Preliminary Results 2010

Standard Life plc

Standard Life

The Preliminary Results 2010 are published on the Group's website at www.standardlife.com

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Standard Life plc
Preliminary Results 2010
10 March 2011

Strong operating performance and investment delivering profitable growth

Significant increase in assets and net inflows

- Group assets under administration (AUA) 16% higher at £196.8bn
- Net adjusted inflows across the Group up 46% to £8.3bn[3], with long-term savings net flows up 77% to £4.7bn
- Standard Life Investments third party assets under management (AUM) 26% higher at a record level of £71.6bn

Strong financial performance

- 16% increase in fee based revenues to over £1.1bn reflecting strong net inflows and asset growth
- IFRS operating profit before tax from continuing operations up 7% to £425m[4]
- IFRS profit after tax attributable to equity holders more than doubled to £432m
- Core EEV operating profit before tax from continuing operations up 24% to £629m[5]
- EEV per share 12% higher at 322p per share

Cash flow supports higher investment and an increased dividend

- 57% increase in investment for growth to £201m
- EEV core capital and cash generation after tax from continuing operations 6% lower at £289m, reflecting growth investment[5]
- Full year dividend up 6.2% to 13.00p

Commenting on the key aspects of the results, Chief Executive David Nish said:

"Standard Life had a good year in 2010. Our financial performance has been strong, with higher net flows and markets increasing the value of assets and revenues and leading to growth in profits. We've also made significant operational progress to drive efficiencies and are on track to meet our target of £100m of margin improvement by 2012. We've refocused our portfolio and the acquisitions of threesixty, Focus Solutions and Aida Capital have strengthened our capabilities and accelerated the delivery of our strategy.

*"The UK in particular continues to develop rapidly as a result of both regulatory changes and customer trends. These changes are increasing the opportunities available to us and we are seeing real benefits from our increased investment. This February alone, we have seen a significant step up in our delivery of propositions with a new online ISA, the re-launch of Adviserzone, and the launch of **Life**lens, our innovative benefits solutions for Corporates. There is more to come in the year ahead. The investment in new products, customer propositions, services and marketing is helping us to increase our presence significantly in both the retail and corporate pensions and savings markets.*

"Overall, there remains a great deal to be done but I am even more confident that our clear strategy and our customer and performance focused approach will continue to deliver profitable growth, supporting our progressive dividend policy."

Unless otherwise stated, all comparisons are in Sterling and are for the year ended 31 December 2009.

Group Highlights

Standard Life is a leading, long-term savings and investments business, with customers' needs at the heart of everything we do. Over the year we've increased the metabolic rate at which we are delivering our strategy and have made step changes in our operational performance. We have a new, talented top team and over 40 per cent of the wider leadership team has changed in 2010.

In March 2010, we set our key strategic priorities and targeted a significant increase in the level of investment to grow our business. We are now just over one year into our three year transformation to deliver our strategy and drive improved performance. We are making strong progress and are firmly on track to deliver.

Building on our strength in pension savings and corporate benefits

We delivered a number of exciting new propositions over the year, including the launch of our Corporate ISA and Trust Based Pensions, where we have already won several new schemes. We also significantly enhanced the web-based support we give both to our intermediaries and customers and launched Active Money Life Plan, an easy way of saving for retirement.

February 2011 saw a significant step-up in our delivery of propositions with the launch of **Life**lens, our innovative benefits solution for Corporates. We have a strong pipeline of business already, with a number of Corporates going live on this new technology in 2011.

We had a record year for UK corporate pension sales securing 182 new schemes, representing 72,000 employees in total. Our Vebnet business has also implemented 32 new clients with approximately 108,000 employees. Outside of the UK, our performance has also been strong, with our market share of Canadian corporate pensions sales more than doubling to 21%.

Focusing on the savings and investment needs of customers in our chosen segments

We have one of the fastest-growing Wrap platforms in the UK, with assets under administration recently passing the £7bn milestone. Our acquisition of threesixty gives additional depth to the support we provide to intermediaries. The acquisition of Focus Solutions brings a leading provider of software and consultancy to the Group and allows us to accelerate our multi-channel distribution strategy by offering end-to-end solutions to IFAs, bank distribution partners, and end customers.

