Half Year Results 2011

Standard Life plc

Standard Life

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Standard Life plc
Half Year Results 2011
10 August 2011

Delivering increased profits and cash flow

Continuing growth in assets and strong net flows

- Group assets under administration reach £200.0bn (31 December 2010: £196.8bn)
- Long-term savings new business sales up 16% to £11.2bn (H1 2010: £9.6bn)
- Long-term savings net inflows up 14% to £2.8bn[1] (H1 2010: £2.5bn)
- Standard Life Investments third party net inflows of £2.9bn[1] (H1 2010: £4.7bn)

Improving revenue and profits

- Fee-based revenues up 14% to £611m reflecting continuing strong inflows and asset growth (H1 2010: £535m)
- IFRS operating profit before tax from continuing operations and after investment for transformation and growth up 44% to £262m (H1 2010: £182m)
- IFRS profit after tax attributable to equity holders of £199m (H1 2010: £182m)

Reducing unit costs

- Maintenance expenses 2bps lower at 40bps (H1 2010: 42bps)
- Delivery of a further £30m of efficiencies
- Investment in technology to support growth and continuing improvement in efficiency

Improving cash generation and increased dividend

- EEV operating capital and cash generation after investing for transformation and growth 30% higher at £193m (H1 2010: £149m)
- Interim dividend up 5.7% to 4.60p; scrip dividend to be removed for 2011 final dividend to be paid in 2012

Delivering for our customers

- SIPP market share up to 38%[2] with expansion of discretionary fund manager offering
- Increase in number of adviser firms on Wrap to 926 (H1 2010: 727)
- Launch of Lifelens to provide workplace benefit solutions to corporates
- Encouraging early performance from MyFolio with AUA of £0.6bn

David Nish, Chief Executive, commented:

"We're on track to transform the operational and financial performance of Standard Life, with operating profit up 44%. We have grown assets under administration to £200bn and increased fee based revenues by 14%. We are investing to strengthen our market positions and have launched a number of innovative propositions to respond to the changing needs of our customers, and their advisers. We have improved our efficiency and see further opportunities to do more. We are competitively positioned to benefit from market changes and the new regulatory environment.

We believe that the changes we are making to the business will deliver a stronger Standard Life which, in turn, will deliver sustained growth in the future. We are confident that the strong capital position of the Group, and our attractive customer propositions, will enable us to continue to succeed in the current volatile market conditions. Today's results demonstrate the real progress we are making in our transformation. Successful delivery of this will see us improve operating profit and returns for our shareholders."

Unless otherwise stated, all comparisons are in Sterling and are for the 6 months ended 30 June 2010.

IFRS results

	H1 2011 £m	H1 2010 £m
By source		
Fee based revenue	**611**	535
Spread/risk margin	**207**	198
Total income	**818**	733
Acquisition expenses	**(142)**	(132)
Maintenance expenses	**(351)**	(324)
Investment for transformation and growth	**(80)**	(72)
Group corporate centre costs	**(20)**	(30)
Capital management	**37**	27
India and China JV businesses	**-**	(20)
IFRS operating profit before tax from continuing operations	**262**	182
By segment		
UK	**87**	76
Canada	**103**	62
International	**19**	8
Global investment management	**67**	49
Other	**(14)**	(13)
IFRS operating profit before tax from continuing operations	**262**	182
Tax on operating profit	**(52)**	(48)
IFRS operating profit after tax from continuing operations	**210**	134
Diluted IFRS operating EPS from continuing operations	**9.2p**	6.0p
IFRS profit attributable to equity holders after tax	**199**	182
Diluted EPS from continuing operations	**8.7p**	8.9p

EEV results

	H1 2011 £m	H1 2010 £m
Covered business by source		
New business contribution	**166**	161
Contribution from in-force business	**233**	251
Other covered	**(33)**	(36)
Covered business operating profit	**366**	376
Non-covered business		
Global investment management	**27**	21
Other non-covered and corporate costs	**(17)**	(33)
Non-covered business operating profit/(loss)	**10**	(12)
EEV operating profit before tax from continuing operations	**376**	364
Tax on operating profit	**(96)**	(112)
EEV operating profit after tax from continuing operations	**280**	252
Diluted EEV operating EPS from continuing operations	**12.3p**	11.3p
EEV profit after tax	**321**	326

For more information please read Section 1.6 – Basis of preparation and the reconciliation of IFRS consolidated operating profit for the period in Section 3 of the Half Year Results 2011

Delivering on our strategy

We are now in the middle of the delivery and execution phase of our three-year transformation. Our strategy remains consistent and we continue to be focused on meeting the long-term savings and investment needs of our customers. We have launched a number of new propositions to build on the leading market positions we have across the Group.

We are focused on following our simple model: increasing assets, maximising revenues, reducing unit costs and driving increased cash profitability. Assets under administration reached £200bn for the first time and fee-based revenue increased by 14%. We continued to invest to transform and grow our business while increasing profit. We have delivered a further £30m of cost efficiencies in the period and will continue to pursue further savings. Group IFRS operating profit before tax increased by 44% to £262m (H1 2010: £182m), with significant profit improvements across our businesses.

Standard Life continues to have a strong capital position, with an IGD surplus of £3.9bn (31 December 2010: £3.8bn). In the last few years we have significantly de-risked our business and this, combined with our capital-lite business model, means we believe we are well placed to operate in the currently proposed Solvency 2 environment. We will continue to look for opportunities to drive our capital efficiency and improve return on equity, and today we are announcing our intention to remove the scrip dividend option from 2012.

Overall we continue to make good progress with our strategy. We have a lot to do and, despite challenging market conditions, we are well on track to achieve a continued improvement in profitability and performance.

Increased assets under administration

Assets under administration	1 Jan 2011	Gross inflows	Redemptions	Net inflows	Market and other movements[4]	30 Jun 2011
Fee business (£bn)	163.1	13.9	(9.5)	4.4	(1.6)	165.9
Spread/risk business (£bn)	23.5	0.8	(1.3)	(0.5)	-	23.0
Other (£bn)[3]	10.2	0.2	(0.1)	0.1	0.8	11.1
Group AUA (£bn)	**196.8**	**14.9**	**(10.9)**	**4.0**	**(0.8)**	**200.0**

Net flows	H1 2011	H1 2010
Fee business (£bn)	**4.4**	5.7
Spread/risk business (£bn)	**(0.5)**	(0.5)

Group assets under administration increased by £3.2bn during the first half of the year and have now reached £200.0bn. This increase was driven by strong, though lower, flows into our newer fee-based propositions, market movements and increases in other assets. This was offset by the transfer of our UK money market funds following our decision to exit this sector of the industry.

Improved IFRS operating profit

IFRS operating profit before tax from continuing operations was 44% higher at £262m.

Revenues from fee business were 14% higher at £611m and now make up 75% of total income (H1 2010: 73%). The remaining 25% (H1 2010: 27%) of total income is a margin on spread/risk business. An increase in the spread/risk margin in our Canada business included the positive impact of specific management actions designed to enhance investment yields on assets. This was partially offset by lower UK annuity volumes as well as lower reserve releases than benefited the UK result in the first half of 2010, resulting in total spread/risk margin being 5% higher at £207m.

Acquisition expenses, the costs we incur in writing new business, were up 8% to £142m largely driven by higher costs in the International and Canada businesses. However, as a proportion of sales, acquisition expenses fell from 141bps to 130bps for Group, and from 126bps to 104bps in the UK. Maintenance expenses, the ongoing costs we incur in servicing and administering customer policies, were 8% higher at £351m largely due to growth in our Global investment management and International businesses. However, maintenance expenses expressed as a proportion of average AUA were down to 40bps (H1 2010: 42bps) at Group level and 31bps (2010: 35bps) in the UK. This continues the positive trend and demonstrates the scalability of our business.

IFRS profit after tax attributable to equity holders, including non-operating items, increased by 9% to £199m.

Growth in capital and cash generation

Gross EEV operating capital and cash generation[5] increased by 19% to £358m (H1 2010: £300m) driven by higher contributions from covered business, Standard Life Investments' third party business and non-covered UK pension scheme. This has allowed us to fund additional new business strain, and invest in transforming and growing our business. Operating capital and cash generation from continuing operations increased by 30% to £193m (H1 2010: £149m).

EEV operating profit increased

Total EEV operating profit (EVOP) from continuing operations increased by 3% to £376m (H1 2010: £364m). Within this, core EVOP was 7% higher at £359m (H1 2010: £336m), due to higher new business contribution (NBC) of £166m (H1 2010: £161m), increased expected return on existing business and an improvement in the non-covered result driven by an increase in Standard Life Investments third party EEV profit.

The NBC of £166m generated a NBC margin of 1.5% (H1 2010: 1.7%) and an IRR of 16% (H1 2010: 19%), reflecting a higher proportion of group insurance sales and lower margins in Canada as well as the industry-wide impact of regulatory changes in India.

Efficiency operating profit of £40m (H1 2010: loss £3m) primarily reflects the impact of a management action within the UK business to reduce current and future investment expenses. Back book management operating loss of £23m (H1 2010: profit £31m) includes a £11m loss in the HWPF TVOG, which reflects a management decision to increase equity exposure, and a £13m lapse experience loss which is primarily due to transfers within our UK pension business.

Increased profits while investing for transformation and growth

We have previously said that we were targeting £100m of annual margin improvement by 2012 to be achieved through greater efficiency, as well as improved asset mix and increasing flows to Standard Life Investments. To date, we have achieved efficiency savings of £64m and increased revenues from our fee based products resulting from strong flows into higher margin propositions and Standard Life Investments. For example, our gross sales of mutual funds via Group distribution channels more than doubled to £1.2bn. During the first half of the year we expensed £80m (H1 2010: £72m) in our transformation and growth programme, with a combination of new customer and advisor propositions launched, investment in our underlying technology to support our growth and the one-off costs related to our new brand and visual identity. Our total investment in transformation and growth, including capitalised development spend and capital injections into our India and China JV businesses, was £119m (H1 2010: £89m). We have invested £23m in our JV businesses in the first half of the year, which represents most of the planned investment for the year.

The investment we are making in transformation and growth is beginning to deliver the anticipated benefits and we are confident that 2012 will deliver continued improvement in operating profit. There are opportunities for further investment and we will continue to pace the investment with the need to deliver attractive near term, as well as long-term, operating profit growth. As planned, we expect our total investment in transformation and growth (including capitalised investment expenditure and capital injections into the joint venture businesses) to be £200m in 2011, and for this to decline in 2012.

Strong balance sheet

The strong capital position of the Group is evidenced by our balance sheet which has strengthened on both an embedded value and IFRS basis despite the recent volatility in financial markets. Our IGD surplus stands at £3.9bn (31 December 2010: £3.8bn). Direct shareholder exposure to sovereign debt issued by Greece, Ireland, Italy, Portugal and Spain equates to less than £3m. Our capital and cash generation continues to be strong.

Our embedded value was £7,518m (31 December 2010: £7,321m) which represents an embedded value per share of 324p (31 December 2010: 322p). IFRS equity excluding intangible assets and non-controlling interests was £3,781m (31 December 2010: £3,768m), representing 163p per share (31 December 2010: 166p). The increase in IFRS equity, excluding intangible assets and non-controlling interests, relates primarily to profit for the period attributable to equity holders of £199m offset by the cash impacts of the dividend, capitalised investment expenditure and the purchase of Focus Solutions.

Increase in dividend continuing our progressive policy

The Board has declared an interim dividend of 4.60p per share (H1 2010: 4.35p), an increase of 5.7% (H1 2010: 4.8%), in line with our existing progressive dividend policy taking account of market conditions and the Group's financial performance. The Board intends to remove the scrip dividend option and replace it with a Dividend Reinvestment Plan (DRIP) in 2012, commencing with the final dividend for 2011.

Outlook

We have improved our performance and delivered increased profits and cash flow in the first half of the year which, in part, continued to benefit from management actions to enhance investment yields on assets in Canada. Short-term market conditions are challenging, although we see the momentum we have demonstrated across our key propositions continuing into the second half of the year and beyond.

We remain confident that the underlying demographic and regulatory trends in our key markets, and our customers' demand for our propositions, will drive our future growth. By delivering on our strategy we have the potential to grow our profits significantly and increase the return for our shareholders.

UK

Growth in fee business net flows driven by core propositions

	1 Jan 2011	Gross inflows	Redemptions	Net inflows	Market and other movements	30 Jun 2011
UK fee business (£bn)	76.2	5.7	(3.9)	1.8	0.8	78.8
Institutional pensions (£bn)	15.8	1.8	(1.0)	0.8	0.4	17.0
Conventional with profits (excl. annuities) (£bn)	6.6	0.1	(0.7)	(0.6)	0.2	6.2
UK fee business total	**98.6**	**7.6**	**(5.6)**	**2.0**	**1.4**	**102.0**
Spread/risk business AUA (£bn)	13.4	0.3	(0.6)	(0.3)	0.3	13.4
Total AUA backing products (£bn)	**112.0**	**7.9**	**(6.2)**	**1.7**	**1.7**	**115.4**
Fee business revenue (bps)	77					76

UK fee business AUA grew by 3% to £102bn, reflecting a continuation of good flows as well as positive market movements. Fee business net flows increased by 7% to £2bn, while new business sales were up 19% to £8bn, driven by the success of our core propositions. The average revenue yield across our UK fee business was broadly maintained at 76bps (2010: 77bps).

Momentum in our retail business

We continue to see strong momentum in our retail business by providing IFAs and direct customers with the propositions, tools and service they value. Our focus on those IFAs who are best placed to prosper in the new market environment we are entering, and developing solutions for both them and their clients, has allowed us to grow our intermediary market share without incurring the cost of commission on new business and maintain our leading position. Our acquisition of Focus Solutions, along with threesixty Services, provides Standard Life with a unique ability to support advisers in developing RDR (and beyond RDR) compliant business models in a very efficient way. Standard Life won ‘Company of the Year’ and ‘Best SIPP Provider’ at the Money Marketing Financial Services Awards.

Our platforms continue to attract customers, advisors and assets, as we further enhance the features and usability of our technology. Collectively, our platforms now account for 189,000 customers with assets fast approaching the £11bn mark. We now have 926 (H1 2010: 727) adviser firms on the Wrap platform, with an average AUA of £8.2m per firm (H1 2010: £6.1m).

Total SIPP customers at the end of June increased to 120,800, an increase of 26% on the same time last year and 13% compared to the end of 2010. We continue to enhance our SIPP proposition, including expanding our discretionary fund manager offering. Our market share has grown to over 38%, helping to increase AUA at the end of June by 26% to £16.4bn (H1 2010: £13.0bn).

Standard Life Wealth continues to build a strong presence in the IFA market with the launch of a Managed Portfolio Service, and now has over £700m of AUA. In the direct space we enhanced our online offering by launching online pension, ISA and mutual funds.

UK spread/risk business AUA has been broadly maintained with positive market movements offsetting £334m of net outflows which were driven by scheduled annuity payments and lower sales of annuity products in the first half of the year. We have taken a number of actions directed at improving the retention rate of retiring customers and at attracting increased new business volumes.

Growth in corporate business driven by success of our corporate pension propositions

Net flows in our overall corporate business, including institutional pensions, increased by 2%, with a 64% increase in corporate pension net flows. In total, corporate business AUA increased by 7% to £39.3bn (2010: £36.8bn). We continued to build on our momentum by winning 84 new schemes (H1 2010: 103 schemes) in the first half of the year and 41,000 new employees joined a Standard Life pension scheme in total (H1 2010: 24,000 employees).

Earlier in the year we announced the launch of Lifelens, our market-leading fully integrated employee-centric offering providing employee pension and non-pension benefit solutions via the workplace. We continue to develop this proposition and have already implemented two large Lifelens schemes in the first six months of the year.

The effectiveness of our twin-track approach of building relationships with both advisors and employers is reflected in our leading market share and success in winning more of the higher value schemes we target i.e. those typified by lower frequency of employee turnover and higher average member salaries. This, combined with the quality of our propositions and the high levels of customer service we offer, positions us well for both pensions reform and RDR.

MyFolio delivering net flows to Standard Life Investments

MyFolio funds have grown to £0.6bn since launch in November 2010. These funds offer our customers a choice of investment strategies across five risk levels through carefully constructed portfolios in either tracker, multi-manager or Standard Life Investments managed funds. They are the default option for online execution only pensions, mutual funds and ISAs, and are available through a number of platforms. We are also working with intermediaries to help promote MyFolio. MyFolio funds are an example of how we can capture greater margins through our combination of businesses; since launch, over 60% of MyFolio funds have flowed into Standard Life Investments managed funds, resulting in additional revenue for the Group.

Increase in IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**309**	277
Spread/risk margin	**52**	83
Total income	**361**	360
Acquisition expenses	**(85)**	(87)
Maintenance expenses	**(159)**	(154)
Investment for transformation and growth	**(34)**	(31)
Capital management	**4**	(12)
UK IFRS operating profit before tax from continuing operations	**87**	76

IFRS operating profit before tax in the UK business increased by 14% to £87m. The continued growth in our fee based business resulted in a 12% increase in fee revenues to £309m. This was offset by a reduction in the spread/risk margin which fell by £31m as a result of lower sales of annuities and an £18m benefit from changes in investment strategy and reserve releases in the first half of 2010.

Acquisition expenses fell by £2m to £85m. Maintenance expenses included revenue passed on to Standard Life Investments in respect of Trustee Investment Plan (TIP) of £29m (H1 2010: £23m) with other maintenance expenses marginally lower at £130m (H1 2010: £131m).

Capital management improved due to investment of shareholder funds in higher yielding asset classes, and the improved funding position of the UK staff pension scheme.

Lowering the unit costs of our operations

Technology is a key enabler in our drive to lower unit costs. We have undertaken a number of initiatives to manage the acquisition and maintenance expenses of our business, which are beginning to show results. In the first half of this year acquisition expenses expressed as a proportion of PVNBP fell by 17% to 104bps (H1 2010: 126bps). Maintenance expenses expressed as a proportion of average AUA fell to 31bps (H1 2010: 35bps) reflecting the scalability of our operations.

We are lowering unit costs by improving existing propositions and processes. Offerings such as Lifelens have been designed to be scalable by making greater use of online technologies and direct links to employers, and their employees, to increase self-servicing. Our market-leading adviser portal, Adviserzone, which we redeveloped and released to market earlier in the year, has seen usage more than double, with the number of users, online quotations and individual adviser firm customisations continuing to grow. We continued to grow our business while maintaining leading levels of customer service against an improving cost base. The number of employees in UK customer service reduced by 10% over the last 12 months. We have implemented two significant sourcing agreements which will help to reduce both the risk of delivery and overall costs of future IT development.

While these improving trends and opportunities demonstrate the potential for greater operational leverage we have more to deliver as we continue to transform our business.

Global investment management

Growth in net flows into higher margin products

Third party assets	1 Jan 2011	Gross inflows	Redemptions	Net inflows	Market and other movements	30 Jun 2011
Fee business (£bn)	71.6	7.6	(4.7)	2.9	(2.9)	71.6
Fee business excl. Global Liquidity Funds (£bn)[6]	67.7	7.6	(4.7)	2.9	1.0	71.6
Fee business revenue (bps)	35					36

Strong net inflows, as well as the impact of positive market movements, were offset by outflows on the transfer of money market funds managed on a constant net asset value basis to Deutsche Asset Management, which reduced assets by £4bn. Net sales of £2.9bn (2010: £4.7bn), equivalent to 9% of opening third party AUM (excluding money market funds) on an annualised basis, were driven by strong demand for higher margin wholesale, Global Absolute Return Strategies (GARS) and real estate products, partly offset by outflows from UK segregated funds. Assets under management (AUM) in our third party business were maintained at £71.6bn and represented 46% of total AUM.

Retail mutual fund products continue to prove popular with investors in the UK. Net sales doubled to £1.5bn (H1 2010: £0.7bn) as we continue to increase our share of this market. The SICAV range, predominantly sold in Europe, saw sales up by 40% to £418m (H1 2010: £298m). GARS continues to show strong sales in both the institutional and retail space and has now attracted over £10bn since launch in 2006. Overseas sales were strengthened by increased demand for funds in India, a tripling of Canadian business and an institutional mandate win in Australia as we begin to increase our presence in that market.

The strong net flows into higher margin products have resulted in the contribution to annual revenue from net flows in the first half of the year to be broadly in line with 2010 and have driven average revenue yield across our third party business to 36bps (2010: 35bps) excluding the fee received from the transfer of the money market fund business.

Increased EBIT margin and IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	193	157
Maintenance expenses	(106)	(91)
Investment for transformation and growth	(20)	(17)
Global investment management IFRS operating profit before tax	**67**	49
EBIT margin[7]	**33%**	32%

IFRS operating profit before tax increased by 37% to £67m. Revenue increased by 23% to £193m driven by strong flows into higher margin products and higher average market levels as well as £7m in respect of the transfer of UK money market funds.

Operating costs were tightly controlled while allowing for investment in the business to continue our longer-term growth. Earnings before interest and tax (EBIT) margin[7] increased by 1% point to 33%.

Continuing to deliver robust investment performance

Standard Life Investments continues to deliver robust long-term investment performance: 91% of funds over one year, and 78% of funds over three years, outperformed their benchmark indices. The strength of our mutual fund range is demonstrated by the proportion of eligible and actively managed funds (24 out of 29) rated 'A' or above by Standard & Poor's in the UK. At the 2011 Eurofonds – Fund Class Awards, Standard Life Investments won a special award as 'Best Asset Manager in Europe over 7 years' in the category of asset managers with between 26 and 40 funds rated, including both OEICs and SICAVs.

Canada

Continued growth in fee business and group insurance sales

	1 Jan 2011	Gross inflows	Redemptions	Net inflows	Market and other movements	30 Jun 2011
Fee business AUA (£bn)	14.0	1.3	(1.0)	0.3	0.4	14.7
Spread/risk business AUA (£bn)	10.1	0.5	(0.7)	(0.2)	(0.3)	9.6
Total AUA backing products (£bn)	**24.1**	**1.8**	**(1.7)**	**0.1**	**0.1**	**24.3**
Fee business revenue (bps)	118					118

Fee business AUA in Canada has increased by 3%[8] to £14.7bn. This increase was driven by a combination of positive market movements and net inflows. Group savings fee business net inflows of £247m were 17%[8] lower than in the first half of 2010 which included a large scheme win. Individual savings fee business net inflows increased to £93m (H1 2010: £85m) reflecting the strength of our savings and investments propositions, our well-positioned offering and strong adviser relationships. Our mutual funds net outflows increased to £68m (H1 2010: outflow of £13m) due to lower sales. The average revenue yield on fee business was maintained at 118bps (2010: 118bps).

Within Canada spread/risk business, the group insurance and disability management business has continued to grow strongly with PVNBP sales up 55%[8] to £486m. A large proportion of these sales consisted of future renewal premiums and as such had a marginal impact on net inflows. In our individual spread/risk business net outflows almost halved to £100m (H1 2010: £189m) due to higher sales of annuities and lower term funds redemptions. Group savings and retirement net outflows improved to £116m (H1 2010: £124m).

We continue to enhance our propositions for both corporate and retail customers. The launch of a stock and options feature and the introduction of the Standard Life Investments GARS proposition to our Quality & Choice investment programme support our market positioning as a provider of comprehensive solutions in benefits and pension management. In the retail space we launched Ideal Income Segregated Funds which help our customers protect their assets against risks in their retirement. In addition we announced an alliance with Qtrade Financial Group, an online brokerage platform and investment dealer, which will enhance our distribution capabilities.

Increase in IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**84**	72
Spread/risk margin	**155**	115
Total income	**239**	187
Acquisition expenses	**(39)**	(33)
Maintenance expenses	**(98)**	(96)
Investment for transformation and growth	**(17)**	(16)
Capital management	**18**	20
Canada IFRS operating profit before tax	**103**	62

IFRS operating profit before tax in our Canada business increased to £103m in the first half of the year.

The spread/risk margin in the first half of this year included the impact of specific management actions aimed at enhancing the investment yield on assets leading to a £31m decrease (H1 2010: decrease £17m) in policyholder liabilities.

Fee-based revenue increased by 14%[8]. The increase in acquisition costs was primarily due to a shift in sales towards individual savings and retirement products. There was only a slight increase in maintenance expenses despite the rise in AUA.

International

Growth in net flows in Ireland and Hong Kong with improved performance from joint venture businesses

	1 Jan 2011	Gross inflows	Redemptions	Net inflows	Market and other movements	30 Jun 2011
Wholly owned fee business AUA (£bn)	11.1	1.3	(0.4)	0.9	0.3	12.3
India and China JV businesses AUA (£bn)	1.2	0.2	(0.1)	0.1	-	1.3
Fee business revenue (bps)	212					196

Fee business AUA across our wholly owned International operations is 6%[8] higher at £12.3bn. The increase has been driven by net inflows which were 45%[8] higher. New business sales increased by 42%[8] to £1.2bn.

This was mainly due to strong growth in sales in Ireland. Irish net flows more than doubled[8] to £536m (H1 2010: £264m) reflecting continued success of our domestic and offshore bonds businesses. We continued to enhance our offshore bond proposition, launching a recurring single premium bond and our International Bond which exceeded £2bn in AUA. Flows in Hong Kong almost tripled, helped by continued demand for our popular Harvest propositions. The average revenue yield across International wholly owned businesses was lower at 196bps (2010: 212bps), reflecting the continuing shift in both sales and back book mix across International.

Net flows in the India and China joint venture businesses increased by 8%[8], a strong result given the regulatory changes introduced in India in the second half of 2010. HDFC Life performed very strongly, with market share increasing to 12% in the year to March 2011, securing third place in the private sector overall. New business increased by 13% in the financial year 2010/11 whereas the private market as a whole fell by 17% over the same period.

Increase in IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**108**	105
Acquisition expenses	**(18)**	(12)
Maintenance expenses	**(68)**	(59)
Investment for transformation and growth	**(4)**	(8)
Capital management	**1**	2
Total wholly owned	**19**	28
India and China JV businesses	**-**	(20)
International IFRS operating profit before tax	**19**	8

International IFRS operating profit before tax more than doubled to £19m, due to progress made in our joint ventures in India and China, while profit from the wholly owned businesses decreased by 32% to £19m (H1 2010: £28m). This was mainly due to higher acquisition expenses in our Irish businesses reflecting growth in sales, as well as increased maintenance expenses reflecting the growing back book.

Supplementary information - analysis of IFRS profit by segment

Six months ended 30 June 2011	UK £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Fee based revenue	309	84	108	193	-	(83)	**611**
Spread/risk margin	52	155	-	-	-	-	**207**
Total income	**361**	**239**	**108**	**193**	**-**	**(83)**	**818**
Acquisition expenses	(85)	(39)	(18)	-	-	-	**(142)**
Maintenance expenses	(159)	(98)	(68)	(106)	(3)	83	**(351)**
Investment for transformation and growth	(34)	(17)	(4)	(20)	(5)	-	**(80)**
Group corporate centre costs	-	-	-	-	(20)	-	**(20)**
Capital management	4	18	1	-	14	-	**37**
India and China JV businesses	-	-	-	-	-	-	**-**
IFRS operating profit/(loss) before tax from continuing operations	**87**	**103**	**19**	**67**	**(14)**	**-**	**262**

Six months ended 30 June 2010	UK £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Fee based revenue	277	72	105	157	-	(76)	**535**
Spread/risk margin	83	115	-	-	-	-	**198**
Total income	**360**	**187**	**105**	**157**	**-**	**(76)**	**733**
Acquisition expenses	(87)	(33)	(12)	-	-	-	**(132)**
Maintenance expenses	(154)	(96)	(59)	(91)	-	76	**(324)**
Investment for transformation and growth	(31)	(16)	(8)	(17)	-	-	**(72)**
Group corporate centre costs	-	-	-	-	(30)	-	**(30)**
Capital management	(12)	20	2	-	17	-	**27**
India and China JV businesses	-	-	(20)	-	-	-	**(20)**
IFRS operating profit/(loss) before tax from continuing operations	**76**	**62**	**8**	**49**	**(13)**	**-**	**182**

12 months ended 31 December 2010	UK £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Fee based revenue	593	150	212	331	-	(155)	**1,131**
Spread/risk margin	148	222	-	-	-	-	**370**
Total income	**741**	**372**	**212**	**331**	**-**	**(155)**	**1,501**
Acquisition expenses	(172)	(64)	(31)	-	-	-	**(267)**
Maintenance expenses	(312)	(193)	(129)	(194)	-	155	**(673)**
Investment for transformation and growth	(61)	(35)	(15)	(34)	(4)	-	**(149)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	(21)	30	1	-	17	-	**27**
Other	59	-	-	-	-	-	**59**
India and China JV businesses	-	-	(23)	-	-	-	**(23)**
IFRS operating profit/(loss) before tax from continuing operations	234	110	15	103	(37)	-	**425**

Global investment management fee based revenue includes share of profits from HDFC Asset Management Company Limited.

For further information please contact:

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Paul Keeble	020 7872 4481/07712 486 387		
Susanna Voyle (Tulchan Communications)	020 7353 4200/ 07980 894 557		

Newswires and online publications

We will hold a conference call for newswires and online publications from 07:30 (UK time) on 10 August 2011. Participants should dial +44 (0)1452 555566 and quote Standard Life Half Year Results 2011. The conference ID number is 82173074. A replay facility will be available for seven days. To access the replay please dial +44 (0)1452 550000. The pass code is 82173074#.

Investors and Analysts

A presentation for investors and analysts will take place at 9:30am at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N. A live webcast of the presentation and the presentation slides will be available on the Group's website. In addition a replay will be available on this website later today.

There will also be a live listen-only teleconference to the investor and analyst presentation at 9:30am. Investors and analysts should dial +44 (0)20 3059 5845. Callers should quote Standard Life 2011 Half Year Results. A replay facility will be available for 14 days. Investors and analysts should dial +44 (0)121 2604861. The pass code is 1182010#.

Notes to Editors:

1 In order to be consistent with the presentation of new business information, certain products are included in both long term savings and investments AUA and net flows. Refer to Supplementary information 6.4 - Group assets under administration and net flows for further information.

2 ABI market share Q1 2011

3 Other assets included within AUA of £11.1bn (2010: £10.2bn) comprise assets not backing products, joint ventures, non-life assets and consolidation / elimination adjustments.

4 Comprises market and other movements including the transfer of our UK money market funds following our decision to exit this sector of the industry

5 Gross EEV operating capital and cash generation of £358m (H1 2010: £300m) is the operating capital and cash generated before investment into new business and investment for transformation and growth. After deducting new business strain of £119m (H1 2010: £109m) and investment for transformation and growth of £46m (H1 2010: £42m), operating capital and cash is £193m (H1 2010: £149m).

6 The transfer of Standard Life Investments Global Liquidity Funds plc (GLF) took place at the end of May 2011 resulting in total third party AUM reducing by approximately £4.0bn in comparison with the position as at 31 December 2010.

7 EBIT Margin has been adjusted to exclude the impact of the transfer of Standard Life Investments Global Liquidity Funds plc.

8 On a constant currency basis.

Section	Contents	Page

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1 Business review

1.1 IFRS – Group

The IFRS results demonstrate our ability to deliver high quality returns for shareholders and the ongoing dividend paying capability of the Group. We will continue to improve our operational efficiency and invest to transform and grow the business.

IFRS highlights

	H1 2011	H1 2010	Movement
IFRS operating profit before tax from continuing operations	**£262m**	£182m[1]	44%
IFRS profit after tax attributable to equity holders of Standard Life plc	**£199m**	£182m	9%
Assets under administration	**£200.0bn**	£196.8bn[2]	2%

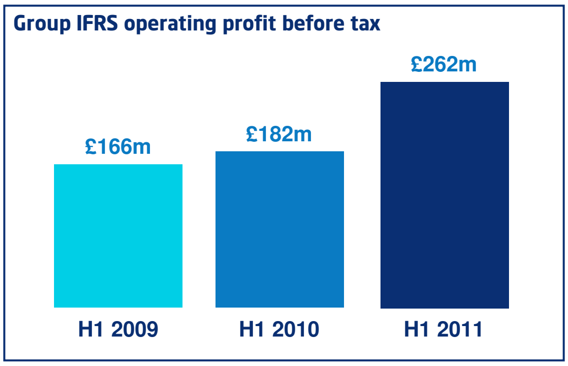
1 Profit from continuing operations excludes Standard Life Healthcare Limited, which was sold on 31 July 2010.
2 Comparative as at 31 December 2010.

IFRS profit

IFRS profit for the period was £234m (H1 2010: £217m). This comprised profit after tax attributable to equity holders of £199m (H1 2010: £182m) and profit attributable to non-controlling interests of £35m (H1 2010: £35m). The IFRS result includes operating and non-operating items. IFRS operating profit before tax from continuing operations increased by 44% from £182m to £262m. Non-operating losses before tax were £5m (H1 2010: profit £58m).

IFRS operating profit before tax from continuing operations

	H1 2011 £m	H1 2010 £m
Fee based revenue	**611**	535
Spread/risk margin	**207**	198
Total income	**818**	733
Acquisition expenses	**(142)**	(132)
Maintenance expenses	**(351)**	(324)
Investment for transformation and growth	**(80)**	(72)
Group corporate centre costs	**(20)**	(30)
Capital management	**37**	27
India and China JV businesses	**-**	(20)
Group IFRS operating profit before tax from continuing operations	**262**	182



The key movements in IFRS operating profit before tax from continuing operations were:

- Increased fee revenue of £76m from the strong level of net inflows and higher asset values
- Increased spread/risk margin of £9m, due to positive impact of specific management actions in Canada, more than offsetting the impact of reduced annuity volumes in the UK
- Increase of £8m in investment for transformation and growth in the business
- Other expenses increased by £27m due to the less than proportionate rise in the cost of writing new business and higher costs associated with maintaining a larger book of business

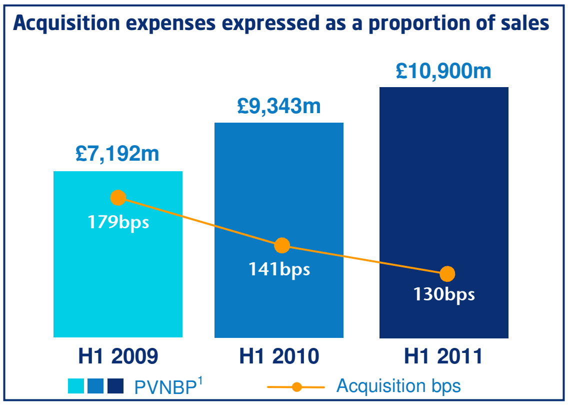
Further explanations for the movements in IFRS operating profit before tax are provided below.

Group IFRS operating profit before tax increased to £262m. This was primarily due to an increase in profits in Canada to £103m (H1 2010: £62m) and in Global investment management to £67m (H1 2010: £49m).

Fee business revenue, which mainly relates to asset management charges, increased by 14% to £611m. This was due to the strong level of net inflows and also higher asset values following positive market movements mainly in the Global investment management and UK businesses.

Spread/risk margin includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes. Spread/risk margin increased mainly due to specific management actions designed to enhance the investment yields on assets in Canada. This was partially offset by lower annuity volumes in the UK, with the prior period benefiting from a change in retirement age legislation.

Acquisition expenses are the costs we incur in writing new business. Acquisition expenses increased to £142m, reflecting the strong growth in sales volumes, particularly in the domestic and offshore businesses in



1 PVNBP excludes India and China joint venture businesses.

Ireland. Acquisition expenses expressed as a proportion of sales improved to 130bps.

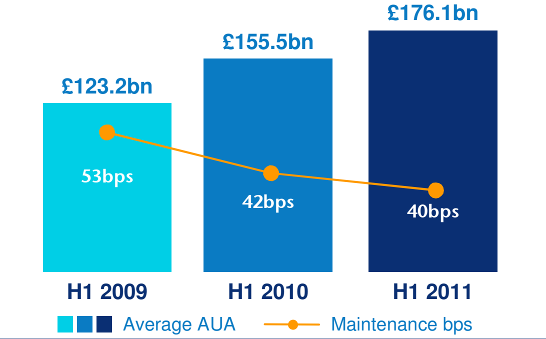
Maintenance expenses mainly relate to the ongoing costs that we incur to service and administer customer policies. These costs increased to £351m mainly due to growth in the Global investment management and International businesses. Maintenance expenses expressed as a proportion of average AUA improved to 40bps.

The improvement in both of the expense trends demonstrates the scalability of our business. Growth in new business and customer assets has led to greater levels of efficiency.

We previously said that we were targeting £100m of annual margin improvement by 2012 to be achieved through greater efficiency, improved asset mix and increasing flows to Standard Life Investments. In H1 2011, we achieved further cost efficiencies of £30m. We have now achieved total efficiency savings of £64m in relation to this 2012 target and also increased revenues from our fee based products resulting from strong flows into higher margin propositions and Standard Life Investments.

We have continued to invest to transform and grow the business. This led to investment spend included in IFRS operating profit before tax increasing to £80m in H1 2011. A number of customer propositions were launched or enhanced during the period and continued investment was made to improve operational effectiveness. The total amount invested in H1 2011 was £119m (H1 2010: £89m). This includes additional investment in the India and China joint venture businesses and also capitalised investment spend that does not impact profitability in H1 2011.

Maintenance expenses expressed as a proportion of average AUA



Investment for transformation and growth

	H1 2011 £m	H1 2010 £m
Investment in operating cost base	80	72
Investment capitalised	16	5
Additional investment in joint venture businesses	23	12
Total investment for transformation and growth	**119**	89

Segmental analysis of IFRS operating profit

UK

UK IFRS operating profit before tax increased to £87m. Fee based revenue increased by £32m mainly due to higher fee business AUA. This was offset by a fall of £31m in the spread/risk margin. H1 2010 benefited from a reserves release of £18m and annuity volumes were lower compared to H1 2010 which benefited from a change in retirement age legislation.

Canada

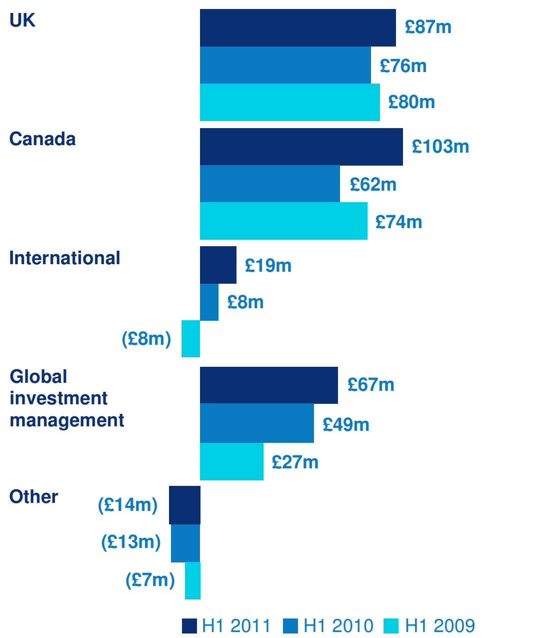
Canada IFRS operating profit before tax increased to £103m, driven by a £40m increase in the spread/risk margin. H1 2011 results included specific management actions designed to enhance the investment yields on assets, leading to a £31m decrease (H1 2010: decrease £17m) in policyholder liabilities. Investment guarantee margins in the segregated funds business resulted in a charge of £nil (H1 2010: charge £24m).

International

IFRS operating profit before tax of the wholly owned businesses decreased by £9m to £19m. This was mainly due to a £6m increase in acquisition expenses, in line with the higher new business volumes in Ireland and Hong Kong. There was also a £9m increase in maintenance expenses due to the growing AUA and back book. Fee based revenue increased by 3% to £108m driven by the increase in AUA.

The joint ventures contributed an IFRS operating profit before tax of £nil (H1 2010: loss £20m) to the Group, which continues to reflect the progression of the joint venture businesses.

IFRS operating profit before tax from continuing operations £262m (H1 2010: £182m, H1 2009: £166m)



Global investment management

Global investment management IFRS operating profit before tax increased to £67m. This was mainly due to a rise in revenue of 23% as a result of strong third party new business flows, many of which were into higher margin products, such as GARS and UK mutual funds, and stronger market conditions. This raised the average revenue yield on fee business to 36bps (2010: 35bps), excluding the fee received following the transfer of money market funds run on a constant net asset value basis to Deutsche Bank Asset Management.

1.1 IFRS – Group *continued*

Other

Group corporate centre costs decreased to £25m (H1 2010: £30m) as we continued to transform our business and control our costs. H1 2011 costs included £5m of investment for transformation and growth. Other income decreased to £11m (H1 2010: £17m).

Find out more about the IFRS operating results of our businesses in Section 1.3 – Business segment performance.

IFRS non-operating (loss)/profit before tax from continuing operations

IFRS non-operating loss was £5m compared with a profit of £58m in H1 2010. Short-term fluctuations in investment return and economic assumptions produced non-operating gains of £27m in H1 2011 (H1 2010: £75m). This reduction was primarily due to investment variance losses on assets backing the UK subordinated debt, which was partially offset by investment variance gains in Canada reflecting a continuing recovery in real estate markets.

Non-operating restructuring and corporate transaction expenses increased to £23m (H1 2010: £17m) due to continued investment in the Group's transformation and Solvency 2 programmes.

IFRS non-operating (loss)/profit before tax from continuing operations

	H1 2011 £m	H1 2010 £m
Short-term fluctuations in investment return and economic assumption changes	**27**	75
Restructuring and corporate transaction expenses	**(23)**	(17)
Other operating profit adjustments	**(9)**	-
IFRS non-operating (loss)/profit before tax from continuing operations	**(5)**	58

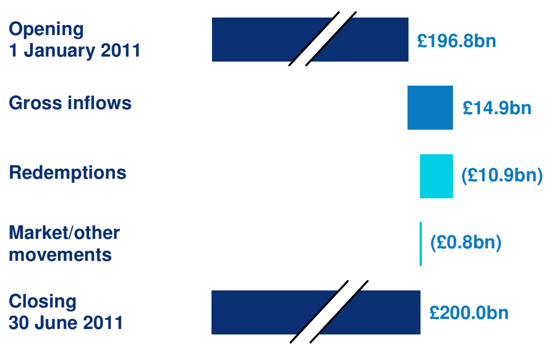
Assets under administration and net flows

Demand for our innovative products and services remained strong and contributed to total net inflows of £4.0bn. Within this, long-term savings net inflows were £2.8bn (H1 2010: £2.5bn). This contributed to a 2% increase in total AUA to £200.0bn and includes the impact of approximately £4bn relating to the transfer of the constant net asset value money market funds.

