses reversed	4	9.7		9.7
Transfer out on demutualisation and related transactions		(313.7)	(12.1)	(325.8)
<b>At 30 September 2006</b>				
<b>At 30 September 2007</b>				
<b>Accumulated depreciation</b>				
At 1 January 2006			(7.5)	(7.5)
Depreciation charge for the period	4		(0.5)	(0.5)
Transfer out on demutualisation and related transactions			8.0	8.0
<b>At 30 September 2006</b>				
<b>At 30 September 2007</b>				
<b>Carrying amount</b>				
At 30 September 2006				
At 30 September 2007				

Impairment losses reversed in the Income Statement were £Nil (2006 reversed £9.7m)

Where the expected residual value of owner-occupied property is in line with the current fair value, no depreciation is charged

### 14. Tax assets and liabilities

Movements in net deferred tax assets/(liabilities) comprise:

	30 September 2007 £m	30 September 2006 £m
Beginning of period		(339.7)
Transfer to subsidiary		39.7
Amounts (charged)/credited to net results		(48.5)
Transfer out on demutualisation and related transactions		348.5
<b>At end of period</b>		

#### Unrecognised deferred tax

Due to the uncertainty regarding recoverability, a deferred tax asset of £1.14m in respect of unrealised capital losses has not been recognised in the accounts as at 30 September 2007. There was no equivalent unrecognised deferred tax asset at 30 September 2006.

## 15. Derivative financial instruments

In the nine months to 30 September 2006 the Company entered into an option agreement that entitles Standard Life (Mauntius Holdings) 2006 Ltd to acquire its investment in the joint venture, HDFC Standard Life Insurance Company Ltd at any time. The consideration received for the exercise of the option will be the assumption of any obligation of the Company relating to the joint venture. A foreign currency forward was purchased to manage the currency risk in respect of the company's interest in the joint venture which is recorded in Indian Rupees.

All derivative financial instruments have been classified as held for trading and are not part of a designated hedge relationship.

The following table provides an analysis of derivative instruments

	30 September 2007			30 September 2006		
	Contract amount £m	Fair value assets £m	Fair value liabilities £m	Contract amount £m	Fair value assets £m	Fair value liabilities £m
<b>Other derivatives</b>						
Option to transfer investment in HDFC Standard Life Insurance Company Ltd			15.8			12.0
Foreign currency forward contract	6.7		0.1			
<b>Total derivative financial instruments</b>	<b>6.7</b>	<b>-</b>	<b>15.9</b>			<b>12.0</b>

Derivative assets of £Nil (2006: £Nil) are expected to be recovered after more than 12 months. Derivative liabilities of £Nil (2006: £Nil) are expected to be settled after more than 12 months.

## 16. Investment securities

	30 September 2007 £m	30 September 2006 £m
Debt securities at fair value through profit and loss		
Listed		27.2
Unlisted	2.6	2.4
<b>Debt securities</b>	<b>2.6</b>	<b>29.6</b>
<b>Total investment securities</b>	<b>2.6</b>	<b>29.6</b>

The amount of debt securities expected to be recovered or settled after than twelve months is £Nil (2006 £29.6m)

## 17. Other assets

The balance in other assets in 2006 relates entirely to amounts due from related parties

The amount of assets expected to be recovered or settled after more than 12 months is £Nil (2006 £Nil)

## 18. Cash and cash equivalents

	30 September 2007 £m	30 September 2006 £m
Demand and term deposits with original maturity of less than 3 months	38.3	16.9
<b>Total cash and cash equivalents</b>	<b>38.3</b>	<b>16.9</b>

## 19. Insurance contract liabilities, investment contract liabilities and reinsurance assets – terms, assumptions and methods

On demutualisation of the Company substantially all insurance contract liabilities, investment contract liabilities and reinsurance assets were transferred to Standard Life Assurance Limited (SLAL). The liabilities in respect of the structured settlement business written in Canada remained in the Company after the demutualisation. As at 15 June 2007, the structured settlement business that remained in the Company was transferred to the Canadian Branch of SLAL. Following this transaction, the Company only has the with profits Capital Redemption Policy ('the sole member policy') that was issued by the Company to SLAL immediately following demutualisation. The terms, assumptions and methods for the structured settlement business are outlined below.

- **Third party structured settlement assignment policies issued between 1 January 2005 and 9 July 2006.**

The structured settlement assignment policies were contracts issued in respect of clients, primarily property and casualty insurers, who had obligations to claimants under court settlements and who intended to transfer these obligations to third parties.

In each such case the Company purchased an annuity benefit from The Standard Life Assurance Company of Canada ("SLCC") to exactly match the liability it had accepted under the assignment.

For this block of policies, the Company holds a liability and an equal offsetting asset which are both set to the value of the actuarial liability established by the SLCC for the annuity benefit.

- **Structured settlement annuity contracts**

The structured settlement annuity contracts had been issued by the Company as part of its regular operations until 31 December 2004 at which point this portfolio was totally indemnity reinsured with SLCC.

The Company has no net liability in respect of this portfolio of business.

## 19. Insurance contract liabilities, investment contract liabilities and reinsurance assets – terms, assumptions and methods *continued*

### Terms

These contracts provide a guaranteed annuity payment based on the survival of a life or for a specified period. The portfolio includes both life contingent annuities which are classified as life insurance and term certain annuities classified as investment contracts. The annuity portfolio that remained within the Company is written on a non-participating basis. The benefits may increase each year at a pre-defined rate or in line with increases in the Canadian Consumer Price Index (CPI) and will not decrease in periods of deflation.