In September we launched MyFolio, a proposition designed to help customers find the right investment solution for them. Since its launch MyFolio has quickly secured over £100m of AUM, with higher than expected investment into actively managed funds at Standard Life Investments. In February of this year we launched a new online ISA and a complete refresh of Adviserzone, our market-leading adviser platform.

Expanding the global reach of our investment management business

Standard Life Investments continued its excellent record of strong and profitable growth in 2010. Our Global Absolute Returns Strategies (GARS) fund now totals over £7bn and is among the top sellers on five of the UK's leading investment platforms. We have also achieved significant growth in our UK retail business, becoming the third largest manager by net retail sales of mutual funds. Significant progress has been made across a number of asset classes.

We took a 75.1% stake in Aida Capital to extend our alternative investments offering, and our strategic alliance with the Chuo Mitsui Asset Trust and Banking Company gives us access to the Japanese market and helps extend our global franchise.

Maximising the value from our Joint Venture relationships in Asia

Performance across our joint venture businesses in Asia has been very strong in 2010, with net flows increasing by 20%. Our Indian joint venture, HDFC Life, marked its tenth anniversary with a strong year for the business, with exceptional trading and a strong rise in market share despite difficult market conditions. HDFC Asset Management, in which we have a 40% share, is also the fastest growing and second largest mutual fund company in India. We continue to be focused on driving the performance from our business in China.

Driving efficiency

We've made a number of significant organisational changes, with a 'Take to Market' focus established in each of our markets. This brings together distribution and marketing functions, allowing us to respond more effectively to changing customer needs and to develop new propositions faster. We've also continued to drive further efficiencies. In September, we announced a net reduction of 500 jobs in the UK, phasing out 600 existing roles while creating 100 new ones, by the end of 2011. Many of these moves have now happened, helping us to deliver the margin improvement we are targeting by 2012.

Focusing the Group portfolio

We've sold Standard Life Bank and Standard Life Healthcare. The acquisitions of Aida Capital, threesixty and Focus Solutions are all in line with our strategic, customer-centric focus on long-term savings and investments.

Outlook

Although the economic background remains uncertain we strongly believe that the underlying demographic and regulatory trends in our key markets continue to support our future growth potential.

There are very large individual and employer markets available to us in the UK and Canada and we believe we have the products and propositions to capitalise on these. In the UK, there is a growing demand for platform-based wealth management solutions in the run up to the Retail Distribution Review and we are the market leader in this space. We are accelerating our plans over the next eighteen months to grow from our leadership position. Similarly, we are very well placed to benefit from the changes arising from auto enrolment in the corporate market, with our recently launched **Life**lens proposition significantly strengthening our offering to this market. We welcome the pension reform measures that were recently announced by the UK Government, as well as the end of compulsory annuitisation, as these should encourage more people to save for the long term. Sales in the UK are strongly up in the first two months of this year and the pipeline for our pensions business is very good.

Standard Life Investments is well positioned to continue its strong and profitable growth. The pipeline for both institutional and mutual fund products remains good, with fixed income and GARS attracting significant interest both in the UK and continental Europe.

Our International businesses in Ireland and Hong Kong have had a strong start to trading in 2011. Volumes and margins are weaker in the Indian market following the regulatory changes introduced in September. However, our long-term savings joint venture with HDFC continues to perform very strongly relative to competition, increasing its market share. In China, we are continuing to work with our joint venture partner TEDA to develop the business.

We have made good progress in 2010 and have had a strong start to 2011. There will be no let up in our pace of delivery as we continue to invest to develop market leading propositions. Our programme of delivery in 2011 includes the following propositions that will drive revenue growth:

Corporate

- **Life**lens, our market-leading pensions, savings and employee benefits proposition
- Broader investment solutions, including model portfolio, blended funds and discretionary fund management
- The next phase of our Trust based pension offering

Retail

- New Adviserzone website launched in February 2011
- Leveraging the capabilities of Focus Solutions in bank and retail distribution
- Guaranteed Lifetime Withdrawal Benefit proposition launching in Canada

Global investment management

- Extension of GARS platform
- Strengthening our alternatives capabilities in areas such as private equity and European property
- Growing our share of the wholesale market

These developments, combined with our ongoing drive to achieve productivity improvements, will provide us with a springboard to step up further our operational and financial performance.