Of the total AUA, 83% (31 December 2010: 83%) related to fee business. Fee business AUA rose by 2% to £165.9bn (31 December 2010: £163.1bn). Spread/risk business AUA decreased by 2% to £23.0bn (31 December 2010: £23.5bn).

Find out more about the AUA and net flows of our businesses in Section 1.3 – Business segment performance.

Movement in Group AUA



1.2 EEV – Group

EEV measures shareholders' value of net assets and expected future profits on the existing book of business. The EEV results reflect our continuing focus on building a leading long-term savings and investments business by managing our existing book of business effectively and writing profitable new business.

EEV highlights

	H1 2011	H1 2010	Movement
EEV per share	**324p**	322p[1]	1%
EEV operating profit before tax from continuing operations	**£376m**	£364m[2]	3%
EEV profit before tax from continuing operations	**£431m**	£492m[2]	(12%)
Return on embedded value from continuing operations	**8.0%**	8.0%[2]	-

1 Comparative as at 31 December 2010.
2 Profit from continuing operations excludes Standard Life Healthcare Limited, which was sold on 31 July 2010.

Group embedded value

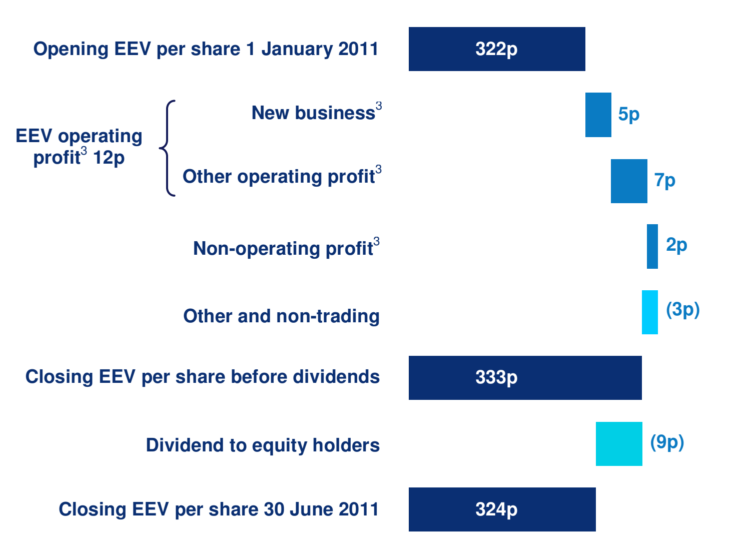
Group embedded value increased to £7,518m (31 December 2010: £7,321m) representing an EEV per share of 324p. EEV per share has increased by 11p before dividend distributions.

This movement included operating profit from continuing operations of £280m after tax (12p per share) which resulted in a return on embedded value (RoEV) of 8.0%. Non-operating profit from continuing operations was £41m after tax (2p per share). See below for more detail on the operating and non-operating results on a before tax basis.

Non-trading foreign exchange movements were positive £26m. Actuarial losses of £46m after tax largely reflect the £40m after tax decrease in the surplus of the UK pension scheme.

The closing EEV of £7,518m consists of £3,548m of net worth or shareholder net assets and £3,970m from the present value of in-force business (PVIF). The increase in total EEV of £197m consists of a movement in net worth of positive £65m and a movement in the PVIF of positive £132m.

Movement in embedded value per share



3 Profits are shown net of tax.

Find out more in Section 1.4 – Capital and cash generation on the movements in EEV shareholder net assets (net worth).

EEV profit

EEV profit before tax of £431m (H1 2010: £492m) includes an operating profit from continuing operations of £376m (H1 2010: £364m) and a non-operating profit from continuing operations of £55m (H1 2010: £128m).

There's more detail about EEV operating profit and non-operating profits in the following sections.

EEV operating profit before tax from continuing operations

EEV operating profit from continuing operations increased by 3%. This included core profits of £359m which increased by 7% compared to the comparative period.

This increase was primarily due to the new business we sold, improved expected return from our existing business, and non-covered operating profit. Expected return on our existing business increased by 5% to £222m. New business contribution (NBC) increased by 3% – find out more about this under New business profitability.

	EEV operating profit before tax		RoEV	
	H1 2011 £m	H1 2010 £m	H1 2011 %	H1 2010 %
Core	**359**	336	**7.6**	7.7
Efficiency	**40**	(3)	**0.9**	-
Back book management	**(23)**	31	**(0.5)**	0.3
Total	**376**	364	**8.0**	8.0

1.2 EEV – Group *continued*

Our core non-covered business operating result improved by £7m mainly due to a 29% increase in EEV operating profit for our investment management business, which reflected flows into higher margin products and the fee received following the transfer of the money market funds. You can read more about the Global investment management IFRS operating profit result in Section 1.3.4 – Global investment management.

The total increased investment in transformation and growth across our business reduced EEV operating profit, but this will help us take advantage of opportunities for profitable growth in the future.

Operating profit from efficiency of £40m (H1 2010: loss £3m) includes the impact of a management action within the UK business to reduce current and future investment management expenses by £50m. Operating loss of £23m (H1 2010: profit £31m) from back book management includes an £11m operating loss in the HWPF TVOG which mainly reflects a management decision to increase equity exposure, and a £13m loss from lapse experience which is primarily due to transfers within our UK pension business. We made significant profits in H1 2010 from the effect of UK reserve releases and from a review of annuity policy data in Canada.

New business profitability

	PVNBP £m		NBC £m		PVNBP margin %		IRR %		Undiscounted payback (years)	
	H1 2011	H1 2010	**H1 2011**	H1 2010	**H1 2011**	H1 2010	**H1 2011**	H1 2010	**H1 2011**	H1 2010
UK	**8,146**	6,930	**113**	103	**1.4**	1.5	**20**	20	**5**	5
Canada	**1,579**	1,581	**30**	31	**1.9**	2.0	**14**	19	**7**	7
International	**1,436**	1,120	**23**	27	**1.6**	2.5	**12**	17	**7**	5
Total	**11,161**	9,631	**166**	161	**1.5**	1.7	**16**	19	**6**	5

The present value of new business premiums (PVNBP) for the Group totalled £11,161m and was 16% higher than H1 2010. The UK business was the main contributor to this, and included a 62% increase in UK corporate pensions sales. NBC increased by 3% to £166m. The decrease in International margins is mainly attributable to the India joint venture business where sales and margins were impacted by regulatory changes. Read Section 1.3.3 – International for more information. The total internal rate of return (IRR) for the Group was 16% (H1 2010: 19%) and the undiscounted payback period was 6 years (H1 2010: 5 years).

Find out more on new business profitability for each of our businesses in Section 1.3 – Business segment performance.

EEV non-operating profit before tax from continuing operations

Total EEV non-operating profit before tax from continuing operations of £55m (H1 2010: £128m) was mainly due to positive economic assumption changes of £108m (H1 2010: loss £197m). This primarily reflects the benefits of the lower UK corporation tax rate of 25%, along with gains in the HWPF from higher bond yields. Investment variance losses in the UK of £133m, which included a £67m loss for the non-operating movements of subordinated debt liabilities and their backing assets, were offset by investment variance profits in Canada of £122m which included the benefit of strong real estate performance.

Restructuring and corporate transaction costs of £23m (H1 2010: £17m) primarily represent costs incurred as part of our Group transformation and Solvency 2 programmes. Consolidation adjustments to remove volatility arising from different accounting bases resulted in a loss of £8m (H1 2010: profit £29m).

1.3 Business segment performance

1.3.1 UK

We are a major provider of long-term savings and investment solutions in the UK market, helping our customers look forward to their future with confidence and optimism. We serve our customers through two main distribution channels – retail and corporate. In both these markets, we develop long-term relationships with advisers and employers, to deliver wealth management and retirement propositions to our customers. These propositions consist of market-leading wealth planning vehicles, innovative investment solutions and tools – all enabled by technology platforms. In 2010, we launched our three year business transformation journey in the lead up to the market post-RDR and Pensions Reform. Eighteen months on, we are well positioned in the UK market. Advisers and employers are selecting Standard Life as their partner of choice due to the quality of our propositions, demonstrated by strong new asset flows. In particular, we are seeing significant inflow into Standard Life Investments' solutions. In addition, we are continuing to improve the efficiency of our UK business.

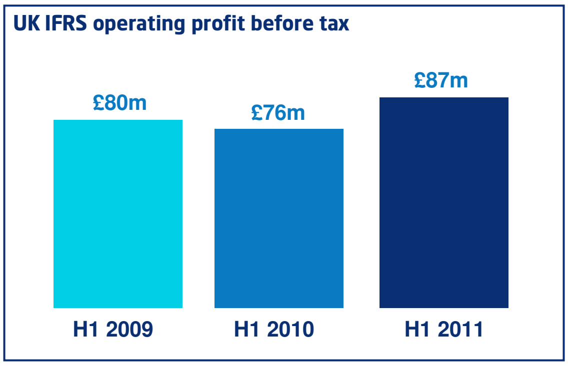
Financial highlights

	H1 2011	H1 2010	Movement
IFRS operating profit before tax from continuing operations	**£87m**	£76m[1]	14%
Assets under administration	**£122.7bn**	£119.2bn[2]	3%
Net flows	**£1,706m**	£1,635m	4%
EEV covered business operating profit before tax	**£218m**	£205m	6%
EEV non-covered business operating profit/(loss) before tax from continuing operations	**£4m**	(£15m)[1]	127%

1 Profit from continuing operations excludes Standard Life Healthcare Limited, which was sold on 31 July 2010.
2 Comparative as at 31 December 2010.

IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**309**	277
Spread/risk margin	**52**	83
Total income	**361**	360
Acquisition expenses	**(85)**	(87)
Maintenance expenses	**(159)**	(154)
Investment for transformation and growth	**(34)**	(31)
Capital management	**4**	(12)
UK IFRS operating profit before tax from continuing operations	**87**	76



UK IFRS operating profit before tax increased to £87m. Fee based revenue increased by 12% due to higher fee business AUA and the impact of recently acquired companies. This was driven by higher average AUA, with Wrap assets alone up 73% since 30 June 2010 due to both strong growth in net inflows and positive market movements. The average revenue yield on fee business remained broadly stable at 76bps (2010: 77bps). Spread/risk margin reduced by £31m. H1 2010 benefited from a reserve release of £18m arising from investment strategy changes. In addition, annuity volumes were lower compared to H1 2010 which benefited from a change in retirement age legislation.

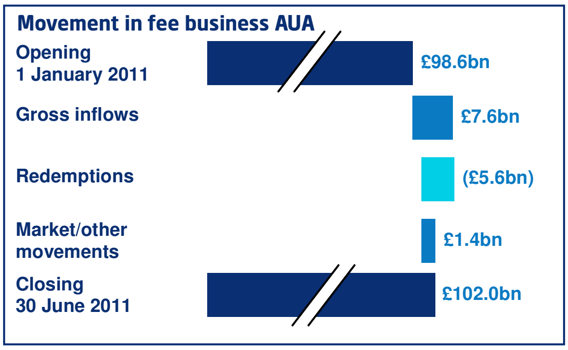
Despite new business levels increasing by 18%, acquisition expenses of £85m have fallen slightly compared to H1 2010 and as a percentage of PVNBP improved significantly to 104bps (H1 2010: 126bps). The increase in maintenance expenses reflects the full integration of Vebnet, Focus and threesixty within our business. Overall we are continuing to see the benefits of our scalable business model with maintenance expenses bps compared to average AUA falling to 31bps (H1 2010: 35bps).

Investment for transformation and growth increased to £34m, with a number of key customer propositions launched during the period including our direct channel's online Stocks and Shares ISA and our corporate Wrap portal, Lifelens.

Capital management increased to £4m due to the investment of shareholder funds in higher yielding asset classes and the improved funding position of the UK staff pension scheme.

Assets under administration and net flows

Assets under administration (AUA) grew by £3.5bn to £122.7bn in H1 2011. Fee based business, which accounts for 83% of AUA, increased by 3% to £102.0bn due to strong net inflows and positive market movements. As at 30 June 2011, 61% of total fee based AUA related to retail business (31 December 2010: 63%) and 39% to corporate business

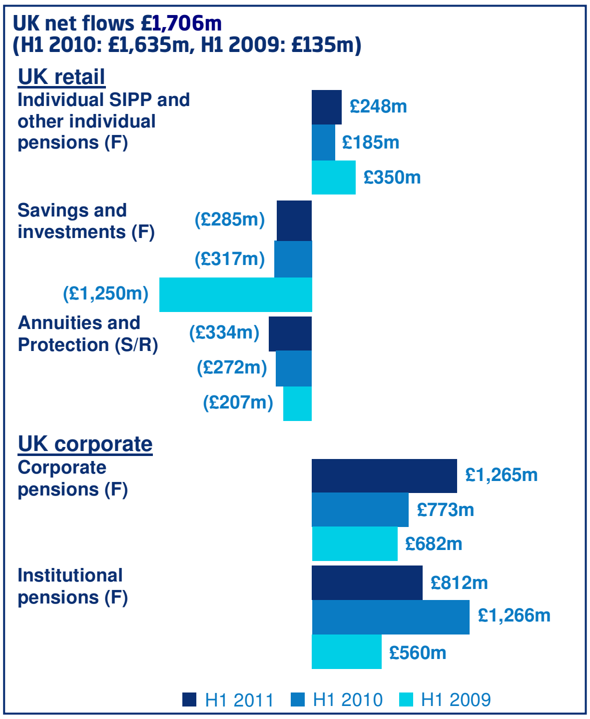


1.3 Business segment performance *continued*

1.3.1 UK *continued*

(31 December 2010: 37%). Spread/risk business AUA remained flat at £13.4bn with net outflows being offset by positive market and other movements.

	H1 2011 £m	H1 2010 £m
Fee based business (F)	**2,040**	1,907
Spread/risk business (S/R)	**(334)**	(272)
Total UK net inflows	**1,706**	1,635



Total UK net inflows for the period increased by 4% to £1,706m, against a strong H1 2010 comparator. Within this, fee based business net inflows increased by 7% to £2,040m. Net outflows for spread/risk business increased to £334m, reflecting our strategic focus on growing fee based business.

Retail net outflows of £371m were 8% lower than H1 2010. This reflects a 34% increase in individual pension net inflows, driven by growth in our individual self invested personal pension (SIPP) customer base during the period, further strengthening our leading position within the SIPP market.

The 10% improvement in savings and investments net outflows was driven by strong mutual fund growth. H1 2009 savings and investments net outflows were impacted by our decision not to renew bulk investment bond deals.

Annuity net outflows have worsened as a result of lower new business sales compared to a strong performance in H1 2010.

Corporate net inflows of £2,077m (H1 2010: £2,039m) increased by 2%. This included very strong growth in corporate pensions net inflows, which increased to £1,265m (H1 2010: £773m). This was 64% higher than for the same period last year driven by new scheme wins in the period.

Net inflows on institutional pension business were lower against a strong comparator in H1 2010.

New business performance

	PVNBP £m		NBC £m		IRR %		Undiscounted payback (years)	
	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010	H1 2011	H1 2010
Individual SIPP and other individual pensions (F)	**2,237**	2,173	**13**	14	**11**	11	**7**	7
Savings and investments (F)	**1,257**	954	**8**	4	**12**	10	**7**	8
Annuities and protection (S/R)	**148**	210	**27**	36	**Infinite**	Infinite	**Immediate**	Immediate
UK retail	**3,642**	3,337	**48**	54	**21**	21	**5**	5
Corporate pensions (F)	**2,830**	1,751	**40**	24	**13**	12	**9**	9
Institutional pensions (F)	**1,674**	1,842	**25**	25	**>40**	>40	**<3**	<3
UK corporate	**4,504**	3,593	**65**	49	**19**	20	**6**	6
UK total	**8,146**	6,930	**113**	103	**20**	20	**5**	5
Split of total								
Fee business (F)	**7,998**	6,720	**86**	67	**15**	14	**7**	7
Spread/risk business (S/R)	**148**	210	**27**	36	**Infinite**	Infinite	**Immediate**	Immediate

PVNBP sales increased by 18% to £8,146m against a strong performance in H1 2010. In our retail business, PVNBP increased by 9% to £3,642m. Individual pensions sales were up 3% to £2,237m and included a 4% rise in individual SIPP sales to £1,984m (H1 2010: £1,907m). The growth in savings and investments includes an increase in mutual fund sales of 33% to £1,152m (H1 2010: £863m) reflecting the significant growth in sales through our Wrap platform.

The growth within our corporate pensions business, where sales have increased by over 60%, has been driven by our success in winning new schemes. In addition, our enhanced trust-based pension proposition has been successful in attracting both new and existing schemes and contributed over £500m to sales in H1 2011. Alongside this growth in sales, our corporate pensions business PVNBP margin was maintained at 1.4% (H1 2010: 1.4%).

Total UK NBC increased by 10%, with a slight fall in PVNBP margin to 1.4% from 1.5% in H1 2010, reflecting the change in business mix sold in the period. The internal rate of return (IRR) remained stable at 20% and the payback period remained unchanged at 5 years.

EEV operating profit before tax

UK EEV operating profit, including HWPF time value of options and guarantees and non-covered business, increased by 17% to £222m (H1 2010: £190m). The H1 2011 profit includes the impact of a management action which reduces current and future investment expenses by £50m. Development spend remained relatively stable at £16m (H1 2010: £18m), reflecting our continuing strategic investment in developing our corporate and retail propositions, as well as our brand.

Delivering our strategy

Retail business

Our Wrap platform continued to grow significantly and at 30 June 2011 held £7.6bn AUA (31 December 2010: £6.1bn). This was partly due to a 13% increase in the number of advisers utilising the platform, with 926 adviser firms at 30 June 2011 (31 December 2010: 820). This contributed to an increase of 27% in customer numbers to 72,400 at 30 June 2011 (31 December 2010: 57,000). Following adviser feedback, we have invested in a number of enhancements to the platform including introducing a Managed Portfolio Service and developing client reporting and back-office integration functionality for advisers. We believe this customer-centric approach to introducing enhancements is one of the reasons our Wrap platform has been awarded the highest possible 'eee' rating by the Finance and Technology Research Centre (FTRC) for five consecutive years.

We are also investing significantly in the services available via Adviserzone, our award-winning adviser extranet. We have set out a clear routemap for our platform development which will see us delivering distinct platform propositions for both retail and Wrap customers through a single platform offering a common user experience.

Investment solutions are a critical part of our proposition suite. Where platforms are the mechanism for building relationships and a conduit for volume, investment solutions are the main mechanism for driving revenue whilst improving revenue yield. We continue to develop and enhance our full suite of investment solutions including MyFolio.

The launch of our direct channel online Stocks and Shares ISA in February built upon our online Active Money Personal Pension (AMPP) launch in February 2010. As a result we have continued to see strong growth in our individual SIPP customer base throughout this period. We have enhanced SIPP by widening the range of discretionary fund managers available and are now offering gold bullion as an investment option. The total number of customer accounts increased by 13% to 120,800 (31 December 2010: 107,100). Responding to adviser feedback, we continued to enhance our Active Money SIPP. New developments included offering customers the option of using their own solicitor and widening the panel of lenders for property transactions. These updates will help to ensure that our SIPP proposition remains innovative, competitive and market-leading.

In January 2011, we announced the completion of the acquisition of Focus Solutions for £49m. The integration of Focus along with threesixty provides Standard Life with a unique ability to support advisers in developing Retail Distribution Review (RDR) compliant business models in a very efficient way. This capability will also help us to enhance and grow our retail bank and Direct to Customer (D2C) propositions. We will be sharing more specifics on these developments in Q3 2011.

Corporate business

Corporate pensions business had 62% sales growth through winning new schemes, and has delivered proposition enhancement through the launch of our Trust Based Pension offering.

We launched Lifelens, our market-leading fully integrated employee-centric offering to provide employee pension and non-pension benefit solutions via the workplace. The development and implementation of the Lifelens proposition is a key part of our strategy as it will serve to both increase the acquisition of pension assets and improve retention and our ability to cross-sell. Lifelens has been well received by the market and we have already implemented two large Lifelens schemes in the first six months of the year. The outlook for our corporate business in the UK is encouraging with growth largely driven by the current focus of corporates to move away from defined benefit to defined contribution schemes and accelerated by pensions reforms and the RDR changes.

The corporate back book remains strong and is a key driver of revenue for our corporate business. We have over 36,000 schemes and in excess of 1.1 million employees enrolled.

Operational transformation

We are in the middle of our three year transformation journey and have strengthened our UK management team. Our strategy to deliver shareholder value is largely based upon the development of our integrated set of relationship front-ends – Wrap, Adviserzone and D2C – which are built on common enterprise architecture. Increased use of technology and automation is designed to deliver significantly more efficient customer and asset administration.

We are continuing to invest in our business change programmes. This year our focus is on completing proposition enhancement, particularly investment in the core Adviserzone and Lifelens platforms.

Awards won during 2011

During H1 2011, our focus on providing customer-centric propositions remained one of our key strengths and was recognised through many awards which included:

- Money Marketing Financial Services Awards:
  - Company of the Year
  - Best SIPP Provider
- Professional Adviser Awards:
  - Best SIPP Provider
  - Best Personal Pensions Provider

1.3 Business segment performance *continued*

1.3.2 Canada

Our long-term savings and investments business in Canada offers a range of savings, retirement and insurance products. With a strong focus on the needs of our 1.4 million Canadian retail and corporate customers, we continue to build client and distributor relationships, while also introducing innovative solutions to protect clients' assets.

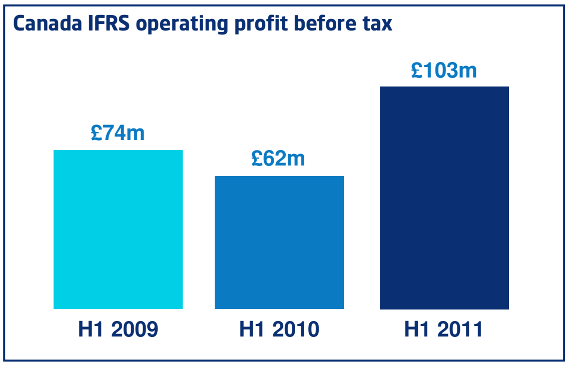
Financial highlights

	H1 2011	H1 2010	Movement
IFRS operating profit before tax	**£103m**	£62m	66%
Assets under administration	**£26.0bn**	£25.3bn[1]	3%
Net flows	**£99m**	£92m	8%
EEV operating profit before tax	**£113m**	£123m	(8%)

[1] Comparative as at 31 December 2010.

IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**84**	72
Spread/risk margin	**155**	115
Total income	**239**	187
Acquisition expenses	**(39)**	(33)
Maintenance expenses	**(98)**	(96)
Investment for transformation and growth	**(17)**	(16)
Capital management	**18**	20
Canada IFRS operating profit before tax	**103**	62



Operating profit before tax increased to £103m (H1 2010: £62m). Fee based revenue benefited from an increase in management charge income from higher AUA. The average revenue yield on fee business was maintained at 118bps (2010: 118bps).

Spread/risk margin increased compared with H1 2010 partly due to the impact of specific management actions designed to enhance the investment yields on assets, which have led to a £31m decrease (H1 2010: decrease £17m) in policyholder liabilities. One-off reserving changes decreased policyholder liabilities by £6m (H1 2010: increase £11m). In H1 2010, one-off reserving changes included a £24m charge relating to investment guarantee margins in the segregated funds business.

The increase in acquisition costs was primarily due to a shift in sales towards individual savings and retirement products, resulting in higher commission charges.

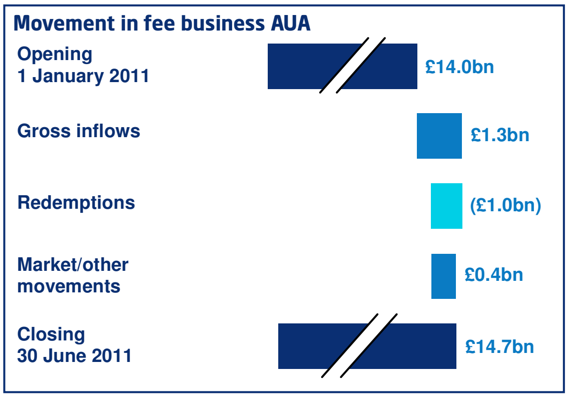
There was only a slight increase in maintenance expenses despite the rise in AUA and the associated costs incurred to service and administer these assets.

We continued to invest in growing our business and delivering enhancements to our client propositions with expenditure during the period of £17m.

Assets under administration and net flows

AUA increased by £0.7bn during the period. Our fee business now accounts for 57% (31 December 2010: 55%) of total AUA and has increased by 3% in constant currency to £14.7bn. The rise in fee business AUA has been driven by a combination of positive market movements and net inflows. Spread/risk AUA decreased to £9.6bn (31 December 2010: £10.1bn).

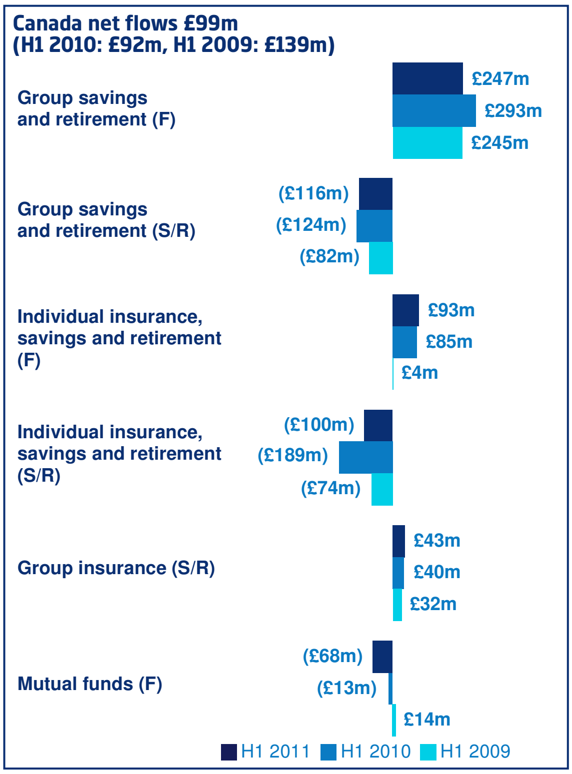
Net inflows increased by 6% in constant currency to £99m (H1 2010: £92m). We improved our market share in many product segments but largely due to weak markets, gross inflows in our fee business were flat. Strong sales in our retail segregated funds were offset by a decrease in mutual fund net inflows.



In our group savings and retirement fee business, net inflows decreased by 17% in constant currency to £247m (H1 2010: £293m). In our individual insurance, savings and retirement fee business, net inflows increased to £93m (H1 2010: £85m). This reflects the strength of our savings and investments propositions, our well-positioned offering and strong adviser relationships.

Our mutual funds net outflows worsened to £68m (H1 2010: £13m) due to lower sales levels. However, redemptions in mutual funds in H1 2011 were lower than last year and retention rates continue to improve.

In our spread/risk business, net outflows improved from £273m to £173m, mainly due to higher sales of annuities and lower term funds redemptions. Group savings and retirement net outflows slightly improved to £116m (H1 2010: £124m). A large part of group insurance sales consisted of future renewal premiums and as such had a marginal impact on this period's inflows, which increased by 6% in constant currency to £43m (H1 2010: £40m).



New business performance

PVNBP sales decreased by 2% in constant currency to £1,579m (H1 2010: £1,581m). Excluding a large win in 2010 for group savings and retirement, total sales have increased by 14% in constant currency.

Strong sales in our retail segregated funds, which increased by 23% in constant currency, led to an increased market share and drove our retail line sales. Individual insurance, savings and retirement increased by 24% in constant currency to £402m (H1 2010: £318m). Mutual funds sales decreased by 35% in constant currency to £120m (H1 2010: £182m).

Despite an increase in our market share, group savings and retirement sales decreased by 27% in constant currency to £571m (H1 2010: £773m), highlighting difficult market conditions. Excluding the large win in 2010, sales in this product line have increased by 3% in constant currency and our core defined contribution sales increased by 18%.

Group insurance and disability management business was again very successful, with a strong growth in market share[1] and sales increased by 55% in constant currency to £486m (H1 2010: £308m).

New business contribution decreased by 5% in constant currency to £30m (H1 2010: £31m), PVNBP margin decreased to 1.9% (H1 2010: 2.0%) and internal rate of return decreased to 14% (H1 2010: 19%). This was due to a shift in the sales mix, the cost of our new retail segregated fund hedging programme and increased mutual funds net outflows. The undiscounted payback period remained stable at 7 years (H1 2010: 7 years).

EEV operating profit before tax

EEV operating profit before tax decreased by 9% in constant currency to £113m (H1 2010: £123m). This was mainly due to a reduction in back book results, as H1 2010 benefited from favourable annuity experience, and a slightly lower new business contribution in H1 2011.

Delivering our strategy

In line with our strategy, we are focused on increasing our visibility in the market. We have developed innovative solutions to meet the needs of our customers and gained access to new distribution channels.

In our group savings and retirement line, we continue to support our customers by helping them to make informed decisions about their retirement income planning. The trust application addition to our SLX platform released in the first quarter of 2011 has already enabled us to secure key accounts. It allows us to deliver a combined offering of stock plans and stock options within our regular defined contribution proposition. We have added several investment managers and new funds to our Quality and Choice Investment Program, including the successful GARS products from Standard Life Investments.

In our retail line, we expanded our successful segregated funds range with the launch of the Ideal Income Series, offering clients a guaranteed income for life by providing capital protection at maturity. In order to mitigate risks and earnings volatility related to the investment guarantees, we have implemented a dynamic hedging program to hedge movements in underlying assets and yield curve. We also introduced four new mutual funds managed by prominent third party investment advisors which will fill a gap in the investment choices offered to customers. We enhanced our distribution through an agreement with Qtrade Financial Group, an online brokerage and investment dealer. Through this agreement, Qtrade will distribute our segregated funds to their existing and future clients. In the second half of 2011, we will be offering three socially responsible investment funds managed by Qtrade to our customers and advisors.

In our group insurance line, we continue to increase our visibility in the market and to actively promote and improve our product offering.

Awards won during 2011

Highlighting our success with connecting with our customers we have been awarded the 'Outstanding Integrated Ad Campaign' award from the Web Marketing Association. This recognised our multimedia campaign 'To make a long story short', promoting our revamped member statement.

[1] As at 31 March 2011.

1.3 Business segment performance *continued*

1.3.3 International

Our International business offers innovative investments and savings products tailored to customer needs in different markets. Our offerings are centred around flexible investment solutions, innovative life assurance wrappers and digital capabilities. They leverage the investment expertise available through Standard Life Investments. In H1 2011, International successfully launched propositions in each of its markets which contributed to the profitable growth of market share, new business and assets. The remainder of 2011 will see this strategy continued to further exploit the opportunities offered in our International territories.

Financial highlights – wholly owned

	H1 2011	H1 2010	Movement
IFRS operating profit before tax	**£19m**	£28m	(32%)
Assets under administration	**£12.3bn**	£11.1bn[1]	11%
Net flows	**£858m**	£592m	45%
EEV covered business operating profit before tax	**£31m**	£38m	(18%)
EEV non-covered business operating loss before tax	**(£5m)**	(£3m)	(67%)

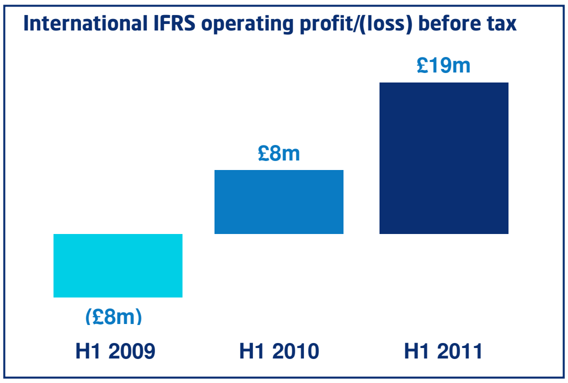
Financial highlights – joint ventures (Standard Life's share)

	H1 2011	H1 2010	Movement
IFRS operating profit/(loss) before tax	**£nil**	(£20m)	100%
Assets under administration	**£1.3bn**	£1.2bn[1]	8%
Net flows	**£140m**	£133m	5%
EEV covered business operating profit before tax	**£4m**	£10m	(60%)

1 Comparative as at 31 December 2010.

IFRS operating profit before tax

	H1 2011 £m	H1 2010 £m
Fee based revenue	**108**	105
Acquisition expenses	**(18)**	(12)
Maintenance expenses	**(68)**	(59)
Investment for transformation and growth	**(4)**	(8)
Capital management	**1**	2
Total wholly owned	**19**	28
India and China JV businesses	**-**	(20)
International IFRS operating profit before tax	**19**	8



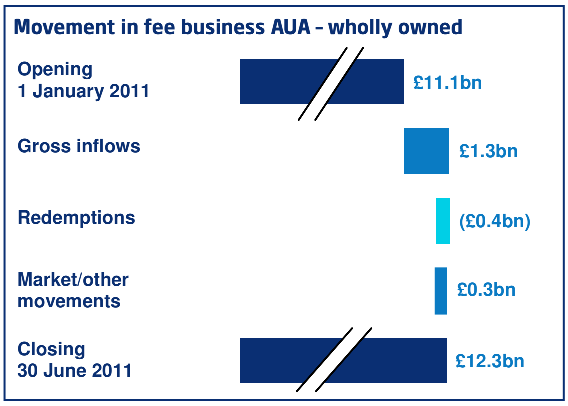
IFRS operating profit before tax of the wholly owned businesses decreased by 32% to £19m (H1 2010: £28m). This was driven by higher strain from the growing new business and increased maintenance costs due to the growing AUA and back book. The average revenue yield across the International business fell to 196bps (2010: 212bps), reflecting the shift in sales mix across the International territories.

Fee based revenue increased by 3% to £108m (H1 2010: £105m) driven by the increase in AUA. This more than offset the expected reduced transfer of profits from the HWPF in Germany.

Acquisition expenses increased to £18m (H1 2010: £12m). This was in line with the higher new business in Ireland and Hong Kong. Maintenance expenses increased to £68m (H1 2010: £59m) due to the growing AUA and back book.

Assets under administration and net flows

AUA in the wholly owned businesses grew by £1.2bn to £12.3bn (31 December 2010: £11.1bn) due to high net inflows in the period. In Ireland, AUA increased to £4.5bn (31 December 2010: £4.2bn) for the domestic business and to £2.2bn (31 December 2010: £1.8bn) for offshore bonds. AUA in Germany rose by 5% in constant currency to £5.5bn (31 December 2010: £5.0bn). Net flows of the wholly owned businesses increased by 45% in constant currency to £858m (H1 2010: £592m). This was mainly due to strong growth in sales in Ireland. Ireland domestic



business net inflows of £150m (H1 2010: £70m) increased due to higher single premium new business sales. Net flows of offshore bonds increased to £386m (H1 2010: £194m) due to higher inflows from new business, mainly relating to Wrap.

Net flows in Germany were £292m (H1 2010: £317m), an 8% decrease in constant currency. This was predominantly driven by higher levels of maturities and redemptions as the back book matures.

Our Hong Kong operation continues to deliver strong growth, with net flows up 190% in constant currency to £30m (H1 2010: £11m).

New business performance

PVNBP sales in the wholly owned businesses increased by 42% in constant currency to £1,175m (H1 2010: £832m). In Ireland domestic business, sales increased by 59% in constant currency to £359m (H1 2010: £224m). This is due to our strong investment proposition, launch of a new pension product and legislative changes which resulted in some one-off sales benefits in 2011. We also benefited as customers moved towards financial institutions they perceived as being more secure. Offshore bonds sales were 49% higher at £477m (H1 2010: £321m) due to an improved proposition and better market conditions. In Germany, sales of £162m (H1 2010: £154m) were 5% higher than H1 2010 in constant currency driven by the launch of new propositions to revitalise our market presence.

Hong Kong performed very well and increased its market share. PVNBP sales of £177m (H1 2010: £133m) were up 41% in constant currency. This was mainly due to the distribution of the core unit linked savings product and the launch of a new product in Q4 2010 offering 300 funds on an open architecture, targeting the established affluent and high net worth customer segments.

NBC in the wholly owned businesses increased to £20m (H1 2010: £13m). This was mainly due to higher sales levels in Ireland and Hong Kong. PVNBP margin was 1.7% (H1 2010: 1.6%).

EEV operating profit before tax

EEV operating profit before tax of the wholly owned businesses, including non-covered business, decreased to £26m (H1 2010: £35m). This decrease was mainly due to a management decision to increase equity exposure in Germany.

Delivering our strategy

Germany was the first of our International businesses to launch the refreshed visual identity. The launch of the new look and feel coincided with the launch of a new proposition – a combination of three product options designed to encourage the uptake of state aided savings. The refreshed visual identity in Ireland will be launched in H2 2011.

We have also improved our product investment range by adding the GARS products, which has generated sales across Germany, and continues to be well received in Ireland. In Germany, we continue to strengthen our corporate propositions.

Standard Life Asia is now recognised as a leading provider of long-term savings and investments products through intermediaries in the Hong Kong market. The business grew its market share significantly with targeted sales and marketing activity and market-leading propositions, like the Harvest Supreme proposition.

Joint Ventures – India and China

In India and China, our focus is on increasing long-term shareholder value by delivering products that meet our customers' needs. The joint ventures contributed an IFRS operating profit before tax of £nil (H1 2010: loss £20m) to the Group, which continues to reflect the progression of the joint venture businesses and is a consequence of our ongoing investment into the development of the joint ventures.

In India, PVNBP was £212m (H1 2010: £233m), down 6% in constant currency due to regulatory changes which have impacted the whole industry. In China, sales decreased by 9% in constant currency to £49m (H1 2010: £55m). Net flows in the joint ventures increased by 8% in constant currency to £140m (H1 2010: £133m), driven by increased contributions from a strong customer base.

EEV covered business operating profit before tax for the joint ventures was £4m (H1 2010: £10m). Sales decreased by 7% in constant currency and led to a fall in NBC to £3m (H1 2010: £14m). This resulted in a PVNBP margin of 1.1% (H1 2010: 5.0%).

In India, regulatory changes that affected unit linked business were implemented from 1 September 2010 and as anticipated had a significant negative impact on sales and margins across the industry. HDFC Life managed the transition well and consequently became the leading private business in the market during Q4 2010. Within the private market the market share increased to 12%. In May 2011, HDFC Life was ranked first in the individual business sector with a market share of 14%.

Awards won during 2011

All International operations are committed to maintaining the highest level of customer service. This commitment to customer service was acknowledged during 2011 by various awards received by our operations including:

- The German business won first place in the biggest independent broker survey (Charta Award) and was the only company to be awarded an 'Excellent' rating
- The offshore bond business was awarded the Best International Life Product (UK) in the International Fund and Product Awards 2011
- In India, HDFC Life was awarded the Performance Excellence Trophy in the services category at a recent national quality awards event

1.3 Business segment performance *continued*

1.3.4 Global investment management

Our focus at Standard Life Investments is on delivering superior investment performance, supported by exceptional client service. Standard Life Investments operates as a global team, with an investment process underpinned by its 'focus on change' philosophy. This has proved itself to be robust and repeatable in both good and bad market conditions. Over the 12 years since its inception, Standard Life Investments has delivered a strong track record of profitable organic growth, a trend which continued during the first half of 2011.

Financial highlights

	H1 2011	H1 2010	Movement
IFRS operating profit before tax	**£67m**	£49m	37%
Earnings before interest and tax (EBIT)	**£66m**	£49m	35%
EBIT margin	**33%**[1]	32%	1% point
Third party assets under management (AUM)	**£71.6bn**	£71.6bn[2]	-
Total assets under management	**£157.0bn**	£156.9bn[2]	-
Third party net inflows	**£2,941m**	£4,745m	(38%)

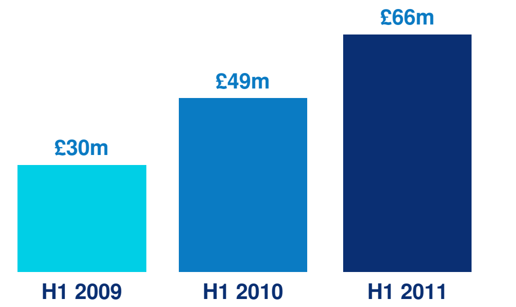
1 Excludes the £7m fee received following the transfer of the money market funds to Deutsche Bank Asset Management.
2 Comparative as at 31 December 2010.

Standard Life Investments continued to deliver robust long-term investment performance in H1 2011, despite volatile markets. Third party net inflows of institutional and wholesale business were £2.9bn (H1 2010: £4.7bn) in what have been challenging market conditions. Third party AUM remained constant at £71.6bn (31 December 2010: £71.6bn) despite the transfer of approximately £4bn of Global Liquidity Fund assets as a result of Standard Life Investments' withdrawal from constant net asset value money market funds. These underlying new business flows and a rise in average market values resulted in strong revenue growth of 23%, driving EBIT up 35% to £66m and increasing the EBIT margin up to 33%[1]. We continue to focus on serving existing clients and winning new clients through strong investment performance, product innovation, global distribution and high levels of customer service.

Profitability

	H1 2011 £m	H1 2010 £m
Fee based revenue	**193**	157
Maintenance expenses	**(106)**	(91)
Investment for transformation and growth	**(20)**	(17)
Global investment management IFRS operating profit before tax	**67**	49
Interest and exchange rate movements	**(1)**	-
Earnings before interest and tax (EBIT)	**66**	49

Earnings before interest and tax



IFRS operating profit before tax increased by 37% to £67m (H1 2010: £49m). Revenue rose by 23% because third party new business flows were mainly into higher margin products, such as GARS and UK mutual funds, stronger market conditions, and the £7m fee received following the transfer of the money market funds. This raised the average revenue yield on third party AUM to 36bps[1] (2010: 35bps).

Operating costs were tightly controlled while allowing for continued investment in the business to maintain our longer term growth. Maintenance expenses compared to total average AUM remained stable at 13bps (H1 2010: 13bps). EBIT increased by 35% to £66m (H1 2010: £49m) and resulted in an increased EBIT margin of 33%[1] (2010: 32%).

Lower interest expense, coupled with foreign exchange gains also contributed to the increased IFRS operating profit. A £15m subordinated loan was repaid at the end of 2010, leaving the business with no gearing.

Financial market overview

Average market values in H1 2011 were substantially higher than in H1 2010. The average daily FTSE All-Share Index, for example, rose 11% between the two periods. Combined with rises in most other major world markets, this led to an increase in asset management revenues. We continue to maintain strong third party sales across institutional and wholesale customer segments.