The annuity liabilities, including these guarantees, were valued using the Canadian Asset Liability Method (CALM). The value held is the maximum of various economic scenarios including changes in the interest rate environment and inflation rates.

### Methods

Under Canadian regulations, liabilities are determined according to the Canadian Asset Liability Method (CALM). The Company's assets and liabilities are projected under a number of different economic scenarios. These scenarios include the current yield curve as at the valuation date and a number of various rising and falling interest rate environments. Under each scenario the assets required to support the liabilities are the value of assets which will achieve zero surplus at the end of the projection period. The liability is set equal to greatest value across all scenarios of the required assets.

### Assumptions

The Canadian economic environment at 15 June 2007 was used to determine the expected interest rates for the valuation for the purposes of the business transfer and at 30 September 2006 was used to determine the year end valuation. The expected experience scenario of risk-free rates is derived from the yield curve of Canadian federal bonds at those dates.

Mortality assumptions have a significant impact on the liabilities and are shown below.

Mortality tables used		2007	2006
Individual	after vesting	89% 106% of IAM83M/IAM83F with projection scale AA adjusted	86%-88% of IAM83M/IAM83F with projection scale AA

Mortality assumptions are derived from studies performed during 2004 and 2005 using Company experience. The rates are expressed as a percentage per the tables shown. The percentages vary depending on whether the contract is in payout or in deferment, and on the gender of the annuitant. The scale AA is adjusted to strengthen mortality improvement.

Margins for adverse deviation are added and vary depending on the nature of the products and the strength of the underwriting criteria. These margins are consistent with Canadian actuarial standards of practice for use in local regulatory reporting.

## 20. Insurance contract liabilities, non-participating investment contract liabilities, participating investment contract liabilities and reinsurance assets

Non participating insurance liabilities wholly relate to Canadian structured settlement business

Non participating investment contracts wholly relate to Canadian structured settlement business

(a) The movement during the period in insurance contract liabilities, participating investment contract liabilities and reinsurance assets is shown below. During the year ended 30 September 2007 the Company held non participating insurance contract liabilities which related to the structured settlement business based in Canada and the participating Capital Redemption Policy. The movement in the non-participating insurance contract liabilities is shown below. The value of the Capital Redemption Policy has been less than £1,000 over the year.

	Non participating insurance contract liabilities	Total insurance and participating contracts	Reinsurers share of liabilities (reinsurance asset)*	Net 2007
	£m	£m	£m	£m
At 1 October 2006	294.3	294.3	(558.6)	(264.3)
Expected change	(11.6)	(11.6)	40.7	29.1
Effect of				
Economic impacts	(18.8)	(18.8)	8.0	(10.8)
Non-economic impacts	16.1	16.1	(16.1)	
New Business				
Transfer out of structured settlement business at 15 June 2007	(276.8)	(276.8)	519.7	242.9
<b>Total change in contract liabilities</b>	<b>(291.1)</b>	<b>(291.1)</b>	<b>552.3</b>	<b>261.2</b>
Foreign exchange adjustment	(3.2)	(3.2)	6.3	3.1
<b>At 30 September 2007</b>				

**20. Insurance contract liabilities, non-participating investment contract liabilities, participating investment contract liabilities and reinsurance assets continued**

	Participating insurance contract liabilities £m	Non participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurers share of liabilities (reinsurance asset)* £m	Net 2006 £m
<b>At 1 January 2006</b>	<b>19,632 1</b>	<b>15,934 3</b>	<b>18,075 6</b>	<b>53,642 0</b>	<b>(1,103 9)</b>	<b>52,538 1</b>
Expected change	(120 5)	(61 0)	(297 0)	(478 5)	52 1	(426 4)
Methodology /modelling changes	237 4	13 7	89 0	340 1	(5 1)	335 0
Effect of						
Economic impacts	(347 2)	(693 8)	(270 9)	(1,311 9)	22 9	(1,289 0)
Non-economic impacts	188 1	(102 0)	600 3	686 4	26 2	712 6
New Business	1 7	187 1	44 0	232 8	(11 7)	221 1
<b>Total change in contract liabilities</b>	<b>(40 5)</b>	<b>(656 0)</b>	<b>165 4</b>	<b>(531 1)</b>	<b>84 4</b>	<b>(446 7)</b>
Foreign exchange adjustment	0 1	(7 1)	7 4	0 4	19 9	20 3
<b>At 10 July 2006 before demutualisation</b>	<b>19,591 7</b>	<b>15,271 2</b>	<b>18,248 4</b>	<b>53,111 3</b>	<b>(999 6)</b>	<b>52,111 7</b>
<b>Demutualisation and related transactions</b>	<b>(19,591 7)</b>	<b>(14,989 4)</b>	<b>(18,248 4)</b>	<b>(52,829 5)</b>	<b>441 7</b>	<b>(52,387 8)</b>
<b>At 10 July 2006 after demutualisation</b>		<b>281 8</b>	<b>-</b>	<b>281 8</b>	<b>(557 9)</b>	<b>(276 1)</b>
Expected change		(8 0)		(8 0)	20 0	12 0
Methodology /modelling changes						
Effect of						
Economic impacts		10 2		10 2	(14 6)	(4 4)
Non economic impacts		15 3		15 3	(14 6)	0 7
New Business						
<b>Total change in contract liabilities</b>		<b>17 5</b>		<b>17 5</b>	<b>(9 2)</b>	<b>8 3</b>
Foreign exchange adjustment		(5 0)		(5 0)	8 5	3 5
<b>At 30 September 2006</b>	<b>-</b>	<b>294 3</b>		<b>294 3</b>	<b>(558 6)</b>	<b>(264 3)</b>

\*Included in reinsurance share of liabilities at 30 September 2006 is £265m which relates to reinsurance assets backing the non participating liabilities as disclosed in table (c) Refer to note 19 for further details concerning the Company's reinsurance arrangements.