We are excited by the opportunities in our chosen markets and are confident that the investments we are making and the propositions we are launching will lead to continued strong growth in assets and cash profitability, supporting the Group's progressive dividend policy.

Strong growth in net flows

Demand for our innovative products and services has continued to be strong and has led to good growth in customers and net inflows across the Group. Excluding volatile and lower revenue yield UK money market funds and India cash funds, total net inflows across the Group were very strong, increasing by 46% to £8.3bn (2009: £5.7bn).

In total, net flows were 11% higher at £7.2bn. This, and positive market movements, have led to 16% growth in the total assets we administer and invest for our customers. At the end of 2010 assets under administration (AUA) amounted to £196.8bn. The growth in AUA has been driven by a significant increase in fee business AUA both in the long-term savings and third party investment management businesses.

Assets under administration

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business (£bn)	138.9	23.3	(15.4)	7.9	16.3	163.1
Spread/risk business (£bn)	22.3	1.4	(2.4)	(1.0)	2.2	23.5
Other (£bn)[2]	8.9	0.4	(0.1)	0.3	1.0	10.2
Group AUA (£bn)	**170.1**	**25.1**	**(17.9)**	**7.2**	**19.5**	**196.8**

Net flows

	12 months 2010	12 months 2009	Growth
Fee business (£bn)	7.9	6.9	14%
Fee business (adjusted) (£bn)[3]	9.0	6.1	48%
Spread/risk business (£bn)	(1.0)	(0.6)	(67%)

Fee business AUA has increased 17% to £163.1bn, driven by a 14% increase in net inflows to £7.9bn and higher markets. Spread/risk business AUA has increased 5% over the year to £23.5bn. The rise in AUA has been driven by positive market movements, offsetting the £1.0bn of net outflows in the year.

UK

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business AUA (£bn)	85.5	13.2	(9.6)	3.6	9.5	98.6
Spread/risk business AUA (£bn)	13.1	0.5	(1.1)	(0.6)	0.9	13.4
Total AUA backing products (£bn)	**98.6**	**13.7**	**(10.7)**	**3.0**	**10.4**	**112.0**
Fee business revenue (bps)	75					77

UK fee business AUA is 15% higher at £98.6bn due to positive market movements and net inflows, which have more than doubled to £3.6bn. Net inflows into institutional pensions, mutual funds and SIPP have been strong. The average revenue yield on fee business has strengthened to 77bps (2009: 75bps)[6].

Customer numbers in our core propositions continue to rise. Individual SIPP customers are up 28% to 107,100 (31 December 2009: 83,900). Customers on our Wrap platform are up 80% to 57,000 (31 December 2009: 31,600). The number of IFA firms using the platform increased by 41% to 820 (31 December 2009: 583). Our corporate business continues to perform well, with 182 new schemes won (2009: 168), the average value of which was much higher than last year. This included the 5,000 member Logica scheme in the second quarter.

UK spread/risk business AUA has increased by 2% to £13.4bn. Positive market movements have offset £0.6bn of net outflows.

Canada

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business AUA (£bn)	11.3	2.2	(1.8)	0.4	2.3	14.0
Spread/risk business AUA (£bn)	9.2	0.9	(1.3)	(0.4)	1.3	10.1
Total AUA backing products (£bn)	**20.5**	**3.1**	**(3.1)**	**-**	**3.6**	**24.1**
Fee business revenue (bps)	116					118

Fee business AUA in Canada is 24% higher at £14.0bn, mainly driven by positive market movements. Net inflows of £0.4bn include a good performance in individual insurance, savings and retirement product lines. The average revenue yield has strengthened to 118bps (2009: 116bps).

Canada spread/risk business AUA has increased by 10% to £10.1bn. Positive market movements have more than offset £0.4bn of net outflows in the year.