Investment performance

Investment performance was strong during H1 2011 and we continued to deliver a robust investment performance over the longer term. 91% of funds over one year, and 78% of funds over three years, time periods outperformed their benchmark. Our mutual fund strength is shown by the proportion of eligible and actively managed funds (24 out of 29) rated A or above by Standard & Poor's in the UK.

The pipeline for institutional business is encouraging with fixed income and GARS products attracting a lot of interest, increasingly from outside the UK. There is also very positive demand for our mutual funds in the UK and for our SICAV funds in continental Europe.

Assets under management and net flows

We achieved third party net inflows of £2,941m (H1 2010: £4,745m). This represents 9% of opening third party AUM, excluding money market funds, on an annualised basis. UK mutual funds net inflows rose significantly to £1,457m (H1 2010: £713m). A notable number of new institutional clients were won in the UK and Europe during the period, increasing the institutional client base in these markets by 12%. The market for institutional mandates, where we successfully sold to in H1 2010, has been much slower. Our high overall retention rates are reflected in annualised redemptions being 13% of opening AUM.

Third party AUM was static at £71.6bn (31 December 2010: £71.6bn). The transfer of approximately £4bn of money market fund assets was offset by underlying new business flows and a rise in average market values. Third party AUM continues to represent 46% of total AUM (31 December 2010: 46%). In-house AUM slightly increased to £85.4bn (31 December 2010: £85.3bn) with favourable market movements offsetting outflows from the with profits business. As a result, total assets managed by Standard Life Investments stood at £157.0bn (31 December 2010: £156.9bn).

Delivering our strategy

On 9 May 2011, Standard Life Investments successfully launched its refreshed visual identity and brand positioning. This builds on our commitment to increasing the international nature of our business, as well as broadening the asset classes in which we excel, and helps to ensure that we present ourselves in a way that reflects our ambition, strengths and increasingly diversified business.

The refreshed brand identity will ensure communications are more consistent, with greater clarity in information provided to our clients, resulting in increased investor confidence. The refresh is supported by a major advertising campaign under the theme of 'Potential. Delivered'. This reflects our ongoing commitment to exceed our clients' expectations.

We continue to grow our share of the wholesale market in the UK, reflected in the UK mutual funds assets under management breaking through the £10bn barrier for the first time. We continue to develop our GARS product range, which has also broken the £10bn barrier, and are strengthening our alternative capabilities in areas such as private equity and real estate. We also continue to enhance our multi-manager offerings.

In the UK wholesale space we had particular success with our GARS product, which achieved a market-leading 39%[1] share of 2011 sales within the absolute return sector, and with the UK Smaller Companies Fund, which achieved a 43%[1] market share of 2011 sales within its relevant sector.

MyFolio has proved successful since its launch, providing new business flows into Standard Life Investments' actively managed funds. Net flows into the MyFolio range were £551m.

Our pipeline of new product initiatives is strong and we are confident that we will continue to meet the ever-changing demands of our clients through new and innovative products.

Withdrawal from money market funds

The regulatory and capital burden upon money market funds that are run on a constant net asset value (CNAV) basis is expected to rise substantially in the future. As a result, we decided to exit this sector of the industry and worked with the Board of Standard Life Investments Global Liquidity Funds plc (GLF) to develop a proposal which allowed those GLF shareholders who wish to continue having their funds managed on a CNAV basis to be able to do so in similar funds managed by Deutsche Bank Asset Management. The transfer took place at the end of May 2011 resulting in total third party AUM reducing by approximately £4bn in comparison with 31 December 2010. The impact of the transfer on our future revenue is expected to be minimal.

Awards won during 2011

Our business remains underpinned by our strong investment performance, delivered through the rigorous application of our 'focus on change' investment philosophy, and by our continuing commitment to very high levels of client service. High quality support by our client service teams, combined with strong investment performance from our fund management teams, has been recognised with the following awards in 2011:

- 'Most Innovative Asset Manager' at the Engaged Investor Trustee Awards
- 'Investment Manager of the Year' and 'DC Investment Only Provider of the Year' at the UK Pensions Awards 2011
- At the 2011 Eurofonds – Fund Class Awards, Standard Life Investments won a special award as 'Best Asset Manager in Europe over 7 years' in the asset managers category with between 26 and 40 funds rated, including both OEICs and SICAVs
- Five awards at the prestigious Lipper Fund Awards 2011. The funds recognised were the European Smaller Companies SICAV, the China Equities SICAV, the UK Smaller Companies Fund and the Managed Fund (two awards)
- Standard Life UK Smaller Companies Fund named 'Best UK Small-Cap Equity Fund' at the 2011 Morning Star UK Fund Awards
- Standard Life Investments' Global Absolute Return Strategies Fund won 'Best Absolute Return Fund' at the Professional Adviser Awards 2011

1 The market share figures are for a rolling 12 months to May 2011. Source: IMA Market Share of Gross Sales Survey.

1.4 Capital and cash generation

Our strategy remains focused on rigorous capital management and generating cash. The emphasis on capital-efficient products is important as it demonstrates our ability to write profitable new business without committing high levels of capital.

Capital and cash generation highlights

	H1 2011	FY 2010	Movement
EEV operating capital and cash generation from continuing operations	**£193m**	£149m[1,2]	30%
Group capital surplus	**£3.9bn**	£3.8bn[3]	3%
EEV	**£7,518m**	£7,321m	3%
IFRS equity attributable to equity holders of Standard Life plc	**£3,967m**	£3,903m	2%

1 Profit from continuing operations excludes Standard Life Healthcare Limited, which was sold on 31 July 2010.
2 Comparative shown as at 30 June 2010.
3 H1 2011 based on estimated regulatory returns. FY 2010 based on final regulatory returns.

Group EEV capital and cash generation

	H1 2011 £m	H1 2010 £m
UK	**201**	187
Canada	**72**	73
International	**64**	52
Non-covered	**21**	(12)
Gross operating capital and cash generation from continuing operations	**358**	300
New business strain	**(119)**	(109)
Investment for transformation and growth	**(46)**	(42)
Operating capital and cash generation from continuing operations	**193**	149
Coverage of gross operating capital and cash to new business strain	**3.01**	2.75

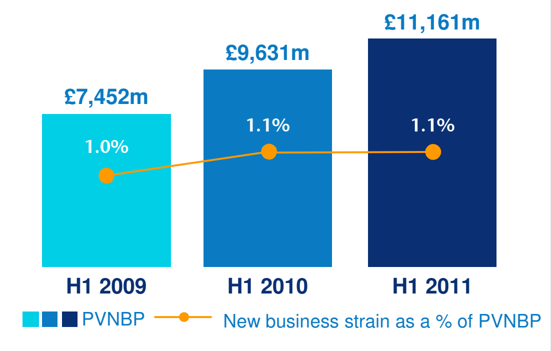
Capital and cash generation enables the Group to invest in new business and profitable growth opportunities. Gross operating capital and cash generation before investment in new business and investment for transformation and growth was £358m (H1 2010: £300m).

New business strain (NBS) is a measure of the cost of selling new business. The growth in NBS was matched by the growth in new business sales volumes, resulting in the NBS margin (NBS/PVNBP) remaining unchanged at 1.1%.

The growth in gross operating capital and cash generation exceeded the increase in NBS, contributing to an increase in the coverage ratio of gross operating capital and cash to NBS, from 2.75 to 3.01. Capital and cash from management of the existing business improved by 5%.

We remain committed to our strategy of investing in capital-efficient products which deliver high capital returns and fast recovery of investment. The total internal rate of return (IRR) for new business was 16% (H1 2010: 19%) and the payback period was 6 years (H1 2010: 5 years). Find out more on new business profitability in Section 1.2 – EEV – Group.

New business strain



	H1 2011 Free surplus movement £m	H1 2011 Required capital movement £m	H1 2011 Net worth movement £m	H1 2010 Free surplus movement £m	H1 2010 Required capital movement £m	H1 2010 Net worth movement £m
Capital and cash generation from existing business	340	(24)	316	313	(13)	300
New business strain	(149)	30	(119)	(132)	23	(109)
Covered business capital and cash generation from new business and expected return	**191**	**6**	**197**	181	10	191
Covered business development expenses	(22)	-	(22)	(21)	-	(21)
Non-covered business core capital and cash generation	(2)	-	(2)	(10)	-	(10)
Core	167	6	173	150	10	160
Efficiency	(9)	-	(9)	(7)	-	(7)
Back book management	42	(13)	29	15	(19)	(4)
EEV operating capital and cash generation from continuing operations	**200**	**(7)**	**193**	158	(9)	149
Capital and cash generation from non-operating items	(108)	121	13	150	15	165
Total EEV capital and cash generation from continuing operations	**92**	**114**	**206**	308	6	314
Capital and cash generation from discontinued operations	-	-	-	(17)	-	(17)
Total EEV capital and cash generation	**92**	**114**	**206**	291	6	297

All figures are net of tax. Net income directly recognised in the EEV statement of financial position, including exchange differences and distributions to and injections from shareholders, is not included as these are not trading related cash flows.

In overall terms, our EEV operating capital and cash generation from continuing operations has increased to £193m (H1 2010: £149m). Capital and cash generation from existing business after new business sales was £197m and therefore the main contributor to total operating capital and cash. Capital and cash generation from back book management includes a £6m contribution from the UK pension scheme (H1 2010: negative £14m) and gains from covered business tax variances. Excluding the capital and cash from back book management activities, operating capital and cash increased by 7%.

Non-covered business core capital and cash includes a 40% increased contribution from our investment management business, which reflects increased third party EEV operating profit.

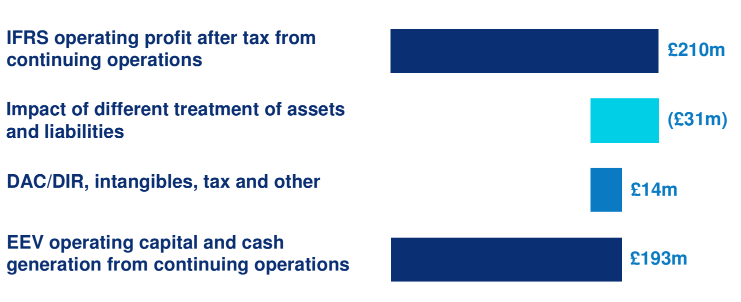
There was negative capital and cash contribution from our growth investment activities. This is reflected in our core covered business development expenses of £22m (H1 2010: £21m). Non-covered business operating capital and cash also includes an increase in investment for transformation and growth to £17m (H1 2010: £12m).

Reconciliation of IFRS operating profit to EEV operating capital and cash generation

As with EEV operating capital and cash generation, IFRS operating profit removes the impact of short-term economic volatility. Whilst there is clear alignment between IFRS operating profit and EEV operating capital and cash generation, there are differences which include:

- (£31m) from the difference in the treatment of assets and liabilities. EEV capital and cash is more consistent with local statutory valuation bases, which for some territories and certain classes of investment liabilities are measured differently for IFRS reporting. This difference for the six months to 30 June 2011 includes the impact of adopting IFRS for local reporting in Canada and differences in the timing of recognition of operating profit items.
- £14m from the difference in the treatment of deferred acquisition costs/deferred income recognition, intangibles, tax and other. Included in other is the impact of different methodologies in respect of expected income. In EEV operating profit this income is included on an expected return basis, but the actual fees are included in IFRS operating profit.

Reconciliation of IFRS operating profit to EEV operating capital and cash generation for the period ended 30 June 2011



1.4 Capital and cash generation *continued*

Holding company capital and cash flows

In addition to the movement in capital and cash on an EEV basis, the following summary provides an analysis of holding company cash flows and capital in relation to the Group's ultimate holding company, Standard Life plc, and its overseas holding company, Standard Life Oversea Holdings Limited. The capital position is based on these companies' net assets, excluding investments in operating subsidiaries.

	H1 2011 £m	H1 2010 £m	FY 2010 £m
Opening capital 1 January	**665**	602	602
Dividends received from subsidiaries	**338**	223	286
Additional investments in subsidiaries	**(72)**	(47)	(75)
Group corporate centre costs	**(25)**	(30)	(54)
Cash dividends paid to shareholders	**(105)**	(134)	(186)
Other	**(17)**	(20)	92
Closing capital	**784**	594	665

Dividends

During the period, we paid the final dividend for 2010 of 8.65p per share, amounting to £197m. The Scrip dividend scheme reduced the cash required to pay the 2010 final dividend from £197m to £105m. We propose an interim dividend of 4.60p per share (H1 2010: 4.35p). This represents an increase of 5.7%, reflecting the solid progress made during the period. We will continue to apply our existing progressive dividend policy, taking account of market conditions and our financial performance. We intend to remove the Scrip dividend option and replace it with a dividend reinvestment plan (DRIP) in 2012, commencing with the final dividend for 2011.

Capital management

Objectives and measures of Group capital

The Group's processes of capital and risk management are aligned to support our strategic objective of driving sustainable, high quality returns for our shareholders. The different measures of capital reflect the regulatory environment we operate in and the bases that we consider effective for managing the business.

Capital management policy

Matters related to the management of our capital are reserved for the Board of Standard Life plc. The scope of the liquidity and capital management policy is wide-ranging and forms one pillar of our overall management framework. It operates alongside and complements our other policies and processes, in particular our risk policies and strategic planning process, and provides a framework for effective and consistent management of capital. We continue to develop our Enterprise Risk Management framework to robustly link the processes of capital allocation, value creation and risk management.

Credit ratings

External credit ratings agencies perform independent assessments of the financial strength of companies. The current insurer financial strength ratings for Standard Life Assurance Limited (SLAL) are A1/Stable and A+/Stable from Moody's and Standard & Poor's respectively. These ratings are unchanged from those reported in the Annual Report and Accounts 2010. Standard Life Canada has a separate rating from Standard & Poor's and was upgraded in June this year from A/Stable to A+/Stable.

Solvency 2

Solvency 2 is a major European regulatory change initiative which is currently expected to implement on 1 January 2014. This date is subject to uncertainty and will not be confirmed until early 2012. However, firms will need to be ready well in advance of 1 January 2014. Solvency 2 will affect the risk and capital management, external reporting, supervision and business strategies of the European insurance industry, with knock on consequences for global markets outside of Europe. We are actively involved in the development of the new regime and participate in industry and regulatory working groups within the UK and Europe. A Solvency 2 programme has been established internally and is making good progress towards meeting Solvency 2 requirements.

Group capital surplus

	H1 2011 £bn	H1 2010 £bn	FY 2010 £bn
Shareholders' capital resources	**3.0**	2.7	3.0
Capital resources arising from subordinated debt	**1.9**	1.8	1.8
SLAL long-term business funds	**3.0**	2.0	2.6
Group capital resources	**7.9**	6.5	7.4
Group capital resource requirement	**(4.0)**	(3.0)	(3.6)
Group capital surplus	**3.9**	3.5	3.8
Group solvency cover	**196%**	217%	203%

H1 2011 and H1 2010 figures above based on estimated regulatory returns. FY 2010 based on final regulatory returns.

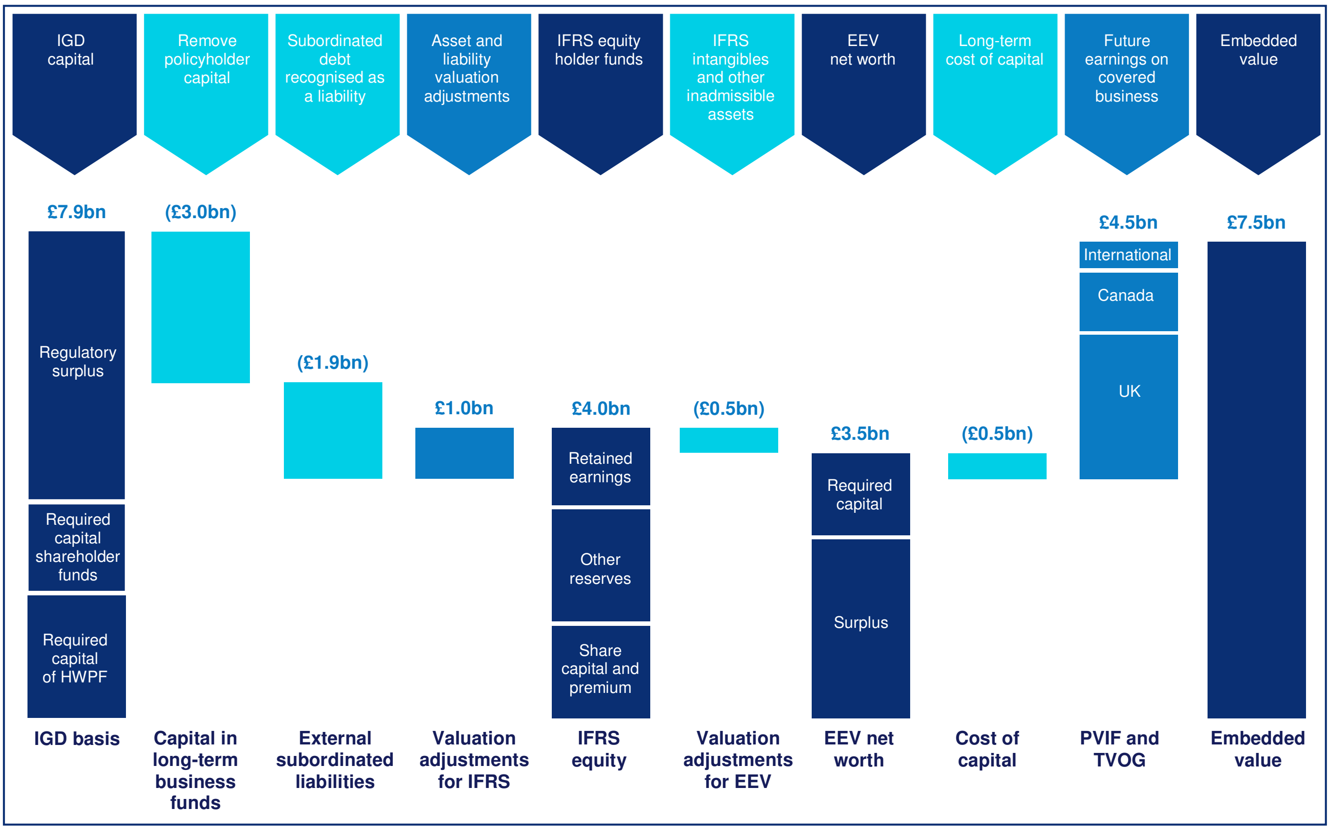
In H1 2011, our capital surplus remained strong, increasing by £0.1bn to £3.9bn. Capital resources increased to £7.9bn, largely due to favourable market conditions. The quality of our capital remains strong with £6.9bn (31 December 2010: £6.4bn) of Core Tier 1 and £0.6bn (31 December 2010: £0.6bn) of Innovative Tier 1.

Group capital resources include the capital resources within the long-term business funds but the Insurance Groups Directive (IGD) limits the amount that can be recognised to the level of the capital resources requirement for that fund. This resulted in a restriction of £1.3bn (31 December 2010: £1.4bn) and a net zero contribution to the Group capital surplus.

The IGD surplus remains largely insensitive to a further 40% fall in equities from the 30 June 2011 position, with the surplus estimated to reduce by approximately £0.2bn. A 100bps rise in yields is estimated to reduce the surplus by approximately £0.1bn.

Reconciliation of key capital measures

The following diagram illustrates the key differences between regulatory, IFRS and EEV capital measures at 30 June 2011:



1.5 Risk management

Risk management is an integral part of the Group's corporate agenda. The Group's risk strategy statement links value and risk in a concise expression of our objectives, aligned with our corporate purpose.

The Group's corporate purpose

To drive shareholder value through being a leading, customer-centric business focused on long-term savings and investments propositions in our chosen markets.

The Group's risk strategy

We recognise the need to manage long-term value creation, cash flow and risk in a holistic manner in order to make informed decisions to create and protect value in the Group's activities.

We are proactive in understanding and managing the risks to our objectives at every level of the Group and ensuring that capital is delivered to areas where most value can be created for the risks taken.

The Group's Enterprise Risk Management Framework

We have developed and embedded an Enterprise Risk Management (ERM) framework that enables the risks of the Group to be identified, assessed, controlled and monitored consistently, objectively and holistically.

Key risks facing the Group

Market risk

Definition	The risk that arises from the Group's exposure to market movements which could result in the value of income, or the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by differing amounts.
Appetite	The Group has no appetite for market risk exposures except where they arise as a consequence of core strategic activity, principally as a consequence of revenue streams being exposed to market risks.

Equity and property risk

Equity and property risk for the Group mainly relates to the risk that the value of future fund charges on unit linked funds, collective investment schemes, segregated funds and future recourse cash flow payments from the HWPF will fall – or that burnthrough costs to the shareholder arise – if the value of assets under management falls due to adverse market conditions.

There is currently no restriction on cash flows due from the HWPF. The key existing mitigants to reduce the risk of burnthrough from the HWPF include the actively managed investment policy for asset shares, the dynamic guarantee deduction framework and hedging of the cost of guarantees for certain contracts. The fund remains well capitalised and market risk mitigants continue to perform in line with expectations.

Canada has direct shareholder exposure to equity and property risks as a consequence of shareholder surplus being held in such assets. These holdings have been acquired for a number of reasons, including an expectation that such assets would increase returns to shareholders. Canada has enhanced its hedging capabilities during the period and now operates a dynamic hedging program to reduce the risk arising from the limited policyholder guarantees on segregated fund business.

The Group is also exposed to equity and property risk through the potential impact of market movements on the value of assets held in defined benefit pension schemes operated by the Group.

Fixed interest risk

Shareholder exposure to fixed interest risk arises from a number of sources but is mainly attributable to asset liability mismatches in certain portfolios of liabilities. The extent of such mismatches has been reduced over the course of the period, most notably through improvements in cash flow matching of annuities written in the UK. Mismatches in Canada arise mainly as a consequence of the difficulty in obtaining long-dated fixed income assets to match the long-term liability cash flow which gives rise to reinvestment risk.

Risk also arises as a consequence of burnthrough from the HWPF. However, as noted above, this fund remains well capitalised so burnthrough cost is low and there is currently no restriction on transfers.

The Group is also exposed to fixed interest risk through the potential impact of yield curve movements on the value of assets held in defined benefit pension schemes operated by the Group.

Currency risk

Foreign exchange risk is the risk that the value of overseas operations and profits generated by them falls in Sterling terms when Sterling appreciates against the local currency.

The principal sources of currency risk arise from the Group's investments in overseas subsidiaries and joint ventures, primarily Canada and Asia (including HDFC Life and Heng An Standard Life). Hedges exist to limit the size of the exposure relating to Canada.

The UK business also has Euro exposure as a consequence of branch business undertaken in Ireland and Germany and its investment in Standard Life International Limited. Other exposures arise largely as a consequence of holdings in overseas assets within business units and variances in charges taken from unit linked funds and collective investment schemes.

Similar to equity and property risk, the Group is also exposed to currency risk through the potential impact of market movements on the value of assets held in defined benefit pension schemes operated by the Group.

Credit risk

Definition	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 assets due to a widening of mortgage, bond and swap spreads.
Appetite	The Group has an appetite for credit risk to the extent that acceptance of this risk optimises the Group risk adjusted return. However, the Group has limited appetite for significant losses arising from counterparty failures and will therefore establish robust risk limits which Group companies must adhere to.

Shareholder exposure to credit risk arises from a number of sources. In the UK business, the principal exposures are in respect of the corporate bonds held to back annuities written post-demutualisation and the assets held to back the subordinated debt liability. In Canada, the main component of credit risk arises from the use of corporate bonds and commercial mortgages to back annuities.

Credit risk also arises as a consequence of burnthrough from the HWPF, though as noted above, this fund remains well capitalised, burnthrough cost is low and there is currently no restriction on transfers. Further credit risk exposure arises from variations in the value of future fund charges on unit linked funds and collective investment schemes that are invested in corporate bonds.

In addition, credit risk arises from holding cash and cash equivalents, debt securities including overseas sovereign debt, and the reinsurance of certain insurance liabilities to various counterparties including the reinsurance of certain linked funds to external companies.

The Group is also exposed to credit risk through the potential impact of widening credit spreads or credit losses on the value of assets held in defined benefit pension schemes operated by the Group.

All credit portfolios are subject to strict limits on permissible counterparty exposures and continue to perform well despite adverse economic conditions. Where appropriate, collateralisation is used to reduce credit risk with the Group maintaining a list of collateral that is deemed acceptable. During the period the list of collateral that is considered acceptable for stock lending activity has been restricted in order to remove certain counterparties that are no longer considered to be of appropriate standing in light of changing global economic conditions.

Demographic and expense risk

Definition	The risk that arises from the inherent uncertainties as to the occurrence, amount and timing of future cash flows due to demographic and expense experience differing from that expected. For the purpose of risk management this includes liabilities of insurance and investment contracts.
Appetite	The Group has an appetite for such risks since we expect acceptance of the risk to be value additive. Appetites will be established to reflect planned business activities in line with the Group's overall strategic objectives.

The Group's principal exposures are to persistency and longevity risk, arising as a consequence of normal business activity.

Persistency
Persistency within the UK business arises mainly as a consequence of variances in the value of future fund charges on unit linked funds and future recourse cash flow payments from the HWPF. Generally the value of such charges will fall if withdrawals are higher than expected.

This risk is controlled through business retention activities and regular monitoring of persistency experience, as well as through product design.

Similar risks exist in respect of Standard Life Investment's third party assets under management and segregated funds business written by Canada.

Longevity
Longevity risk reflects the risk that annuitants live longer than expected. The principal risk to the Group arises in respect of annuity contracts written by the UK business and Canada.

The Group continues to write annuity contracts and to acquire additional risk as a consequence as we believe the business to be sufficiently profitable to justify the risks of doing so.

This risk is controlled through regular monitoring of the size of the exposure, longevity experience and control of business volumes.

The Group is also exposed to the risk that members of the defined benefit pension schemes operated by the Group live longer than expected.

1.5 Risk management *continued*

Liquidity risk

Definition	The risk that businesses are unable to realise investments and other assets in order to settle their financial obligations when they fall due, or can do so only at excessive cost.
Appetite	The Group has no appetite to fail to meet its liabilities as they fall due.

The Group manages and mitigates liquidity risk by employing a variety of techniques as appropriate, including:

- Maintaining portfolios of assets that match the expected timing of payments of liabilities
- Close monitoring and active anticipation of the level of withdrawals based on expected customer behaviour
- Central co-ordination and management of group-wide contingency funding plans
- Central co-ordination of strategic planning and funding requirements
- Central monitoring, assessment and oversight of the investment of assets within the Group
- Maintaining a portfolio (currently undrawn) of committed bank facilities

The Group also has the ability to invoke deferral terms on the majority of unit linked contracts. As at 30 June 2011 there were no funds subject to deferral.

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Group considers the extent of liquidity risk arising from its activities to be de-minimis.

Operational and strategic risks

Definition	Operational risk is the risk of loss, or adverse consequences for the Group's business, resulting from inadequate or failed internal processes, people or systems, or from external events. Strategic risk is the risk associated with the robustness of the strategic planning process and threats to achieving the strategy.
Appetite	The Group has an appetite for operational risks where exposures arise as a consequence of core strategic activity. However, the Group has limited appetite for large operational losses due to the likely related reputational damage and opportunity costs. The Group will seek to put effective controls in place to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits.

Operational and strategic risk exposures are actively identified and managed with action planning and progress monitoring in place.

Operational risk is identified, assessed, managed and reported in a consistent and coherent way across the Group. The assessment of operational risk is linked to the objectives of each business, function or department. Assessment considers financial impact, reputational impact, customer impact and strategic impact. We measure impact of risk both before the application of controls/mitigation and post application. This ensures we are aware of control/mitigation dependencies. Where risk is considered outwith appetite, or where the control environment is considered in need of improvement, then action plans are created, maintained and delivered. These have visibility at a Group level and are actively managed.

Key operational and strategic risk themes include:

- Management of existing processes including the identification and implementation of control improvements
- Management of information security: control enhancement and control performance monitoring
- Management of third party providers: identification of exposures, collaborative control enhancement and robust performance indicators
- Projects and programmes: managing change and execution of projects through effective control and embedding business as usual controls as part of the design of future processes
- People: identification and management of the people risks (succession planning, skilling and resource levels)
- Delivering the strategic plan: ensuring that the risks associated with the delivery of our strategic plan are identified, assessed, understood and mitigated

Reputational risk

Appetite	The Group has an extremely low appetite for significant reputational damage or regulatory censure. This appetite statement is embedded in our Group's risk culture and is reflected in our Group's values, mission and vision.

1.6 Basis of preparation

Overview

Our Business review for the period to 30 June 2011 has been prepared in line with the Disclosure and Transparency Rules (DTR) issued by the Financial Services Authority (FSA). The DTR incorporates the requirement of the EU Transparency Directive for all UK listed companies to report their half year results in accordance with IAS 34 Interim Financial Reporting. Under DTR 4.2.7R, the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal risks are detailed in Section 1.5 – Risk management and Note 42 of the Group's Annual Report and Accounts 2010. Under DTR 4.2.8R we are also required to make certain related party disclosures. These are contained in Note 3.13 of the IFRS financial information. To provide clear and helpful information, we have also considered the voluntary best practice principles of the Reporting statement: Operating and Financial Review (OFR) issued by the Accounting Standards Board (ASB).

The Group's condensed half year financial information have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). However, our Board believes that non-Generally Accepted Accounting Principles (GAAP) measures, which have been used in the Business review, together with other measures that are calculated in accordance with IFRS, are useful for both management and investors and make it easier to understand our Group's performance.

The most important non-GAAP measures in the Business review include IFRS operating profit and European Embedded Value (EEV) information. All non-GAAP measures should be read together with the Group's IFRS income statement, statement of financial position and statement of cash flows, which are presented in the IFRS financial information in Section 3 of this report.

Going concern statement

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

IFRS and EEV reporting

The financial results, which are unaudited at the half year, are prepared on both an IFRS basis and an EEV basis. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. EEV measures the net assets of the business plus the present value of future profits expected to arise from in-force long-term life assurance and pensions policies. The IFRS financial results in the Business review, and in Section 3 have been prepared on the basis of the IFRS accounting policies applied by the Group in the IFRS financial statements section of the Annual Report and Accounts 2010 as amended for new standards effective from 1 January 2011, as described in Note 3.1. The EEV basis has been determined in accordance with the EEV Principles and Guidance issued in May 2004 and October 2005 by the Chief Financial Officers (CFO) Forum. The CFO Forum represents the chief financial officers of major European insurers, including Standard Life. EEV methodology has been applied to covered business, which mainly comprises the Group's long-term savings business. Non-covered business is reported on an IFRS basis. The EEV financial results in the Business review, and in Section 4 have been prepared in accordance with the EEV methodology applied by the Group in Note 4.17 for H1 2011, and in the relevant EEV methodology notes included in the Annual Report and Accounts 2010 in respect of the comparative period.

IFRS and EEV operating profit

The H1 2011 IFRS reconciliation of consolidated operating profit to profit for the period, presented in Section 3, presents profit before tax attributable to equity holders adjusted for non-operating items. The H1 2011 EEV consolidated income statement in Section 4, presents EEV profit showing both operating and non-operating items. By presenting IFRS and EEV results in this way, the Directors believe they are providing a more meaningful indication of the underlying business performance of the Group.

Forward-looking statements

This document may contain 'forward-looking statements' about certain of the Standard Life Group's current plans, goals and expectations relating to future financial conditions, performance, results, strategy and objectives. Statements containing the words: 'believes', 'intends', 'targets', 'estimates', 'expects', 'plans', 'seeks' and 'anticipates' and any other words of similar meaning are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which may be beyond the Group's control. As a result, the Group's actual financial condition, performance and results may differ materially from the plans, goals and expectations set out in the forward-looking statements, and persons receiving this document should not place undue reliance on forward-looking statements. The Standard Life Group undertakes no obligation to update any of the forward-looking statements in this document or any other forward-looking statements it may make.

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2 Statement of Directors' responsibilities

Statement of Directors' responsibilities

We confirm to the best of our knowledge that:

1. the condensed consolidated IFRS financial information which has been prepared in accordance with IAS 34 as adopted by the European Union gives a true and fair view of the assets, liabilities, financial position and profit of the company and the undertakings included in the consolidation taken as a whole as required by the DTR 4.2.4R;
2. the consolidated income statement, the earnings per share statement, the consolidated statement of comprehensive income and the consolidated statement of financial position and associated notes have been prepared on the European Embedded Value basis as set out in Note 4.1;
3. the Business review includes a fair review of the information required by DTR 4.2.7R, namely important events that have occurred during the period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
4. the Business review and the notes to the condensed set of financial statements include a fair review of the information required by DTR 4.2.8R, namely material related party transactions and any material changes in the related party transactions described in the last annual report.

The Directors of Standard Life plc are listed in the Standard Life Annual Report and Accounts 2010 and on the Standard Life plc website, **www.standardlife.com**

By order of the Board

Gerry Grimstone
Chairman
10 August 2011

Jackie Hunt
Chief Financial Officer
10 August 2011

3 International Financial Reporting Standards (IFRS)

IFRS condensed consolidated income statement
For the six months ended 30 June 2011

	Notes	6 months 2011 £m	6 months[1] 2010 £m	Full year[1] 2010 £m
Revenue				
Gross earned premium		**1,684**	1,661	3,244
Premium ceded to reinsurers		**(45)**	(47)	(94)
Net earned premium		**1,639**	1,614	3,150
Net investment return		**3,124**	2,860	14,570
Fee and commission income		**434**	359	752
Other income		**46**	47	97
Total net revenue		**5,243**	4,880	18,569
Expenses				
Claims and benefits paid		**3,000**	2,785	5,513
Claim recoveries from reinsurers		**(312)**	(314)	(619)
Net insurance benefits and claims		**2,688**	2,471	4,894
Change in policyholder liabilities		**888**	748	9,899
Change in reinsurance assets		**166**	(132)	97
Expenses under arrangements with reinsurers		**185**	405	569
Administrative expenses	3.3	**869**	770	1,607
Change in liability for third party interest in consolidated funds		**58**	124	443
Finance costs		**57**	57	113
Total expenses		**4,911**	4,443	17,622
Share of profit/(loss) from associates and joint ventures		**31**	(4)	24
Profit before tax		**363**	433	971
Tax expense attributable to policyholders' returns	3.4	**71**	158	400
Profit before tax attributable to equity holders' profits		**292**	275	571
Total tax expense	3.4	**129**	199	498
Less: Tax attributable to policyholders' returns	3.4	**(71)**	(158)	(400)
Tax expense attributable to equity holders' profits	3.4	**58**	41	98
Profit for the period from continuing operations		**234**	234	473
(Loss)/profit for the period from discontinued operations		**-**	(17)	20
Profit for the period		**234**	217	493
Attributable to:				
Equity holders of Standard Life plc		**199**	182	432
Non-controlling interests		**35**	35	61
		234	217	493
Earnings per share from continuing operations				
Basic (pence per share)	3.5(a)	**8.7**	8.9	18.4
Diluted (pence per share)	3.5(b)	**8.7**	8.9	18.3

[1] The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and was classified as a discontinued operation for the six months ended 30 June 2010 and 12 months ended 31 December 2010.

The Notes on pages 47 to 63 are an integral part of this consolidated financial information.

IFRS consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Notes	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Profit for the period		**234**	217	493
Less: Loss/(profit) from discontinued operations		**-**	17	(20)
Profit from continuing operations		**234**	234	473
Fair value losses on cash flow hedges		**-**	-	(2)
Actuarial (losses)/gains on defined benefit pension schemes		**(66)**	122	184
Revaluation of land and buildings		**(4)**	(10)	(14)
Net investment hedge		**(6)**	(16)	(39)
Exchange differences on translating foreign operations		**18**	104	122
Equity movements transferred to unallocated divisible surplus		**2**	(26)	(2)
Aggregate equity holder tax effect of items recognised in comprehensive income	3.4	**20**	(40)	(60)
Other		**-**	(1)	-
Other comprehensive (expense)/income for the period from continuing operations		**(36)**	133	189
Total comprehensive income for the period from continuing operations		**198**	367	662
(Loss)/profit from discontinued operations		**-**	(17)	20
Other comprehensive income from discontinued operations		**-**	24	24
Total comprehensive income for the period from discontinued operations		**-**	7	44
Total comprehensive income for the period		**198**	374	706
Attributable to:				
Equity holders of Standard Life plc				
From continuing operations		**163**	332	601
From discontinued operations		**-**	7	44
Non-controlling interests				
From continuing operations		**35**	35	61
		198	374	706

The Notes on pages 47 to 63 are an integral part of this consolidated financial information.

IFRS pro forma reconciliation of consolidated operating profit to profit for the period

For the six months ended 30 June 2011

	Notes	6 months 2011 £m	6 months[1] 2010 £m	Full year[1] 2010 £m
Operating profit before tax from continuing operations				
UK		**87**	76	234
Canada		**103**	62	110
International		**19**	8	15
Global investment management		**67**	49	103
Other		**(14)**	(13)	(37)
Operating profit before tax from continuing operations		**262**	182	425
Adjusted for the following items:				
Short-term fluctuations in investment return and economic assumption changes[2]	3.6	**27**	75	157
Restructuring and corporate transaction expenses	3.3	**(23)**	(17)	(71)
Impairment of intangible assets		**(7)**	-	-
Impairment of investments in associates		**-**	-	(1)
Other operating profit adjustments[2]		**(2)**	-	-
Non-operating (loss)/profit before tax from continuing operations		**(5)**	58	85
Profit attributable to non-controlling interests		**35**	35	61
Profit before tax attributable to equity holders' profits		**292**	275	571
Tax (expense)/credit attributable to:				
Operating profit		**(52)**	(48)	(89)
Adjusted items		**(6)**	7	(9)
Total tax expense attributable to equity holders' profits		**(58)**	(41)	(98)
Profit for the period from continuing operations		**234**	234	473
(Loss)/profit for the period from discontinued operations		**-**	(17)	20
Profit for the period		**234**	217	493

1 The analysis of operating profit presented for the year ended 31 December 2010 and the six months ended 30 June 2010 include continuing operations only.

2 As described in Note 3.1(a) – Accounting policies – Basis of preparation, the Group has amended its operating profit accounting policy. As a result, £6m and £30m have been reallocated from other operating profit adjustments to short-term fluctuations in investment return and economic assumption changes for the six months ended 30 June 2010 and 12 months ended 31 December 2010 respectively.

Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities, are excluded from operating profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from operating profit and is presented within profit before tax.

Adjustment is made for restructuring costs and significant corporate transaction expenses. Operating profit is also adjusted for impairment of intangible assets and profit or loss arising on the disposal of a subsidiary, joint venture or associate. Other operating profit adjustments include amortisation of intangibles acquired in business combinations and items which are one-off in nature and outside the control of management and which, due to their size or nature, are not indicative of the long-term operating performance of the Group.

The Directors believe that, by eliminating this volatility from equity holder profit, they are presenting a more meaningful indication of the long-term operating performance of the Group.

IFRS condensed consolidated statement of financial position
As at 30 June 2011

	Notes	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Assets				
Intangible assets		**186**	111	135
Deferred acquisition costs		**916**	864	881
Investments in associates and joint ventures		**350**	3,003	3,087
Investment property		**8,669**	7,907	8,410
Property, plant and equipment		**161**	157	164
Reinsurance assets		**6,803**	7,181	6,962
Loans		**3,182**	2,946	3,136
Derivative financial assets		**1,273**	1,698	1,343
Investment securities[1]		**127,895**	108,734	121,671
Other assets		**3,840**	2,792	2,522
Cash and cash equivalents[1]		**8,752**	6,361	5,805
Assets of operations classified as held for sale		**-**	279	-
Total assets		**162,027**	142,033	154,116
Equity				
Share capital	3.8(a)	**233**	226	228
Shares held by trusts		**(16)**	(18)	(21)
Share premium reserve		**1,063**	932	976
Retained earnings		**1,051**	807	1,094
Other reserves		**1,636**	1,695	1,626
Equity attributable to equity holders of Standard Life plc		**3,967**	3,642	3,903
Non-controlling interests		**370**	315	335
Total equity		**4,337**	3,957	4,238
Liabilities				
Non-participating contract liabilities	3.9	**103,083**	88,741	99,164
Participating contract liabilities	3.9	**33,095**	32,419	33,474
Deposits received from reinsurers		**5,892**	6,177	6,021
Third party interest in consolidated funds		**7,626**	3,930	5,454
Borrowings		**258**	299	245
Subordinated liabilities		**1,873**	1,772	1,799
Deferred income		**391**	377	382
Income and deferred tax liabilities		**343**	285	401
Derivative financial liabilities		**1,019**	508	924
Other liabilities		**4,110**	3,394	2,014
Liabilities of operations classified as held for sale		**-**	174	-
Total liabilities		**157,690**	138,076	149,878
Total equity and liabilities		**162,027**	142,033	154,116

1 There has been a reallocation between cash and cash equivalents and investment securities at 30 June 2010 and 31 December 2010. Refer to Note 3.1(a) – Basis of preparation.

The Notes on pages 47 to 63 are an integral part of this consolidated financial information.