In the period to 10 July 2006, £307m is included in methodology/modelling changes in respect of participating contracts as a result of periodic adjustments to asset shares to bring the credited investment return in line with the actual returns generated, and also from a change in the allocation of fixed income returns to adjust allocations previously determined and incorporate changes in fixed income yields

The transfer of business on demutualisation includes £27m of liabilities in respect of Bermudan business transferred prior to demutualisation to a related party

Economic and non-economic impacts include the effect of changes in assumptions and experience and include changes in fixed income yields in the period to 10 July 2006, leading to higher valuation rates on non participating business resulting in a decrease to non participating insurance contract liabilities.

**20. Insurance contract liabilities, non-participating investment contract liabilities, participating investment contract liabilities and reinsurance assets *continued***

(b) The change in the present value of future results on non-participating contracts was as follows

	2006 £m
At 1 January 2006	1,528 2
Expected change, including unwind of discount	(43 3)
Methodology/modelling changes	77 0
Effect of changes in economic and non-economic assumptions	(16 0)
Effect of economic and non economic experience	(3 5)
New business	164 9
At 10 July 2006 – before demutualisation	1,707 3
Demutualisation and related transactions	(1,707 3)
At 10 July 2006 – after demutualisation, 30 September 2006 and 2007	

(c) Change in non participating investment contract liabilities during the period is shown below

During the year ended 30 September 2007, the non participating investment contract liabilities related to the structured settlement business in Canada

	2007 £m
At 1 October 2006	282 6
Account balances paid on surrender and other terminations in the period	(29 1)
Investment return credited and related benefits	10 8
Foreign exchange adjustment	(3 2)
Transfer out of structured settlement business on 15 June 2007	(261 1)
At 30 September 2007	

	2006 £m
At 1 January 2006	33,734 9
Contributions	4,230 4
Initial charges and reduced allocations	(5 4)
Account balances paid on surrender and other terminations in the period	(1,713 8)
Investment return credited and related benefits	1,560 3
Foreign exchange adjustment	(3 5)
Recurring management charges	(120 0)
At 10 July 2006 before demutualisation	37,662 9
Demutualisation and related transactions	(37,388 3)
At 10 July 2006 after demutualisation	294 6
Account balances paid on surrender and other terminations in the period	(12 9)
Investment return credited and related benefits	5 2
Foreign exchange adjustment	(4 3)
At 30 September 2006	282 6

Refer to note 27 – Risk Management policies for an indication of the term to contracted maturity/repnicing date for insurance and investment contract liabilities. Reinsurance contracts are generally structured to match liabilities on a class of business basis. This has a mixture of terms. The reinsurance assets are therefore broadly expected to be realised in line with the settlement of liabilities (as per the terms of the particular treaty) within a reinsured class of business.

## 21. Impact of assumption changes on unallocated divisible surplus

No sensitivity analysis was presented at 30 September 2007, as following demutualisation, the remaining insurance and investment contracts were effectively fully reinsured to SLCC. This business was transferred to SLAL on 15 June 2007 and, therefore no sensitivity analysis is presented at 30 September 2007

## 22. Movement in components of unallocated divisible surplus

	Notes	Revaluation of land and buildings	Foreign currency translation	Remaining components	UDS* before Income Statement recognition	Total income recognised in the Income Statement	UDS*
2007		£m	£m	£m	£m	£m	£m
<b>At 1 October 2006</b>			-	42.1	42.1		42.1
Actuarial losses on defined benefit pension schemes	23						
Revaluation of land and buildings	13						
Exchange differences on translating foreign operations			0.1		0.1		0.1
Other				(1.6)	(1.6)		(1.6)
<b>Income/(expense) not recognised in the Income Statement during the period</b>			0.1	(1.6)	(1.5)	-	(1.5)
Transfer to unallocated divisible surplus						0.1	0.1
<b>At 30 September 2007</b>			0.1	40.5	40.6	0.1	40.7

\* Unallocated divisible surplus

	Notes	Revaluation of land and buildings	Foreign currency translation	Remaining components	UDS* before Income Statement recognition	Total income recognised in the Income Statement	UDS*
2006		£m	£m	£m	£m	£m	£m
<b>At 1 January 2006</b>		22.9	(16.7)	4,590.8	4,597.0		4,597.0
Actuarial losses on defined benefit pension schemes	23			(10.2)	(10.2)		(10.2)
Revaluation of land and buildings	13	32.8			32.8		32.8
Exchange differences on translating foreign operations			(5.2)		(5.2)		(5.2)
Other				(1.8)	(1.8)		(1.8)
<b>Income/(expense) not recognised in the Income Statement during the period</b>		32.8	(5.2)	(12.0)	15.6		15.6
Transfer out on demutualisation and related transactions		(55.7)	21.9	(4,755.0)	(4,788.8)		(4,788.8)
Transfer to unallocated divisible surplus						218.3	218.3
<b>At 30 September 2006</b>				(176.2)	(176.2)	218.3	42.1

\* Unallocated divisible surplus

## 23. Pension and other post retirement benefit provisions

Prior to its demutualisation, the Company operated defined contribution and defined benefit pension schemes for its employees in UK, Ireland and Germany. On demutualisation of the Company the obligations under these schemes transferred to SLAL. The details of these schemes are outlined below.