International

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Wholly owned fee business AUA (£bn)	9.1	2.2	(0.8)	1.4	0.6	11.1
Joint ventures AUA (£bn)	0.8	0.4	(0.1)	0.3	0.1	1.2
Fee business revenue (bps)	248					212

Fee business AUA across our wholly owned International operations is 22% higher at £11.1bn. Net inflows were 56% higher at £1.4bn with a strong performance in both Ireland and Hong Kong. In Ireland, we have seen higher inflows into offshore bonds and our domestic business. Flows in Germany were 1% lower in constant currency, reflecting the challenging conditions across the whole industry. Flows in Hong Kong almost tripled, helped by the launch of a new product in the second half of the year.

The average revenue yield across International was lower at 212bps (2009: 248bps). This was expected and reflects the continued shift away from premium based charges in Germany.

Net flows in the India and China joint venture businesses increased by 20%. In India, the growth and increased market share reflect our success in the bancassurance channel.

Global investment management

Third party

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business (£bn)	56.9	12.4	(6.2)	6.2	8.5	71.6
Excl. UK money market and India cash funds (£bn)	50.8	13.5	(6.2)	7.3	8.1	66.2
Fee business revenue (bps)	34					35

Assets under management (AUM) in our third party fee business are up 26%, reaching a record level of £71.6bn. Strong growth in domestic and overseas business saw net inflows, excluding volatile UK money market and India cash funds, 50% higher at £7.3bn (2009: £4.8bn), representing 14% of third party assets under management at the start of the year. We continue to see strong demand for our fixed interest and GARS products. Sales of mutual funds in the UK were up considerably making us the third largest manager by Net retail sales[8]. We increased our market share of gross retail sales to 3.8%[9] (2009: 2.1%) with net retail sales of 8.4%[9] (2009: 2.6%). Our SICAV range in Europe continues to remain popular. The success of GARS and our UK wholesale business has pushed up the average revenue we made on new business. The average revenue yield across our third party business has strengthened to 35bps (2009: 34bps).

Investment performance has been strong. The money-weighted average performance for third party assets remains above median over one, three, five and ten years.

IFRS results

	2010 £m	Restated 2009 £m
By source		
Fee based revenue	**1,131**	972
Spread/risk margin[4]	**370**	461
Total income	**1,501**	1,433
Acquisition expenses	**(267)**	(240)
Maintenance expenses	**(673)**	(628)
Growth investment spend	**(149)**	(106)
JV businesses	**(23)**	(27)
Group corporate centre costs	**(50)**	(50)
Capital management	**27**	17
Change in UK pension scheme liabilities[4]	**59**	-
IFRS operating profit before tax from continuing operations	**425**	399
By segment		
UK	**234**	222
Canada	**110**	113
International	**15**	23
Global investment management	**103**	73
Other	**(37)**	(32)
IFRS operating profit before tax from continuing operations	**425**	399
Tax on operating profit	**(89)**	(34)
IFRS operating profit after tax from continuing operations	**336**	365
Diluted IFRS operating EPS from continuing operations	**15.0p**	16.6p
IFRS profit attributable to equity holders after tax	**432**	213
Diluted EPS	**19.2p**	9.7p

EEV results

	2010 £m	Restated 2009 £m
Covered business by source		
New business contribution	**308**	213
Contribution from in-force business	**530**	720
Other covered	**(67)**	(63)
Covered business operating profit	**771**	870
Non-covered business		
Global investment management	**33**	42
Other non-covered and corporate costs	**(17)**	(68)
Non-covered business operating profit/(loss)	**16**	(26)
EEV operating profit before tax from continuing operations	**787**	844
Tax on operating profit	**(249)**	(247)
EEV operating profit after tax from continuing operations	**538**	597
Diluted EEV operating EPS from continuing operations	**23.9p**	27.1p
EEV profit after tax	**816**	305

For more information please read Section 1.9 – Basis of preparation and the IFRS pro forma reconciliation of consolidated operating profit to profit for the year in Section 2 of the Preliminary Results 2010.