IFRS consolidated statement of changes in equity
For the six months ended 30 June 2011

2011	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January	**228**	**(21)**	**976**	**1,094**	**1,626**	**3,903**	**335**	**4,238**
Profit for the period	-	-	-	199	-	199	35	**234**
Other comprehensive income for the period	-	-	-	(46)	10	(36)	-	**(36)**
Total comprehensive income for the period	**-**	**-**	**-**	**153**	**10**	**163**	**35**	**198**
Distributions to equity holders	-	-	-	(197)	-	(197)	-	**(197)**
Issue of share capital other than in cash	5	-	87	-	-	92	-	**92**
Reserves credit for employee share-based payment schemes	-	-	-	-	11	11	-	**11**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	1	(1)	-	-	**-**
Shares acquired by employee trusts	-	(4)	-	-	-	(4)	-	**(4)**
Shares distributed by employee trusts	-	9	-	-	(10)	(1)	-	**(1)**
30 June	**233**	**(16)**	**1,063**	**1,051**	**1,636**	**3,967**	**370**	**4,337**

2010	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January	**224**	**-**	**888**	**685**	**1,660**	**3,457**	**296**	**3,753**
Profit for the period	-	-	-	182	-	182	35	**217**
Other comprehensive income for the period	-	-	-	81	76	157	-	**157**
Total comprehensive income for the period	**-**	**-**	**-**	**263**	**76**	**339**	**35**	**374**
Distributions to equity holders	-	-	-	(180)	-	(180)	-	**(180)**
Issue of share capital other than in cash	2	-	44	-	-	46	-	**46**
Reserves credit for employee share-based payment schemes	-	-	-	-	8	8	-	**8**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	5	(5)	-	-	**-**
Shares acquired by employee trusts	-	(32)	-	-	-	(32)	-	**(32)**
Shares distributed by employee trusts	-	10	-	-	(10)	-	-	**-**
Transfer between reserves on disposal of subsidiaries	-	-	-	34	(34)	-	-	**-**
Shares gifted to charity	-	4	-	-	-	4	-	**4**
Other movements in non-controlling interests in the period	-	-	-	-	-	-	(16)	**(16)**
30 June	**226**	**(18)**	**932**	**807**	**1,695**	**3,642**	**315**	**3,957**

2010	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January	**224**	**-**	**888**	**685**	**1,660**	**3,457**	**296**	**3,753**
Profit for the year	-	-	-	432	-	432	61	**493**
Other comprehensive income for the year	-	-	-	124	89	213	-	**213**
Total comprehensive income for the year	**-**	**-**	**-**	**556**	**89**	**645**	**61**	**706**
Distributions to equity holders	-	-	-	(273)	(5)	(278)	-	**(278)**
Issue of share capital other than in cash	4	-	88	-	-	92	-	**92**
Reserves credit for employee share-based payment schemes	-	-	-	-	18	18	-	**18**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	5	(5)	-	-	**-**
Shares acquired by employee trusts	-	(35)	-	-	-	(35)	-	**(35)**
Shares distributed by employee trusts	-	10	-	-	(10)	-	-	**-**
Transfer between reserves on disposal of subsidiaries	-	-	-	121	(121)	-	-	**-**
Shares gifted to charity	-	4	-	-	-	4	-	**4**
Other movements in non-controlling interests in the year	-	-	-	-	-	-	(22)	**(22)**
31 December	**228**	**(21)**	**976**	**1,094**	**1,626**	**3,903**	**335**	**4,238**

The Notes on pages 47 to 63 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of cash flows
For the six months ended 30 June 2011

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Cash flows from operating activities			
Profit before tax from continuing operations	**363**	433	971
(Loss)/profit before tax from discontinued operations	**-**	(20)	17
	363	413	988
Change in operating assets[2]	**(3,654)**	(104)	(17,355)
Change in operating liabilities	**4,929**	(6,825)	12,457
Non-cash and other items	**23**	3,115	240
Taxation paid	**(156)**	(136)	(262)
Net cash flows from operating activities[2]	**1,505**	(3,537)	(3,932)
Cash flows from investing activities			
Net acquisition of property, plant and equipment	**(5)**	(6)	(16)
Acquisition of subsidiaries net of cash acquired	**(40)**	(24)	(19)
Disposal of subsidiaries net of cash disposed	**-**	226	(1,272)
Investments in associates and joint ventures	**(23)**	(12)	(16)
Other	**(17)**	(11)	(45)
Net cash flows from investing activities	**(85)**	173	(1,368)
Cash flows from financing activities			
Proceeds from other borrowings	**4**	10	33
Repayment of other borrowings	**(11)**	(1)	(33)
Capital flows from non-controlling interests and third party interest in consolidated funds	**1,642**	989	2,553
Distributions paid to non-controlling interests	**(27)**	(22)	(56)
Shares acquired by trusts	**(4)**	(32)	(35)
Interest paid	**(39)**	(40)	(117)
Ordinary dividends paid	**(105)**	(134)	(186)
Net cash flows from financing activities	**1,460**	770	2,159
Net increase/(decrease) in cash and cash equivalents[2]	**2,880**	(2,594)	(3,141)
Cash and cash equivalents at the beginning of the period[2]	**5,701**	8,840	8,840
Effects of exchange rate changes on cash and cash equivalents	**46**	(22)	2
Cash and cash equivalents at the end of the period[1,2]	**8,627**	6,224	5,701
Supplemental disclosures on cash flows from operating activities			
Interest received	**1,345**	1,369	2,663
Dividends received	**816**	665	1,329
Rental income received on investment properties	**309**	286	605

1 Comprises £8,752m (six months ended 30 June 2010: £6,373m; 12 months ended 31 December 2010: £5,805m) of cash and cash equivalents and (£125m) (six months ended 30 June 2010: (£149m); 12 months ended 31 December 2010: (£104m)) of overdrafts which are reported in Borrowings in the Statement of financial position. At 30 June 2010, £6,361m of cash and cash equivalents related to continuing operations and £12m related to discontinued operations.

2 There has been a reallocation between cash and cash equivalents and investment securities at 30 June 2010 and 31 December 2010, which has impacted the statement of cash flows. Refer to Note 3.1(a) – Accounting policies – Basis of preparation.

The Notes on pages 47 to 63 are an integral part of this consolidated financial information.

Notes to the IFRS financial information

3.1 Accounting policies

(a) Basis of preparation

The condensed consolidated half year financial information has been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Services Authority and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board as endorsed by the European Union.

With the exception of the change to the Group's operating profit accounting policy outlined below, the accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's Annual Report and Accounts 2010 have been applied in the preparation of the condensed half year financial information.

The Group has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and interpretations which are effective from 1 January 2011 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Group's financial statements:

- Amendment to IAS 32 *Financial Instruments: Presentation*
- Amendment to IAS 24 *Related Party Disclosures*
- *Improvements to IFRSs* 2010
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
- Amendment to IFRIC 14 *Prepayment of a Minimum Funding Requirement*

The Group has amended its operating profit accounting policy in respect of the treatment of the volatility arising from changes in insurance and investment contract liabilities driven by corresponding changes in tax provisions. Previously, such volatility was excluded from operating profit. Under the revised policy, volatility in relation to insurance contract liabilities is excluded from operating profit, only to the extent that it relates to short-term fluctuations in investment return and economic assumption changes, and items which are one-off in nature and outside the control of management. The purpose of this amendment is to improve consistency with the underlying principles of the Group's operating profit methodology. The change to the operating profit policy did not have a significant impact on the operating profit reported for the six months ended 30 June 2010 and year ended 31 December 2010.

The Group accounting policy for cash and cash equivalents states that cash and cash equivalents include any highly rated liquid investments with less than 3 months to maturity from the date of acquisition. Any debt instruments with a maturity date greater than 3 months from the date of acquisition are classified as debt securities. Following a review of our short-dated debt instruments, there has been a reallocation from cash and cash equivalents to debt securities (included in investment securities) at 30 June 2010 of £275m and 31 December 2010 of £1,629m. There has been no change to total assets or net assets.

(b) Condensed half year financial information

This condensed consolidated half year information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 were approved by the Board of Directors on 10 March 2011 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of Company Act 2006. This condensed consolidated half year financial information has been reviewed, not audited.

3.2 Segmental analysis

(a) Basis of segmentation

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed and are as follows:

UK
UK operations comprise life and pensions business which provides a broad range of pensions, protection, savings and investment products to individual and corporate customers. The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and was classified as a discontinued operation in this reportable segment for the six months ended 30 June 2010 and year ended 31 December 2010.

Canada
Canada operations offer a broad range of pensions and savings products to individual and corporate customers in addition to commercial mortgage products.

International
The businesses included in this reportable segment offer a range of life and pension products and comprise operations in Ireland, Germany, Austria, investments in joint ventures in India and China and a wholly owned subsidiary in Hong Kong.

Global investment management
Investment management services are provided by global investment management operations to the Group's other reportable segments. Global investment management also provides a range of investment products for individuals and institutional customers through a number of different investment vehicles.

Other
This reportable segment primarily includes the group corporate centre and the shared service centre.

(b) Reportable segments – income statement, operating profit and asset information

Income statement and asset information is presented by reportable segment in the tables that follow. As described beneath the IFRS pro forma reconciliation of consolidated operating profit to profit for the period, operating profit is considered to present an indication of the long-term operating business performance of the Group. Operating profit is one of the key measures utilised by the Group's management in their evaluation of segmental performance and is therefore also presented by reportable segment.

30 June 2011	UK £m	Canada £m	International[1] £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue							
Net earned premium	623	541	473	2	-	-	**1,639**
Net investment return	2,511	602	6	2	3	-	**3,124**
Other segment income	254	74	27	127	14	(16)	**480**
Inter-segment revenue	24	1	-	57	270	(352)	**-**
Total net revenue	**3,412**	**1,218**	**506**	**188**	**287**	**(368)**	**5,243**
Expenses							
Segment expenses	3,233	1,050	489	128	315	(361)	**4,854**
Finance costs	57	7	-	-	-	(7)	**57**
Total expenses	**3,290**	**1,057**	**489**	**128**	**315**	**(368)**	**4,911**
Share of profit from associates and joint ventures	8	15	1	7	-	-	**31**
Profit/(loss) before tax	**130**	**176**	**18**	**67**	**(28)**	**-**	**363**
Tax attributable to policyholders' returns	72	-	(1)	-	-	-	**71**
Tax attributable to equity holders' profits	4	34	12	16	(8)	-	**58**
Profit/(loss) for the period	**54**	**142**	**7**	**51**	**(20)**	**-**	**234**
Profit attributable to non-controlling interests	(35)	-	-	-	-	-	**(35)**
Profit/(loss) attributable to equity holders of Standard Life plc	**19**	**142**	**7**	**51**	**(20)**	**-**	**199**
Reconciliation to consolidated operating profit							
Tax expense/(credit) attributable to equity holders' profits	4	34	12	16	(8)	-	**58**
Non-operating loss/(profit) before tax from continuing operations	64	(73)	-	-	14	-	**5**
Operating profit/(loss) before tax	**87**	**103**	**19**	**67**	**(14)**	**-**	**262**
Other income included in the income statement is as follows:							
Interest income	36	86	12	-	1	-	**135**
Other expenses included in the income statement include:							
Impairment losses (reversed)/recognised	(3)	(1)	-	-	7	-	**3**
Amortisation of intangible assets	6	-	1	-	2	-	**9**
Amortisation of deferred acquisition costs	40	6	28	-	-	-	**74**
Depreciation of property, plant and equipment	-	1	-	-	6	-	**7**
Interest expense[2]	62	11	-	-	57	(65)	**65**
Assets							
Segment assets	123,162	24,962	12,708	631	1,013	(799)	**161,677**
Investments in associates and joint ventures	53	136	103	45	13	-	**350**
Total assets	**123,215**	**25,098**	**12,811**	**676**	**1,026**	**(799)**	**162,027**
Additions during the period							
Intangible assets	53	-	-	-	14	-	**67**
Deferred acquisition costs	37	9	52	-	-	-	**98**
Property, plant and equipment	-	1	-	-	5	-	**6**
Investment properties	147	99	-	-	-	-	**246**
	237	**109**	**52**	**-**	**19**	**-**	**417**

1 Total net revenue, excluding inter-segment revenue, for Germany, Ireland and Asia is £367m (six months to 30 June 2010: £698m and 12 months to 31 December 2010: £1,253m), £65m (six months to 30 June 2010: £223m and 12 months to 31 December 2010: £548m) and £74m (six months to 30 June 2010: £29m and 12 months to 31 December 2010: £91m) respectively.

2 Refer to Note 3.3 – Administrative expenses

All activities are from continuing operations.

3.2 Segmental analysis *continued*

(b) Reportable segments – income statement, operating profit and asset information *continued*

30 June 2010	UK[1] £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue							
Net earned premium	738	451	423	2	-	-	**1,614**
Net investment return	2,060	287	508	-	5	-	**2,860**
Other segment income	224	69	19	96	10	(12)	**406**
Inter-segment revenue	18	1	(4)	56	266	(337)	**-**
Total net revenue	**3,040**	**808**	**946**	**154**	**281**	**(349)**	**4,880**
Expenses							
Segment expenses	2,655	755	911	109	298	(342)	**4,386**
Finance costs	57	7	-	-	-	(7)	**57**
Total expenses	**2,712**	**762**	**911**	**109**	**298**	**(349)**	**4,443**
Share of profit/(loss) from associates and joint ventures	1	12	(20)	3	-	-	**(4)**
Profit/(loss) before tax	**329**	**58**	**15**	**48**	**(17)**	**-**	**433**
Tax attributable to policyholders' returns	149	-	9	-	-	-	**158**
Tax attributable to equity holders' profits	14	13	4	13	(3)	-	**41**
Profit/(loss) for the period from continuing operations	**166**	**45**	**2**	**35**	**(14)**	**-**	**234**
Loss for the period from discontinued operations[1]	(17)	-	-	-	-	-	**(17)**
Profit/(loss) for the period	**149**	**45**	**2**	**35**	**(14)**	**-**	**217**
Profit attributable to non-controlling interests from continuing operations	(35)	-	-	-	-	-	**(35)**
Profit/(loss) attributable to equity holders of Standard Life plc	**114**	**45**	**2**	**35**	**(14)**	**-**	**182**
Reconciliation to consolidated operating profit[1]							
Tax expense/(credit) attributable to equity holders' profits from continuing operations	14	13	4	13	(3)	-	**41**
Non-operating (profit)/loss before tax from continuing operations	(69)	4	2	1	4	-	**(58)**
Less: Loss for the period from discontinued operations	17	-	-	-	-	-	**17**
Operating profit/(loss) before tax from continuing operations	**76**	**62**	**8**	**49**	**(13)**	**-**	**182**
Other income included in the income statement is as follows:							
Interest income[2]	47	81	15	-	1	-	**144**
Other expenses included in the income statement include:							
Impairment losses recognised/(reversed)[2]	(3)	(1)	-	-	-	-	**(4)**
Amortisation of intangible assets:							
From continuing operations	5	-	1	-	2	-	**8**
From discontinued operations	2	-	-	-	-	-	**2**
Amortisation of deferred acquisition costs:							
From continuing operations	40	6	21	-	-	-	**67**
From discontinued operations	32	-	-	-	-	-	**32**
Depreciation of property, plant and equipment[2]	-	1	1	-	4	-	**6**
Interest expense[2,3]	61	11	1	-	60	(68)	**65**
Assets							
Segment assets	106,727	22,129	9,688	468	746	(728)	**139,030**
Investments in associates and joint ventures	2,625	124	201	34	19	-	**3,003**
Total assets	**109,352**	**22,253**	**9,889**	**502**	**765**	**(728)**	**142,033**
Additions during the period							
Intangible assets	36	-	4	-	2	-	**42**
Deferred acquisition costs	71	10	34	-	-	-	**115**
Property, plant and equipment	-	1	-	-	6	-	**7**
Investment properties	358	34	-	-	-	-	**392**
	465	**45**	**38**	**-**	**8**	**-**	**556**

1 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and was classified as a discontinued operation for the six months ended 30 June 2010. The reconciliation to consolidated operating profit for the six months ended 30 June 2010 includes continuing operations only.

2 All from continuing operations.

3 Refer to Note 3.3 – Administrative expenses

31 December 2010	UK[1] £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue							
Net earned premium	1,319	919	909	3	-	-	**3,150**
Net investment return	11,553	2,077	937	-	9	(6)	**14,570**
Other segment income	464	136	46	209	23	(29)	**849**
Inter-segment revenue	11	3	-	111	544	(669)	**-**
Total net revenue	**13,347**	**3,135**	**1,892**	**323**	**576**	**(704)**	**18,569**
Expenses							
Segment expenses	12,541	2,948	1,841	228	640	(689)	**17,509**
Finance costs	114	14	-	-	-	(15)	**113**
Total expenses	**12,655**	**2,962**	**1,841**	**228**	**640**	**(704)**	**17,622**
Share of profit/(loss) from associates and joint ventures	21	15	(23)	11	-	-	**24**
Profit/(loss) before tax	**713**	**188**	**28**	**106**	**(64)**	**-**	**971**
Tax attributable to policyholders' returns	385	-	16	-	(1)	-	**400**
Tax attributable to equity holders' profits	27	43	8	27	(7)	-	**98**
Profit/(loss) for the year from continuing operations	**301**	**145**	**4**	**79**	**(56)**	**-**	**473**
Profit for the year from discontinued operations[1]	20	-	-	-	-	-	**20**
Profit/(loss) for the year	**321**	**145**	**4**	**79**	**(56)**	**-**	**493**
Profit attributable to non-controlling interests from continuing operations	(61)	-	-	-	-	-	**(61)**
Profit/(loss) attributable to equity holders of Standard Life plc	**260**	**145**	**4**	**79**	**(56)**	**-**	**432**
Reconciliation to consolidated operating profit[1]							
Tax expense/(credit) attributable to equity holders' profits from continuing operations	27	43	8	27	(7)	-	**98**
Non-operating (profit)/loss before tax from continuing operations	(33)	(78)	3	(3)	26	-	**(85)**
Less: Profit for the year from discontinued operations	(20)	-	-	-	-	-	**(20)**
Operating profit/(loss) before tax from continuing operations	**234**	**110**	**15**	**103**	**(37)**	**-**	**425**
Other income included in the income statement is as follows:							
Interest income[2]	73	164	21	1	1	-	**260**
Other expenses included in the income statement include:							
Impairment losses (reversed)/recognised[2]	(9)	-	-	-	4	-	**(5)**
Amortisation of intangible assets:							
From continuing operations	14	1	2	-	3	-	**20**
From discontinued operations	2	-	-	-	-	-	**2**
Amortisation of deferred acquisition costs:							
From continuing operations	82	25	52	-	-	-	**159**
From discontinued operations	37	-	-	-	-	-	**37**
Depreciation of property, plant and equipment[2]	-	2	1	1	8	-	**12**
Interest expense[2,3]	123	21	1	-	113	(128)	**130**
Assets							
Segment assets	114,931	24,246	11,290	419	913	(770)	**151,029**
Investments in associates and joint ventures	2,697	123	211	42	14	-	**3,087**
Total assets	**117,628**	**24,369**	**11,501**	**461**	**927**	**(770)**	**154,116**
Additions during the year							
Intangible assets	39	2	4	-	32	-	**77**
Deferred acquisition costs	110	17	90	1	-	-	**218**
Property, plant and equipment	-	1	1	-	16	-	**18**
Investment properties	758	73	-	-	-	-	**831**
	907	**93**	**95**	**1**	**48**	**-**	**1,144**

1 Standard Life Healthcare Limited was classified as a discontinued operation for the 12 months ended 31 December 2010. The reconciliation to consolidated operating profit for the year ended 31 December 2010 includes continuing operations only.
2 All from continuing operations.
3 Refer to Note 3.3 – Administrative expenses.

3.2 Segmental analysis *continued*

(b) Reportable segments – income statement, operating profit and asset information *continued*

Inter-segment transactions are entered into under normal commercial terms and conditions that would be available to unrelated third parties. The allocation of total net revenue presented above is based on customer location and this basis is not materially different to geographical origin. The Group has a widely diversified policyholder base and is therefore not reliant on any individual customers. The Group utilises additional measures to assess the performance of each of the reportable segments, which are presented in the European Embedded Value financial information.

(c) Non-current non-financial assets by geographical location

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
UK	**7,575**	7,003	7,437
Continental Europe	**44**	52	48
Canada	**1,397**	1,147	1,223
Total	**9,016**	8,202	8,708

Non-current non-financial assets for this purpose consist of investment property, property, plant and equipment and intangible assets (excluding intangible assets arising from insurance or participating investment contracts).

3.3 Administrative expenses

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Restructuring and corporate transaction expenses	**23**	18	73
Commission expenses	**197**	179	370
Interest expenses	**8**	8	17
Staff costs and other employee-related costs	**308**	328	586
Acquisition costs deferred during the period	**(98)**	(115)	(218)
Amortisation of deferred acquisition costs	**74**	99	196
Impairment of intangible assets	**7**	-	-
Other administrative expenses	**350**	286	622
Total administrative expenses	**869**	803	1,646
Less: administrative expenses from discontinued operations	**-**	(33)	(39)
Administrative expenses	**869**	770	1,607

Interest expense of £57m (six months ended 30 June 2010: £57m; 12 months ended 31 December 2010: £113m) in respect of subordinated liabilities is included within finance costs. For the six months ended 30 June 2011, total interest expense is £65m (six months ended 30 June 2010: £65m; 12 months ended 31 December 2010: £130m).

All restructuring costs for the period to 30 June 2011 are from continuing operations. Included in restructuring costs for the six months ended 30 June 2010 and 12 months ended 31 December 2010 are £1m of costs in relation to discontinued operations.

Of the restructuring costs from continuing operations, £23m (six months ended 30 June 2010: £17m; 12 months ended 31 December 2010: £71m) is adjusted when determining operating profit for the period. For the period ended 31 December 2010, the remaining £1m was incurred by the Heritage With Profits Fund.

Restructuring costs from continuing operations incurred during the period are all in relation to the Group's transformation and Solvency 2 programmes (six months ended 30 June 2010: £11m; 12 months ended 31 December 2010: £64m). Transaction costs incurred from the sale of Standard Life Bank plc and Standard Life Healthcare Limited for the six months ended 30 June 2010 and 12 months ended 31 December 2010 were £5m and £8m respectively.

3.4 Tax expense

The tax expense is attributed as follows:

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Tax expense attributable to policyholders' returns	**71**	158	400
Tax expense attributable to equity holders' profits	**58**	41	98
	129	199	498
Tax credit from discontinued operations	**-**	(3)	(3)
	129	196	495

From 1 April 2011, the UK corporation tax rate reduced from 28% to 26%. This rate change has been included in the calculation of UK deferred tax. In addition, the Finance Act 2011 (the Act) reduces the tax rate to 25% from 1 April 2012. As the Act was substantively enacted on 5 July 2011, this rate change has not been applied in calculating the UK deferred tax position as at 30 June 2011. The rate change will be included in the calculation of UK tax for subsequent reporting periods.

The share of tax of associates and joint ventures is £12m (six months ended 30 June 2010: £4m; 12 months ended 31 December 2010: £4m) and is included in Share of profit/(loss) from associates and joint ventures in the condensed consolidated income statement.

The total tax expense is split as follows:

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Income tax:			
UK	**76**	147	253
Double tax relief	**(1)**	(1)	(1)
Canada and international	**17**	20	42
Adjustment to tax expense in respect of prior periods	**(2)**	(6)	4
Total income tax	**90**	160	298
Deferred tax:			
Deferred tax expense arising from the current periods	**39**	36	197
Total deferred tax	**39**	36	197
Total tax expense	**129**	196	495
Less: Income tax expense attributable to discontinued operations	**-**	3	3
Total income tax expense attributable to continuing operations	**129**	199	498
Attributable to equity holders' profits	**58**	41	98

Tax relating to components of other comprehensive income is as follows:

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Tax on actuarial (losses)/gains on defined benefit pension schemes	**(20)**	40	59
Revaluation of land and buildings	**-**	-	1
Tax on fair value gains on cash flow hedges attributable to discontinued operations	**-**	6	6
Tax relating to each component of other comprehensive income	**(20)**	46	66

3.5 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period is the weighted average number of shares in issue less the weighted average number of shares owned by employee share trusts that have not vested unconditionally to employees.

	6 months 2011	6 months 2010	Full year 2010
Profit from continuing operations (£m)	**199**	199	412
(Loss)/profit from discontinued operations (£m)	**-**	(17)	20
Profit attributable to equity holders of Standard Life plc (£m)	**199**	182	432
Weighted average number of ordinary shares in issue (millions)	**2,279**	2,230	2,242
Basic earnings per share from continuing operations (pence per share)	**8.7**	8.9	18.4
Basic earnings per share from discontinued operations (pence per share)	**-**	(0.7)	0.9
Basic earnings per share (pence per share)	**8.7**	8.2	19.3

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares – share awards and share options awarded to employees.

For share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued, or purchased, assuming the exercise of the share options.

	6 months 2011	6 months 2010	Full year 2010
Profit from continuing operations (£m)	**199**	199	412
(Loss)/profit from discontinued operations (£m)	**-**	(17)	20
Profit attributable to equity holders of Standard Life plc (£m)	**199**	182	432
Weighted average number of ordinary shares for diluted earnings per share (millions)	**2,282**	2,235	2,248
Diluted earnings per share from continuing operations (pence per share)	**8.7**	8.9	18.3
Diluted earnings per share from discontinued operations (pence per share)	**-**	(0.7)	0.9
Diluted earnings per share (pence per share)	**8.7**	8.2	19.2

The dilutive effect of share awards and options included in the weighted average number of ordinary shares above was three million (six months ended 30 June 2010: five million; 12 months ended 31 December 2010: six million).

(c) Alternative earnings per share

Earnings per share is also calculated based on the operating profit before tax as well as on the profit attributable to equity holders. The Directors believe that earnings per share based on operating profit provides a better indication of the operating business performance of the Group.

(c)(i) Basic alternative earnings per share

	6 months 2011 £m	6 months 2011 p per share	6 months 2010 £m	6 months 2010 p per share	Full year 2010 £m	Full year 2010 p per share
Operating profit before tax from continuing operations	**262**	**11.5**	182	8.2	425	19.0
Short-term fluctuations in investment return and economic assumption changes[1]	**27**	**1.2**	75	3.4	157	7.0
Restructuring and corporate transaction expenses	**(23)**	**(1.0)**	(17)	(0.8)	(71)	(3.2)
Impairment of intangible assets	**(7)**	**(0.3)**	-	-	-	-
Impairment of investments in associates	**-**	**-**	-	-	(1)	-
Other operating profit adjustments[1]	**(2)**	**(0.1)**	-	-	-	-
Profit attributable to non-controlling interests	**35**	**1.5**	35	1.6	61	2.7
Profit before tax from continuing operations	**292**	**12.8**	275	12.4	571	25.5
Tax (expense)/credit attributable to:						
Operating profit	**(52)**	**(2.3)**	(48)	(2.2)	(89)	(4.0)
Adjusted items	**(6)**	**(0.3)**	7	0.3	(9)	(0.4)
Profit attributable to non-controlling interests	**(35)**	**(1.5)**	(35)	(1.6)	(61)	(2.7)
(Loss)/profit from discontinued operations	**-**	**-**	(17)	(0.7)	20	0.9
Profit attributable to equity holders of Standard Life plc	**199**	**8.7**	182	8.2	432	19.3

1 As described in Note 3.1(a) – Accounting policies – Basis of preparation, the Group has amended its operating profit accounting policy. As a result, £6m and £30m have been reallocated from other operating profit adjustments to short-term fluctuations in investment return and economic assumption changes for the six months ended 30 June 2010 and 12 months ended 31 December 2010 respectively.

(c)(ii) Diluted alternative earnings per share

	6 months 2011 £m	6 months 2011 p per share	6 months 2010 £m	6 months 2010 p per share	Full year 2010 £m	Full year 2010 p per share
Operating profit before tax from continuing operations	**262**	**11.5**	182	8.2	425	19.0
Short-term fluctuations in investment return and economic assumption changes[1]	**27**	**1.2**	75	3.4	157	6.9
Restructuring and corporate transaction expenses	**(23)**	**(1.0)**	(17)	(0.8)	(71)	(3.2)
Impairment of intangible assets	**(7)**	**(0.3)**	-	-	-	-
Impairment of investments in associates	**-**	**-**	-	-	(1)	-
Other operating profit adjustments[1]	**(2)**	**(0.1)**	-	-	-	-
Profit attributable to non-controlling interests	**35**	**1.5**	35	1.6	61	2.7
Profit before tax from continuing operations	**292**	**12.8**	275	12.4	571	25.4
Tax (expense)/credit attributable to:						
Operating profit	**(52)**	**(2.3)**	(48)	(2.2)	(89)	(4.0)
Adjusted items	**(6)**	**(0.3)**	7	0.3	(9)	(0.4)
Profit attributable to non-controlling interests	**(35)**	**(1.5)**	(35)	(1.6)	(61)	(2.7)
(Loss)/profit from discontinued operations	**-**	**-**	(17)	(0.7)	20	0.9
Profit attributable to equity holders of Standard Life plc	**199**	**8.7**	182	8.2	432	19.2

1 As described in Note 3.1(a) – Accounting Policies – Basis of preparation, the Group has amended its operating profit accounting policy. As a result, £6m and £30m have been reallocated from other operating profit adjustments to short-term fluctuations in investment return and economic assumption changes for the six months ended 30 June 2010 and 12 months ended 31 December 2010 respectively.

3.6 Short-term fluctuations in investment return and economic assumption changes

Operating profit is based on expected returns on investments backing equity holder funds and the difference between the expected return and actual return on investments is excluded from operating profit and presented within profit before tax. Adjustments are also made consistently to allow for expected movements in equity holder liabilities. As a result, the components of IFRS profit attributable to market movements and interest rate changes which give rise to variances between actual and expected investment returns, as well as the impact of changes in economic assumptions on equity holder liabilities, are excluded from operating profit and disclosed separately within the heading of short-term fluctuations in investment return and economic assumption changes.

The expected rates of return for debt securities, equity securities and property are determined separately for each of the Group's operations and are consistent with the expected rates of return as determined under the Group's published European Embedded Value (EEV) methodology. The expected rates of return for equity securities and property, with the exception of the Canada operations, are determined based on the gilt spot rates of an appropriate duration plus an equity risk premium or property risk premium, respectively. The expected rates of return on equity securities and property for Canada operations are determined by the Appointed Actuary in Canada.

The principal assumptions as set at the start of the period in respect of gross investment returns underlying the calculation of the expected investment return for equity securities and property are as follows:

	6 months 2011		6 months 2010		Full year 2010	
	UK	**Canada**	UK	Canada	UK	Canada
	%	**%**	%	%	%	%
Equity securities	**6.49**	**8.60**	7.11	8.60	7.11	8.60
Property	**5.49**	**8.60**	6.11	8.60	6.11	8.60

In respect of debt securities, the expected rate of return is determined based on the average prospective yields for the debt securities actually held or, in respect of the Canada operations, is determined by the Appointed Actuary in Canada.

Gains and losses on foreign exchange are deemed to represent short-term fluctuations in investment return and economic assumption changes and thus are excluded from operating profit.

Short-term fluctuations in investment return and economic assumption changes for the six months ended 30 June 2011 were £27m (six months ended 30 June 2010: £75m; 12 months ended 31 December 2010: £157m). Short-term fluctuations in investment return relate principally to the investment volatility in Canada non-segregated funds, UK annuities and in respect of the Group's subordinated liabilities and assets backing those liabilities.

3.7 Dividends

Subsequent to 30 June 2011, the Directors have proposed an interim dividend for 2011 of 4.60 pence per ordinary share (interim 2010: 4.35 pence), an estimated £107m in total (interim 2010: £98m). The dividend will be paid on 18 November 2011. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2011. During the six months to 30 June 2011 the Directors declared a final dividend for the year ended 31 December 2010 of 8.65 pence per ordinary share (final 2009: 8.09 pence) totalling £197m (final 2009: £180m).

Investors taking part in the Scrip scheme receive their dividend entitlement in the form of shares rather than cash. The distribution under Scrip is recorded as an appropriation of retained earnings. Dividends paid in the six months ended 30 June 2011 comprise £92m (six months ended 30 June 2010: £46m; 12 months ended 31 December 2010: £92m) settled by the issue of shares under the Scrip scheme and £105m (six months ended 30 June 2010: £134m; 12 months ended 31 December 2010: £186m) paid in cash.

3.8 Issued share capital and shares held by trusts

(a) Issued share capital

The movement in the issued share capital of the Company during the period was:

	6 months 2011 Number	6 months 2011 £m	6 months 2010 Number	6 months 2010 £m	Full year 2010 Number	Full year 2010 £m
At start of period	**2,283,019,841**	**228**	2,236,292,157	224	2,236,292,157	224
Shares issued in lieu of cash dividends	**44,791,814**	**5**	21,942,218	2	44,854,401	4
Shares issued in respect of employee share plans	**267,605**	**-**	348,795	-	566,626	-
Shares issued in respect of share options	**-**	**-**	1,305,584	-	1,305,584	-
Demutualisation shares	**-**	**-**	490	-	490	-
Shares issued in respect of bonus issue	**-**	**-**	184	-	583	-
At end of period	**2,328,079,260**	**233**	2,259,889,428	226	2,283,019,841	228

During the six months ended 30 June 2011, 44,791,814 shares have been issued in respect of dividends under the Scrip dividend scheme (six months ended 30 June 2010: 21,942,218; 12 months ended 31 December 2010: 44,854,401).

The Group operates share incentive plans, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any one year is £1,500. The Group offers to match the first £25 of shares bought each month. During the six months ended 30 June 2011, the Company allotted 267,605 ordinary shares to Group employees under the share incentive plans (six months ended 30 June 2010: 348,795; 12 months ended 31 December 2010: 566,626).

The Group also operates a Long-Term Incentive Plan (LTIP) for executives and senior management. During the six months ended 30 June 2011, no ordinary shares were issued on exercise of share options in respect of the LTIP (six months ended 30 June 2010: 1,305,584; 12 months ended 31 December 2010: 1,305,584).

The Scheme of Demutualisation sets a 10 year limit, ending in 2016, for those eligible members of The Standard Life Assurance Company (SLAC) who were not allocated shares at the date of demutualisation to claim their entitlements. During the six months ended 30 June 2011, no ordinary shares were issued to eligible members in respect of their demutualisation entitlements (six months ended 30 June 2010: 490; 12 months ended 31 December 2010: 490).

(b) Shares held by trusts

The Employee Share Trust (EST) purchases and holds shares in the Company for delivery to employees under various employee share schemes. Shares purchased by the EST are presented as a deduction from equity in the condensed consolidated statement of financial position. Share-based liabilities to employees may also be settled by the issue of new shares.

Shares held by trusts also include shares held by the Unclaimed Asset Trust (UAT). The shares held by the UAT are those not yet claimed by the eligible members of SLAC following its demutualisation on 10 July 2006.

Any corresponding obligation to deliver a fixed number of the Company's equity instruments to employees, or eligible members of the SLAC, is offset within the shares held by trusts reserve.

At 30 June 2011, the number of shares held by trusts which were not offset by a corresponding obligation to deliver a fixed number of equity instruments was 9,665,802 (30 June 2010: 8,817,384; 31 December 2010: 12,209,946).

3.9 Insurance contract liabilities, non-participating investment contract liabilities, participating investment contract liabilities and reinsurance assets

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Non-participating insurance contract liabilities	**23,797**	23,344	23,564
Non-participating investment contract liabilities	**79,286**	65,554	75,600
Total non-participating contract liabilities	**103,083**	88,898	99,164
Less: Non-participating insurance contracts classified as held for sale	**-**	(157)	-
Non-participating contract liabilities	**103,083**	88,741	99,164
Participating insurance contract liabilities	**17,098**	16,654	17,357
Participating investment contract liabilities	**15,230**	15,008	15,329
Unallocated divisible surplus	**767**	757	788
Participating contract liabilities	**33,095**	32,419	33,474

Due to changes in economic and non-economic factors, certain assumptions used in estimating insurance and investment contract liabilities have been revised. Therefore, the change in liabilities reflects actual experience over the year, changes in assumptions and, to a limited extent, improvements in modelling techniques.

The movements in participating and non-participating insurance and investment contracts and reinsurers' share of liabilities during the six months ended 30 June 2011, and the six months ended 30 June 2010 arising from changes in estimates are set out below:

30 June 2011	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contract liabilities £m	Reinsurers' share of liabilities (reinsurance asset) £m	Net £m
Changes in:						
Methodology/modelling changes	(34)	(6)	33	-	-	(7)
Non-economic assumptions	-	-	-	-	-	-
Economic assumptions	(134)	91	54	-	(9)	2
30 June 2010						
Changes in:						
Methodology/modelling changes	2	20	(1)	-	(1)	20
Non-economic assumptions	-	2	-	-	-	2
Economic assumptions	(34)	672	27	-	(283)	382

The movement in insurance contract liabilities, participating investment contracts and reinsurance assets during the year ended 31 December 2010 was as follows:

2010	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 £m
At 1 January	**16,568**	**22,164**	**14,993**	**53,725**	**(7,032)**	**46,693**
Expected change	(362)	(525)	(546)	(1,433)	307	(1,126)
Methodology/modelling changes	2	(11)	8	(1)	(7)	(8)
Effect of changes in:						
Economic assumptions	38	583	2	623	(251)	372
Non-economic assumptions	(34)	(43)	(12)	(89)	54	(35)
Effect of:						
Economic experience	1,062	536	769	2,367	(19)	2,348
Non-economic experience	146	(434)	57	(231)	15	(216)
New business	39	816	90	945	(2)	943
Total change in contract liabilities	**891**	**922**	**368**	**2,181**	**97**	**2,278**
Foreign exchange adjustment	(102)	625	(32)	491	(31)	460
Movements attributable to discontinued healthcare operations	-	(147)	-	(147)	4	(143)
At 31 December	**17,357**	**23,564**	**15,329**	**56,250**	**(6,962)**	**49,288**

The change in non-participating investment contract liabilities during the year ended 31 December 2010 was as follows:

	2010 £m
At 1 January	**63,728**
Contributions	11,145
Initial charges and reduced allocations	(9)
Account balances paid on surrender and other terminations in the year	(7,589)
Investment return credited and related benefits	7,740
Foreign exchange adjustment	955
Recurring management charges	(370)
At 31 December	**75,600**

3.10 Defined benefit and defined contribution plans

(a) Analysis of amounts recognised in the condensed consolidated income statement

The amounts recognised in the condensed consolidated income statement for defined contribution and defined benefit schemes are as follows:

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Current service cost	**(30)**	(34)	(67)
Interest cost on benefit obligation	**(53)**	(55)	(110)
Expected return on plan assets	**69**	59	119
Past service cost	**1**	-	59
(Expense)/credit recognised in the summary consolidated income statement	**(13)**	(30)	1

For the 12 months to 31 December 2010, a credit from past service costs of £59m was recognised as a result of a change in the basis of future pension increases in the UK staff pension scheme.

(b) Analysis of amounts recognised in the condensed consolidated statement of financial position

The present value of the defined benefit obligation less the fair value of gross scheme assets is as follows:

	30 June 2011				30 June 2010				31 December 2010			
	UK £m	**Canada £m**	**Ireland £m**	**Total £m**	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m
Present value of funded obligation	(1,734)	(182)	(54)	(1,970)	(1,712)	(162)	(40)	(1,914)	(1,724)	(175)	(51)	(1,950)
Present value of unfunded obligation	-	(59)	-	(59)	-	(48)	-	(48)	-	(56)	-	(56)
Fair value of plan assets	2,006	177	51	2,234	1,833	152	45	2,030	2,005	175	48	2,228
Adjustment for unrecognised past service costs	-	(6)	-	(6)	-	(6)	-	(6)	-	(6)	-	(6)
Surplus not recognised	(29)	-	-	(29)	-	-	-	-	-	-	-	-
Net asset/(liability)	243	(70)	(3)	170	121	(64)	5	62	281	(62)	(3)	216

The Group also recognises a net liability of £6m (30 June 2010: £5m; 31 December 2010: £6m) arising from a scheme with a total defined benefit obligation of £6m (30 June 2010: £5m; 31 December 2010: £6m) administered for the benefit of employees in Germany, resulting in a net asset of £164m (30 June 2010: asset of £57m; 31 December 2010: asset of £210m). The condensed consolidated statement of financial position presents any net scheme assets within other assets and any net scheme liabilities within other liabilities.

3.10 Defined benefit and defined contribution plans *continued*

(c) Principal assumptions

The principal economic assumptions used in determining pension benefit obligation for the Group's plans are as follows:

	30 June 2011			30 June 2010			31 December 2010		
	UK %	**Canada %**	**Ireland %**	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %
Rate of increase in salaries	**4.75-5.75**	**3.50**	**3.50**	4.55-5.55	3.50	3.50	4.65-5.65	3.50	3.50
Rate of increase in pensions	**3.15-3.75**	**1.33**	**1.00**	3.55	1.33	1.00	3.05-3.65	1.33	1.00
Discount rate	**5.45**	**5.50**	**5.25**	5.45	5.70	6.00	5.30	5.50	5.25
Inflation assumption	**3.15-3.75**	**2.00**	**2.00**	3.55	2.00	2.00	3.05-3.65	2.00	2.00
Expected return on plan assets	**6.15**	**7.00**	**5.00**	6.30	7.00	5.93	6.15	7.00	5.00

3.11 Risk management

The Group recognises the need to manage long-term value creation, cash flow and risk in a holistic manner in order to make informed decisions to create and protect value in the Group's activities. The Group is proactive in understanding and managing the risks to its objectives at every level and ensuring that capital is delivered to areas where most value can be created for the risks taken.

The Group classifies the risks to which it is exposed as follows:

- Market risk
- Credit risk
- Demographic and expense risk
- Liquidity risk
- Operational risk

The Group's Half Year Results do not include all financial risk management information and disclosures required in the Group's Annual Report and Accounts. This note should therefore be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2010.

There have been no changes in the Group's enterprise risk management framework, risk governance structure, qualitative risk appetites or key metrics used to set quantitative risk appetites since year end.

Fair value of financial assets and liabilities

The Group's financial assets and liabilities held at fair value have been analysed using a fair value hierarchy that reflects the significance of the inputs used in valuing those instruments. The fair value hierarchy is based on the following levels:

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

This category includes listed equity securities, certain government bonds and supranational institution bonds and exchange traded futures and options.

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

This category includes certain government bonds, listed or quoted corporate bonds, non-participating investment contract liabilities, third party interest in consolidated funds and derivative instruments that are not exchange traded. Corporate bonds have generally been classified as level 2 instruments as the composite price provided by external pricing providers may include, as an input, quotes provided by some banks that are not based on actual transaction prices.

Level 3 Inputs for the asset or liability that are not based on observable market data.

Level 3 financial instruments principally include unlisted equity securities, corporate bonds for which prices are not available from external pricing providers or where such prices are based on a single broker indicative quote and third party interest in consolidated funds which are not priced daily and where a significant proportion of the fund's assets are valued using inputs that are not based on observable market data.

Fair value hierarchy for financial assets measured at fair value in the statement of financial position

The following table presents an analysis of financial assets measured at fair value by level of the fair value hierarchy.