### Defined contribution schemes

Prior to 10 July 2006 the Company operated a defined contribution scheme. The assets of the scheme were held separately from those of the Company in an independently administered fund. £Nil (2006: £0.9m) is included as an expense in the Income Statement.

### Defined benefit schemes

The Company operated a defined benefit scheme for its employees in the UK, Ireland and Germany with the vast majority relating to the UK. With effect from 2004 the UK scheme was closed to new entrants. The pension liability of £224m was transferred to SLAL on 10 July 2006 as part of the demutualisation transaction, which was based on a valuation performed as at 30 June 2006 for all schemes.

#### (a) Analysis of amounts recognised in the Income Statement

The amounts recognised in the Income Statement for defined contribution and defined benefit schemes are as follows:

	Notes	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Current service cost			(14.5)
Interest cost on benefit obligation			(29.6)
Expected return on plan assets			33.9
Past service cost			(0.7)
<b>Expense recognised in the Income Statement</b>	<b>5</b>		<b>(10.9)</b>

#### (b) Actuarial gains and losses recognised in the Statement of Recognised Income and Expense

The actuarial gains and losses recognised in the Statement of Recognised Income and Expense are as follows:

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Actual return less expected return on plan assets	-	(92.1)
Experience gains arising on schemes' liabilities		(19.3)
Changes in assumptions underlying schemes' liabilities		101.2
<b>Actuarial (losses) / gains recognised in the Statement of Recognised Income and Expense</b>	<b>-</b>	<b>(10.2)</b>

## 23. Pension and other post retirement benefit provisions *continued*

### (c) Defined benefit obligation

The movement in the present value of defined benefit obligation is as follows

	30 September 2007 £m	30 September 2006 £m
Beginning of period		1,267 0
Service cost		27 1
Interest cost		29 6
Actuarial gains		(81 5)
Benefits paid		(10 0)
Transfer out on demutualisation and related transactions		(1,232 2)
At end of period		

### (d) Plan assets

The changes in the fair value of plan assets are as follows

	30 September 2007 £m	30 September 2006 £m
Beginning of period		1,051 0
Expected return on plan assets		33 9
Actuarial gains		(91 6)
Contributions by employer		25 1
Benefits paid		(10 0)
Transfer out on demutualisation and related transactions		(1,008 4)
At end of period		

The expected return on plan assets is based on market expectations at the beginning of the period for returns over the entire life of the related benefit obligations. The actual return on plan assets during the period to 30 September 2006 was a loss of £50m. There were no plan assets at the beginning of the year to 30 September 2007.

## 24. Deferred income

	30 September 2007 £m	30 September 2006 £m
Beginning of period	-	223 2
Additions during the period		24 3
Released to the Income Statement as fee income		(16 1)
Transfer out on demutualisation and related transactions		(231 4)
At end of period		

## 25. Other liabilities

The balance in other liabilities in 2007 relates to current tax liabilities of £74k. The balance in 2006 relates entirely to amounts due to related parties. The amount of other liabilities expected to be recovered or settled after more than twelve months is £Nil (2006: £Nil).

## 26. Net (increase)/decrease in operating assets and liabilities

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
<b>Decrease/(increase) in operating assets</b>		
Deferred acquisition costs		(24 9)
Investment in subsidiaries*		(5,500 4)
Investment in associates*	(3 8)	458 7
Investment property		(436 9)
Reinsurance assets	558 6	(32 4)
Loans and receivables		101 5
Derivatives net assets	3 9	221 9
Investment securities	27 0	1,412 0
Other assets	24 4	(803 5)
	<b>610 1</b>	<b>(4,604 0)</b>
<b>(Decrease)/increase in operating liabilities</b>		
Insurance contract liabilities	(294 3)	(731 7)
Investment contract liabilities	(282 6)	3,863 4
Pension and other post retirement benefit provisions		36 1
Deferred income		8 2
Other liabilities	(10 4)	332 5
	<b>(587 3)</b>	<b>3,508 5</b>
<b>Net decrease/(increase) in operating assets and liabilities</b>	<b>22 8</b>	<b>(1,095 5)</b>

\* Investment in Standard Life Investments (Global Liquidity Funds) PLC, HDFC Standard Life Insurance Company Limited and certain unit trusts have been classified as operating activities due to the nature of the underlying investments

## 27. Risk management policies

The Company adheres to the risk management policies and procedures defined and established by the Group as appropriate given the scale of the Company's activities. The Group policies and procedures are outlined below.

### (a) Governance framework

The Group's Risk Management Policy ensures that the risks taken in meeting the Group's corporate, financial and regulatory objectives are identified and managed in accordance with the approved risk framework.

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 risk profile. The risk profile of the individual business units within the Group is similarly set by reference to its objectives.

The Group manages risks through the Group Risk Management Framework, which allows for the identification, assessment, control and monitoring of risks across the Group. The Group and each Group company establish effective risk management systems and controls within the framework for the following high level categories of risk: insurance, credit, liquidity, market and operational.

The Group Board annually approves a separate Group Risk Policy for each category of risk specifying the procedures to be taken across the Group to identify, assess, control and monitor the risk. The governing body of each Group company also approves, as applicable, its own risk policies in line with the applicable Group Risk Policy. Each Group Risk Policy sets out minimum standards to which each Group company should adhere in constructing its own risk policies and procedures.

The Group Board delegates responsibility for the implementation of the day-to-day process to manage risk across the Group, to the Group Chief Executive. The Group Chief Executive is supported in this role by the Group Executive Committee and assisted by the Group Asset and Liability Committee and the Group Operational Risk Committee. These committees are constituted with formal terms of reference.

The Group has an established centralised risk management function whose role is to support the Group Board, the Group Chief Executive and the risk committees in meeting their risk management responsibilities. This centralised function is headed by the Chief Risk Officer and Group Chief Actuary who reports to the Group Finance Director and is the FSA Approved Person charged with reporting to the Board on setting and controlling risk exposure across the Group.

### (b) Insurance risk

Insurance risk is defined as being the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Such risks arise as a result of, for example, increases in annuitant life expectancy, deteriorating expense experience or variation in persistency experience.

Following demutualisation, all of the remaining insurance contracts are fully reinsured with another group company, SLCC. After the demutualisation of the Company on 10 July 2006, its exposure to insurance risk has concentrated in Canada. On 15 July 2007, this exposure was transferred to SLAL and the Company has, in essence, no exposure to insurance risk at 30 September 2007. Prior to 10 July 2006, the Company's insurance risk was mainly concentrated in the UK.

The Group sets the acceptable level of insurance risk through the Group Insurance Risk Policy.

The main features of the policy are:

- Insurance risk is only incurred in the pursuit of the Group's corporate and financial objectives, in particular to grow the business subject to maintaining adequate financial strength.
- The writing of business only on approved rates, which have regard to experience of significant factors such as expenses, persistency, mortality and morbidity.
- The use of reinsurance.
- The monitoring of the adequacy of reserves to cover insurance liabilities.
- Regular monitoring of the overall capital of the Group and of the appropriate individual business units.

Insurance risk is only undertaken within the permitted activities of each Group company.

Each Group company defines the classes and characteristics of insurance business that it is prepared to accept.

## **27. Risk management policies *continued***

### **(b) Insurance risk *continued***

Insurance liabilities are assessed in accordance with the Group's obligation to treat customers fairly. Where policy benefits are subject to discretion, the valuation of liabilities and pricing of policies will reflect any restriction on that discretion arising from published documents such as The Principles and Practices of Financial Management

New business is written in accordance with approved pricing assumptions. Underwriting criteria is defined and aligned to the approved pricing assumptions and to the identification of aggregations of risk with the policyholder

Every product open to new business is reviewed annually to confirm, or otherwise, that pricing assumptions remain appropriate

The approach to the use of reinsurance or other means of risk transfer is defined

There are controls over the claims process to mitigate invalid claims and claim payment errors, including reinsurance recoveries, these are considered under the Group Operational Risk Policy. Inefficiencies in the settlement of claims are reflected in the periodic, but at least annual, analyses of expenses and claims

Each Group company must ensure that relevant stress testing is carried out to help ensure that only acceptable levels of insurance risk are undertaken

### **(c) Credit risk**

Credit risk is 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 the widening of corporate bond spreads

The overriding prudential requirement of the policy, which covers all assets beneficially owned by the Company excluding assets held in respect of linked liabilities, is that all assets are of sufficient quality and are sufficiently well diversified to represent appropriate backing for its liabilities, capital and reserves. The policy also requires compliance with all applicable legislation and regulation and sets further limits under specific types of financial instruments, as summarised below

#### **Cash and cash equivalents**

Maximum exposure limits are set with reference to long term 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. The forms of collateral that may be accepted are also specified and minimum transfer amounts in respect of margin deposits are also set by reference to the counterparty's rating

#### **Debt securities**

Maximum exposure limits are set on the proportions of the total portfolio of debt securities, excluding those secured on specific assets, which may be placed with counterparties rated below certain agreed long term ratings levels

## 27. Risk management policies *continued*

### (c) Credit *continued*

#### Reinsurance assets

The Group's policy is to place reinsurance only with another Group undertaking or with appropriately rated external counterparties. Following demutualisation and prior to the transfer on 15 June 2007 all reinsurance was placed with a Group undertaking, subsequently there has been no reinsurance.

#### Other financial instruments

Appropriate limits are set for other financial instruments and liabilities which the Group may be exposed to from time to time.

#### Credit ratings

The following tables provide information regarding the credit risk exposure of the Company at the Balance Sheet date, by classifying the following financial assets, excluding those backing unit linked business, according to credit ratings of the counterparties. AAA is the highest possible rating. Rated financial assets that fall outside the range of AAA to BBB are classified as Below BBB.