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Investments in associates and joint ventures	**-**	2,662	2,775	**-**	-	-	**-**	-	-	**-**	2,662	2,775
Derivative financial assets	**407**	604	435	**866**	1,094	908	**-**	-	-	**1,273**	1,698	1,343
Equity securities	**61,976**	48,963	59,059	**-**	28	40	**1,276**	1,131	1,208	**63,252**	50,122	60,307
Debt securities[1]	**24,012**	26,911	25,147	**39,038**	30,218	34,731	**1,593**	1,483	1,486	**64,643**	58,612	61,364
Financial assets at fair value	**86,395**	79,140	87,416	**39,904**	31,340	35,679	**2,869**	2,614	2,694	**129,168**	113,094	125,789

[1] There has been a reallocation between cash and cash equivalents and debt securities at 30 June 2010 and 31 December 2010. The debt securities reallocated are included in level 2 of the fair value hierarchy. Refer to Note 3.1(a) – Accounting policies – Basis of preparation.

There were no significant transfers of financial assets between the levels of the fair value hierarchy during the six months ended 30 June 2011. In the six months July to December 2010, debt securities with a carrying value of £1,456m were transferred from level 1 to level 2. This transfer reflected reduced activity in the market for government securities issued by some European countries.

Fair value hierarchy for financial liabilities measured at fair value in the statement of financial position

The following table presents an analysis of financial liabilities measured at fair value by level of the fair value hierarchy.

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Non-participating investment contract liabilities	**-**	-	-	**76,338**	60,179	72,670	**-**	-	-	**76,338**	60,179	72,670
Third party interest in consolidated funds	**-**	-	-	**7,612**	3,919	5,443	**14**	11	11	**7,626**	3,930	5,454
Derivative financial liabilities	**235**	68	95	**784**	440	829	**-**	-	-	**1,019**	508	924
Financial liabilities at fair value	**235**	68	95	**84,734**	64,538	78,942	**14**	11	11	**84,983**	64,617	79,048

There were no significant transfers of financial liabilities between the levels of the fair value hierarchy during the six months to 30 June 2011 (six months 2010: nil; 12 months 2010: nil).

3.12 Contingent liabilities, indemnities and guarantees

(a) Legal proceedings and regulations

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

The Group is subject to insurance solvency regulations in all the territories in which it issues insurance and investment contracts, and it has complied in material respects with local solvency and other regulations. Therefore, there are no contingent liabilities in respect of these regulations.

(b) Issued share capital

The Scheme of Demutualisation sets a 10 year time limit, ending in 2016, for those eligible members of The Standard Life Assurance Company who were not allocated shares at the date of demutualisation to claim their entitlements. As future issues of these shares are dependent upon the actions of eligible members, it is not practical to estimate the financial effect of this potential obligation.

3.12 Contingent liabilities, indemnities and guarantees *continued*

(c) Other

In the ordinary course of business, Standard Life Trust Company (SLTC) enters into agreements which contain guarantee provisions for clearing system arrangements related to investment activities. Under such arrangements, the company, together with other participants in the clearing systems, may be required to guarantee certain obligations of a defaulting member. The guarantee provisions and amounts vary based upon the agreement. The company cannot estimate the amount, if any, that may be payable upon default. To facilitate its participation in the clearing system, SLTC has provided as security a bank credit facility up to a maximum of CA$84m.

3.13 Commitments

(a) Capital commitments

As at 30 June 2011, £245m (30 June 2010: £310m; 31 December 2010: £251m) was contractually committed to the acquisition of investment properties. Of this amount, £203m (30 June 2010: £289m; 31 December 2010: £239m) and £42m (30 June 2010: £21m; 31 December 2010: £12m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

The Group has committed the following unrecognised financial instruments to customers and third parties:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Commitments to extend credit:			
Original term to maturity of one year or less	**41**	22	51
Original term to maturity of more than one year	**4**	7	7
Other commitments	**277**	384	335

Included in other commitments is £260m (30 June 2010: £364m; 31 December 2010: £315m) committed by certain subsidiaries which are not fully owned by the Group. These commitments are funded through (contractually agreed) additional investments in the subsidiary by the Group and the non-controlling interests. The levels of funding are not necessarily in line with the relevant percentage holdings.

(c) Operating lease commitments

The Group has entered into commercial non-cancellable leases on certain property, plant and equipment where it is not in the best interest of the Group to purchase these assets. Such leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Not later than one year	**22**	23	26
Later than one year and no later than five years	**53**	51	55
Later than five years	**125**	129	129
Total operating lease commitments	**200**	203	210

3.14 Related party transactions

(a) Transactions with/from related parties

Transactions with related parties carried out by the Group were as follows:

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Sale to:			
Associates	**8,270**	5,798	17,340
Joint ventures	**25**	2	32
	8,295	5,800	17,372
Purchase from:			
Associates	**8,877**	6,320	18,052
Joint ventures	**34**	25	19
	8,911	6,345	18,071

Transactions with associates presented above relate primarily to the sales and purchases of holdings in investment funds managed by the Group. In addition to the amounts presented above, the Group's defined benefit pension schemes have assets of £682m (30 June 2010: £532m; 31 December 2010: £655m) invested in investment vehicles managed by the Group.

(b) Transactions with key management personnel

All transactions between key management personnel and the Group are on commercial terms which are equivalent to those available to all employees of the Group. During the six months ended 30 June 2011, key management personnel contributed £0.2m (30 June 2010: £1.4m; 31 December 2010: £1.9m) to products sold by the Group.

3.15 Business combinations

On 11 January 2011, the Group purchased the entire issued and to be issued share capital of Focus Solutions Group plc (Focus). Focus is a provider of software and consultancy solutions to the financial services industry, enabling its clients to automate the delivery of financial products and services to their customers across multiple distribution channels in a rapid and efficient manner. Continued investment in innovative technology is central to the delivery of the Group's accelerated growth strategy. The acquisition will enable the development of new and existing propositions, enhancing the customer experience and driving greater efficiencies. The consideration, acquisition date final fair value of net assets acquired and resulting goodwill are as follows:

	£m
Purchase consideration	
Cash paid	42
Loan notes issued	7
Total purchase consideration	**49**
Fair value of net assets acquired:	
Intangible assets	22
Other assets	8
Cash and cash equivalents	1
Deferred tax assets	3
Other creditors	(6)
Deferred tax liabilities	(5)
	23
Goodwill	**26**

The goodwill is attributable to the workforce of the acquired business and its growth prospects as well as the significant synergies expected to arise as a result of the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

3.16 Investments in associates and joint ventures

During the six months ended 30 June 2011, two sub-funds of Standard Life Investments (Global Liquidity Funds) plc (GLF) – the Sterling Liquidity Fund and Euro Liquidity Fund – were restructured, resulting in the majority of the external holding in these funds being transferred to a third party. The remaining assets were transferred into two new GLF sub-funds – the GBP VNAV Liquidity Fund and the Euro VNAV Liquidity Fund – which are subsidiaries of the Group.

The newly created sub-funds have been consolidated on a line by line basis in the Group's results for 30 June 2011. The significant impact of this change has been to decrease the Group's investments in associates and joint ventures by £2,775m and increase cash and cash equivalents, investment securities and third party interest in consolidated funds.

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4 European Embedded Value (EEV)

EEV consolidated income statement
For the six months ended 30 June 2011

	Notes	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Covered business				
UK		**229**	208	436
Canada		**113**	123	250
International		**35**	48	93
HWPF TVOG		**(11)**	(3)	(8)
Covered business operating profit	4.2(a)	**366**	376	771
Global investment management[1]	4.6(b)	**27**	21	33
UK		**4**	(15)	28
Group corporate centre costs		**(25)**	(30)	(54)
Other	4.6(c)	**4**	12	9
Non-covered business operating profit/(loss)		**10**	(12)	16
Operating profit before tax from continuing operations		**376**	364	787
Non-operating items				
Long-term investment return and tax variances		**(11)**	314	578
Effect of economic assumption changes		**108**	(197)	(209)
Restructuring and corporate transaction expenses[2]		**(23)**	(17)	(71)
Impairment of intangible assets		**(7)**	-	-
Impairment of investments in associates		**-**	-	(1)
Other non-operating items		**(4)**	(1)	-
Consolidation adjustment for different accounting bases[3]		**(8)**	29	51
Non-operating profit before tax from continuing operations		**55**	128	348
Profit before tax from continuing operations		**431**	492	1,135
Tax attributable to:				
Operating profit		**(96)**	(112)	(249)
Non-operating items		**(14)**	(37)	(90)
Profit after tax from continuing operations		**321**	343	796
(Loss)/profit after tax from discontinued operations[4]		**-**	(17)	20
Total profit after tax		**321**	326	816

1 Global investment management EEV non-covered operating profit of £27m (six months ended 30 June 2010: £21m; 12 months ended 31 December 2010: £33m) represents IFRS operating profit of £67m (six months ended 30 June 2010: £49m; 12 months ended 31 December 2010: £103m) after excluding profits of £40m (six months ended 30 June 2010: £28m; 12 months ended 31 December 2010: £70m) which have been generated by life and pensions covered business. Global investment management EEV operating profit therefore represents EEV third party non-covered operating profit. Refer to Note 4.6(b) – Global investment management EEV operating profit before tax and Note 4.17 – EEV methodology.

2 Refer to IFRS financial information Note 3.3 – Administrative expenses.

3 This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.17 – EEV methodology.

4 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and was classified as a discontinued operation for the six months ended 30 June 2010 and 12 months ended 31 December 2010. Refer to Note 4.1 – Basis of preparation.

EEV earnings per share (EPS)
For the six months ended 30 June 2011

	6 months 2011	6 months 2010	Full year 2010
EEV operating profit after tax from continuing operations (£m)[1]	**280**	252	538
Basic EPS (pence) from continuing operations	**12.3**	11.3	24.0
Weighted average number of ordinary shares in issue (millions)	**2,279**	2,230	2,242
Diluted EPS (pence) from continuing operations	**12.3**	11.3	23.9
Weighted average number of ordinary shares on a diluted basis (millions)	**2,282**	2,235	2,248

1 EEV operating profit before tax from continuing operations of £376m (six months ended 30 June 2010: £364m; 12 months ended 31 December 2010: £787m) less attributed tax on operating profit from continuing operations of £96m (six months ended 30 June 2010: £112m; 12 months ended 31 December 2010: £249m).

EEV consolidated statement of comprehensive income
For the six months ended 30 June 2011

	Notes	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Profit after tax		**321**	326	816
Less: (Loss)/profit after tax from discontinued operations		**-**	(17)	20
Profit from continuing operations		**321**	343	796
Fair value losses on cash flow hedges[1]		**-**	-	(2)
Actuarial (losses)/gains on defined benefit pension schemes[1]		**(66)**	122	184
Exchange differences on translating foreign operations[2]		**26**	97	152
Net investment hedge[1]		**(6)**	(16)	(39)
Aggregate tax effect of items recognised in comprehensive income		**20**	(40)	(59)
Other		**1**	5	9
Other comprehensive (expense)/income for the period		**(25)**	168	245
Total comprehensive income for the period attributable to equity holders from continuing operations		**296**	511	1,041
(Loss)/profit after tax from discontinued operations		**-**	(17)	20
Other comprehensive income from discontinued operations		**-**	24	24
Total comprehensive income for the period attributable to equity holders from discontinued operations		**-**	7	44
Total comprehensive income for the period attributable to equity holders	4.7	**296**	518	1,085

1 Consistent with the IFRS consolidated statement of comprehensive income.
2 Exchange differences primarily relate to International £17m.

EEV consolidated statement of financial position
As at 30 June 2011

	Notes	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Covered business				
Free surplus		**965**	1,226	1,202
Required capital		**1,151**	1,012	1,031
Net worth		**2,116**	2,238	2,233
Present value of in-force		**4,462**	3,871	4,277
Cost of required capital		**(492)**	(435)	(439)
Total embedded value of covered business	4.2(c)	**6,086**	5,674	6,071
Non-covered business				
Global investment management		**268**	214	256
UK		**324**	172	271
Group corporate centre		**575**	376	457
Other		**226**	229	221
Discontinued operations		**-**	105	-
Total net assets of non-covered business	4.6(a)	**1,393**	1,096	1,205
Consolidation adjustment for different accounting bases[1]		**39**	29	45
Total Group embedded value	4.7	**7,518**	6,799	7,321
Equity				
Share capital		**233**	226	228
Shares held by trusts		**(16)**	(18)	(21)
Share premium reserve		**1,063**	932	976
Retained earnings on an IFRS basis		**1,051**	807	1,094
Other reserves		**1,636**	1,695	1,626
Additional retained earnings on an EEV basis		**3,551**	3,157	3,418
Total equity		**7,518**	6,799	7,321

[1] This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.17 – EEV methodology.

EEV per share
As at 30 June 2011

	30 June 2011	30 June 2010	31 December 2010
Total Group embedded value (£m)	**7,518**	6,799	7,321
EEV per share (pence)	**324**	302	322
Diluted closing number of ordinary shares in issue (millions)	**2,319**	2,253	2,275

Notes to the EEV financial information

4.1 Basis of preparation

The European Embedded Value (EEV) basis results have been prepared in accordance with the EEV Principles and Guidance issued in May 2004 by the CFO Forum of European Insurance Companies and the Additional Guidance issued in October 2005. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the cost of holding required capital and the value of free surplus. The total profit recognised over the lifetime of a policy is the same as under International Financial Reporting Standards (IFRS) but the timing of recognition of profits is different.

EEV includes the net assets of the businesses that are owned by equity holders of Standard Life plc plus the present value of future profits expected to arise from in-force long-term insurance policies (PVIF) where these future profits are attributable to equity holders under the Scheme of Demutualisation (the Scheme) or from sales of new business since 10 July 2006.

The opening and closing EEV numbers, and therefore the profit arising in the period, for the covered business are determined on an after-tax basis. The tax assumptions are based upon the best estimate of the actual tax expected to arise. Profit before tax is derived by grossing up profit after tax at the long-term rate of corporation tax appropriate to each territory. While for some territories this rate does not equate to the actual effective rate of tax used in the calculation of after-tax profits, it provides a consistent grossing up basis upon which to compare results from one year to another and is in line with the Group's expectation of the rate of tax applicable to business sold after demutualisation.

A detailed description of EEV methodology is provided in Note 4.17. There have been no significant changes to EEV methodology from that adopted in the previous reporting period, except as noted below.

The half year EEV supplementary financial statements have been reviewed but not audited. The EEV supplementary financial statements for the year ended 31 December 2010 were approved on 10 March 2011. The report of the auditors on that financial information was unqualified.

Covered business

A detailed description of EEV covered business is provided in Note 4.17 – EEV methodology.

With effect from January 2011 Canadian insurers have adopted IFRS as their basis for reporting, replacing the previous Canadian GAAP (CGAAP) basis. The impact of the change has been to reduce the Canada EEV by £24m. The comparative results for the six months to 30 June 2010 and the 12 months to 31 December 2010 have not been restated. The sensitivities for Canada have been reviewed to determine the impact of the adoption of IFRS for local reporting. For the impact on the EEV sensitivities as published in the Group's Annual Report and Accounts 2010 refer to Note 4.16 – Sensitivity analysis – economic and non-economic assumptions.

Elsewhere within the Group, the regulatory basis for setting actuarial reserves and required capital has been calculated assuming the continuation of current regimes. Therefore, no allowance has been made for the change in reserving or required capital bases anticipated under Solvency 2.

The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a 'risk neutral' approach, whereby projected investment returns and discount rates are based on risk free rates. For the results for 30 June 2011, Hong Kong is for the first time using a similar approach to that used in the rest of the Group's wholly owned businesses. This involves projecting investment returns on real world assumptions and setting a risk discount rate that removes the market risk above the risk free rate. Principal economic assumptions for investment returns and risk discount rates are provided in Note 4.13 – Principal economic assumptions – deterministic calculations – covered business. Due to the calibration methodology for setting the risk discount rate, there is no material impact on the results produced on the previous 'risk neutral' approach. Therefore the comparative results for 30 June 2010 and 31 December 2010 have not been restated. The India and China JV businesses are still calculated on a 'risk neutral' approach.

Non-covered business

On 11 January 2011, the Group purchased the entire issued and to be issued share capital of Focus Solutions Group plc (Focus). See IFRS financial information Note 3.15 – Business combinations. For the purposes of the Group EEV Focus will be treated as non-covered business.

Segmentation

Within the IFRS segmental analysis, UK operations primarily comprise life and pensions, UK non-covered mutual funds business and the non-covered UK pension scheme. The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation for the six months ended 30 June 2010 and the 12 months ended 31 December 2010. Following the acquisition of Focus on 11 January 2011, UK non-covered business for the results for the six months to 30 June 2011 include Focus for the first time. UK non-covered business is shown within Note 4.6 – Non-covered business.

The EEV consolidated income statement presents EEV operating profit for continuing operations only and therefore excludes the results for the discontinued operations.

4.1 Basis of preparation *continued*

Impact of UK budget changes announced on 23 March 2011

The Finance Act 2011, which was substantively enacted on 5 July 2011, reduced the corporation tax rate from 28% to 26% from 1 April 2011, and to 25% from 1 April 2012. The reduction to 25% has been included within our best estimate assumptions for UK corporation tax as at 30 June 2011.

The March 2011 budget statement announced the Government's intention to make further 1% reductions in UK corporation tax in 2013 and 2014. However, these reductions are subject to legislation in future years and have not been included within the best estimate assumptions as at 30 June 2011.

4.2 Segmental analysis – covered business

(a) Segmental EEV income statement

This Note provides an analysis of EEV covered business as defined in Note 4.17 – EEV methodology.

6 months to 30 June 2011	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	113	30	23	-	**166**
Contribution from in-force business:						
Expected return on existing business		122	74	27	-	**223**
Experience variances	4.4	18	9	(3)	(11)	**13**
Operating assumption changes	4.5	-	-	(3)	-	**(3)**
Development expenses		(16)	(6)	(10)	-	**(32)**
Expected return on free surplus		(8)	6	1	-	**(1)**
Operating profit/(loss) before tax		**229**	**113**	**35**	**(11)**	**366**
Investment return and tax variances		(133)	122	(5)	5	**(11)**
Effect of economic assumption changes		43	36	(8)	37	**108**
Restructuring costs		(15)	(1)	(1)	-	**(17)**
Profit before tax		**124**	**270**	**21**	**31**	**446**
Attributed tax		(31)	(70)	(4)	(8)	**(113)**
Profit after tax		**93**	**200**	**17**	**23**	**333**

6 months to 30 June 2010	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	103	31	27	-	**161**
Contribution from in-force business:						
Expected return on existing business		121	73	22	-	**216**
Experience variances	4.4	17	15	5	(3)	**34**
Operating assumption changes	4.5	-	-	1	-	**1**
Development expenses		(18)	(4)	(10)	-	**(32)**
Expected return on free surplus		(15)	8	3	-	**(4)**
Operating profit/(loss) before tax		**208**	**123**	**48**	**(3)**	**376**
Investment return and tax variances		258	8	3	45	**314**
Effect of economic assumption changes		(101)	(32)	12	(76)	**(197)**
Restructuring costs		(8)	-	(4)	-	**(12)**
Profit/(loss) before tax		**357**	**99**	**59**	**(34)**	**481**
Attributed tax		(101)	(26)	(13)	10	**(130)**
Profit/(loss) after tax		**256**	**73**	**46**	**(24)**	**351**

12 months to 31 December 2010	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	173	68	67	-	**308**
Contribution from in-force business:						
Expected return on existing business		237	142	43	-	**422**
Experience variances	4.4	32	16	(13)	(8)	**27**
Operating assumption changes	4.5	44	18	19	-	**81**
Development expenses		(30)	(10)	(27)	-	**(67)**
Expected return on free surplus		(20)	16	4	-	**-**
Operating profit/(loss) before tax		**436**	**250**	**93**	**(8)**	**771**
Investment return and tax variances		463	40	22	53	**578**
Effect of economic assumption changes		(77)	(83)	10	(59)	**(209)**
Restructuring costs		(39)	(1)	(5)	-	**(45)**
Profit/(loss) before tax		**783**	**206**	**120**	**(14)**	**1,095**
Attributed tax		(212)	(53)	(27)	4	**(288)**
Profit/(loss) after tax		**571**	**153**	**93**	**(10)**	**807**

An analysis of profit after tax by territory is provided in Note 4.9 – Analysis of covered business EEV PVIF and net worth movements (net of tax).

Operating profit before tax for covered business is calculated using the expected long-term investment return which is based on opening economic assumptions. Investment variances, the effect of economic assumption changes and other non-operating items are excluded from operating profit for the period and are reported as part of total EEV profit.

HWPF TVOG represents the time value of financial options and guarantees (TVOG) arising from the Heritage With Profits Fund (HWPF). Although the HWPF includes business written by the UK, Germany and Ireland, the Group manages the risk at an aggregate level. This is consistent with the Group's IFRS financial statements as disclosed in Note 42 – Risk management to the Group's Annual Report and Accounts 2010. The results for Canada and International include the cost of the Canada and Asia TVOG and the cost of TVOG arising on business written outside of the HWPF in Germany.

Development costs of £16m in the UK mainly relate to the investment in corporate and retail propositions and brand development. The £10m of development costs in International include £3m that reflect the costs of developing the India and China JV businesses to build future growth, and £7m in the wholly owned businesses.

The negative £8m expected return on free surplus in the UK reflects the relatively low expected returns currently available on cash assets within free surplus, along with a higher expected increase in the value of subordinated debt liabilities relative to the expected return on the assets backing subordinated debt liabilities. The improvement over the £15m loss reported for the six months to 30 June 2010 mainly reflects the impact of a change in investment strategy in the assets that are backing the subordinated debt liabilities.

Investment return and tax variances in the UK produced a loss of £133m. Lower investment returns experienced in 2011 than had been anticipated reduced the UK PVIF by £41m. In addition, there was a loss of £67m, in excess of the expected returns that are included in the expected return on free surplus, arising from differences in movements of subordinated debt liabilities and the assets that are backing the subordinated debt. Canada investment return and tax variances generated a profit of £122m which is after a pre-tax loss of £32m (£24m post tax) from the impact of adopting IFRS accounting. Refer to Note 4.1 – Basis of preparation. The positive variances in Canada primarily reflect the benefits of strong investment returns, particularly within real estate.

Effect of economic assumption changes was an overall profit of £108m. Increased risk discount rates led to a loss of £30m, which is explained in Note 4.13 – Principal economic assumptions – deterministic calculations – covered business. Changes to the long-term corporation tax rates in the UK and Germany, along with the impact of the temporary levy on pension business in Ireland, resulted in an overall profit of £78m. Refer to Note 4.1 – Basis of preparation. HWPF TVOG generated a profit of £37m largely due to an increase in Euro bond yields.

Restructuring expenses primarily represent the covered business costs associated with the Group's transformation and Solvency 2 programmes as described in the IFRS financial information Note 3.3 – Administrative expenses.

4.2 Segmental analysis – covered business *continued*

(b) Segmental analysis of movements in EEV

6 months to 30 June 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**
Profit after tax	93	200	17	23	**333**
Internal capital transfers	(352)	-	25	-	**(327)**
Transfer back of surplus to Standard Life Investments	(25)	(2)	(2)	-	**(29)**
Transfer back of mutual funds net worth	18	(2)	-	-	**16**
Actuarial losses on defined benefit pension schemes	-	(8)	-	-	**(8)**
Foreign exchange differences	-	10	17	-	**27**
Aggregate tax effect of items not recognised in income statement	-	2	-	-	**2**
Other	-	1	-	-	**1**
Closing EEV	**3,391**	**1,959**	**789**	**(53)**	**6,086**

6 months to 30 June 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**
Profit/(loss) after tax	256	73	46	(24)	**351**
Internal capital transfers	(2)	-	4	-	**2**
Transfer back of surplus to Standard Life Investments	(17)	(1)	(2)	-	**(20)**
Transfer back of mutual funds net worth	14	(2)	-	-	**12**
Actuarial losses on defined benefit pension schemes	-	(24)	-	-	**(24)**
Foreign exchange differences	-	101	(19)	-	**82**
Aggregate tax effect of items not recognised in income statement	-	6	-	-	**6**
Closing EEV	**3,371**	**1,706**	**687**	**(90)**	**5,674**

12 months to 31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**
Profit/(loss) after tax	571	153	93	(10)	**807**
Internal capital transfers	(15)	(65)	(3)	-	**(83)**
Transfer back of surplus to Standard Life Investments	(47)	(3)	(2)	-	**(52)**
Transfer back of mutual funds net worth	28	(4)	-	-	**24**
Actuarial losses on defined benefit pension schemes	-	(20)	(9)	-	**(29)**
Foreign exchange differences	-	139	(5)	-	**134**
Aggregate tax effect of items not recognised in income statement	-	5	-	-	**5**
Closing EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**

Internal capital transfers mainly reflect dividend transfers to Standard Life plc.

(c) Segmental analysis of opening and closing EEV

6 months to 30 June 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	930	226	46	-	**1,202**
PVIF	2,637	1,061	655	(76)	**4,277**
Required capital	159	813	59	-	**1,031**
Cost of capital	(69)	(342)	(28)	-	**(439)**
Opening adjusted EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**
Analysis of EEV					
Free surplus	594	299	72	-	**965**
PVIF	2,703	1,127	685	(53)	**4,462**
Required capital	167	919	65	-	**1,151**
Cost of capital	(73)	(386)	(33)	-	**(492)**
Closing EEV	**3,391**	**1,959**	**789**	**(53)**	**6,086**

6 months to 30 June 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	673	161	91	-	**925**
PVIF	2,359	937	545	(66)	**3,775**
Required capital	139	770	47	-	**956**
Cost of capital	(51)	(315)	(25)	-	**(391)**
Opening adjusted EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**
Analysis of EEV					
Free surplus	944	199	83	-	**1,226**
PVIF	2,359	1,025	577	(90)	**3,871**
Required capital	134	825	53	-	**1,012**
Cost of capital	(66)	(343)	(26)	-	**(435)**
Closing EEV	**3,371**	**1,706**	**687**	**(90)**	**5,674**

12 months to 31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	673	136	91	-	**900**
PVIF	2,359	962	545	(66)	**3,800**
Required capital	139	770	47	-	**956**
Cost of capital	(51)	(315)	(25)	-	**(391)**
Opening adjusted EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**
Analysis of EEV					
Free surplus	930	226	46	-	**1,202**
PVIF	2,637	1,061	655	(76)	**4,277**
Required capital	159	813	59	-	**1,031**
Cost of capital	(69)	(342)	(28)	-	**(439)**
Closing EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**

4.2 Segmental analysis – covered business *continued*

(c) Segmental analysis of opening and closing EEV *continued*

The adjustment to opening EEV net worth and PVIF represents a change to the presentation of certain Canada GAAP guarantee reserves. Prior to the results for the 12 months to 31 December 2010, these reserves were replaced with a time value of options and guarantees (TVOG) within the Group's EEV results. In order to better align the Group's EEV net worth movement and the Group's primary measure of performance, IFRS operating profit, these reserves are now included within the EEV net worth with an offset in the PVIF. This change does not affect the TVOG. Total EEV operating profit for the 12 months to 31 December 2010 is also unaffected by this adjustment.

4.3 Analysis of new business contribution

The following table sets out the premium volumes and contribution from new business written by the life and related businesses, consistent with the definition of new business set out in Note 4.17 – EEV methodology.

New business contribution (NBC) and the present value of new business premium (PVNBP) margins are shown after the effect of required capital.

6 months to 30 June 2011	Fee (F) – Spread/risk (S/R)	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	F	13	2,045	56	2,237	3.4	0.6
Savings and investments	F	8	1,144	15	1,257	7.5	0.6
Annuities	S/R	27	147	-	147	-	18.7
Protection	S/R	-	-	-	1	-	3.0
Retail		**48**	**3,336**	**71**	**3,642**	**4.3**	**1.3**
Corporate pensions	F	40	1,226	389	2,830	4.1	1.4
Institutional pensions	F	25	1,673	1	1,674	1.0	1.5
Corporate		**65**	**2,899**	**390**	**4,504**	**4.1**	**1.4**
UK		**113**	**6,235**	**461**	**8,146**	**4.1**	**1.4**
Fee	F	18	638	20	892	12.7	2.0
Spread/risk	S/R	12	149	34	687	15.8	1.7
Canada		**30**	**787**	**54**	**1,579**	**14.7**	**1.9**
Wholly owned	F	20	847	42	1,175	7.8	1.7
Joint ventures		3	49	50	261	4.2	1.1
International		**23**	**896**	**92**	**1,436**	**5.9**	**1.6**
Total covered business		**166**	**7,918**	**607**	**11,161**	**5.3**	**1.5**

1 The PVNBP multiplier is calculated as the total of PVNBP less single premiums, divided by annualised regular premiums.
2 PVNBP margins are calculated as the ratio of the new business contribution to the present value of new business premiums and are based on the underlying unrounded numbers.

6 months to 30 June 2010	Fee (F) – Spread/risk (S/R)	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions[3]	F	14	2,006	52	2,173	3.2	0.7
Savings and investments	F	4	845	15	954	7.3	0.4
Annuities	S/R	36	209	-	209	-	17.1
Protection	S/R	-	-	-	1	-	6.0
Retail		**54**	**3,060**	**67**	**3,337**	**4.1**	**1.6**
Corporate pensions[3]	F	24	609	295	1,751	3.9	1.4
Institutional pensions	F	25	1,835	3	1,842	2.3	1.4
Corporate		**49**	**2,444**	**298**	**3,593**	**3.9**	**1.4**
UK		**103**	**5,504**	**365**	**6,930**	**3.9**	**1.5**
Fee	F	22	649	39	1,089	11.3	2.0
Spread/risk	S/R	9	99	27	492	14.6	1.8
Canada		**31**	**748**	**66**	**1,581**	**12.6**	**2.0**
Wholly owned	F	13	547	33	832	8.6	1.6
Joint ventures		14	38	62	288	4.0	5.0
International		**27**	**585**	**95**	**1,120**	**5.6**	**2.5**
Total covered business		**161**	**6,837**	**526**	**9,631**	**5.3**	**1.7**

1 The PVNBP multiplier is calculated as the total of PVNBP less single premiums, divided by annualised regular premiums.
2 PVNBP margins are calculated as the ratio of the new business contribution to the present value of new business premiums and are based on the underlying unrounded numbers.
3 Individual pensions include Retail Trustee Investment Plan. This was previously included in corporate pensions. The 2010 impact on PVNBP is £15m.

12 months to 31 December 2010	Fee (F) – Spread/risk (S/R)	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions[3]	F	19	3,539	92	3,858	3.5	0.5
Savings and investments	F	7	1,827	23	1,997	7.4	0.4
Annuities	S/R	56	341	-	341	-	16.5
Protection	S/R	-	-	1	1	1.0	(12.9)
Retail		**82**	**5,707**	**116**	**6,197**	**4.2**	**1.3**
Corporate pensions[3]	F	45	1,225	508	3,287	4.1	1.4
Institutional pensions	F	46	3,472	-	3,472	-	1.3
Corporate		**91**	**4,697**	**508**	**6,759**	**4.1**	**1.3**
UK		**173**	**10,404**	**624**	**12,956**	**4.1**	**1.3**
Fee	F	47	1,216	68	2,048	12.2	2.3
Spread/risk	S/R	21	239	52	1,000	14.6	2.1
Canada		**68**	**1,455**	**120**	**3,048**	**13.3**	**2.2**
Wholly owned	F	44	1,313	77	1,929	8.0	2.3
Joint ventures		23	74	119	550	4.0	4.3
International		**67**	**1,387**	**196**	**2,479**	**5.6**	**2.7**
Total covered business		**308**	**13,246**	**940**	**18,483**	**5.6**	**1.7**

1 The PVNBP multiplier is calculated as the total of PVNBP less single premiums, divided by annualised regular premiums.
2 PVNBP margins are calculated as the ratio of the new business contribution to the present value of new business premiums and are based on the underlying unrounded numbers.
3 Individual pensions include Retail Trustee Investment Plan. This was previously included in corporate pensions. The 2010 impact on PVNBP is £25m.

4.4 Experience variances

6 months to 30 June 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	(14)	-	1	-	**(13)**
Maintenance expenses	(8)	(4)	2	-	**(10)**
Mortality and morbidity	5	-	-	-	**5**
Tax	(14)	15	-	-	**1**
Other	49	(2)	(6)	(11)	**30**
Total	**18**	**9**	**(3)**	**(11)**	**13**

The lapse experience loss of £14m in the UK includes a £6m negative variance from transfers within our UK pensions business and a £3m loss on institutional pensions mainly arising from the loss of one large scheme.

Tax variances in the UK mainly reflect the impact of losses that cannot obtain tax relief from current year profits. Tax variances in Canada include the benefit of lower effective tax rates in 2011.

Other UK variances of £49m include a £50m profit from the impact of a management action to reduce current and future investment expenses. The £11m loss in the HWPF TVOG mainly reflects the impact of a management decision to increase equity exposure.

For the six months to 30 June 2010, other UK variances of £34m include the impact of reserve releases and other modelling changes, as well as the benefit of increased average management fees and experience profits on the vesting of deferred annuities.

For the 12 months to 31 December 2010, other UK variances of £43m include a £28m gain from the impact of investment strategy changes in the assets backing annuity business; a £17m loss from an agreement to fund future recharges to non-covered businesses; various modelling improvements which generated a profit of £31m; with £1m of other profits mainly arising from the impact of reserve changes and other reconciliations and management actions.

6 months to 30 June 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	(9)	-	3	-	**(6)**
Maintenance expenses	(3)	(2)	1	-	**(4)**
Mortality and morbidity	2	11	2	-	**15**
Tax	(7)	2	(1)	-	**(6)**
Other	34	4	-	(3)	**35**
Total	**17**	**15**	**5**	**(3)**	**34**

12 months to 31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	(3)	-	(2)	-	**(5)**
Maintenance expenses	(4)	5	1	-	**2**
Mortality and morbidity	4	17	-	-	**21**
Tax	(8)	9	(1)	-	**-**
Other	43	(15)	(11)	(8)	**9**
Total	**32**	**16**	**(13)**	**(8)**	**27**

4.5 Operating assumption changes

6 months to 30 June 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	-	-	(5)	-	**(5)**
Maintenance expenses	-	-	-	-	**-**
Mortality and morbidity	-	-	-	-	**-**
Tax	-	-	-	-	**-**
Other	-	-	2	-	**2**
Total	**-**	**-**	**(3)**	**-**	**(3)**

In general, operating assumptions for the main classes of business, including most expense and other non-economic assumptions, are reviewed on an annual basis. The impact of this review will be reflected in the full year results. The main exception is India where the joint venture reviews assumptions as part of its 31 March year end. These assumption changes are reflected in the Group's EEV results at 30 June 2011.

For the 12 months to 31 December 2010, expense assumption gains in the UK and in Europe reflect changes in the expense allocation for investment related expenses. The UK figure also includes an allowance for the expected benefits on maintenance costs arising from the headcount reductions announced during 2010, but only to the extent that these arrangements had been finalised by 31 December 2010. Canada expense assumption profits of £68m mainly arise from improved expenses for group savings and retirement products, reflecting the significant growth in the business volumes during 2010. The other assumption changes in Canada include a £37m loss from a reduction in expected fee income in our group savings and retirement products.

6 months to 30 June 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	-	-	-	-	**-**
Maintenance expenses	-	-	1	-	**1**
Mortality and morbidity	-	-	-	-	**-**
Tax	-	-	-	-	**-**
Other	-	-	-	-	**-**
Total	**-**	**-**	**1**	**-**	**1**

12 months to 31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	13	-	(7)	-	**6**
Maintenance expenses	48	68	14	-	**130**
Mortality and morbidity	(19)	(12)	2	-	**(29)**
Tax	(1)	-	-	-	**(1)**
Other	3	(38)	10	-	**(25)**
Total	**44**	**18**	**19**	**-**	**81**

4.6 Non-covered business

Non-covered business EEV operating profit is represented by IFRS operating profit as adjusted for Standard Life Investments (global investment management) look through profits and the return on mutual funds which are recognised in covered business. Refer to Note 4.17 – EEV methodology.

UK non-covered primarily comprises UK non-covered mutual funds business and the non-covered UK pension scheme. The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation for the six months ended 30 June 2010 and the 12 months ended 31 December 2010. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010.

(a) Segmental analysis – non-covered business

6 months to 30 June 2011	Global investment management £m	UK £m	Discontinued operations £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**256**	**271**	**-**	**678**	**1,205**
(Loss)/profit after tax	22	(1)	-	(27)	**(6)**
Transfer back of net worth from covered business	29	(18)	-	2	**13**
Foreign exchange differences	(1)	-	-	-	**(1)**
Internal capital transfers	(38)	112	-	253	**327**
Distributions to equity holders	-	-	-	(197)	**(197)**
Other	-	(40)	-	92	**52**
Closing EEV net assets	**268**	**324**	**-**	**801**	**1,393**

The transfer back of net worth from covered business represents the transfer of profits and losses in relation to the Group's investment management business, the UK mutual funds business (within UK non-covered, Standard Life Savings Limited) and the Canada mutual funds business (within other non-covered), necessary to reconcile the opening and closing EEV net assets. For further detail refer to Note 4.17 – EEV methodology under consolidation adjustments.

4.6 Non-covered business *continued*

(a) Segmental analysis – non-covered business *continued*

Standard Life plc operates a Scrip dividend scheme. Investors taking part in the Scrip scheme receive their dividend entitlement in the form of new shares issued in lieu of cash dividends. For the six months ended 30 June 2011, dividends paid comprise £92m (six months ended 30 June 2010: £46m; 12 months ended 31 December 2010: £92m) settled by the issue of shares under the Scrip scheme, and £105m paid in cash (six months ended 30 June 2010: £134m; 12 months ended 31 December 2010: £186m).

The other movement in the UK EEV net assets relates to the change in the UK non-covered pension scheme surplus of (£58m) (six months ended 30 June 2010: £146m; 12 months ended 31 December 2010: £214m) and the associated deferred tax liability of £18m (six months ended 30 June 2010: £46m; 12 months ended 31 December 2010: £65m).

Other movements in other including group corporate centre relate to the £92m issue of share capital other than in cash in relation to the Scrip dividend paid by Standard Life plc.

6 months to 30 June 2010	Global investment management £m	UK £m	Discontinued operations £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**195**	**(19)**	**343**	**644**	**1,163**
Opening adjustments	-	34	-	(34)	**-**
Opening adjusted EEV net assets	**195**	**15**	**343**	**610**	**1,163**
(Loss)/profit after tax	14	(25)	(17)	(19)	**(47)**
Transfer back of net worth from covered business	20	(14)	-	2	**8**
Foreign exchange differences	3	-	-	12	**15**
Internal capital transfers	(18)	96	(245)	165	**(2)**
Distributions to equity holders	-	-	-	(180)	**(180)**
Other	-	100	24	15	**139**
Closing EEV net assets	**214**	**172**	**105**	**605**	**1,096**

12 months to 31 December 2010	Global investment management £m	UK £m	Discontinued operations £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**195**	**(19)**	**343**	**644**	**1,163**
Opening adjustments	-	34	-	(34)	**-**
Opening adjusted EEV net assets	**195**	**15**	**343**	**610**	**1,163**
(Loss)/profit after tax	26	(9)	20	(66)	**(29)**
Transfer back of net worth from covered business	52	(28)	-	4	**28**
Foreign exchange differences	2	-	-	16	**18**
Internal capital transfers	(18)	144	(387)	344	**83**
Distributions to equity holders	-	-	-	(278)	**(278)**
Other	(1)	149	24	48	**220**
Closing EEV net assets	**256**	**271**	**-**	**678**	**1,205**

The opening adjustment of £34m represents the reclassification of other non-covered to UK non-covered business during the period.

(b) Global investment management EEV operating profit before tax

Global investment management non-covered business profits are included in EEV on a look through basis. This means that the profits from global investment management which are generated from life and pensions business are allocated to covered business. Therefore, the difference between EEV (third party) non-covered business operating profit before tax of £27m (six months ended 30 June 2010: £21m; 12 months ended 31 December 2010: £33m) and IFRS operating profit for the global investment management business of £67m (six months ended 30 June 2010: £49m; 12 months ended 31 December 2010: £103m) is the profit allocated to covered business.

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Global investment management EEV (third party) non-covered business operating profit before tax	**27**	21	33
Third party related covered business operating profit before tax	**18**	13	33
Total third party business operating profit before tax	**45**	34	66
Other covered business operating profit before tax	**22**	15	37
Global investment management IFRS operating profit before tax	**67**	49	103

Total global investment management operating profit allocated to covered business of £40m (six months ended 30 June 2010: £28m; 12 months ended 31 December 2010: £70m) consists of third party related covered business operating profit of £18m (six months ended 30 June 2010: £13m; 12 months ended 31 December 2010: £33m) and other covered business operating profit of £22m (six months ended 30 June 2010: £15m; 12 months ended 31 December 2010: £37m).

Third party related covered business operating profits relate to products actively marketed and sold to third parties through global investment management distribution channels. If these profits are added to the global investment management EEV (third party) non-covered business operating profits of £27m (six months ended 30 June 2010: £21m; 12 months ended 31 December 2010: £33m), there are £45m (six months ended 30 June 2010: £34m; 12 months ended 31 December 2010: £66m) of total third party related profits for global investment management.

Changes in the cost allocation methodology relating to inputs to the EEV profit calculation were introduced during 2010 together with other minor changes. The half year 2010 equivalent impact of these changes is an increase of £5m in other covered business operating profit before tax and a similar reduction in global investment EEV (third party) non-covered business operating profit before tax. On this basis the year on year growth in total third party business operating profit before tax is 55%.

(c) Other EEV operating profits before tax

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Canada non-life subsidiaries	**-**	-	1
Mutual funds transferred to covered business	**(2)**	(3)	(3)
Canada non-life subsidiaries excluding transfers to covered business	**(2)**	(3)	(2)
Standard Life plc income	**1**	3	3
Other	**5**	12	8
Other non-covered business EEV operating profit before tax	**4**	12	9

Canada non-life subsidiaries are included within the Canada segment of the IFRS financial statements.

Included within other are the head office costs relating to the International businesses. These costs are included within the International segment of the IFRS financial statements.