#### 30 September 2007

	Credit rating					Not rated	Total
	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	£m	£m
Debt securities	2.6						2.6
Cash and cash equivalents	38.3						38.3

#### 30 September 2006

	Credit rating					Not rated	Total
	AAA £m	AA £m	A £m	BBB £m	Below BBB £m	£m	£m
Reinsurance assets						558.6	558.6
Debt securities	29.6						29.6
Cash and cash equivalents		16					16.9

At 30 September 2007 credit risk is primarily concentrated in the UK. At 30 September 2006 credit risk was primarily concentrated in Canada, with a related party, SLCC. Counterparty risk is monitored in accordance with the Group Credit Risk Policy.

### (d) Liquidity or funding risk

Liquidity risk is the risk that the Company, although solvent, does not have sufficient financial resources available to meet their obligations as they fall due, or can secure them only at excessive cost.

The Group sets the acceptable level of liquidity risk through the Group Liquidity Risk Policy. The methods used to manage liquidity risk include:

- Limits on the volume of financial assets held which are both not quoted and not regularly traded on a recognised exchange
- Committed third party funding facilities
- Establishing contingency funding plans to ensure adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances

Short term liquidity risk is managed by the central Group Treasury. Where deemed necessary an appropriate inter Group contingency funding project team would be established to manage the provision of liquidity.

## 27. Risk management policies *continued*

### (e) Market risk

Market risk is the risk that as a result of market movements the Company or individual business units may be exposed to fluctuations in the value of its assets, the amount of its liabilities or the income from its assets. Sources of general market risk include movements in interest rates, equities and foreign exchange rates.

The Group sets the acceptable level of market risk through the Group Market Risk Policy.

The main features of the policy are:

- Market risk is only incurred in the pursuit of the Company's corporate and financial objectives, in particular, its investment objectives
- Asset allocation and portfolio limit structures are established for each asset class
- Adequately diversified benchmarks set and approved
- Control over derivatives and hedging activities
- Aggregate exposure limits that are in line with the regulatory requirements

### Use of derivatives

Derivative instruments are employed by the Company to not only match the liabilities but also for efficient portfolio management in reducing market risk and currency risk. Such derivatives are either listed on regulated markets or are with approved counterparties. At inception, the Company documents the purpose of the derivative instrument. For derivatives whose purpose it is to hedge existing risk, this documentation includes the identification of the hedged item and the risk being mitigated. During the life of the derivative instrument, the purpose the instrument fulfils and its continued relevance is monitored. For derivatives whose purpose is to hedge existing risk, this monitoring includes an assessment of the effectiveness of the risk mitigation. Further information on derivative financial instruments can be found in Note 15.

### Foreign Currency risk

The Company's investments are generally held in the same currency as its liabilities in its operational geographic locations. However, where the Company believes it to be appropriate to hold non domestic assets to support domestic liabilities on the grounds that geographical diversification helps reduce the risk profile of the portfolio, it will do so. In these cases, hedges may be employed to manage currency exposure.

The tables below summarises the Company's exposure to foreign currency exchange rate risks at 30 September 2007 and 30 September 2006 by categorising the carrying value of assets and liabilities by major currencies. Other relates entirely to India.

#### 30 September 2007

	GBP £m	Euro £m	CAD £m	Other £m	Total £m
Investment securities					
Debt securities			2.6		2.6
Other financial assets	38.3				38.3
Non-financial assets				15.8	15.8
<b>Total assets</b>	<b>38.3</b>		<b>2.6</b>	<b>15.8</b>	<b>56.7</b>
Non participating contract liabilities					
Other financial liabilities	0.1			15.9	16.0
<b>Total liabilities excluding unallocated divisible surplus</b>	<b>0.1</b>			<b>15.9</b>	<b>16.0</b>
Unallocated divisible surplus					40.7
<b>Total liabilities</b>					<b>56.7</b>

## 27. Risk management policies *continued*

### (e) Market risk *continued*

#### Currency Risk *continued*

30 September 2006

	GBP £m	Euro £m	CAD £m	Other £m	Total £m
Investment securities					
Debt securities			29.6		29.6
Other financial assets	16.9		583.0		599.9
Non financial assets				12.0	12.0
<b>Total assets</b>	<b>16.9</b>		<b>612.6</b>	<b>12.0</b>	<b>641.5</b>
Non participating contract liabilities			576.9		576.9
Other financial liabilities	4.5		6.0	12.0	22.5
<b>Total liabilities excluding unallocated divisible surplus</b>	<b>4.5</b>		<b>582.9</b>	<b>12.0</b>	<b>599.4</b>
Unallocated divisible surplus					42.1
<b>Total liabilities</b>					<b>641.5</b>

Financial assets and liabilities exclude items falling outside the disclosure requirements of the relevant IFRS standard. Items such as investments in associates and reinsurance assets are included in non financial assets.

The unallocated divisible surplus by nature is not attributed to currency categories.

#### Interest rate risk

Interest rate risk refers to the potential variability in the Company's financial condition as a result of changes in interest rates.

Assets backing the fixed term insurance and investment liabilities may include those without fixed terms like equities and property, included in N/A, as well as fixed term assets.

Liabilities without fixed terms such as most annuity business, may be backed by assets with fixed terms.

The following table sets out the time to contractual maturity or repricing date, whichever is the earliest, for the Company's assets and liabilities exposed to interest rate risk.

30 September 2007

	Term to maturity/repricing						No fixed term	N/A	Total
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	> 20 years	£m	£m	£m
<b>Assets</b>									
Financial assets									
Fair value interest rate risk	2.6						38.3		40.9
Non-interest bearing financial instruments								15.8	15.8
Non financial assets									
<b>Total assets</b>	<b>2.6</b>						<b>38.3</b>	<b>15.8</b>	<b>56.7</b>
<b>Liabilities</b>									
Insurance contracts									
Investment contracts									
Unallocated divisible surplus								40.7	40.7
Other financial liabilities									
Non interest bearing financial instruments	0.1							15.9	16.0
<b>Total liabilities</b>	<b>0.1</b>							<b>56.6</b>	<b>56.7</b>
<b>Total assets less liabilities</b>	<b>2.5</b>						<b>38.3</b>	<b>(40.8)</b>	

## 27. Risk management policies *continued*

### (e) Market risk *continued*

#### Interest rate risk *continued*

30 September 2006	Term to maturity/repricing							N/A	Total
	Within 1 year	1-5 years	5-10 years	10-15 years	15-20 years	> 20 years	No fixed term		
	£m	£m	£m	£m	£m	£m	£m		
<b>Assets</b>									
Financial assets									
Fair value interest rate risk	16.9	2.5			20.3	6.8			46.5
Non interest bearing financial instruments								595.0	595.0
<b>Total assets</b>	<b>16.9</b>	<b>2.5</b>			<b>20.3</b>	<b>6.8</b>		<b>595.0</b>	<b>641.5</b>
<b>Liabilities</b>									
Fair value interest rate risk									
Insurance contracts							(294.3)		(294.3)
Investment contracts	(3.1)	(67.9)	(94.5)	(52.5)	(28.4)	(18.5)	(17.7)		(282.6)
Unallocated divisible surplus								(42.1)	(42.1)
Other financial liabilities									
Non interest bearing financial instruments								(22.5)	(22.5)
<b>Total liabilities</b>	<b>(3.1)</b>	<b>(67.9)</b>	<b>(94.5)</b>	<b>(52.5)</b>	<b>(28.4)</b>	<b>(18.5)</b>	<b>(312.0)</b>	<b>(64.6)</b>	<b>(641.5)</b>
<b>Total assets less liabilities</b>	<b>13.8</b>	<b>(65.4)</b>	<b>(94.5)</b>	<b>(52.5)</b>	<b>(8.1)</b>	<b>(11.7)</b>	<b>(312.0)</b>	<b>530.4</b>	

Financial assets subject to interest rate risk include debt securities, loans and receivables and derivative financial instruments. Non-interest bearing financial instruments include equity securities and reinsurance assets. Insurance and investment contract liabilities exposed to interest rate risk comprise with and without participating non unit linked liabilities. Other financial liabilities subject to interest rate risk include bank customer accounts, derivative financial instruments, subordinated liabilities and borrowings.

Financial instruments classified as exposed to fair value interest rate risk are those with a fixed rate of interest. Financial instruments classified as exposed to cash flow interest rate risk are those with a floating interest rate, which is reset as market rates change. For those contracts where part of the liability is exposed to fair value interest rate risk then the whole contract is considered to be exposed to fair value interest rate risk.

The Company's range for weighted average effective interest rates is shown for selected assets and liabilities valued at amortised cost. These weighted averages represent the weighted average interest rates across all currencies in which the Company's business is conducted. The applicable rates are as follows:

	30 September 2007 %	30 September 2006 %
<b>Assets</b>		
Cash and cash equivalents	5.97	4.80
	30 September 2007 %	30 September 2006 %
<b>Liabilities</b>		
Investment contracts at amortised cost		6.97
Annuities		6.9

## 27. Risk management policies *continued*

### (f) Operational risk

Operational risk is defined as the risk of loss, or adverse consequences for the Company's 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 Group Operational Risk Policy. The Policy also requires compliance with applicable legislation and regulations when defining and implementing its Operational 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.

Operational risk exposures are controlled based using a combination of one or all of the following: modify operations such that there is no exposure to the risk, accept exposure to the risk and choose not to control the risk, or accept exposure to the risk and control the exposure by risk transfer or risk treatment.

The level of control and nature of the controls implemented is based on, amongst other things, the

- Potential cause and impact of the risk
- Likelihood of the risk happening in the absence of any controls
- Ease with which the risk could be insured against
- Cost of implementing controls to reduce the likelihood of the risk occurring
- Operational risk appetite

The Control Self Assessment (CSA) process is a key element used in monitoring the effectiveness of the Operational Risk Controls. The CSA is intended to provide assurance as to the adequacy of the existing control activities implemented to manage risks associated with business processes. Assessments are performed by business managers and monitored by the UK life & pensions risk function. Group Risk Management is responsible for monitoring the completion process and reviewing and challenging the results. Independent monitoring is provided by Group Internal Audit.

The assessment of operational risk exposures is performed on an impact and likelihood, and on a quantitative basis.

The operational risks faced by the Company and its exposure to these risks forms its operational risk profile. The Company is required to understand and review its profile by monitoring its key operational risk exposures, compliance with approved thresholds, loss experience and the results of control self assessment.

The impact of a new product, a significant change, or any one-off transaction on the operational risk profile of each Company is assessed and managed in accordance with established guidelines or standards.