4.7 EEV reconciliation of movements in consolidated statement of financial position

	6 months 2011 £m	6 months 2010 £m	Full year 2010 £m
Opening EEV	**7,321**	6,435	6,435
Total comprehensive income for the period attributable to equity holders	**296**	518	1,085
Distributions to equity holders	**(197)**	(180)	(278)
Issue of share capital other than in cash	**92**	46	92
Shares acquired by employee trusts	**(4)**	(32)	(35)
Shares distributed by employee trusts	**(1)**	-	-
Shares gifted to charity	**-**	4	4
Reserves credit for employee share-based payment schemes	**11**	8	18
Closing EEV	**7,518**	6,799	7,321

4.8 Reconciliation of EEV net assets to IFRS net assets

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
Net assets on an EEV basis	**7,518**	6,799	7,321
Present value of in-force life and pensions business net of cost of capital	**(3,970)**	(3,436)	(3,838)
EEV net worth	**3,548**	3,363	3,483
Adjustment of long-term debt to market value	**(17)**	(158)	(40)
Canada marked to market	**(21)**	(84)	(46)
Deferred acquisition costs net of deferred income reserve	**342**	363	378
Deferred tax differences	**89**	125	98
Adjustment for share of joint ventures	**33**	36	35
Consolidation adjustment for different accounting bases[1]	**(39)**	(29)	(45)
Other	**32**	26	40
Net assets attributable to equity holders on an IFRS basis	**3,967**	3,642	3,903

[1] This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.17 – EEV methodology.

Reconciling items are shown net of tax where appropriate.

The movement in Canada marked to market adjustments reflects the impact of the adoption of IFRS reporting on EEV net worth for the Canada business. This change has not had a significant impact on the total Canada EEV results (net worth and present value of in-force life and pensions business net of cost of capital). Refer to Note 4.1 – Basis of preparation.

4.9 Analysis of covered business EEV PVIF and net worth movements (net of tax)

(a) Total

6 months to 30 June 2011	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**1,202**	**1,031**	**2,233**	**3,838**	**6,071**
Contribution from new business	(149)	30	(119)	244	**125**
Contribution from in-force business:					
Expected return on existing business	(1)	19	18	148	**166**
Expected return transfer to net worth	341	(43)	298	(297)	**1**
Experience variances	28	(13)	15	(5)	**10**
Operating assumption changes	-	-	-	(3)	**(3)**
Development expenses	(24)	-	(24)	-	**(24)**
Operating profit/(loss) after tax	**195**	**(7)**	**188**	**87**	**275**
Investment return and tax variances	(83)	112	29	(39)	**(10)**
Effect of economic assumption changes	6	9	15	67	**82**
Restructuring expenses	(14)	-	(14)	-	**(14)**
Profit after tax	**104**	**114**	**218**	**115**	**333**
Internal capital transfers	(327)	-	(327)	-	**(327)**
Transfer back of surplus to Standard Life Investments	(29)	-	(29)	-	**(29)**
Transfer back of mutual funds net worth	16	-	16	-	**16**
Actuarial losses on defined benefit pension schemes	(8)	-	(8)	-	**(8)**
Foreign exchange differences	4	6	10	17	**27**
Aggregate tax effect of items not recognised in income statement	2	-	2	-	**2**
Other	1	-	1	-	**1**
Closing EEV	**965**	**1,151**	**2,116**	**3,970**	**6,086**

6 months to 30 June 2010	Free Surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**925**	**956**	**1,881**	**3,384**	**5,265**
Contribution from new business	(132)	23	(109)	231	**122**
Contribution from in-force business:					
Expected return on existing business	(1)	17	16	140	**156**
Expected return transfer to net worth	317	(30)	287	(287)	**-**
Experience variances	25	(19)	6	18	**24**
Operating assumption changes	-	-	-	1	**1**
Development expenses	(24)	-	(24)	-	**(24)**
Expected return on free surplus	(3)	-	(3)	-	**(3)**
Operating profit/(loss) after tax	**182**	**(9)**	**173**	**103**	**276**
Investment return and tax variances	239	9	248	(21)	**227**
Effect of economic assumption changes	(96)	6	(90)	(53)	**(143)**
Restructuring expenses	(9)	-	(9)	-	**(9)**
Profit after tax	**316**	**6**	**322**	**29**	**351**
Internal capital transfers	2	-	2	-	**2**
Transfer back of surplus to Standard Life Investments	(20)	-	(20)	-	**(20)**
Transfer back of mutual funds net worth	12	-	12	-	**12**
Actuarial losses on defined benefit pension schemes	(24)	-	(24)	-	**(24)**
Foreign exchange differences	9	50	59	23	**82**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Closing EEV	**1,226**	**1,012**	**2,238**	**3,436**	**5,674**

4.9 Analysis of covered business EEV PVIF and net worth movements (net of tax) *continued*

(b) UK and HWPF TVOG

6 months to 30 June 2011	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**930**	**159**	**1,089**	**2,492**	**3,581**
Contribution from new business	(71)	9	(62)	147	**85**
Contribution from in-force business:					
Expected return on existing business	(1)	3	2	90	**92**
Expected return transfer to net worth	194	(2)	192	(192)	**-**
Experience variances	8	(1)	7	(2)	**5**
Development expenses	(12)	-	(12)	-	**(12)**
Expected return on free surplus	(6)	-	(6)	-	**(6)**
Operating profit after tax	**112**	**9**	**121**	**43**	**164**
Investment return and tax variances	(59)	(2)	(61)	(35)	**(96)**
Effect of economic assumption changes	(18)	1	(17)	77	**60**
Restructuring expenses	(12)	-	(12)	-	**(12)**
Profit after tax	**23**	**8**	**31**	**85**	**116**
Internal capital transfers	(352)	-	(352)	-	**(352)**
Transfer back of surplus to Standard Life Investments	(25)	-	(25)	-	**(25)**
Transfer back of mutual funds net worth	18	-	18	-	**18**
Closing EEV	**594**	**167**	**761**	**2,577**	**3,338**

6 months to 30 June 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**673**	**139**	**812**	**2,242**	**3,054**
Contribution from new business	(67)	10	(57)	131	**74**
Contribution from in-force business:					
Expected return on existing business	(1)	2	1	85	**86**
Expected return transfer to net worth	189	(1)	188	(188)	**-**
Experience variances	24	(19)	5	5	**10**
Development expenses	(13)	-	(13)	-	**(13)**
Expected return on free surplus	(11)	-	(11)	-	**(11)**
Operating profit/(loss) after tax	**121**	**(8)**	**113**	**33**	**146**
Investment return and tax variances	246	(2)	244	(25)	**219**
Effect of economic assumption changes	(85)	5	(80)	(47)	**(127)**
Restructuring expenses	(6)	-	(6)	-	**(6)**
Profit/(loss) after tax	**276**	**(5)**	**271**	**(39)**	**232**
Internal capital transfers	(2)	-	(2)	-	**(2)**
Transfer back of surplus to Standard Life Investments	(17)	-	(17)	-	**(17)**
Transfer back of mutual funds net worth	14	-	14	-	**14**
Closing EEV	**944**	**134**	**1,078**	**2,203**	**3,281**

(c) Canada

6 months to 30 June 2011	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**226**	**813**	**1,039**	**719**	**1,758**
Contribution from new business	(20)	17	(3)	25	**22**
Contribution from in-force business:					
Expected return on existing business	-	16	16	39	**55**
Expected return transfer to net worth	84	(43)	41	(41)	**-**
Experience variances	17	(11)	6	-	**6**
Development expenses	(5)	-	(5)	-	**(5)**
Expected return on free surplus	5	-	5	-	**5**
Operating profit/(loss) after tax	**81**	**(21)**	**60**	**23**	**83**
Investment return and tax variances	(25)	114	89	1	**90**
Effect of economic assumption changes	25	8	33	(5)	**28**
Restructuring expenses	(1)	-	(1)	-	**(1)**
Profit after tax	**80**	**101**	**181**	**19**	**200**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Transfer back of mutual funds net worth	(2)	-	(2)	-	**(2)**
Actuarial losses on defined benefit pension schemes	(8)	-	(8)	-	**(8)**
Foreign exchange differences	2	5	7	3	**10**
Aggregate tax effect of items not recognised in income statement	2	-	2	-	**2**
Other	1	-	1	-	**1**
Closing EEV	**299**	**919**	**1,218**	**741**	**1,959**

6 months to 30 June 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**161**	**770**	**931**	**622**	**1,553**
Contribution from new business	(10)	9	(1)	24	**23**
Contribution from in-force business:					
Expected return on existing business	-	15	15	39	**54**
Expected return transfer to net worth	71	(30)	41	(41)	**-**
Experience variances	6	-	6	5	**11**
Development expenses	(3)	-	(3)	-	**(3)**
Expected return on free surplus	6	-	6	-	**6**
Operating profit/(loss) after tax	**70**	**(6)**	**64**	**27**	**91**
Investment return and tax variances	(9)	11	2	4	**6**
Effect of economic assumption changes	(12)	1	(11)	(13)	**(24)**
Profit after tax	**49**	**6**	**55**	**18**	**73**
Transfer back of surplus to Standard Life Investments	(1)	-	(1)	-	**(1)**
Transfer back of mutual funds net worth	(2)	-	(2)	-	**(2)**
Actuarial losses on defined benefit pension schemes	(24)	-	(24)	-	**(24)**
Foreign exchange differences	10	49	59	42	**101**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Closing EEV	**199**	**825**	**1,024**	**682**	**1,706**

4.9 Analysis of covered business EEV PVIF and net worth movements (net of tax) *continued*

(d) International

6 months to 30 June 2011	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**46**	**59**	**105**	**627**	**732**
Contribution from new business	(58)	4	(54)	72	**18**
Contribution from in-force business:					
Expected return on existing business	-	-	-	19	**19**
Expected return transfer to net worth	63	2	65	(64)	**1**
Experience variances	3	(1)	2	(3)	**(1)**
Operating assumption changes	-	-	-	(3)	**(3)**
Development expenses	(7)	-	(7)	-	**(7)**
Expected return on free surplus	1	-	1	-	**1**
Operating profit after tax	**2**	**5**	**7**	**21**	**28**
Investment return and tax variances	1	-	1	(5)	**(4)**
Effect of economic assumption changes	(1)	-	(1)	(5)	**(6)**
Restructuring expenses	(1)	-	(1)	-	**(1)**
Profit after tax	**1**	**5**	**6**	**11**	**17**
Internal capital transfers	25	-	25	-	**25**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Foreign exchange differences	2	1	3	14	**17**
Closing EEV	**72**	**65**	**137**	**652**	**789**

6 months to 30 June 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**91**	**47**	**138**	**520**	**658**
Contribution from new business	(55)	4	(51)	76	**25**
Contribution from in-force business:					
Expected return on existing business	-	-	-	16	**16**
Expected return transfer to net worth	57	1	58	(58)	**-**
Experience variances	(5)	-	(5)	8	**3**
Operating assumption changes	-	-	-	1	**1**
Development expenses	(8)	-	(8)	-	**(8)**
Expected return on free surplus	2	-	2	-	**2**
Operating profit/(loss) after tax	**(9)**	**5**	**(4)**	**43**	**39**
Investment return and tax variances	2	-	2	-	**2**
Effect of economic assumption changes	1	-	1	7	**8**
Restructuring expenses	(3)	-	(3)	-	**(3)**
Profit/(loss) after tax	**(9)**	**5**	**(4)**	**50**	**46**
Internal capital transfers	4	-	4	-	**4**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Foreign exchange differences	(1)	1	-	(19)	**(19)**
Closing EEV	**83**	**53**	**136**	**551**	**687**

4.10 Time value of options and guarantees (TVOG)

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
UK and Europe HWPF	**(53)**	(90)	(76)
Canada	**(21)**	(31)	(26)
International	**(16)**	(17)	(17)
Total	**(90)**	(138)	(119)

The UK and Europe HWPF TVOG reflects the value of shareholder exposure to the policyholder guarantees within the HWPF. The value of this exposure has reduced by £23m during 2011. A £31m post-tax gain from the impact of favourable economic variances and assumption changes, particularly from an increase in Euro bond yields, offset an £8m operating post-tax loss which primarily arose from a management decision to increase equity exposure.

4.11 Market value of subordinated liabilities within covered business

	30 June 2011 £m	30 June 2010 £m	31 December 2010 £m
UK	**(1,797)**	(1,513)	(1,682)
Canada	**(297)**	(281)	(302)
Total	**(2,094)**	(1,794)	(1,984)

Subordinated liabilities within EEV covered business are based on the market value of the debt. The free surplus shown in Note 4.2(c) – Segmental analysis – covered business – Segmental analysis of opening and closing EEV is net of these liabilities.

The increase in the UK subordinated debt liability reflects reduced market yields during 2011. The impact of the movements in subordinated liabilities is reflected in non-operating profit in UK and Canada as shown in Note 4.2(a) – Segmental analysis – covered business – Segmental EEV income statement. For Canada, however, this has been offset by the Group EEV consolidation adjustment in respect of the Canada subordinated liability, as shown in the EEV consolidated income statement.

4.12 PVIF monetisation profile

The following tables show the PVIF emergence on a discounted and undiscounted basis along with a reconciliation to the total closing PVIF as disclosed in Note 4.2(c) – Segmental analysis – covered business – Segmental analysis of opening and closing EEV, and the PVIF net of cost of capital impact from new business as disclosed in Note 4.9 – Analysis of covered business EEV PVIF and net worth movements (net of tax).

(a) PVIF emergence

In-force business

	PVIF	Cash emerging during years (£m)				
At 30 June 2011	**£m**	**1-5**	**6-10**	**11-15**	**16-20**	**20+**
UK	4,717	1,575	1,137	753	522	730
Canada	3,375	487	443	418	380	1,647
International	1,143	419	282	167	119	156
Total undiscounted	**9,235**	**2,481**	**1,862**	**1,338**	**1,021**	**2,533**
Total discounted	**4,552**	**2,127**	**1,144**	**595**	**330**	**356**

New business

	PVIF	Cash emerging during years (£m)				
At 30 June 2011	**£m**	**1-5**	**6-10**	**11-15**	**16-20**	**20+**
UK	275	72	68	49	37	49
Canada	77	7	15	11	9	35
International	120	47	29	14	11	19
Total undiscounted	**472**	**126**	**112**	**74**	**57**	**103**
Total discounted	**256**	**109**	**71**	**36**	**20**	**20**

4.12 PVIF monetisation profile *continued*

(b) Reconciliation to closing PVIF

In-force business	Reconciliation of discounted PVIF		
At 30 June 2011	PVIF £m	TVOG £m	Total £m
UK and HWPF TVOG	2,703	(53)	**2,650**
Canada	1,148	(21)	**1,127**
International	701	(16)	**685**
Total	**4,552**	**(90)**	**4,462**

See also Note 4.2(c) – Segmental analysis – covered business – Segmental analysis of opening and closing EEV.

New business	Reconciliation of discounted PVIF			
At 30 June 2011	PVIF £m	Cost of capital £m	TVOG £m	Total £m
UK	151	(4)	-	**147**
Canada	29	(4)	-	**25**
International	76	(2)	(2)	**72**
Total	**256**	**(10)**	**(2)**	**244**

See also Note 4.9 – Analysis of covered business EEV PVIF and net worth movements (net of tax).

As outlined in Note 4.1 – Basis of preparation, the Group's EEV results do not include any allowance for changes to the reserving or required capital bases anticipated under future reporting or regulatory regimes. The PVIF monetisation profile therefore excludes changes anticipated under Solvency 2.

4.13 Principal economic assumptions – deterministic calculations – covered business

(a) Gross investment returns and expense inflation

At 30 June 2011	UK %	Canada %	Europe %	Hong Kong %
Gross investment returns				
Risk free	3.45	3.30	3.02	1.52[4]
Corporate bonds	4.12[1]	[2]	n/a	2.64[4]
Equities	6.45	8.60	6.02	4.52[4]
Property	5.45	8.60	5.02	n/a
Other				
Expense inflation:	4.09	[3]		2.50[4]
Germany			2.43	
Ireland			3.15	

1 Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 4.93% for annuities that are level or subject to fixed escalations and 3.99% for annuities where escalations are linked to a price index.

2 Current holdings are assumed to yield in future years the earned rate for the year preceding the valuation. Future reinvestments are assumed to be in government bonds.

3 0.645% in 2011. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.

4 For Hong Kong, the following 31 December 2010 assumptions were used within the 30 June 2011 EEV Income Statement: risk free rate 2.10%, corporate bond return 3.22%, equity return 5.10%, expense inflation 2.50%.

At 30 June 2010	UK %	Canada %	Europe %	Hong Kong %
Gross investment returns				
Risk free	3.38	3.33	2.58	[4]
Corporate bonds	3.95[1]	[2]	n/a	[4]
Equities	6.38	8.60	5.58	[4]
Property	5.38	8.60	4.58	[4]
Other				
Expense inflation:	3.70	[3]		[4]
Germany			2.10	
Ireland			2.82	

1 Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 4.92% for annuities that are level or subject to fixed escalations and 3.38% for annuities where escalations are linked to a price index.

2 Current holdings are assumed to yield in future years the earned rate for the year preceding the valuation. Future reinvestments are assumed to be in government bonds.

3 0.809% in 2010. The rate in subsequent years is based on a moving 30-year bond yield less a variable deduction.

4 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

At 31 December 2010	UK %	Canada %	Europe %	Hong Kong %
Gross investment returns				
Risk free	3.49	3.29	2.96	[4]
Corporate bonds	4.08[1]	[2]	n/a	[4]
Equities	6.49	8.60	5.96	[4]
Property	5.49	8.60	4.96	[4]
Other				
Expense inflation:	3.95	[3]		[4]
Germany			2.29	
Ireland			3.01	

1 Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 4.91% for annuities that are level or subject to fixed escalations and 4.02% for annuities where escalations are linked to a price index.

2 Current holdings are assumed to yield in future years the earned rate for the year preceding the valuation. Future reinvestments are assumed to be in government bonds.

3 0.691% in 2011. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.

4 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

(b) Risk discount rates – in-force business

At 30 June 2011	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – in-force business						
Risk margin before cost of capital adjustment:						
Market risk	1.80	1.70	2.80	1.80	1.70	1.40[2]
Non-market risk	1.80	1.60	2.80	1.80	1.60	1.50[2]
Total	**3.60**	**3.30**	**5.60**	**3.60**	**3.30**	**2.90**[2]
Cost of capital adjustment	-	(0.40)	(2.10)	-	(0.40)	-
Risk margin after cost of capital adjustment	**3.60**	**2.90**	**3.50**	**3.60**	**2.90**	**2.90**[2]
Risk discount rates – in-force business						
Risk free	3.45	3.45	3.30	3.02	3.02	1.52[2]
Risk margin	3.60	2.90	3.50	3.60	2.90	2.90[2]
Risk discount rate[1]	**7.05**	**6.35**	**6.80**	**6.62**	**5.92**	**4.42**[2]

1 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.75% and 6.26% respectively. The weighted average for Europe includes an allowance for Standard Life International Limited (SLIL) which uses the same risk discount rate assumptions as UK business.

2 For Hong Kong, the following 31 December 2010 assumptions were used within the 30 June 2011 EEV Income Statement: market risk margin 1.40%, non-market risk margin 1.50%, risk free rate 2.10%, total risk margin 2.90%, risk discount rate 5.00%.

4.13 Principal economic assumptions – deterministic calculations – covered business *continued*

(b) Risk discount rates – in-force business *continued*

At 30 June 2010	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – in-force business						
Risk margin before cost of capital adjustment:						
Market risk	1.80	1.50	2.60	1.80	1.50	2
Non-market risk	1.70	1.80	2.80	1.70	1.80	2
Total	**3.50**	**3.30**	**5.40**	**3.50**	**3.30**	2
Cost of capital adjustment	-	(0.50)	(1.90)	-	(0.50)	2
Risk margin after cost of capital adjustment	**3.50**	**2.80**	**3.50**	**3.50**	**2.80**	2
Risk discount rates – in-force business						
Risk free	3.38	3.38	3.33	2.58	2.58	2
Risk margin	3.50	2.80	3.50	3.50	2.80	2
Risk discount rate[1]	**6.88**	**6.18**	**6.83**	**6.08**	**5.38**	2

1 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.62% and 5.77% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

2 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

At 31 December 2010	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – in-force business						
Risk margin before cost of capital adjustment:						
Market risk	1.80	1.60	2.60	1.80	1.60	2
Non-market risk	1.80	1.60	2.80	1.80	1.60	2
Total	**3.60**	**3.20**	**5.40**	**3.60**	**3.20**	2
Cost of capital adjustment	-	(0.50)	(1.80)	-	(0.50)	2
Risk margin after cost of capital adjustment	**3.60**	**2.70**	**3.60**	**3.60**	**2.70**	2
Risk discount rates – in-force business						
Risk free	3.49	3.49	3.29	2.96	2.96	2
Risk margin	3.60	2.70	3.60	3.60	2.70	2
Risk discount rate[1]	**7.09**	**6.19**	**6.89**	**6.56**	**5.66**	2

1 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.73% and 6.10% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

2 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

At 30 June 2011, market risk margins and cost of capital adjustments have been updated to reflect changes in the mix of business and asset allocation. Non-market risk margins are updated once a year, and any changes will be reflected in the full year results. As part of the adoption of IFRS in Canada from 2011, the opening risk discount rate was changed from 6.89% to 6.79%. The effect of this change is included within the overall impact of the adoption of IFRS in Canada. Refer to Note 4.1 – Basis of preparation.

The impact of the other changes in risk discount rates has been included in the effect of economic assumption changes shown in Note 4.2(a) – Segmental analysis – covered business – Segmental EEV income statement. The amounts within these totals that relate to the changes in risk discount rate are for UK: loss £15m; for Canada: loss £7m; and for International: loss £8m. These losses reflect the impact of higher risk discount rates which are driven by increased risk margins and risk free rates.

(c) Risk discount rates – new business

6 months to 30 June 2011	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – new business						
Risk margin before cost of capital adjustment:						
Market risk	1.80	1.80	1.50	1.80	1.80	1.40
Non-market risk	0.50	1.60	1.90	0.50	1.60	1.50
Total	**2.30**	**3.40**	**3.40**	**2.30**	**3.40**	**2.90**
Cost of capital adjustment	-	(0.50)	(0.70)	-	(0.50)	-
Risk margin after cost of capital adjustment	**2.30**	**2.90**	**2.70**	**2.30**	**2.90**	**2.90**
Risk discount rates – new business						
Risk free[1]	3.49	3.49	3.29	2.96	2.96	2.10
Risk margin	2.30	2.90	2.70	2.30	2.90	2.90
Risk discount rate[2]	**5.79**	**6.39**	**5.99**	**5.26**	**5.86**	**5.00**

1 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2010.

2 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe were 6.31% and 6.00% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

6 months to 30 June 2010	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – new business						
Risk margin before cost of capital adjustment:						
Market risk	1.70	1.40	1.10	1.70	1.40	[3]
Non-market risk	0.50	1.80	1.90	0.50	1.80	[3]
Total	**2.20**	**3.20**	**3.00**	**2.20**	**3.20**	[3]
Cost of capital adjustment	-	(0.40)	(0.40)	-	(0.40)	[3]
Risk margin after cost of capital adjustment	**2.20**	**2.80**	**2.60**	**2.20**	**2.80**	[3]
Risk discount rates – new business						
Risk free[1]	4.11	4.11	3.85	3.39	3.39	[3]
Risk margin	2.20	2.80	2.60	2.20	2.80	[3]
Risk discount rate[2]	**6.31**	**6.91**	**6.45**	**5.59**	**6.19**	[3]

1 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2009.

2 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe were 6.82% and 6.46% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

3 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

4.13 Principal economic assumptions – deterministic calculations – covered business *continued*

(c) Risk discount rates – new business *continued*

12 months to 31 December 2010	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %	Hong Kong %
Risk margin – new business						
Risk margin before cost of capital adjustment:						
Market risk	1.80	1.50	1.40	1.80	1.50	3
Non-market risk	0.50	1.60	1.90	0.50	1.60	3
Total	**2.30**	**3.10**	**3.30**	**2.30**	**3.10**	3
Cost of capital adjustment	-	(0.40)	(0.70)	-	(0.40)	3
Risk margin after cost of capital adjustment	**2.30**	**2.70**	**2.60**	**2.30**	**2.70**	3
Risk discount rates – new business						
Risk free[1]	4.11	4.11	3.85	3.39	3.39	3
Risk margin	2.30	2.70	2.60	2.30	2.70	3
Risk discount rate[2]	**6.41**	**6.81**	**6.45**	**5.69**	**6.09**	3

1 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2009.

2 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe were 6.77% and 6.31% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

3 The Hong Kong EEV results for 30 June 2010 and 31 December 2010 are calculated on a risk neutral approach, whereby projected investment returns and discount rates are based on risk free rates. Refer to Note 4.13 – Principal economic assumptions – deterministic calculations – covered business – (d) International – Asia for more detail.

(d) International – Asia

The PVIF and cost of required capital of the India and China JV businesses are calculated using a 'risk neutral' approach whereby projected investment returns and discount rates are based on risk free rates. This was also the approach adopted for Hong Kong until 2011. Refer to Note 4.1 – Basis of preparation. The risk free rates used were:

	30 June 2011 %	30 June 2010 %	31 December 2010 %
India	**8.38**	7.50	6.81
China	**3.88**	3.38	3.92
Hong Kong	**n/a**	2.45	1.55

As a result of this 'risk neutral' approach there is no requirement to hold a market risk margin within the risk discount rate.

Non-market risk has been allowed for via a specific deduction to the PVIF, based on a non-market risk 'cost of capital' approach. This has reduced the PVIF of the India and China JV businesses at 30 June 2011 by £26m (30 June 2010: £16m; 31 December 2010: £22m). Similarly, the 2011 pre-tax NBC for the six months to 30 June 2011 has been reduced by £4m (six months to 30 June 2010: £3m; 12 months to 31 December 2010: £8m) as an allowance for non-market risk.

4.14 Principal economic assumptions – stochastic calculations

The level of the TVOG is generally calculated using a stochastic projection. This requires an economic scenario generator (ESG) which projects the relevant fund under a large number of different future economic scenarios. A detailed description of the methodology applied in the relevant funds is provided in Note 4.17 – EEV methodology.

Characteristics of ESG used for HWPF TVOG calculations – UK and Europe

The ESG simulates future economic environments in a market consistent manner. The outputs of the ESG include:

- Cash account index
- Gross redemption yield term structure
- Equity total return index
- Property total return index
- Gilt total return index
- Corporate bond total return index
- Equity dividend yields
- Property rental yields
- Price inflation
- Earnings inflation

The ESG allows option-pricing techniques to be used to value the TVOG.

Parameters used in ESG

Cash and bond returns
These variables are calibrated using the repo rates and government strips.

Inflation
This variable is calibrated based on the relationship between the real and nominal yield curves.

Equity returns
The volatility of equity returns is calibrated to the market prices of a range of FTSE 100 and Dow Jones Euro Stoxx options.

Property returns
As there is no liquid property option market, a best estimate of property return volatility is used. The property volatility is estimated from adjusted Investment Property Databank UK data.

Dividend and rental yields
Dividend yields are derived from current market observable yields (FTSE All Stocks for UK and Euro Stoxx 50 for Europe).

Rental yields are derived from rental income on our actual portfolio of property (with three month lag).

Swaption-implied volatilities
The implied volatility is that required in order that the price of the option calculated via the Black-Scholes Formula equals the market price of that option.

The model swaption-implied volatilities are set out in the following tables:

UK Sterling	30 June 2011 Swap term (years)		30 June 2010 Swap term (years)		31 December 2010 Swap term (years)	
Option term (years)	10	15	10	15	10	15
10	14.4%	13.9%	12.2%	12.0%	14.4%	14.2%
15	14.1%	13.6%	12.1%	12.0%	14.5%	14.3%
20	13.3%	12.8%	12.0%	12.8%	14.2%	13.9%
25	12.5%	12.0%	13.2%	15.3%	13.6%	13.3%

Euro	30 June 2011 Swap term (years)		30 June 2010 Swap term (years)		31 December 2010 Swap term (years)	
Option term (years)	15	20	15	20	15	20
10	14.8%	14.4%	12.5%	12.3%	15.5%	15.1%
15	14.5%	13.9%	12.4%	12.9%	15.0%	14.4%
20	13.2%	12.6%	12.8%	14.4%	13.5%	12.8%
25	12.3%	n/a	15.5%	n/a	12.6%	n/a

4.14 Principal economic assumptions – stochastic calculations *continued*

Equity-implied volatilities

The implied volatility is that required in order that the price of the option calculated via the Black-Scholes Formula equals the market price of that option.

The model equity-implied volatilities are set out in the following tables:

UK equities Term (years)	30 June 2011	30 June 2010	31 December 2010
10	23.2%	27.5%	25.4%
15	25.0%	29.4%	26.7%
20	26.2%	30.4%	27.4%
25	27.4%	31.7%	28.4%

European equities Term (years)	30 June 2011	30 June 2010	31 December 2010
10	24.2%	29.1%	25.8%
15	25.5%	31.4%	27.9%
20	26.2%	32.4%	29.0%
25	26.8%	33.2%	29.6%

Property-implied volatilities

Property-implied volatilities have been set as best estimate levels of volatility based on historic data.

For the UK and Europe, the model is calibrated to property-implied volatility of 15% at each of 30 June 2011, 31 December 2010 and 30 June 2010.

Note 4.10 – Time value of options and guarantees (TVOG) also shows the value of TVOG in Canada and International, which are in addition to the HWPF TVOG. Where material, these values are also calculated using ESG similar to that used for the HWPF TVOG calculation.

4.15 Foreign exchange

A description of the approach to the currency translation for foreign entities is provided in Note 4.17 – EEV methodology.

The principal exchange rates applied are:

Local currency: £	Closing 30 June 2011	Average to 30 June 2011	Closing 30 June 2010	Average to 30 June 2010	Closing 31 December 2010	Average to 31 December 2010
Canada	1.549	1.576	1.590	1.602	1.556	1.605
Europe	1.107	1.146	1.221	1.153	1.167	1.165
India	71.768	72.615	69.486	70.310	70.007	70.803
China	10.378	10.564	10.146	10.460	10.317	10.477
Hong Kong	12.492	12.578	11.650	11.916	12.171	12.032

4.16 Sensitivity analysis – economic and non-economic assumptions

The sensitivities specified by the EEV Principles and Guidance are reported in the year end results. These are not updated for half year reporting.

However, sensitivities for Canada have been reviewed to determine the impact of the adoption of IFRS for local reporting. The only EEV sensitivities that changed materially from those reported in the Group's Annual Report and Accounts 2010 were the interest rate sensitivities.

A 1% increase in interest rates would have increased the 31 December 2010 Canada EEV by £61m, compared to an increase of £13m as originally published.

A 1% decrease in interest rates would have decreased the 31 December 2010 Canada EEV by £113m, compared to a decrease of £76m as originally published.

This additional sensitivity to interest rate movements mainly relates to contracts which have reserves that are now valued on an amortised cost basis. These amortised cost reserves are insensitive to interest rate changes, but as a consequence there are larger changes in the associated PVIF.

The impact on the other Canada sensitivities due to the adoption of IFRS are less than £20m.

4.17 EEV methodology

Covered business

For the purposes of EEV reporting, a distinction is drawn between covered business to which EEV methodology is applied and non-covered business where results and balances are based on those determined under IFRS and included in the IFRS financial statements, unless otherwise stated.

The Group's covered business is its life assurance and pensions businesses in the UK, Canada and International (Germany including Austria, Ireland, Hong Kong and the India and China JV businesses), as well as the current and future profits and losses from Standard Life Investments arising on its management of funds relating to the life and pensions businesses.

UK covered business also includes:

- Non-insured self invested personal pension (SIPP) business
- Those elements of Wrap business that are contained within a long-term product wrapper i.e. bonds, SIPPs and mutual funds
- Mutual funds sold by the UK business

Canada covered business also includes mutual funds.

International covered business consists of:

- The Group's Germany branch of Standard Life Assurance Limited (SLAL)
- The Group's Ireland branch of SLAL
- The Group's offshore bond business, which is sold by SLIL
- The Group's business in Hong Kong (Standard Life Asia Limited)
- The Group's share of results in the joint venture in India, HDFC Standard Life Insurance Company Limited, at 26% for the six months to 30 June 2011 (during the 12 months to 31 December 2010: 26%)
- The Group's share of results in the joint venture in China, Heng An Standard Life Insurance Company Limited, at 50% for the six months to 30 June 2011 (during the 12 months to 31 December 2010: 50%)

Non-covered business

The Group's non-covered business predominantly consists of the third party global investment management business of Standard Life Investments, Standard Life plc, the non-covered business of Standard Life Savings Limited, other non-life and pensions entities and the Group's UK pension scheme. The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010.

Non-covered business EEV operating profit is represented by IFRS operating profit as adjusted for Standard Life Investments (global investment management) look through profits and the return on mutual funds which are recognised in covered business.

Segmentation

Under the EEV Principles and Guidance we are required to provide business classifications which are consistent with those used for the primary statements. In the IFRS financial statements, the Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed, as required under IFRS 8. The EEV segmentation has been prepared in a consistent manner, whilst also distinguishing between covered and non-covered business. The Heritage With Profits Fund time value of options and guarantees (HWPF TVOG) is disclosed separately in EEV, as explained in Note 4.2(a) – Segmental analysis – covered business – Segmental EEV income statement.

Consolidation adjustments

Covered business includes the profits and losses arising from non-covered businesses providing investment management and other services to the Group's life and pensions businesses. As a result, the profits and losses on an IFRS basis have been removed from the relevant non-covered segments (investment management, UK non-covered and other non-covered) and are instead included within the EEV results of the covered businesses.

The capitalised value of the future profits and losses from such service companies are included in the opening and closing embedded value for the relevant business, but the net assets remain within the relevant non-covered businesses. A transfer of profits from the covered business to the non-covered business is deemed to occur in order to reconcile the profits and losses arising in the financial period within each segment with the opening and closing EEV net assets.

The consolidation adjustment to remove the impact of the accounting differences for the Canada subordinated liability is explained in more detail under subordinated liabilities within the EEV methodology.

Value of in-force covered business

The value of future equity holders' cash flows is calculated for each material business unit on an after-tax basis, projected using best estimate future assumptions as described in the EEV methodology.

Allowance is made for external reinsurance and reinsurance within the Group. The cash flows include the profits and losses arising in Group companies providing global investment management and other services where these relate to covered business. This is referred to as the 'look through' into service company expenses.

4.17 EEV methodology *continued*

The projected cash flows are discounted to the valuation date using a risk discount rate which is intended to make sufficient allowance for the risks associated with the emergence of these cash flows, other than those risks allowed for elsewhere in the EEV calculations. In particular, a deduction is made from the present value of the best estimate cash flows to reflect the risks associated with the existence of financial options and guarantees, this deduction being assessed using stochastic techniques as described in the EEV methodology.

Free surplus

The free surplus is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date. In the UK, this comprises the market value of the assets in the equity holders' fund, plus the value of the equity holders' interests in the surplus of the long-term fund, after appropriate allowance for tax, less the required capital supporting the covered business.

For some assets and liabilities where market value is not the normal basis for accounting, the free surplus is restated to market value, adjusted as required to allow for the present value of any tax which would become payable if the assets were realised.

Allowance for risk

Under the EEV Principles and Guidance, risks within the covered business are allowed for in the following ways:

- Application of risk discount rates to projected cash flows, which are derived by adding a risk margin to a risk free rate
- Holding of required capital for the covered business, determined by reference to both regulatory requirements and internal economic capital assessments
- Allowing for TVOG

Risk discount rates

Under the EEV methodology, a risk discount rate is required to calculate the present value of expected future distributable profits as a single value at a particular date. The risk discount rate comprises a risk free rate which reflects the time value of money and a risk margin allowing for the risk that experience in future years may differ from that assumed. In particular, a risk margin is added to allow for the risk that expected additional returns on certain asset classes are not achieved.

Risk discount rates have been determined as the risk free government bond yield plus a risk margin. The risk margins have been determined for market risk and non-market risk separately. For market risk, we have opted for an approach whereby the risk margin is determined such that the PVIF (excluding the allowance for the TVOG) calculated using expected 'real world' asset returns equates with the PVIF calculated using 'risk neutral' investment returns and discount rates. In this way, the benefits of assuming higher than risk free returns on future cash flows are offset by using a higher discount rate. However, when returns above the risk free rate arise from the additional returns available from investing in illiquid assets, namely corporate bonds and mortgages, where they are matched to appropriate liabilities, these are not offset in determining the discount rate. Allowance has then been made for non-market risk by applying stress tests to the PVIF using our internal capital model, and quantifying an additional risk margin based on the results of the stress tests.

The main elements of non-market risk which are stress tested are lapse, mortality, expense and credit risk assumptions. Benefits of diversification between risk types are allowed for in deriving the risk margins in line with our internal capital model.

Separate risk discount rates have been calculated for in-force and new business and for the principal geographic segments (UK, Europe, Canada and Hong Kong). Within the UK and Europe, separate risk margins are calculated for profits emerging on policies inside the HWPF (regardless of whether these profits emerge directly from the HWPF or by reassurance into other Group entities) and on policies that are in equity holder owned funds. For HWPF policies, there is a significant inter-Group reassurance agreement in respect of mortality surpluses on annuities, which are reassured out of the HWPF. The HWPF risk margin anticipates diversification benefits including the annuity mortality risk, since the overall capital structure also benefits from this diversification.

The risk margins are also reduced to allow for any cost of required capital (excluding double taxation cost) which is already reflected within the EEV.

Market risk margins are reviewed at each valuation date, allowing for changes in risk profile arising from movements in asset mix. Non-market risk margins are reviewed in detail once a year.

The values of the risk discount rates used for this reporting period are provided in Note 4.13 – Principal economic assumptions – deterministic calculations – covered business.

Within the EEV results for the India and China JV businesses, the PVIF and cost of required capital is calculated using a 'risk neutral' approach whereby projected investment returns and discount rates are based on risk free rates. As a result, there is no need for an additional market risk margin in the discount rate. Non-market risk is deducted directly from the PVIF using a 'cost of capital' approach on the risk capital arising from the key sources of non-market risk. For the India and China JV businesses, this methodology would give a similar result to the methodology used in the UK, Europe, Canada and Hong Kong since the calibration of a risk discount rate would have allowed for the market and non-market risks.

Required capital

Required capital represents the amount of assets over and above those required to back the liabilities in respect of the covered businesses whose distribution to equity holders is restricted. As a minimum, this will represent the capital requirement of the local regulator.

The levels of required capital are reviewed in detail at least once a year.

We have set required capital to be the higher of regulatory capital and our own internally assessed risk-based capital requirement. In determining the required capital for the purposes of assessing EEV, the Group excludes any capital which is provided by the existing surplus in the HWPF, as this capital is provided by policyholders. Any required capital in excess of that provided by the existing surplus in the HWPF would need to be provided by assets in the equity holders' funds. As part of the annual assessment, projections of the expected surplus in the HWPF, on best estimate assumptions, are carried out to assess whether this is sufficient to cover the level of required capital in respect of the HWPF. Required capital used in the EEV is also net of any capital that is assumed to be available from subordinated debt liabilities.

The levels of required capital in the current EEV calculations are therefore as follows:

- UK and Europe (business in HWPF) – no capital requirement in excess of statutory reserves or asset shares is valued in the EEV
- UK and Europe (business in equity holder owned funds) – 100% of EU minimum regulatory capital, which is higher in aggregate than Standard Life's internal risk-based capital requirement
- Canada – the level of required capital is taken as 155% of minimum continuing capital and surplus requirements (MCCSR)
- Asia – required capital is based on the local statutory capital requirements

The cost of required capital has been calculated using assumptions consistent with those used in the value of in-force (VIF) calculations.

Time value of financial options and guarantees (TVOG)

The TVOG represents the potential additional cost to equity holders where a financial option exists which affects policyholder benefits and is exercisable at the option of the policyholder.

UK and Europe – HWPF

The main source of TVOG in the Group EEV arises from the HWPF. Under the terms of the Scheme, equity holder cash flows from the HWPF are held back if required to cover HWPF liabilities on the Financial Services Authority realistic or regulatory basis. This option for the UK, Germany and Ireland results in the loss of cash flows when the HWPF has insufficient assets to pay guaranteed policy benefits. The main options and guarantees within the HWPF in respect of UK and Europe business relate to with profits business and include minimum guaranteed rates of return.

The value of the TVOG arising from the HWPF at any point in time will be sensitive to:

- The level of the residual estate (working capital in the HWPF)
- Investment conditions in terms of bond yields, equity and property values, and implied market volatility
- The investment profile of the assets backing the applicable policies, the residual estate and non profit business in the fund at the time the TVOG is calculated

The level of the TVOG has been calculated by a model which projects the HWPF under a large number of different future economic scenarios. Particular features of this calculation are:

- The projected economic scenarios and the methodology used to discount equity holder cash flows are based on market consistent assumptions
- The total cost includes an allowance for non-market risk
- Changes in policyholder behaviour are allowed for according to the particular economic scenario
- Changes in management actions, including the dynamic guarantee deductions, are allowed for according to the particular economic scenario, such actions being expected to be consistent with the way that the HWPF will be managed in future as described in the Scheme and in the Principles and Practices of Financial Management (PPFM)
- Each projection allows for the gradual release of the residual estate over time to policyholders where there are sufficient funds to do so

UK and Europe

Most with profits business written post demutualisation is managed in a number of new with-profits funds. For the present reporting period, the only significant volumes of this type of new business have arisen in Germany. These policies have guarantees relating to benefits available on the policy maturity date. These guarantees increase each year with the addition of bonuses.

Equity holder assets are at risk if the resources of these with-profits funds are insufficient to pay the guaranteed benefits. The level of the TVOG has been calculated using stochastic techniques. The TVOG has reduced both the NBC as well as the closing PVIF for Germany.

An adjustment is made to allow for TVOG arising on a selection of guaranteed annuity benefits on unit linked and smoothed-managed businesses within Germany.

4.17 EEV methodology *continued*

Canada

The main options and guarantees within the Canada business are in respect of minimum investment returns, guaranteed maturity and death benefits, and vested bonuses, which apply to certain investment and insurance contracts.

Asia

The TVOG in the Asia businesses within International arises from guarantees and options given to with profits business written in India and China.

Other economic assumptions

The assumed investment returns reflect our estimates of expected returns on principal asset classes, and are, in general, based on market conditions at the date of calculation of the EEV.

The inflation rates assumed are, in general, based on the market implied long-term price inflation plus a margin to allow for salary inflation.

The Group's offshore business, which is sold by SLIL, is included within International results but has the same economic assumptions as UK covered business.

Details of the assumptions used for this reporting period are provided in Note 4.13 – Principal economic assumptions – deterministic calculations – covered business.

Non-economic assumption changes

Non-economic assumptions for the main classes of business, including most expense assumptions, are reviewed on an annual basis.

Expense assumptions

Expense assumptions on a per policy basis have been derived based on an analysis of management expenses performed by each business, and are split between acquisition and maintenance assumptions.

In determining future expenses in relation to covered business, no allowance has been made in the EEV or the NBC for any allocation of group corporate centre costs.