## 28. Related party transactions

### (a) Ultimate controlling party

The Company is controlled by SLAL and its ultimate controlling party is Standard Life Plc

### (b) Compensation of key management personnel

Key management personnel, being those having authority and responsibility for planning, directing and controlling the activities of the Company, comprise 3 people for the period 1 October 2006 to 30 September 2007 (2006 3 people for the period between 10 July 2006 to 30 September 2007 and 24 people for the period from 1 January 2006 to 10 July 2006) and include all directors, both executive and non executive, of the Company

Compensation of key management personnel is

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Salaries and other short term employee benefits		2.1
Post employment benefits		0.9
Share based payments		0.8
<b>Total compensation of key management personnel</b>		<b>3.8</b>

A number of the key management personnel of the Company are also key management personnel of other entities within the 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. On this basis, no apportionment of the total compensation paid to the key management personnel has been allocated to the Company during the year to 30 September 2007. The costs in 2006 primarily relate to the period 1 January 2006 to 10 July 2006.

In the year ended 30 September 2007, the Directors were remunerated as part of their roles as Executive Directors of Standard Life Plc and there was no recharge to the Company in respect of their remuneration.

Of the amounts disclosed above, for the nine months to 30 September 2006, the following is in respect of the Directors of the Company

	12 months to 30 September 2007 £m	9 months to 30 September 2006 £m
Aggregate emoluments		1.4
Amounts (excluding shares) receivable under long term incentive plan		0.1
<b>Total</b>		<b>1.5</b>

#### Details of the highest paid director

Aggregate emoluments and benefits payable under long term incentive plan (excluding shares)	0.5
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At 30 September 2007 the highest paid director had unapportioned accrued pension benefits of £Nil (2006 £437k)

The Directors are participants in a long term incentive plan ("LTIP") operated by the Group. Prior to demutualisation of the Company, the LTIP was a cash-based award dependent on certain performance conditions being achieved over a three year period. 2007 is the last year in which cash awards can be received. On demutualisation of the Company, the awards were converted into awards over Standard Life Plc shares 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 twenty dealing days following demutualisation. The benefits arising under the incentive plan are recorded in the period in which entitlement was determined. Five directors, including the highest paid director, became entitled to receive share awards under the long term incentive plan during the prior period.

Retirement benefits are accruing to one director under a defined benefit scheme operated by the Group. During the nine months to 30 September 2006, three directors opted out of the defined benefit scheme and one out of the money purchase scheme in exchange for a non-consolidated cash supplement of 25% of base salary.

## 28. Related party transactions *continued*

### (c) Transactions with and balances due from/to key management personnel

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

During the year to 30 September 2007 key management personnel contributed £Nil (2006 £0.9m) to products sold by the Company

A transfer of the Company's Canadian branch business to a related party occurred on 15 June 2007, details are provided in note 1

The following are details of other transactions with related parties (including subsidiaries) during the year

All related party transactions are at arms length

	12 months to 30 September 2007	9 months to 30 September 2006
	£m	£m
<b>Revenue:</b>		
Subsidiaries – Other		3,313.3
Associates, joint ventures and other related parties		3,221.2
<b>Total revenue</b>		<b>6,534.5</b>
<b>Expenses:</b>		
Subsidiaries – Investment contracts	8.0	399.0
Subsidiaries – Insurance contracts		3.2
Subsidiaries – Other		10,135.8
Associates, joint ventures and other related parties		2,680.6
<b>Total expenses</b>	<b>8.0</b>	<b>13,218.6</b>

Transactions shown under 'Revenue Subsidiaries – Other' relate primarily to disposal of and dividends received from subsidiary unit trusts

Transactions shown under 'Expenses Subsidiaries – Other' relate primarily to the transfer of holdings in bonds and property to unit trusts

Transactions shown under 'Revenue Associates, joint ventures and other related parties / Expenses Associates joint ventures and other related parties' relate primarily to the sale and purchase of holdings in a unit trust, Standard Life Investments (Global Liquidity Funds) PLC, which is an associate of the Group

Transactions shown under 'Expenses Subsidiaries – Insurance / Investment Contracts' primarily relate to premiums less claims on reinsurance ceded to SLCC, which on demutualisation became a fellow subsidiary of the ultimate controlling party, SL plc

The period-end balances arising from transactions with related parties are as follows

	30 September 2007	30 September 2006
	£m	£m
<b>Due from related parties</b>		
Subsidiaries – Other		
Other related parties		583.0
<b>Total due from related parties</b>		<b>583.0</b>
<b>Due to related parties</b>		
Subsidiaries – Other		
Immediate parent company		6.5
Ultimate controlling party		4.5
<b>Total due to related parties</b>		<b>11.0</b>

Amounts due to/from related parties include loans to/from subsidiaries, intercompany receivables/payables and amounts due from the defined benefit pension scheme

As at 30 September 2007 the Company held an option in respect of the joint venture, HDFC Standard Life Insurance Company Ltd, this has been disclosed in note 15

## **29. Event after the balance sheet date**

The Company is in the process of transferring the shares that it holds in the joint venture HDFC Standard Life Insurance Company Limited to Standard Life (Mauntius Holdings) 2006 Limited, following receipt of authority to do so from the Indian insurance regulator. It is anticipated that these shares will be transferred by 31 December 2007. This transfer is taking place pursuant to the joint venture option held by Standard Life (Mauntius Holdings) 2006 Limited (see Note 15). If the transfer had occurred on 30 September 2007 then the assets and liabilities shown in the balance sheet of the Company on 30 September 2007 would each have been £15.8m lower.