Development expenses represent specific expenses incurred which are considered temporary in nature and are not expected to occur again.

Costs related to restructuring have been excluded from the EEV results where it has been agreed that these costs are to be met by the HWPF and therefore would not form part of the surplus cash flows.

Global investment management expenses are also allowed for, and the assumptions for these reflect the actual investment expenses of Standard Life Investments in providing global investment management services to the life and pensions business rather than the investment fees actually charged.

Restructuring and corporate transaction expenses for covered and non-covered business are consistent with those identified in the IFRS operating profit adjustments and primarily represent costs in relation to the Group's Transformation and Solvency 2 Programmes, and transaction costs in relation to the sale of Standard Life Healthcare Limited. Refer to the IFRS financial information Note 3.3 – Administrative expenses for further detail.

Acquisition costs used within the calculation of the NBC reflect the full acquisition expenses incurred in writing new business in the period.

Expenses – pension scheme deficits

Pension scheme deficits have been included in accordance with International Accounting Standard (IAS) 19 *Employee Benefits*. IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* was adopted by the Group from 1 January 2008. The interpretation provides guidance on assessing the limit in IAS 19 *Employee Benefits* on the amount of any surplus that can be recognised as an asset and explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

Other non-economic experience assumptions

Assumptions are made in respect of future levels of mortality, morbidity, premium terminations, option take-up, surrenders and withdrawals. The assumptions reflect our best estimates of the likely future experience, and are based on recent experience and relevant industry data, where available.

Annuitant mortality assumptions use a combination of base mortality rates, which are generally set by reference to recent experience, and expected future changes in mortality. The latter uses data provided by the Continuous Mortality Investigation Bureau in the UK and the Canadian Institute of Actuaries in Canada along with other company specific considerations.

Assumptions regarding option take-up, surrenders and withdrawals are assumed to vary, where appropriate, according to the investment scenario under consideration when deriving the TVOG, to reflect our best estimate of how policyholder behaviour may vary in such circumstances.

New business

Definition of new business
New business includes new policies written during the period and some increments to existing policies.

For the UK, classification as new or existing business is determined as follows (using the approach used for the published new business figures):

- New recurrent single premium business is classified as new regular premium business to the extent that it is deemed likely to renew
- Department of Work and Pensions (DWP) rebates are deemed to be new single premiums
- Pensions vesting into annuity contracts under existing group defined benefits contracts are not included as new business
- Pensions vesting under other group contracts and individual pensions are included as new business
- Products substituted due to the exercise of standard contract terms are not deemed to be new business
- All increments and indexations to existing policies, including new members, and increments and indexations paid by existing members of group schemes, are deemed to be new business

For Germany, new business comprises new contracts written into the equity holder owned funds during the period. The new business contribution for Germany is calculated assuming a specific level of future premium indexation. Similarly, it is assumed that premiums on 'low start' policies increase at the end of the low start period.

For Ireland, new business is determined as follows:

- New contracts written during the period are included as new business
- New premiums on recurrent single premium contracts are included as new business
- Pensions vesting into annuity contracts under existing group defined benefits contracts are not included as new business
- Pensions vesting under other group contracts and individual pensions are included as new business
- All increments and indexations to existing policies, including new members, and increments and indexations paid by existing members of group schemes, are deemed to be new business

For Canada, new business is deemed to exist if a contract has been issued during the reporting period. The new business contribution also includes the value of renewal premiums for a new contract, where the renewal premiums are (i) contractual, (ii) non-contractual but reasonably predictable, or (iii) recurrent single premiums that are pre-defined and reasonably predictable.

The present value of future net income attributable to renewal premiums on existing group pension and savings contracts, including those from new members, is not included as new business. Since all deposits (new and renewal) in individual segregated funds business attract a new business/first year commission, this business is treated as new business for EEV purposes.

For the Asia businesses, new business is defined as that arising from the sale of new contracts during the reporting period. The value of new business includes the value of expected renewals on those new contracts.

New business contribution (NBC)
The contribution generated by new business written during the period is the present value of the projected stream of after-tax distributable profit from that business. NBC before tax is calculated by grossing up the contribution after tax at the full corporation tax rate for UK business and at other equivalent rates of tax for other countries. NBC is calculated as at the end of the reporting period.

The economic assumptions used are those at the start of the reporting period, and the non-economic assumptions are those at the end of the reporting period. An exception to this policy is annuity business in the UK and Ireland where, to ensure consistency between the economic assumptions used in the NBC and those used in pricing the business and in the calculation of mathematical reserves, the economic assumptions used are the average rates for each quarter during the reporting period, and the asset allocations are those used in the pricing basis.

Present value of new business premiums (PVNBP)
New business sales are expressed as the PVNBP. The PVNBP calculation is equal to total single premium sales received in the period plus the discounted value of regular premiums expected to be received over the term of the new contracts, and is expressed at the point of sale. The premium volumes and projection assumptions used to calculate the present value of regular premiums for each product are the same as those used to calculate NBC, except that the PVNBP is discounted using the relevant opening risk free rate rather than the risk discount rate.

4.17 EEV methodology *continued*

Tax

The opening and closing EEV numbers for the covered business are determined on an after-tax basis. The tax assumptions used are based upon the best estimate of the actual tax expected to arise. Attributable tax and profit before tax are derived by grossing up profit after tax at the long-term rate of corporation tax appropriate to each territory. While for some territories this rate does not equate to the actual effective rate of tax used in the calculation of after-tax profits, it provides a consistent grossing up basis upon which to compare results from one year to another and is in line with the Group's expectation of the rate of tax applicable to new business.

During 2009, a loan was made to the HWPF by Standard Life plc, repayment of which is contingent on the emergence of recourse cash flows and surplus in the HWPF (contingent loan agreement). A transfer to equity holders was then made to transfer the remaining unallocated surplus to equity holders without equity holder tax arising. As a result of this the market risk associated with unallocated surplus was reduced. Future transfers to equity holders from the HWPF will, in the first instance, take the form of repayments under the contingent loan agreement. Such transfers can be made without equity holder tax arising for a number of years. Over time the actual effective tax rate on these transfers to equity holders will move toward the standard rate of corporation tax.

For non-covered business, attributed tax is consistent with the IFRS financial statements, unless otherwise stated.

Subordinated liabilities

The liabilities in respect of the UK subordinated guaranteed bonds and Mutual Assurance Capital Securities plus the subordinated debt issued by Canada form part of covered business and have been deducted at market value within the EEV. The Canada subordinated liability is owned by a non-covered subsidiary of the Group, where the asset is valued on an amortised cost basis. Total Group EEV has been adjusted to exclude the difference between the market value and the amortised cost value of the Canada subordinated liability.

For non-covered business, no adjustment is made to the IFRS valuation of debt.

Foreign exchange

Embedded value and other items within the statement of financial position denominated in foreign currencies have been translated to Sterling using the appropriate closing exchange rates. NBC and other items within the income statement have been translated using the appropriate average exchange rates. Gains and losses arising from foreign exchange differences on consolidation are presented separately within the EEV consolidated statement of comprehensive income. Details of the exchange rates applied are provided in Note 4.15 – Foreign exchange.

5 Independent auditors' review report

Independent auditors' review report to Standard Life plc

Introduction

We have been engaged by Standard Life plc (the Company) to review the financial information in the Half Year Results for the six months ended 30 June 2011, which comprises:

- The International Financial Reporting Standards (IFRS) condensed consolidated income statement, the IFRS consolidated statement of comprehensive income, the IFRS condensed consolidated statement of financial position, the IFRS consolidated statement of changes in equity, the IFRS condensed consolidated statement of cash flows and associated notes prepared in accordance with the IFRS accounting policies set out in Note 3.1 (the IFRS financial information), and
- The European Embedded Value (EEV) consolidated income statement, the EEV earnings per share statement, the EEV consolidated statement of comprehensive income, the EEV consolidated statement of financial position, and associated notes prepared on the EEV basis set out in Note 4.1 (the EEV financial information).

We have read the other information contained in the Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with either the IFRS or EEV financial information.

Directors' responsibilities

The Half Year Results, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 3.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The IFRS financial information included in the Half Year Results has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union. The Directors are responsible for preparing the EEV financial information in accordance with the EEV basis set out in Note 4.1.

Our responsibility

Our responsibility is to express to the Company a conclusion on the IFRS financial information included in the Half Year Results based on our review. This report on the IFRS financial information, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the EEV financial information in the Half Year Results is to express to the Company a conclusion based on our review. This report on the EEV financial information, including the conclusion, has been prepared for and only for the Company in accordance with our engagement letter dated 6 May 2011 and for no other purpose.

We do not, in producing this report, 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.

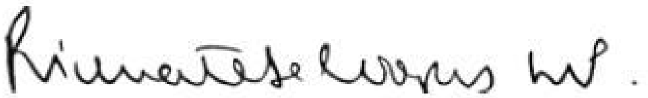
Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that:

- the IFRS financial information in the Half Year Results for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, and
- the EEV financial information in the Half Year Results report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with the EEV basis set out in Note 4.1.



PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
10 August 2011

(a) The maintenance and integrity of the Standard Life website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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6 Supplementary information

6.1 Analysis of IFRS profit by segment

30 June 2011	UK £m	Canada £m	International £m	Global investment management[1] £m	Other £m	Elimination £m	Total £m
Opening IFRS shareholder net assets							**3,903**
Fee based revenue	309	84	108	193	-	(83)	**611**
Spread/risk margin	52	155	-	-	-	-	**207**
Total income	**361**	**239**	**108**	**193**	**-**	**(83)**	**818**
Acquisition expenses	(85)	(39)	(18)	-	-	-	**(142)**
Maintenance expenses	(159)	(98)	(68)	(106)	(3)	83	**(351)**
Investment for transformation and growth	(34)	(17)	(4)	(20)	(5)	-	**(80)**
Group corporate centre costs	-	-	-	-	(20)	-	**(20)**
Capital management	4	18	1	-	14	-	**37**
India and China JV businesses	-	-	-	-	-	-	**-**
IFRS operating profit/(loss) before tax from continuing operations	**87**	**103**	**19**	**67**	**(14)**	**-**	**262**
Tax on operating profit	(10)	(19)	(12)	(17)	6	-	**(52)**
IFRS operating profit/(loss) after tax from continuing operations	**77**	**84**	**7**	**50**	**(8)**	**-**	**210**
Non-operating items	(64)	73	-	-	(14)	-	**(5)**
Tax on non-operating items	6	(15)	-	1	2	-	**(6)**
Profit/(loss) for the year from continuing operations	**19**	**142**	**7**	**51**	**(20)**	**-**	**199**
Profit from discontinued operations	-	-	-	-	-	-	**-**
IFRS profit/(loss) after tax attributable to equity holders	**19**	**142**	**7**	**51**	**(20)**	**-**	**199**
Other comprehensive income, dividends and other movements in equity							**(135)**
Closing IFRS shareholder net assets							**3,967**

1 Global investment management fee based revenue includes share of profits from HDFC Asset Management Company Limited.

30 June 2010	UK £m	Canada £m	International £m	Global investment management[1] £m	Other £m	Elimination £m	Total £m
Opening IFRS shareholder net assets							**3,457**
Fee based revenue	277	72	105	157	-	(76)	**535**
Spread/risk margin	83	115	-	-	-	-	**198**
Total income	**360**	**187**	**105**	**157**	**-**	**(76)**	**733**
Acquisition expenses	(87)	(33)	(12)	-	-	-	**(132)**
Maintenance expenses	(154)	(96)	(59)	(91)	-	76	**(324)**
Investment for transformation and growth	(31)	(16)	(8)	(17)	-	-	**(72)**
Group corporate centre costs	-	-	-	-	(30)	-	**(30)**
Capital management	(12)	20	2	-	17	-	**27**
India and China JV businesses	-	-	(20)	-	-	-	**(20)**
IFRS operating profit/(loss) before tax from continuing operations	**76**	**62**	**8**	**49**	**(13)**	**-**	**182**
Tax on operating profit	(18)	(14)	(4)	(14)	2	-	**(48)**
IFRS operating profit/(loss) after tax from continuing operations	**58**	**48**	**4**	**35**	**(11)**	**-**	**134**
Non-operating items	69	(4)	(2)	(1)	(4)	-	**58**
Tax on non-operating items	4	1	-	1	1	-	**7**
Profit/(loss) for the year from continuing operations	**131**	**45**	**2**	**35**	**(14)**	**-**	**199**
Loss from discontinued operations	(17)	-	-	-	-	-	**(17)**
IFRS profit/(loss) after tax attributable to equity holders	**114**	**45**	**2**	**35**	**(14)**	**-**	**182**
Other comprehensive income, dividends and other movements in equity							**3**
Closing IFRS shareholder net assets							**3,642**

1 Global investment management fee based revenue includes share of profits from HDFC Asset Management Company Limited.

31 December 2010	UK £m	Canada £m	International £m	Global investment management[1] £m	Other £m	Elimination £m	Total £m
Opening IFRS shareholder net assets							**3,457**
Fee based revenue	593	150	212	331	-	(155)	**1,131**
Spread/risk margin	148	222	-	-	-	-	**370**
Total income	**741**	**372**	**212**	**331**	**-**	**(155)**	**1,501**
Acquisition expenses	(172)	(64)	(31)	-	-	-	**(267)**
Maintenance expenses	(312)	(193)	(129)	(194)	-	155	**(673)**
Investment for transformation and growth	(61)	(35)	(15)	(34)	(4)	-	**(149)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	(21)	30	1	-	17	-	**27**
Other	59	-	-	-	-	-	**59**
India and China JV businesses	-	-	(23)	-	-	-	**(23)**
IFRS operating profit/(loss) before tax from continuing operations	**234**	**110**	**15**	**103**	**(37)**	**-**	**425**
Tax on operating profit	(36)	(20)	(8)	(27)	2	-	**(89)**
IFRS operating profit/(loss) after tax from continuing operations	**198**	**90**	**7**	**76**	**(35)**	**-**	**336**
Non-operating items	33	78	(3)	3	(26)	-	**85**
Tax on non-operating items	9	(23)	-	-	5	-	**(9)**
Profit/(loss) for the year from continuing operations	**240**	**145**	**4**	**79**	**(56)**	**-**	**412**
Profit from discontinued operations	20	-	-	-	-	-	**20**
IFRS profit/(loss) after tax attributable to equity holders	**260**	**145**	**4**	**79**	**(56)**	**-**	**432**
Other comprehensive income, dividends and other movements in equity							**14**
Closing IFRS shareholder net assets							**3,903**

[1] Global investment management fee based revenue includes share of profits from HDFC Asset Management Company Limited.

6.2 EEV and EEV operating profit

	Covered						
30 June 2011	UK (and HWPF TVOG) £m	Canada £m	International £m	Total non-covered £m	Group elimination £m	Total £m	Pence per share p
Opening EEV	**3,581**	**1,758**	**732**	**1,205**	**45**	**7,321**	**322**
Opening adjustments	-	-	-	-	-	**-**	
Adjusted opening EEV	**3,581**	**1,758**	**732**	**1,205**	**45**	**7,321**	
New business contribution	113	30	23	-	-	**166**	
Contributions from in-force business	105	83	12	-	-	**200**	
Non-covered business	-	-	-	10	-	**10**	
EEV operating profit before tax from continuing operations	**218**	**113**	**35**	**10**	**-**	**376**	
Tax on operating profit	(54)	(30)	(7)	(5)	-	**(96)**	
EEV operating profit after tax from continuing operations	**164**	**83**	**28**	**5**	**-**	**280**	**12**
EEV non-operating profit/(loss) after tax and EEV profit after tax from discontinued operations	(48)	117	(11)	(11)	(6)	**41**	2
EEV profit/(loss) after tax	**116**	**200**	**17**	**(6)**	**(6)**	**321**	
Non-trading adjustments	(359)	1	40	194	-	**(124)**	
Closing EEV	**3,338**	**1,959**	**789**	**1,393**	**39**	**7,518**	**324**

6.2 EEV and EEV operating profit *continued*

30 June 2010	Covered: UK (and HWPF TVOG) £m	Covered: Canada £m	Covered: International £m	Total non-covered £m	Group elimination £m	Total £m	Pence per share p
Opening EEV	**3,054**	**1,553**	**658**	**1,163**	**7**	**6,435**	**288**
Opening adjustments	-	-	-	-	-	-	
Adjusted opening EEV	**3,054**	**1,553**	**658**	**1,163**	**7**	**6,435**	
New business contribution	103	31	27	-	-	161	
Contributions from in-force business	102	92	21	-	-	215	
Non-covered business	-	-	-	(12)	-	(12)	
EEV operating profit/(loss) before tax from continuing operations	**205**	**123**	**48**	**(12)**	**-**	**364**	
Tax on operating profit	(59)	(32)	(9)	(12)	-	(112)	
EEV operating profit/(loss) after tax from continuing operations	**146**	**91**	**39**	**(24)**	**-**	**252**	**11**
EEV non-operating (loss)/profit after tax and EEV profit after tax from discontinued operations	86	(18)	7	(23)	22	74	3
EEV profit/(loss) after tax	**232**	**73**	**46**	**(47)**	**22**	**326**	
Non-trading adjustments	(5)	80	(17)	(20)	-	38	
Closing EEV	**3,281**	**1,706**	**687**	**1,096**	**29**	**6,799**	**302**

31 December 2010	Covered: UK (and HWPF TVOG) £m	Covered: Canada £m	Covered: International £m	Total non-covered £m	Group elimination £m	Total £m	Pence per share p
Opening EEV	**3,054**	**1,553**	**658**	**1,163**	**7**	**6,435**	**288**
Opening adjustments	-	-	-	-	-	**-**	
Adjusted opening EEV	**3,054**	**1,553**	**658**	**1,163**	**7**	**6,435**	
New business contribution	173	68	67	-	-	**308**	
Contributions from in-force business	255	182	26	-	-	**463**	
Non-covered business	-	-	-	16	-	**16**	
EEV operating profit before tax from continuing operations	**428**	**250**	**93**	**16**	**-**	**787**	
Tax on operating profit	(117)	(64)	(21)	(47)	-	**(249)**	
EEV operating profit after tax from continuing operations	**311**	**186**	**72**	**(31)**	**-**	**538**	**24**
EEV non-operating profit/(loss) after tax and EEV profit after tax from discontinued operations	250	(33)	21	2	38	**278**	12
EEV profit/(loss) after tax	**561**	**153**	**93**	**(29)**	**38**	**816**	
Non-trading adjustments	(34)	52	(19)	71	-	**70**	
Closing EEV	**3,581**	**1,758**	**732**	**1,205**	**45**	**7,321**	**322**

6.3 Reconciliation of IFRS operating profit to EEV capital and cash generation

30 June 2011	UK £m	Canada £m	International £m	Investment management £m	Other £m	Total £m
IFRS operating profit/(loss) before tax from continuing operations	87	103	19	67	(14)	**262**
Tax on operating profit	(10)	(19)	(12)	(17)	6	**(52)**
IFRS operating profit/(loss) after tax from continuing operations	**77**	**84**	**7**	**50**	**(8)**	**210**
Impact of different treatment of assets and reserves	4	(31)	(4)	-	-	**(31)**
DAC & DIR, intangibles, tax and other	14	4	(4)	-	-	**14**
Look through to investment management	25	2	2	(29)	-	**-**
EEV operating capital and cash generation from continuing operations	**120**	**59**	**1**	**21**	**(8)**	**193**
EEV operating profit after tax – PVIF	43	23	21	-	-	**87**
EEV operating profit/(loss) after tax from continuing operations	**163**	**82**	**22**	**21**	**(8)**	**280**

30 June 2010	UK £m	Canada £m	International £m	Investment management £m	Other £m	Total £m
IFRS operating profit/(loss) before tax from continuing operations	76	62	8	49	(13)	**182**
Tax on operating profit	(18)	(14)	(4)	(14)	2	**(48)**
IFRS operating profit/(loss) after tax from continuing operations	**58**	**48**	**4**	**35**	**(11)**	**134**
Impact of different treatment of assets and reserves	(11)	23	5	-	-	**17**
DAC & DIR, intangibles, tax and other	24	(8)	(18)	-	-	**(2)**
Look through to investment management	17	2	1	(20)	-	**-**
EEV operating capital and cash generation from continuing operations	**88**	**65**	**(8)**	**15**	**(11)**	**149**
EEV operating profit after tax – PVIF	33	27	43	-	-	**103**
EEV operating profit/(loss) after tax from continuing operations	**121**	**92**	**35**	**15**	**(11)**	**252**

31 December 2010	UK £m	Canada £m	International £m	Investment management £m	Other £m	Total £m
IFRS operating profit/(loss) before tax from continuing operations	234	110	15	103	(37)	**425**
Tax on operating profit	(36)	(20)	(8)	(27)	2	**(89)**
IFRS operating profit/(loss) after tax from continuing operations	**198**	**90**	**7**	**76**	**(35)**	**336**
Impact of different treatment of assets and reserves	(20)	4	2	-	-	**(14)**
DAC & DIR, intangibles, tax and other	(6)	12	(41)	-	-	**(35)**
Look through to investment management	47	3	2	(52)	-	**-**
EEV operating capital and cash generation from continuing operations	**219**	**109**	**(30)**	**24**	**(35)**	**287**
EEV operating profit after tax – PVIF	83	74	94	-	-	**251**
EEV operating profit/(loss) after tax from continuing operations	**302**	**183**	**64**	**24**	**(35)**	**538**

6.4 Group assets under administration and net flows

Group assets under administration (AUA) represent the IFRS gross assets of the Group adjusted to include third party AUA, which are not included in the statement of financial position. In addition, certain assets are excluded from the definition, for example deferred acquisition costs, intangibles and reinsurance assets.

Group assets under administration (summary)
Six months ended 30 June 2011

	Opening AUA at 1 Jan 2011 £bn	Gross inflows £bn	Redemptions £bn	Net inflows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2011 £bn
Fee business						
UK	76.2	5.7	(3.9)	1.8	0.8	78.8
Institutional pensions	15.8	1.8	(1.0)	0.8	0.4	17.0
Conventional with profits (excluding annuities)	6.6	0.1	(0.7)	(0.6)	0.2	6.2
UK total	**98.6**	**7.6**	**(5.6)**	**2.0**	**1.4**	**102.0**
Canada	14.0	1.3	(1.0)	0.3	0.4	14.7
International (wholly owned)	11.1	1.3	(0.4)	0.9	0.3	12.3
Standard Life Investments third party	71.6	7.6	(4.7)	2.9	(2.9)	71.6
Consolidation/eliminations[1]	(32.2)	(3.9)	2.2	(1.7)	(0.8)	(34.7)
Total fee business	**163.1**	**13.9**	**(9.5)**	**4.4**	**(1.6)**	**165.9**
Spread/risk						
UK	13.4	0.3	(0.6)	(0.3)	0.3	13.4
Canada	10.1	0.5	(0.7)	(0.2)	(0.3)	9.6
Total spread/risk business	**23.5**	**0.8**	**(1.3)**	**(0.5)**	**-**	**23.0**
Assets not backing products	8.4	-	-	-	0.6	9.0
India and China JV businesses	1.2	0.2	(0.1)	0.1	-	1.3
Non-life assets	1.4	-	-	-	0.3	1.7
Other consolidation/eliminations[1]	(0.8)	-	-	-	(0.1)	(0.9)
Group assets under administration	**196.8**	**14.9**	**(10.9)**	**4.0**	**(0.8)**	**200.0**

1 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

Group assets under administration (summary)
Six months ended 30 June 2010

	Opening AUA at 1 Jan 2010 £bn	Gross inflows £bn	Redemptions £bn	Net inflows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2010 £bn
Fee business						
UK	66.6	4.8	(3.7)	1.1	(0.2)	67.5
Institutional pensions	12.0	1.9	(0.6)	1.3	0.1	13.4
Conventional with profits (excluding annuities)	6.9	0.1	(0.5)	(0.4)	0.2	6.7
UK total	**85.5**	**6.8**	**(4.8)**	**2.0**	**0.1**	**87.6**
Canada	11.3	1.1	(0.8)	0.3	0.5	12.1
International (wholly owned)	9.1	0.9	(0.3)	0.6	(0.1)	9.6
Standard Life Investments third party	56.9	7.3	(2.6)	4.7	1.4	63.0
Consolidation/eliminations[1]	(23.9)	(2.9)	1.0	(1.9)	(1.2)	(27.0)
Total fee business	**138.9**	**13.2**	**(7.5)**	**5.7**	**0.7**	**145.3**
Spread/risk						
UK	13.1	0.3	(0.6)	(0.3)	0.8	13.6
Canada	9.2	0.5	(0.7)	(0.2)	1.0	10.0
Total spread/risk business	**22.3**	**0.8**	**(1.3)**	**(0.5)**	**1.8**	**23.6**
Assets not backing products	7.8	-	-	-	0.6	8.4
India and China JV businesses	0.8	0.2	(0.1)	0.1	0.1	1.0
Non-life assets	1.6	-	-	-	-	1.6
Other consolidation/eliminations[1]	(1.3)	-	-	-	0.5	(0.8)
Group assets under administration	**170.1**	**14.2**	**(8.9)**	**5.3**	**3.7**	**179.1**

[1] In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

6.4 Group assets under administration and net flows *continued*

Group assets under administration (summary)
12 months ended 31 December 2010

	Opening AUA at 1 Jan 2010 £bn	Gross inflows £bn	Redemptions £bn	Net inflows £bn	Market and other movements £bn	Closing AUA at 31 Dec 2010 £bn
Fee business						
UK	66.6	9.4	(7.3)	2.1	7.5	76.2
Institutional pensions	12.0	3.6	(1.2)	2.4	1.4	15.8
Conventional with profits (excluding annuities)	6.9	0.2	(1.1)	(0.9)	0.6	6.6
UK total	**85.5**	**13.2**	**(9.6)**	**3.6**	**9.5**	**98.6**
Canada	11.3	2.2	(1.8)	0.4	2.3	14.0
International (wholly owned)	9.1	2.2	(0.8)	1.4	0.6	11.1
Standard Life Investments third party	56.9	12.4	(6.2)	6.2	8.5	71.6
Consolidation/eliminations[1]	(23.9)	(6.7)	3.0	(3.7)	(4.6)	(32.2)
Total fee business	**138.9**	**23.3**	**(15.4)**	**7.9**	**16.3**	**163.1**
Spread/risk						
UK	13.1	0.5	(1.1)	(0.6)	0.9	13.4
Canada	9.2	0.9	(1.3)	(0.4)	1.3	10.1
Total spread/risk business	**22.3**	**1.4**	**(2.4)**	**(1.0)**	**2.2**	**23.5**
Assets not backing products	7.8	-	-	-	0.6	8.4
India and China JV businesses	0.8	0.4	(0.1)	0.3	0.1	1.2
Non-life assets	1.6	-	-	-	(0.2)	1.4
Other consolidation/eliminations[1]	(1.3)	-	-	-	0.5	(0.8)
Group assets under administration	**170.1**	**25.1**	**(17.9)**	**7.2**	**19.5**	**196.8**

1 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

Group assets under administration
Six months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Opening AUA at 1 Jan 2011 £bn	Gross inflows £bn	Redemptions £bn	Net inflows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2011 £bn
UK							
Individual SIPP	F	15.1	1.9	(0.8)	1.1	0.2	16.4
Other individual pensions	F	23.6	0.4	(1.3)	(0.9)	0.8	23.5
Investment bonds	F	8.7	0.1	(0.6)	(0.5)	0.1	8.3
Mutual funds	F	5.3	1.0	(0.2)	0.8	(0.1)	6.0
Annuities	S/R	13.4	0.3	(0.6)	(0.3)	0.3	13.4
Legacy life	F	9.1	0.2	(0.8)	(0.6)	-	8.5
UK retail		**75.2**	**3.9**	**(4.3)**	**(0.4)**	**1.3**	**76.1**
Corporate pensions	F	21.0	2.2	(0.9)	1.3	-	22.3
Institutional pensions	F	15.8	1.8	(1.0)	0.8	0.4	17.0
UK corporate		**36.8**	**4.0**	**(1.9)**	**2.1**	**0.4**	**39.3**
Assets not backing products		7.2	-	-	-	0.1	7.3
UK long-term savings		**119.2**	**7.9**	**(6.2)**	**1.7**	**1.8**	**122.7**
Canada							
Fee	F	10.7	0.9	(0.6)	0.3	0.1	11.1
Spread/risk	S/R	3.6	0.1	(0.2)	(0.1)	0.1	3.6
Group savings and retirement		**14.3**	**1.0**	**(0.8)**	**0.2**	**0.2**	**14.7**
Fee	F	1.7	0.3	(0.2)	0.1	0.1	1.9
Spread/risk	S/R	5.9	0.2	(0.3)	(0.1)	(0.3)	5.5
Individual insurance, savings and retirement		**7.6**	**0.5**	**(0.5)**	**-**	**(0.2)**	**7.4**
Group insurance	S/R	0.6	0.2	(0.2)	-	(0.1)	0.5
Mutual funds	F	1.6	0.1	(0.2)	(0.1)	0.2	1.7
Assets not backing products		1.2	-	-	-	0.5	1.7
Canada long-term savings		**25.3**	**1.8**	**(1.7)**	**0.1**	**0.6**	**26.0**
International							
Ireland	F	6.0	0.9	(0.3)	0.6	0.1	6.7
Germany	F	5.0	0.4	(0.1)	0.3	0.2	5.5
Hong Kong	F	0.1	-	-	-	-	0.1
Wholly owned long-term savings		**11.1**	**1.3**	**(0.4)**	**0.9**	**0.3**	**12.3**
Joint ventures long-term savings		**1.2**	**0.2**	**(0.1)**	0.1	**-**	1.3
International long-term savings		**12.3**	**1.5**	**(0.5)**	**1.0**	**0.3**	**13.6**
Total worldwide long-term savings		**156.8**	**11.2**	**(8.4)**	**2.8**	**2.7**	**162.3**
Non-life assets		**1.4**	**-**	**-**	**-**	**0.3**	**1.7**
Standard Life Investments third party assets under management		**71.6**	7.6	(4.7)	**2.9**	(2.9)	**71.6**
Consolidation and elimination adjustments[1]		**(33.0)**	(3.9)	2.2	(1.7)	(0.9)	**(35.6)**
Group assets under administration		**196.8**	**14.9**	**(10.9)**	**4.0**	**(0.8)**	**200.0**
Group assets under administration managed by:							
Standard Life Group entities		164.0					165.5
Other third party managers		32.8					34.5
Total		**196.8**					**200.0**

1 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

6.4 Group assets under administration and net flows *continued*

Long-term savings operations net flows (regulatory basis)
Six months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Gross inflows 6 months to 30 Jun 2011 £m	Redemptions 6 months to 30 Jun 2011 £m	Net inflows 6 months to 30 Jun 2011 £m	Gross inflows 6 months to 30 Jun 2010 £m	Redemptions 6 months to 30 Jun 2010 £m	Net inflows 6 months to 30 Jun 2010 £m
UK							
Individual SIPP[1]	F	**1,928**	**(849)**	**1,079**	1,868	(810)	1,058
Other individual pensions	F	**448**	**(1,279)**	**(831)**	495	(1,368)	(873)
Investment bonds	F	**116**	**(598)**	**(482)**	115	(527)	(412)
Mutual funds[1]	F	**1,054**	**(211)**	**843**	769	(208)	561
Annuities	S/R	**217**	**(564)**	**(347)**	287	(572)	(285)
Protection	S/R	**39**	**(26)**	**13**	42	(29)	13
Legacy life	F	**155**	**(801)**	**(646)**	178	(644)	(466)
UK retail		**3,957**	**(4,328)**	**(371)**	3,754	(4,158)	(404)
Corporate pensions[1]	F	**2,180**	**(915)**	**1,265**	1,463	(690)	773
Institutional pensions	F	**1,786**	**(974)**	**812**	1,893	(627)	1,266
UK corporate		**3,966**	**(1,889)**	**2,077**	3,356	(1,317)	2,039
UK long-term savings[2]		**7,923**	**(6,217)**	**1,706**	7,110	(5,475)	1,635
Canada							
Fee	F	**858**	**(611)**	**247**	757	(464)	293
Spread/risk	S/R	**100**	**(216)**	**(116)**	84	(208)	(124)
Group savings and retirement		**958**	**(827)**	**131**	841	(672)	169
Fee	F	**271**	**(178)**	**93**	218	(133)	85
Spread/risk	S/R	**167**	**(267)**	**(100)**	134	(323)	(189)
Individual insurance, savings and retirement		**438**	**(445)**	**(7)**	352	(456)	(104)
Group insurance	S/R	**221**	**(178)**	**43**	205	(165)	40
Mutual funds[1]	F	**120**	**(188)**	**(68)**	182	(195)	(13)
Canada long-term savings		**1,737**	**(1,638)**	**99**	1,580	(1,488)	92
International							
Ireland	F	**859**	**(323)**	**536**	562	(298)	264
Germany	F	**389**	**(97)**	**292**	376	(59)	317
Hong Kong	F	**43**	**(13)**	**30**	15	(4)	11
Wholly owned long-term savings		**1,291**	**(433)**	**858**	953	(361)	592
Joint ventures long-term savings[3]		**211**	**(71)**	**140**	183	(50)	133
International long-term savings		**1,502**	**(504)**	**998**	1,136	(411)	725
Total worldwide long-term savings		**11,162**	**(8,359)**	**2,803**	9,826	(7,374)	2,452

1 The mutual funds net flows are also included within mutual funds net flows in the third party investment operations. In addition, an element of the UK non-insured SIPP is included within UK mutual funds net flows in the third party investment operations.

2 UK long-term savings include a total net outflow of £1,030m in relation to conventional with profits business (2010: net outflow £862m). Of this, a net outflow of £422m is in relation to annuities business (2010: net outflow £433m).

3 Includes net flows in respect of Standard Life's share of the India and China JV businesses.

Long-term savings operations net flows (regulatory basis)
Three months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Gross inflows 3 months to 30 Jun 2011 £m	Redemptions 3 months to 30 Jun 2011 £m	Net inflows 3 months to 30 Jun 2011 £m	Gross inflows 3 months to 30 Jun 2010 £m	Redemptions 3 months to 30 Jun 2010 £m	Net inflows 3 months to 30 Jun 2010 £m
UK							
Individual SIPP[1]	F	**936**	**(410)**	**526**	868	(376)	492
Other individual pensions	F	**250**	**(609)**	**(359)**	270	(638)	(368)
Investment bonds	F	**53**	**(286)**	**(233)**	53	(251)	(198)
Mutual funds[1]	F	**532**	**(98)**	**434**	346	(101)	245
Annuities	S/R	**108**	**(283)**	**(175)**	122	(288)	(166)
Protection	S/R	**19**	**(11)**	**8**	21	(14)	7
Legacy life	F	**76**	**(463)**	**(387)**	87	(340)	(253)
UK retail		**1,974**	**(2,160)**	**(186)**	1,767	(2,008)	(241)
Corporate pensions[1]	F	**1,145**	**(439)**	**706**	787	(316)	471
Institutional pensions	F	**864**	**(346)**	**518**	1,046	(254)	792
UK corporate		**2,009**	**(785)**	**1,224**	1,833	(570)	1,263
UK long-term savings[2]		**3,983**	**(2,945)**	**1,038**	3,600	(2,578)	1,022
Canada							
Fee	F	**346**	**(256)**	**90**	399	(223)	176
Spread/risk	S/R	**45**	**(103)**	**(58)**	41	(102)	(61)
Group savings and retirement		**391**	**(359)**	**32**	440	(325)	115
Fee	F	**128**	**(83)**	**45**	98	(64)	34
Spread/risk	S/R	**71**	**(133)**	**(62)**	62	(159)	(97)
Individual insurance, savings and retirement		**199**	**(216)**	**(17)**	160	(223)	(63)
Group insurance	S/R	**112**	**(90)**	**22**	108	(86)	22
Mutual funds[1]	F	**54**	**(75)**	**(21)**	81	(93)	(12)
Canada long-term savings		**756**	**(740)**	**16**	789	(727)	62
International							
Ireland	F	**399**	**(157)**	**242**	302	(148)	154
Germany	F	**198**	**(46)**	**152**	183	(32)	151
Hong Kong	F	**26**	**(11)**	**15**	9	(3)	6
Wholly owned long-term savings		**623**	**(214)**	**409**	494	(183)	311
Joint ventures long-term savings[3]		**76**	**(38)**	**38**	72	(28)	44
International long-term savings		**699**	**(252)**	**447**	566	(211)	355
Total worldwide long-term savings		**5,438**	**(3,937)**	**1,501**	4,955	(3,516)	1,439

1 The mutual funds net flows are also included within mutual funds net flows in the third party investment operations. In addition, an element of the UK non-insured SIPP is included within UK mutual funds net flows in the third party investment operations.

2 UK long-term savings include a total net outflow of £574m in relation to conventional with profits business (2010: net outflow £452m). Of this, a net outflow of £211m is in relation to annuities business (2010: net outflow £220m).

3 Includes net flows in respect of Standard Life's share of the India and China JV businesses.

6.4 Group assets under administration and net flows *continued*

Long-term savings operations net flows (regulatory basis)
15 months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Net flows 3 months to 30 Jun 2011 £m	3 months to 31 Mar 2011 £m	3 months to 31 Dec 2010 £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m
UK						
Individual SIPP	F	**526**	553	439	446	492
Other individual pensions	F	**(359)**	(472)	(411)	(375)	(368)
Investment bonds	F	**(233)**	(249)	(201)	(194)	(198)
Mutual funds	F	**434**	409	430	301	245
Annuities	S/R	**(175)**	(172)	(184)	(173)	(166)
Protection	S/R	**8**	5	8	7	7
Legacy life	F	**(387)**	(259)	(249)	(273)	(253)
UK retail		**(186)**	(185)	(168)	(261)	(241)
Corporate pensions	F	**706**	559	281	336	471
Institutional pensions	F	**518**	294	628	546	792
UK corporate		**1,224**	853	909	882	1,263
UK long-term savings		**1,038**	668	741	621	1,022
Canada						
Fee	F	**90**	157	44	83	176
Spread/risk	S/R	**(58)**	(58)	(53)	(50)	(61)
Group savings and retirement		**32**	99	(9)	33	115
Fee	F	**45**	48	40	33	34
Spread/risk	S/R	**(62)**	(38)	(60)	(79)	(97)
Individual insurance, savings and retirement		**(17)**	10	(20)	(46)	(63)
Group insurance	S/R	**22**	21	18	21	22
Mutual funds	F	**(21)**	(47)	(19)	(7)	(12)
Canada long-term savings		**16**	83	(30)	1	62
International						
Ireland	F	**242**	294	244	203	154
Germany	F	**152**	140	200	149	151
Hong Kong	F	**15**	15	17	7	6
Wholly owned long-term savings		**409**	449	461	359	311
Joint ventures long-term savings[1]		**38**	102	61	60	44
International long-term savings		**447**	551	522	419	355
Total worldwide long-term savings		**1,501**	1,302	1,233	1,041	1,439

[1] Includes net flows in respect of Standard Life's share of the India and China JV businesses.

6.5 Analysis of new business

Long-term savings operations new business
Six months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Single premiums 6 months to 30 Jun 2011 £m	Single premiums 6 months to 30 Jun 2010 £m	New regular premiums 6 months to 30 Jun 2011 £m	New regular premiums 6 months to 30 Jun 2010 £m	PVNBP 6 months to 30 Jun 2011 £m	PVNBP 6 months to 30 Jun 2010 £m	Change[3] %	Change in constant currency[3] %
UK									
Individual SIPP[1]	F	**1,821**	1,774	**45**	39	**1,984**	1,907	**4%**	**4%**
Other individual pensions	F	**224**	232	**11**	13	**253**	266	**(5%)**	**(5%)**
Investment bonds	F	**105**	91	**-**	-	**105**	91	**15%**	**15%**
Mutual funds	F	**1,039**	754	**15**	15	**1,152**	863	**33%**	**33%**
Annuities	S/R	**147**	209	**-**	-	**147**	209	**(30%)**	**(30%)**
Protection	S/R	**-**	-	**-**	-	**1**	1	**-**	**-**
Legacy life	F	**-**	-	**-**	-	**-**	-	**-**	**-**
UK retail		**3,336**	3,060	**71**	67	**3,642**	3,337	**9%**	**9%**
Corporate pensions[1]	F	**1,226**	609	**389**	295	**2,830**	1,751	**62%**	**62%**
Institutional pensions	F	**1,673**	1,835	**1**	3	**1,674**	1,842	**(9%)**	**(9%)**
UK corporate		**2,899**	2,444	**390**	298	**4,504**	3,593	**25%**	**25%**
UK long-term savings		**6,235**	5,504	**461**	365	**8,146**	6,930	**18%**	**18%**
Canada									
Fee	F	**247**	249	**20**	39	**501**	689	**(27%)**	**(29%)**
Spread/risk	S/R	**34**	19	**3**	6	**70**	84	**(17%)**	**(17%)**
Group savings and retirement		**281**	268	**23**	45	**571**	773	**(26%)**	**(27%)**
Fee	F	**271**	218	**-**	-	**271**	218	**24%**	**23%**
Spread/risk	S/R	**113**	79	**1**	2	**131**	100	**31%**	**28%**
Individual insurance, savings and retirement		**384**	297	**1**	2	**402**	318	**26%**	**24%**
Group insurance	S/R	**2**	1	**30**	19	**486**	308	**58%**	**55%**
Mutual funds	F	**120**	182	**-**	-	**120**	182	**(34%)**	**(35%)**
Canada long-term savings		**787**	748	**54**	66	**1,579**	1,581	**-**	**(2%)**
International									
Ireland	F	**817**	530	**5**	4	**836**	545	**53%**	**53%**
Germany	F	**17**	12	**11**	11	**162**	154	**5%**	**5%**
Hong Kong	F	**13**	5	**26**	18	**177**	133	**33%**	**41%**
Wholly owned long-term savings		**847**	547	**42**	33	**1,175**	832	**41%**	**42%**
India[2]		**29**	19	**44**	55	**212**	233	**(9%)**	**(6%)**
China[2]		**20**	19	**6**	7	**49**	55	**(11%)**	**(9%)**
Joint ventures long-term savings		**49**	38	**50**	62	**261**	288	**(9%)**	**(7%)**
International long-term savings		**896**	585	**92**	95	**1,436**	1,120	**28%**	**30%**
Total worldwide long-term savings		**7,918**	6,837	**607**	526	**11,161**	9,631	**16%**	**16%**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party investment operations figure.
2 Standard Life's share of the joint venture company's new business.
3 % change is calculated on the figures rounded to millions.
4 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2011 were £1: C$1.58 (2010: £1: C$1.60) and £1: €1.15 (2010: £1: €1.15).

6.5 Analysis of new business *continued*

Investment operations
Six months ended 30 June 2011

		Opening AUM at 1 Jan 2011 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2011 £m
UK	Mutual funds[1,2]	9,179	2,766	(1,309)	1,457	197	1,654	10,833
	Private equity	3,437	9	(50)	(41)	63	22	3,459
	Segregated funds	13,979	154	(1,237)	(1,083)	271	(812)	13,167
	Pooled property funds	1,702	229	-	229	18	247	1,949
Total UK		**28,297**	**3,158**	**(2,596)**	**562**	**549**	**1,111**	**29,408**
Canada	Mutual funds[1,3]	1,789	122	(191)	(69)	43	(26)	1,763
	Separate mandates	3,443	351	(140)	211	88	299	3,742
Total Canada		**5,232**	**473**	**(331)**	**142**	**131**	**273**	**5,505**
International	Europe	3,806	833	(317)	516	598	1,114	4,920
	India[4]	3,392	62	-	62	(206)	(144)	3,248
	Other	1,131	21	-	21	(24)	(3)	1,128
Total International		**8,329**	**916**	**(317)**	**599**	**368**	**967**	**9,296**
Total worldwide investment products excluding money market and related funds		**41,858**	**4,547**	**(3,244)**	**1,303**	**1,048**	**2,351**	**44,209**
	UK money market funds[5]	3,953	-	-	-	(3,900)	(3,900)	53
	India cash funds[5]	1,435	453	-	453	(161)	292	1,727
Total worldwide investment products		**47,246**	**5,000**	**(3,244)**	**1,756**	**(3,013)**	**(1,257)**	**45,989**

Total third party assets under management comprise the investment business noted above together with third party insurance contracts. New business relating to third party insurance contracts is disclosed as insurance business for reporting purposes. An analysis of total third party assets under management is shown below.

	Opening AUM at 1 Jan 2011 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2011 £m
Third party investment products	47,246	5,000	(3,244)	1,756	(3,013)	(1,257)	45,989
Third party insurance contracts (new business classified as insurance products)	24,367	2,618	(1,433)	1,185	102	1,287	25,654
Total third party assets under management	**71,613**	**7,618**	**(4,677)**	**2,941**	**(2,911)**	**30**	**71,643**
UK money market funds and India cash funds[5]	5,388	453	-	453	(4,061)	(3,608)	1,780
Total third party assets under management excluding money market and related funds	**66,225**	**7,165**	**(4,677)**	**2,488**	**1,150**	**3,638**	**69,863**
Standard Life Investments – total assets under management	**156,874**						**157,014**

1 Included within mutual funds are cash inflows which have also been reflected in UK and Canada mutual funds new business sales and net flows for UK mutual funds, an element of UK non-insured SIPP and Canada mutual funds.

2 In the six months to 30 June 2010, UK mutual funds gross inflows were £1,457m and net inflows were £713m.

3 In the six months to 30 June 2010, Canada mutual funds gross inflows were £178m and net outflows were £13m.

4 International gross inflows include India where, due to the nature of the Indian investment sales market, the new business is shown as the net of sales less redemptions. India cash funds are included as money market and related funds in the table.

5 Due to the nature of the UK money market funds and India cash funds, the flows are calculated using average net client balances. Other movements are derived as the difference between these average net inflows and the movement in the opening and closing AUM. Market and other movements includes the transfer of UK money market funds in Global Liquidity Fund to Deutsche Bank Asset Management, as a result of Standard Life Investments withdrawal from constant net asset value money market funds.

6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2011. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2011 were £1: C$1.55 (31 December 2010: £1: C$1.56) and £1: €1.11 (31 December 2010: £1: €1.17). The principal average exchange rates for the six months to 30 June 2011 were £1: C$1.58 (2010: £1: C$1.60) and £1: €1.15 (2010: £1: €1.15).

Long-term savings operations new business
Three months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	Single premiums 3 months to 30 Jun 2011 £m	Single premiums 3 months to 30 Jun 2010 £m	New regular premiums 3 months to 30 Jun 2011 £m	New regular premiums 3 months to 30 Jun 2010 £m	PVNBP[4] 3 months to 30 Jun 2011 £m	PVNBP[4] 3 months to 30 Jun 2010 £m	Change[3] %	Change in constant currency[3] %
UK									
Individual SIPP[1]	F	**880**	815	**27**	21	**978**	878	**11%**	**11%**
Other individual pensions	F	**141**	134	**5**	7	**155**	152	**2%**	**2%**
Investment bonds	F	**51**	45	**-**	-	**51**	45	**13%**	**13%**
Mutual funds	F	**524**	339	**8**	7	**584**	383	**52%**	**52%**
Annuities	S/R	**74**	82	**-**	-	**74**	82	**(10%)**	**(10%)**
Protection	S/R	**-**	-	**-**	-	**1**	1	**-**	**-**
Legacy life	F	**-**	-	**-**	-	**-**	-	**-**	**-**
UK retail		**1,670**	1,415	**40**	35	**1,843**	1,541	**20%**	**20%**
Corporate pensions[1]	F	**664**	356	**208**	174	**1,536**	1,024	**50%**	**50%**
Institutional pensions	F	**805**	1,012	**-**	-	**802**	1,012	**(21%)**	**(21%)**
UK corporate		**1,469**	1,368	**208**	174	**2,338**	2,036	**15%**	**15%**
UK long-term savings		**3,139**	2,783	**248**	209	**4,181**	3,577	**17%**	**17%**
Canada									
Fee	F	**73**	157	**4**	24	**124**	434	**(71%)**	**(72%)**
Spread/risk	S/R	**14**	9	**1**	4	**22**	49	**(55%)**	**(54%)**
Group savings and retirement		**87**	166	**5**	28	**146**	483	**(70%)**	**(70%)**
Fee	F	**128**	98	**-**	-	**128**	98	**31%**	**33%**
Spread/risk	S/R	**45**	34	**-**	1	**54**	46	**17%**	**16%**
Individual insurance, savings and retirement		**173**	132	**-**	1	**182**	144	**26%**	**28%**
Group insurance	S/R	**1**	1	**9**	8	**162**	140	**16%**	**17%**
Mutual funds	F	**54**	81	**-**	-	**54**	81	**(33%)**	**(33%)**
Canada long-term savings		**315**	380	**14**	37	**544**	848	**(36%)**	**(36%)**
International									
Ireland	F	**379**	284	**2**	2	**386**	292	**32%**	**30%**
Germany	F	**8**	5	**6**	5	**90**	76	**18%**	**15%**
Hong Kong	F	**7**	3	**11**	9	**78**	69	**13%**	**24%**
Wholly owned long-term savings		**394**	292	**19**	16	**554**	437	**27%**	**26%**
India[2]		**7**	5	**13**	22	**62**	93	**(33%)**	**(28%)**
China[2]		**9**	9	**3**	4	**23**	29	**(21%)**	**(16%)**
Joint ventures long-term savings		**16**	14	**16**	26	**85**	122	**(30%)**	**(25%)**
International long-term savings		**410**	306	**35**	42	**639**	559	**14%**	**15%**
Total worldwide long-term savings		**3,864**	3,469	**297**	288	**5,364**	4,984	**8%**	**8%**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party investment operations figures.
2 Standard Life's share of the joint venture company's new business.
3 % change is calculated on the figures rounded to millions.
4 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2011 were £1: C$1.58 (2010: £1: C$1.60) and £1: €1.15 (2010: £1: €1.15).

6.5 Analysis of new business *continued*

Investment operations
Three months ended 30 June 2011

		Opening AUM at 1 Apr 2011 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2011 £m
UK	Mutual funds[1,2]	9,936	1,295	(646)	649	248	897	10,833
	Private equity	3,519	10	(24)	(14)	(46)	(60)	3,459
	Segregated funds	13,099	40	(297)	(257)	325	68	13,167
	Pooled property funds	1,844	87	-	87	18	105	1,949
Total UK		**28,398**	**1,432**	**(967)**	**465**	**545**	**1,010**	**29,408**
Canada	Mutual funds[1,3]	1,785	55	(77)	(22)	-	(22)	1,763
	Separate mandates	3,639	83	(83)	-	103	103	3,742
Total Canada		**5,424**	**138**	**(160)**	**(22)**	**103**	**81**	**5,505**
International	Europe	4,400	495	(266)	229	291	520	4,920
	India[4]	3,238	3	-	3	7	10	3,248
	Other	1,135	9	-	9	(16)	(7)	1,128
Total International		**8,773**	**507**	**(266)**	**241**	**282**	**523**	**9,296**
Total worldwide investment products excluding money market and related funds		**42,595**	**2,077**	**(1,393)**	**684**	**930**	**1,614**	**44,209**
	UK money market funds[5]	3,902	37	-	37	(3,886)	(3,849)	53
	India cash funds[5]	922	215	-	215	590	805	1,727
Total worldwide investment products		**47,419**	**2,329**	**(1,393)**	**936**	**(2,366)**	**(1,430)**	**45,989**

Total third party assets under management comprise the investment business noted above together with third party insurance contracts. New business relating to third party insurance contracts is disclosed as insurance business for reporting purposes. An analysis of total third party assets under management is shown below.

	Opening AUM at 1 Apr 2011 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2011 £m
Third party investment products	47,419	2,329	(1,393)	936	(2,366)	(1,430)	45,989
Third party insurance contracts (new business classified as insurance products)	24,872	1,213	(589)	624	158	782	25,654
Total third party assets under management	**72,291**	**3,542**	**(1,982)**	**1,560**	**(2,208)**	**(648)**	**71,643**
UK money market funds and India cash funds[5]	4,824	252	-	252	(3,296)	(3,044)	1,780
Total third party assets under management excluding money market and related funds	**67,467**	**3,290**	**(1,982)**	**1,308**	**1,088**	**2,396**	**69,863**
Standard Life Investments – total assets under management	**157,121**						**157,014**

1 Included within mutual funds are cash inflows which have also been reflected in UK and Canada mutual funds new business sales and net flows for UK mutual funds, an element of UK non-insured SIPP and Canada mutual funds.
2 In the three months to 30 June 2010, UK mutual funds gross inflows were £869m and net inflows were £490m.
3 In the three months to 30 June 2010, Canada mutual funds gross inflows were £76m and net outflows were £13m.
4 International gross inflows include India where, due to the nature of the Indian investment sales market, the new business is shown as the net of sales less redemptions. India cash funds are included as money market and related funds in the table.
5 Due to the nature of the UK money market funds and India cash funds, the flows are calculated using average net client balances. Other movements are derived as the difference between these average net inflows and the movement in the opening and closing AUM. Market and other movements includes the transfer of UK money market funds in Global Liquidity Fund to Deutsche Bank Asset Management, as a result of Standard Life Investments withdrawal from constant net asset value money market funds.
6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2011. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2011 were £1: C$1.55 (31 March 2011: £1: C$1.56) and £1: €1.11 (31 March 2011: £1: €1.13). The principal average exchange rates for the six months to 30 June 2011 were £1: C$1.58 (2010: £1: C$1.60) and £1: €1.15 (2010: £1: €1.15).

Long-term savings operations new business
15 months ended 30 June 2011

	Fee (F) – Spread/risk (S/R)	PVNBP 3 months to 30 Jun 2011 £m	3 months to 31 Mar 2011 £m	3 months to 31 Dec 2010[1] £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m
UK						
Individual SIPP	F	**978**	1,006	770	757	878
Other individual pensions	F	**155**	98	54	80	152
Investment bonds	F	**51**	54	62	49	45
Mutual funds	F	**584**	568	483	445	383
Annuities	S/R	**74**	73	60	72	82
Protection	S/R	**1**	-	-	-	1
Legacy life	F	**-**	-	-	-	-
UK retail		**1,843**	1,799	1,429	1,403	1,541
Corporate pensions	F	**1,536**	1,294	502	949	1,024
Institutional pensions	F	**802**	872	875	755	1,012
UK corporate		**2,338**	2,166	1,377	1,704	2,036
UK long-term savings		**4,181**	3,965	2,806	3,107	3,577
Canada						
Fee	F	**124**	377	185	344	434
Spread/risk	S/R	**22**	48	26	48	49
Group savings and retirement		**146**	425	211	392	483
Fee	F	**128**	143	129	91	98
Spread/risk	S/R	**54**	77	76	48	46
Individual insurance, savings and retirement		**182**	220	205	139	144
Group insurance	S/R	**162**	324	174	125	140
Mutual funds	F	**54**	66	65	66	81
Canada long-term savings		**544**	1,035	655	722	848
International						
Ireland	F	**386**	450	438	313	292
Germany	F	**90**	72	113	71	76
Hong Kong	F	**78**	99	124	59	69
Wholly owned long-term savings		**554**	621	675	443	437
India[2]		**62**	150	95	116	93
China[2]		**23**	26	41	21	29
Joint ventures long-term savings		**85**	176	136	137	122
International long-term savings		**639**	797	811	580	559
Total worldwide long-term savings		**5,364**	5,797	4,272	4,409	4,984

1 The three month period to 31 December 2010 excludes the full impact of year end changes to non-economic assumptions. The effect of changes to year end non-economic assumptions was an increase in total PVNBP of £171m in the final PVNBP results published in the 2010 Preliminary results.

2 Amounts shown reflect Standard Life's share of the joint venture company's new business.

6.6 Exposure to investment property and financial assets

Further information on the Group's exposure to investment property and financial assets is provided in this section, with additional details of the shareholder exposure. As explained in Note 3.1(a) – Accounting policies – Basis of preparation, there has been a reallocation between cash and cash equivalents and debt securities at 30 June 2010 and 31 December 2010. The information presented in this section reflects the position after the reallocation.

Group exposure to investment property and financial assets

The total Group external exposure to investment property and financial assets including discontinued operations has been segmented below based on the stakeholder sub-group with which the market and credit risk relating to those assets lies.

	Exposure				
30 June 2011	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Investments in associates and joint ventures	21	-	32	15	**68**
Investment property	920	2,171	4,275	1,303	**8,669**
Equity securities	582	10,653	49,647	2,370	**63,252**
Debt securities	11,120	28,553	21,443	3,527	**64,643**
Loans	2,850	195	137	-	**3,182**
Other financial assets	1,732	7,515	1,468	486	**11,201**
Cash and cash equivalents	1,445	1,704	4,552	1,051	**8,752**
Total	**18,670**	**50,791**	**81,554**	**8,752**	**159,767**

	Exposure				
30 June 2010	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Investments in associates and joint ventures	174	1,578	991	153	**2,896**
Investment property	843	2,295	3,771	998	**7,907**
Equity securities	478	7,761	40,305	1,578	**50,122**
Debt securities	10,274	30,482	16,581	1,275	**58,612**
Loans	2,627	196	123	-	**2,946**
Other financial assets	1,266	8,294	1,235	199	**10,994**
Cash and cash equivalents[1]	2,034	592	3,489	258	**6,373**
Total	**17,696**	**51,198**	**66,495**	**4,461**	**139,850**

[1] At 30 June 2010, £6,361m of cash and cash equivalents related to continuing operations and £12m related to discontinued operations.

	Exposure				
31 December 2010	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Investments in associates and joint ventures	37	1,557	1,138	117	**2,849**
Investment property	862	2,297	4,147	1,104	**8,410**
Equity securities	564	9,335	48,449	1,959	**60,307**
Debt securities	10,595	29,883	18,596	2,290	**61,364**
Loans	2,823	207	106	-	**3,136**
Other financial assets	1,365	7,516	935	232	**10,048**
Cash and cash equivalents	1,634	221	3,527	423	**5,805**
Total	**17,880**	**51,016**	**76,898**	**6,125**	**151,919**

[1] Third party interest in consolidated funds and non-controlling interests.

Shareholder exposure to investment property and financial assets

The total shareholder exposure to investment property and financial assets of £18.7bn (30 June 2010: £17.7bn; 31 December 2010: £17.9bn) includes £11.4bn (30 June 2010: £10.8bn; 31 December 2010: £11.2bn) of assets held by non-segregated funds of the Group's Canada operations. The effective exposure of shareholders to assets of the non-segregated funds in Canada was significantly lower than the nominal level of exposure presented below because changes in the value of assets are typically accompanied by offsetting changes in the value of related liabilities. The shareholder exposure is limited to the net impact on the shareholder surplus and the value of any guarantees which may be triggered.

	Canada non-segregated funds exposure			Other shareholder exposure			Total shareholder exposure		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Investments in associates and joint ventures	**21**	21	21	**-**	153	16	**21**	174	37
Investment property	**920**	843	862	**-**	-	-	**920**	843	862
Equity securities	**458**	382	459	**124**	96	105	**582**	478	564
Debt securities	**6,412**	6,334	6,359	**4,708**	3,940	4,236	**11,120**	10,274	10,595
Loans	**2,842**	2,587	2,811	**8**	40	12	**2,850**	2,627	2,823
Other financial assets	**511**	497	512	**1,221**	769	853	**1,732**	1,266	1,365
Cash and cash equivalents	**202**	139	184	**1,243**	1,895	1,450	**1,445**	2,034	1,634
Total	**11,366**	10,803	11,208	**7,304**	6,893	6,672	**18,670**	17,696	17,880

Shareholder exposure to debt securities excluding Canada non-segregated funds consists primarily of debt securities backing annuity liabilities and subordinated debt liabilities. The increase in exposure can be attributed to new annuity business written in the period as well as a change in the shareholder asset mix.

Group exposure to debt securities

The Group's exposure to debt securities has been further analysed in the tables below. The high quality of the debt security portfolio has been maintained, with 47% of debt securities rated AAA (30 June 2010: 55%; 31 December 2010: 51%) and 94% (30 June 2010: 95%; 31 December 2010: 95%) being rated as investment grade.

	Exposure				
30 June 2011	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government	3,739	16,521	9,196	1,427	**30,883**
Corporate – financial institutions	3,714	8,800	7,369	1,328	**21,211**
Corporate – other	3,413	2,953	4,505	754	**11,625**
Other	254	279	373	18	**924**
Total	**11,120**	**28,553**	**21,443**	**3,527**	**64,643**

	Exposure				
30 June 2010	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government	4,438	18,978	7,710	634	**31,760**
Corporate – financial institutions	2,844	7,792	5,470	357	**16,463**
Corporate – other	2,753	3,400	3,047	274	**9,474**
Other	239	312	354	10	**915**
Total	**10,274**	**30,482**	**16,581**	**1,275**	**58,612**

	Exposure				
31 December 2010	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government	4,063	18,379	8,168	1,024	**31,634**
Corporate – financial institutions	3,281	8,013	6,062	709	**18,065**
Corporate – other	3,045	3,167	4,016	552	**10,780**
Other	206	324	350	5	**885**
Total	**10,595**	**29,883**	**18,596**	**2,290**	**61,364**

1 Third party interest in consolidated funds and non-controlling interests.

6.6 Exposure to investment property and financial assets *continued*

Shareholder exposure to debt securities

At 30 June 2011, total shareholder exposure to debt securities was £11,120m (30 June 2010: £10,274m; 31 December 2010: £10,595m), of which 95% (30 June 2010: 94%; 31 December 2010: 95%) being rated as investment grade, showing the high quality of the debt securities held. £3,739m (30 June 2010: £4,438m; 31 December 2010: £4,063m) of the shareholder holdings in debt securities represents exposure to government securities, which represents 34% (30 June 2010: 43%; 31 December 2010: 38%) of the total shareholder exposure to debt securities. The shareholder has limited exposure to government securities issued by peripheral European countries which is restricted to £3m issued by the governments of Italy and Spain at 30 June 2011 (30 June 2010: £15m; 31 December 2010: £15m).

Shareholder exposure to debt securities by credit rating

	Credit rating					
30 June 2011	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB or not rated £m**	**Total £m**
Government	1,048	1,390	1,296	-	5	**3,739**
Corporate – financial institutions	310	1,345	1,680	60	319	**3,714**
Corporate – other	333	249	2,142	612	77	**3,413**
Other	153	-	-	-	101	**254**
Total	**1,844**	**2,984**	**5,118**	**672**	**502**	**11,120**
Total %	**16%**	**27%**	**46%**	**6%**	**5%**	**100%**

	Credit rating					
30 June 2010	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB or not rated £m**	**Total £m**
Government	1,578	1,518	1,342	-	-	**4,438**
Corporate – financial institutions	761	841	759	62	421	**2,844**
Corporate – other	300	232	1,632	506	83	**2,753**
Other	158	-	1	7	73	**239**
Total	**2,797**	**2,591**	**3,734**	**575**	**577**	**10,274**
Total %	**27%**	**25%**	**36%**	**6%**	**6%**	**100%**

	Credit rating					
31 December 2010	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB or not rated £m**	**Total £m**
Government	1,166	1,519	1,378	-	-	**4,063**
Corporate – financial institutions	503	1,384	979	52	363	**3,281**
Corporate – other	290	232	1,928	517	78	**3,045**
Other	135	-	-	-	71	**206**
Total	**2,094**	**3,135**	**4,285**	**569**	**512**	**10,595**
Total %	**20%**	**30%**	**40%**	**5%**	**5%**	**100%**

Debt securities classified as corporate include securities issued by corporate entities which carry government guarantees. Debt securities classified as other consist primarily of securities issued by supranational institutions.

Shareholder exposure to government securities by country

	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
UK	**327**	666	365
Canada	**3,353**	3,701	3,631
US	**7**	6	5
Germany	**29**	28	27
France	**5**	4	5
Portugal	**-**	-	-
Ireland	**-**	2	-
Italy	**2**	9	12
Greece	**-**	-	-
Spain	**1**	4	3
Other Europe	**10**	9	11
Rest of world	**5**	9	4
Total	**3,739**	4,438	4,063

Shareholder exposure to loans

Shareholders are directly exposed to loans of £2.9bn (30 June 2010: £2.6bn; 31 December 2010: £2.8bn) which primarily comprise the Canadian non-segregated funds commercial mortgage book. This mortgage book is deemed to be of very high quality.

	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
Canada non-segregated funds commercial mortgage book	**2,842**	2,587	2,811
Other	**8**	40	12
Total	**2,850**	2,627	2,823

The Canada mortgage book has an average loan to value of 45% (30 June 2010: 46%; 31 December 2010: 45%).

6.7 Fair value hierarchy of financial instruments

To provide further information on the approach used to determine the fair value of certain financial assets and derivative financial liabilities measured as at fair value on the Group's IFRS statement of financial position, the fair value of these financial instruments has been categorised below to reflect the following fair value hierarchy:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs)

As explained in Note 3.1(a) – Accounting policies – Basis of preparation, there has been a reallocation between cash and cash equivalents and debt securities at 30 June 2010 and 31 December 2010. The information presented in this section reflects the position after the reallocation.

Total

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
Equity securities	**61,976**	48,963	59,059	**-**	28	40	**1,276**	1,131	1,208	**63,252**	50,122	60,307
Debt securities	**24,012**	26,911	25,147	**39,038**	30,218	34,731	**1,593**	1,483	1,486	**64,643**	58,612	61,364
Derivative financial assets	**407**	604	435	**866**	1,094	908	**-**	-	-	**1,273**	1,698	1,343
Derivative financial liabilities	**(235)**	(68)	(95)	**(784)**	(440)	(829)	**-**	-	-	**(1,019)**	(508)	(924)
Total	**86,160**	76,410	84,546	**39,120**	30,900	34,850	**2,869**	2,614	2,694	**128,149**	109,924	122,090

6.7 Fair value hierarchy of financial instruments *continued*

Level 1 financial instruments principally include equity securities listed on a recognised exchange, certain government and supranational institution bonds and exchange traded futures and options.

Level 2 financial instruments principally include certain government bonds, listed or publicly quoted corporate bonds, commercial paper, certificates of deposit and derivative instruments which are not exchange traded. Corporate bonds have generally been classified as level 2 as the composite price provided by external pricing providers may include, as an input, quotes provided by some banks that are not based on actual transaction prices.

Level 3 financial instruments principally include unlisted equity securities, being predominantly interests in private equity funds, listed or publicly quoted corporate bonds for which prices are not available from external pricing providers or where such prices are considered to be stale (including some asset backed securities) or are based on single broker indicative quotes and unquoted bonds where credit spreads, being a significant input to the valuation technique, are obtained from a broker or estimated internally.

Shareholder exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Equity securities	**570**	469	554	**-**	-	-	**12**	9	10	**582**	478	564
Debt securities	**541**	891	551	**9,519**	8,531	9,076	**1,060**	852	968	**11,120**	10,274	10,595
Derivative financial assets	**-**	-	-	**312**	336	298	**-**	-	-	**312**	336	298
Derivative financial liabilities	**(4)**	-	(2)	**(29)**	(29)	(30)	**-**	-	-	**(33)**	(29)	(32)
Total	**1,107**	1,360	1,103	**9,802**	8,838	9,344	**1,072**	861	978	**11,981**	11,059	11,425

Policyholder (participating) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Equity securities	**9,858**	7,106	8,606	**-**	-	-	**795**	655	729	**10,653**	7,761	9,335
Debt securities	**16,140**	19,314	17,969	**12,051**	10,730	11,543	**362**	438	371	**28,553**	30,482	29,883
Derivative financial assets	**285**	506	334	**237**	461	271	**-**	-	-	**522**	967	605
Derivative financial liabilities	**(16)**	(18)	(8)	**(164)**	(57)	(122)	**-**	-	-	**(180)**	(75)	(130)
Total	**26,267**	26,908	26,901	**12,124**	11,134	11,692	**1,157**	1,093	1,100	**39,548**	39,135	39,693

Policyholder (unit linked) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m	**30 Jun 2011 £m**	30 Jun 2010 £m	31 Dec 2010 £m
Equity securities	**49,601**	40,177	48,341	**-**	28	40	**46**	100	68	**49,647**	40,305	48,449
Debt securities	**6,462**	6,076	5,943	**14,819**	10,321	12,521	**162**	184	132	**21,443**	16,581	18,596
Derivative financial assets	**83**	79	72	**220**	252	263	**-**	-	-	**303**	331	335
Derivative financial liabilities	**(145)**	(41)	(62)	**(414)**	(304)	(507)	**-**	-	-	**(559)**	(345)	(569)
Total	**56,001**	46,291	54,294	**14,625**	10,297	12,317	**208**	284	200	**70,834**	56,872	66,811

Third party interest in consolidated funds and non-controlling interests exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
Equity securities	**1,947**	1,211	1,558	**-**	-	-	**423**	367	401	**2,370**	1,578	1,959
Debt securities	**869**	630	684	**2,649**	636	1,591	**9**	9	15	**3,527**	1,275	2,290
Derivative financial assets	**39**	19	29	**97**	45	76	**-**	-	-	**136**	64	105
Derivative financial liabilities	**(70)**	(9)	(23)	**(177)**	(50)	(170)	**-**	-	-	**(247)**	(59)	(193)
Total	**2,785**	1,851	2,248	**2,569**	631	1,497	**432**	376	416	**5,786**	2,858	4,161

6.8 Investment for transformation and growth

	6 months to 30 Jun 2011 £m	6 months to 30 Jun 2010 £m	12 months to 31 Dec 2010 £m	Movement £m
Investment in operating cost base	**80**	72	149	**8**
Investment capitalised	**16**	5	36	**11**
Additional investment in joint venture businesses	**23**	12	16	**11**
Total investment for transformation and growth	**119**	89	201	**30**

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7 Glossary

Glossary

Acquisition costs
Expenses related to the procurement and processing of new business written, including a share of overheads.

Annuity
A periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums. If the annuity commences immediately after the payment of the sum, it is termed an immediate annuity. If it commences at some future date, it is termed a deferred annuity.

Assets under administration (AUA)
A measure of the total assets that the Group administers on behalf of customers and institutional clients. It includes those assets for which the Group provides investment management services, as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager. Assets under administration reflect the value of the IFRS gross assets of the Group adjusted, where appropriate, for consolidation adjustments, inter-company assets and intangible assets. In addition, the definition includes third party assets administered by the Group which are not included in the consolidated statement of financial position.

Assumptions
Variables applied to data used to project expected outcomes.

Back book management
We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Back book management includes all non-expense related operating variances and assumption changes for covered business plus those development costs directly related to back book management initiatives and, for non-covered business, specific costs attributed to back book management.

Board
The board of Directors of the Company.

Burnthrough costs
Burnthrough costs are an estimate of the value of the potential shareholder support that could be required to meet policyholder benefits in a participating fund. It is usually the case that shareholders participate in the profits or surpluses generated within a participating fund only to a limited extent. However, there could be unfavourable outcomes in the future when the assets of the participating fund are no longer sufficient to pay the benefits of the policyholders of that fund. This would be described as a 'burnthrough event' and could require some level of financial support from the shareholder. The burnthrough cost is normally calculated by projecting a large number of possible future economic outcomes, taking an average over all of these outcomes.

Capital resources (CR)
Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

Capital resources requirement (CRR)
A company must hold capital resources in excess of the capital resources requirement. The CRR represents the total of the individual capital resources requirements (ICRR) of each regulated company in the Group.

CFO Forum
A high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies.

Company
Standard Life plc.

Constant currency
Eliminates the effects of exchange rate fluctuations and is used when calculating financial performance on a range of measures.

Core
We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Core includes new business contribution, expected return and development costs for covered business, excluding those development costs directly related to back book management initiatives and, for non-covered business, IFRS operating profit excluding specific costs attributable to back book management.

Covered business
The business covered by the EEV methodology. This should include any contracts that are regarded by local insurance supervisors as long-term or life insurance business and may cover other long-term life insurance, short-term life insurance such as group risk business and long-term accident and health business. Where short-term healthcare is regarded as part of or ancillary to a company's long-term life insurance business, then it may be regarded as long-term business. For covered business within the Standard Life Group please refer to the EEV methodology within the EEV supplementary information.

Deferred acquisition costs (DAC)
The method of accounting whereby acquisition costs on long-term business are deferred in the statement of financial position as an asset and amortised over the life of those contracts. This leads to a smoothed recognition of up front expenses instead of the full cost in the year of sale.

Deferred income reserve (DIR)
The method of accounting whereby front end fees that relate to services to be provided in future periods are deferred in the statement of financial position as a liability and amortised over the life of those contracts. This leads to a smoothed recognition of up front income instead of the full income in the year of sale.

Development costs
Costs that are considered to be non-recurring and are reported separately from other expenses in the EEV movement analysis.

Director
A director of the Company.

Discounting
The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money. The choice of a discount rate will usually greatly influence the value of insurance provisions, and may give indications on the conservatism of provisioning methods.

Dividend cover
This is a measure of how easily a company can pay its dividend from profit. It is calculated as IFRS operating profit after tax and minority interest divided by the total dividend for that financial period.

Earnings before interest and tax (EBIT)
EBIT is defined as earnings before interest, taxation, foreign exchange gains and losses, profit on partial disposal of investments in associates, divergence on financial guarantee costs, movement on contract for differences and restructuring costs.

EBIT margin
This is an industry measure of performance for investment management companies. It is calculated as EBIT divided by total revenue.

Earnings per share (EPS)
EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, for example share awards and share options awarded to employees.

Economic assumptions
Assumptions in relation to future interest rates, investment returns, inflation and tax. These assumptions, and variances in relation to these assumptions, are treated as non-operating profits/(losses) under EEV.

Efficiency
We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Efficiency includes covered business variances and assumption changes, which relate to maintenance expenses.

European Embedded Value (EEV)
The value to equity shareholders of the net assets plus the expected future profits on in-force business from a life assurance and pensions business. Prepared in accordance with the EEV Principles and Guidance issued in May 2004 by the CFO Forum and the Additional Guidance issued in October 2005. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the costs of holding required capital, the value of free surplus and TVOG.

EEV operating profit
Covered business EEV operating profit represents profit generated from new business sales and the in-force book of business, based on closing non-economic and opening economic assumptions. Covered business is defined above.

Non-covered business EEV operating profit represents IFRS operating profit. Non-covered business is defined below.

EEV operating profit capital and cash generation
This is a measure of the underlying shareholder capital and cash flow of the Group.

Covered business EEV operating capital and cash generation represents the EEV operating profit net worth (free surplus and required capital) on an after-tax basis.

Non-covered business EEV operating capital and cash generation represents EEV operating profit after tax (as defined above).

Expected return on EEV
Anticipated results based on applying opening assumptions to the opening EEV.

Experience variances
Current period differences between the actual experience incurred over the period and the assumptions used in the calculation of the embedded value, excluding new business non-economic experience variances which are captured in new business contribution.

Fee based business
Fee business is a component of IFRS operating profit and is made up of products where we generate income primarily from asset management charges (AMCs), premium based charges and transactional charges. AMCs are earned on products such as SIPP, corporate pensions and mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with the major indirect Group exposure to rising or falling markets coming from higher or lower AMCs.

Financial options and guarantees
Terms relating to covered business conferring potentially valuable guarantees underlying, or options to change, the level and nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.

Free surplus
The amount of capital and any surplus allocated to, but not required to support, the in-force business covered by the EEV.

Global Absolute Return Strategy (GARS)
A type of fund provided by Standard Life Investments, which is proving to be very popular with investors. The fund's key objective is to deliver an average annual return to investors that is 5% above UK six month LIBOR (London Interbank Offer Rate).

Group capital surplus
This is a regulatory measure of our financial strength and compares the Group's capital resources to its capital resources requirements in accordance with the Insurance Groups Directive.

Group, Standard Life Group or Standard Life
Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006, the Company and its subsidiaries.

Growth investment spend
Costs we incur investing in the future of our business, including product development, marketing and technology to support our growth.

Heritage With Profits Fund (HWPF)
The Heritage With Profits Fund contains all existing business – both with profits and non profit – written before demutualisation in the UK, Irish or German branches, with the exception of the classes of business which the Scheme of Demutualisation allocated to the Proprietary Business Fund. This HWPF also contains increments to existing business.

Individual Capital Assessment (ICA)
The process by which the Financial Services Authority (FSA) requires insurance companies to make an assessment of the regulated company’s own capital requirements, which is then reviewed and agreed by the FSA.

In-force
Long-term business which has been written before the period end and which has not terminated before the period end.

Internal rate of return (IRR)
A measure of rate of return on an investment and so an indicator of capital efficiency. The IRR is equivalent to the discount rate at which the present value of the after-tax cash flows expected to be earned over the lifetime of new business written is equal to the capital invested to support the writing of the business.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are required to be prepared in accordance with IFRS.

IFRS operating profit
IFRS operating profit is calculated by adjusting profit attributable to equity holders before tax for the impact of short-term economic changes to asset and liability values. The Directors believe that by removing this volatility from operating profit, they are presenting a more meaningful indication of the long-term performance of the Group.

IFRS tangible equity per share
Total IFRS equity, less non-controlling interests and intangible assets, divided by the diluted number of issued shares at the end of the period.

Key performance indicators (KPI)
This is a measure by reference to which the development, performance or position of the business can be measured effectively.

Maintenance expenses
Expenses related to the servicing of the in-force book of business (including investment and termination expenses and a share of overheads).

Mutual fund
A collective investment vehicle enabling investors to pool their money, which is then invested in a diverse portfolio of stocks or bonds, enabling investors to achieve a more diversified portfolio than they otherwise might have done by making an individual investment.

Net flows
Net flows represent gross inflows less redemptions. For long-term savings business, gross inflows are premiums and deposits recognised in the period on a regulatory basis (excluding any switches between funds). Redemptions are claims and annuity payments (excluding any reinsurance transactions and switches between funds).

Net worth
The market value of shareholders' funds and the shareholders' interest in the surplus held in the non profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets per regulatory returns.

New business contribution (NBC)
The expected present value of all future cash flows attributable to the equity holder from new business, as included within EEV operating profit.

New business strain (NBS)
Costs involved in acquiring new business (such as commission payments to intermediaries, expenses, reserves) affecting the insurance company’s financial position at that point and where all of the income from that new business (including premiums and investment income) has not yet been received and will not be received until a point in the future. To begin with, therefore, a strain may be created where cash outflows exceed inflows.

NBS margin
New business strain as a percentage of PVNBP sales (see PVNBP).

Non-covered business
Mainly includes third party global investment management and other businesses not associated with the life assurance and pensions business. Non-covered business excludes the global investment management look through profits and the return on mutual funds which are recognised in covered business. Non-covered business is excluded from the EEV methodology and is included within the Group EEV on an IFRS basis.

Non-economic assumptions
Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions, and variances in relation to these assumptions, are included as operating profits/(losses) under EEV.

Non profit policy
A policy, including a unit linked policy, which is not a with profits policy.

Personal pension plan
An individual pension arrangement with particular tax advantages whereby individuals who are self-employed or those who are not members of employer-sponsored pension scheme arrangements can make provision for retirement or provide benefits for their dependents in a tax efficient manner.

Present value of in-force business (PVIF)
The present value of the projected future distributable profits after tax attributable to equity holders from the covered business in-force at the valuation date, adjusted where appropriate, to take account of TVOG.

Present value of new business premiums (PVNBP)
The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

Proprietary Business Fund
The Proprietary Business Fund in Standard Life Assurance Limited (SLAL) contains, among other things, certain classes of business – pension contribution insurance policies, income protection plan policies and a number of SIPP policies written before demutualisation, as well as most new insurance business written after demutualisation in the UK, Ireland and Germany.

PVNBP margin
PVNBP margin is NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value.

Recourse cash flow (RCF)
Certain cash flows arising in the HWPF on specified blocks of UK and Irish business, which are transferred out of the fund on a monthly basis and accrue to the ultimate benefit of equity holders, as determined by the Scheme of Demutualisation.

Regular premium
A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital
The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to equity holders is restricted.

Return on EEV (RoEV)
The annualised post-tax operating profit on an EEV basis expressed as a percentage of the opening embedded value, adjusted for dividends paid to equity holders.

Scheme of Demutualisation (the Scheme)
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

SICAV
A SICAV (société d'investissement à capital variable) is an open-ended collective investment scheme common in Western Europe. SICAVs can be cross-border marketed in the EU under the Undertakings for collective investment in transferable securities (UCITS) directive.

Single premium
A single premium contract (as opposed to a regular premium contract (see above)), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

SIPP
A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

SLAC
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

Spread based business
Spread based business is a component of IFRS operating profit and comprises products where we provide a guaranteed level of income for our customers in return for an investment. A good example of this product line is annuities. The 'spread' referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Time value of options and guarantees (TVOG)
Represents the potential additional cost to equity holders where a financial option or guarantee exists which affects policyholder benefits and is exercisable at the option of the policyholder.

Total shareholder return
This is a measure of the overall return to shareholders and includes the movement in the share price and any dividends paid and reinvested.

Undiscounted payback period
A measure of capital efficiency that measures the time at which the value of expected undiscounted cash flows (after tax) is sufficient to recover the capital invested to support the writing of new business.

Unit linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

With profits policy
A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may be payable from relevant surplus. The declaration of such bonuses (usually annually) reflects, amongst other things, the overall investment performance of the fund of which the policy forms part. Also known as a 'participating' policy.

Wrap platform
An investment platform which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

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8 Shareholder information

Shareholder information

Registered office

Company registration number: SC286832
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland
Phone: **0800 634 7474** or **0131 225 2552**

For shareholder services call 0845 113 0045

Registrar:

Capita Registrars Limited

Auditors:

PricewaterhouseCoopers LLP

Solicitors:

Slaughter and May

Brokers:

JP Morgan Cazenove
Deutsche Bank

Shareholder services

We offer a wide range of shareholder services, some details of which are set out below. If you need any further information about any of these services, please:

- Contact our registrar, Capita, on **0845 113 0045** if calling from the UK. International numbers for Capita can be found on the last page of this report.
- Visit our share portal at **www.standardlifeshareportal.com**

Sign up for ecommunications

You can choose to receive your shareholder communications electronically – registering is easy and free. Just go to **www.standardlifeshareportal.com** to find out how. Signing up means:

- You'll receive an email when documents like the Annual Report and Accounts, Summary Financial Report and AGM guide are available on our website. You can then read these online in an easy-to-use, searchable format instead of receiving paper copies in the post.
- Voting instructions for the Annual General Meeting will be sent to you electronically
- You can download your dividend tax vouchers when you need them
- You can view your Standard Life Share Account statement online

Any information you receive electronically will be the same as the paper version – but you'll help us save money, and conserve natural resources.

Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail. You could also be targeted by fraudulent 'investment specialists' using high-pressure cold-calling sales techniques – these are sometimes called 'boiler room scams'. You can find more information about this at the Financial Services Authority website **www.moneymadeclear.org.uk**

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the Standard Life Share Account – by contacting Capita, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please contact:

Mailing Preference Service (MPS)
DMA House
70 Margaret Street
London
W1W 8SS
You can also register online at **www.mpsonline.org.uk**

Analysis of registered shareholdings as at 30 June 2011

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	64,538	54.56	30,802,355	1.32
1,001-5,000	47,025	39.75	99,831,966	4.29
5,001-10,000	3,931	3.32	26,937,266	1.16
10,001-100,000	2,293	1.94	49,636,837	2.13
*100,001+	510	0.43	2,120,870,836	91.10
Totals	118,297	100.00	2,328,079,260	100.00

* These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,276,506 participants holding 1,046,715,807 shares, and the Unclaimed Asset Trust, which had 76,070 participants holding 28,743,291 shares.

Financial calendar for 2011

Ex-dividend date for 2011 interim dividend	**17 August 2011**
Record date for 2011 interim dividend	**19 August 2011**
Scrip reference price announced for 2011 interim dividend	**24 August 2011**
2011 Q3 trading results and interim management statement	**2 November 2011**
Interim dividend payment date	**18 November 2011**

Contact details

We want to make sure you have answers to all your questions.

	Visit	Mail	Phone
UK and Ireland If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com**	**questions@standardlifeshares.com** **Address:** Standard Life Shareholder Services 34 Beckenham Road Beckenham Kent BR3 4TU	**0845 113 0045** **+44 (0)20 3367 8224** **(01) 431 9829**
Germany and Austria If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com/de**	**fragen@standardlifeshares.de** **Address:** Standard Life Aktionärsservice Postfach 20 01 43 60605 Frankfurt am Main Germany	**+49 (0)6196 7693 130**
Canada If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com** (English) **www.standardlifeshareportal.com/fr** (French Canadian)	**questions@standardlifeshares.ca** **Address:** Standard Life Shareholder Services PO Box 4636 Station A Toronto M5W 7A4	**1-866-982-9939**

www.standardlife.com

Standard Life plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

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