IFRS operating profit up due to higher fee assets and revenues

IFRS operating profit before tax from continuing operations was 7% higher at £425m after expensing a significant increase in growth investment spend as we pursue our strategy for profitable growth. The IFRS operating result in 2010 includes a £59m benefit arising from a change in the basis of future pension increases in the UK staff pension scheme and a £5m benefit from reserve releases in respect of UK deferred annuities. In 2009, the IFRS operating result similarly benefited from £63m of reserve releases in respect of deferred annuities. Excluding these items and the increase in investment spend, IFRS operating profit was 20% higher at £404m (2009: £336m) due to the higher inflows in our fee business, as well as positive market movements, which have pushed up assets and revenues. Total income was 5% higher at £1,501m. IFRS profit after tax attributable to equity holders more than doubled to £432m.

Revenues from our fee business were 16% higher at £1,131m and now make up 75% of our total income (2009: 68%). The remaining 25% (2009: 32%) of total income is a margin on our spread/risk business. Lower annuity volumes, coupled with a reduction in reserve releases that benefited the result in 2009 has led to this margin being 20% lower at £370m.

Acquisition expenses are the costs we incur in writing new business. These were up 11% at £267m with higher costs in all geographies due to the strong growth in sales levels across the business, with costs expressed as a proportion of sales falling from 171bps in 2009 to 149bps. Maintenance expenses are the ongoing costs we incur in servicing and administering customer policies. These were higher at £673m, partly due to foreign exchange movements in respect of our overseas operations. Similar to acquisition expenses, maintenance expenses were lower at 42bps (2009: 47bps) when expressed as a proportion of average customer assets over the year. Both expense trends demonstrate the scalability of our business.

Last year we said that we would increase our investment for growth in product development, marketing and technology. The programme is progressing well, with a number of customer propositions launched in 2010. The total investment spend expensed against IFRS operating profit has increased by 41% to £149m. The total amount invested in 2010 was £201m, including amounts invested in the China and India joint ventures and technology spend capitalised.

A change in the basis of future pension increases in the UK staff pension scheme has resulted in additional operating profit of £59m in 2010. This action, together with strong investment performance, contributions and assumption changes, has resulted in the net position of the UK staff pension scheme improving significantly from a net deficit of £56m in 2009 to a surplus of £281m.

At our Preliminary Results last year we said that we were targeting £100m of annual margin improvement by 2012. We achieved a margin improvement of £61m in 2010 of which £34m relates to our 2012 target. All previous cost savings targets have been achieved. We remain on track to achieve our 2012 target.

EEV cash flow comfortably covering new business strain and growth investment

Core operating capital and cash generation after tax from continuing operations was 6% lower at £289m, reflecting a significant increase in the investment we have made in our business during 2010. The benefits of this investment will contribute to cash flow in 2011. Before this increase in growth investment, core operating capital and cash generation was 7% higher at £330m (2009: £307m). Within this, capital and cash from existing business was 11% higher at £604m and comfortably covered the cost of writing new business (new business strain) by almost three times (2009: three times).

In total, operating capital and cash generation from continuing operations was 23% lower at £287m, largely due to reserve releases in respect of deferred annuities which drove a £71m back book management result in 2009.

Significant growth in Core EEV operating profit

Core EEV operating profit was 24% higher at £629m. Within this, new business contribution was 45% higher at £308m, with increased sales and strengthened margins leading to a higher contribution from all regions. The expected return on existing business has also strengthened. Offsetting this, core EEV profits within our non-covered business, including our Global investment management business, were lower, mainly due to increased growth investment spend.

Efficiency contributed £132m to profit (2009: negative contribution of £14m), driven by the ongoing reduction in the cost of managing our business and the growth in business volumes.

We continue to work on driving increased value from the management of our back book. The positive back book management result of £26m includes profits arising from the change in the UK pension scheme. In 2009 the back book management result of £349m benefited from a number of management actions to de-risk the business. As a result, EEV operating profit before tax from continuing operations was 7% lower at £787m.

Increased 2010 dividend

The Board have proposed a final dividend of 8.65p per share (2009: 8.09p). This makes a total of 13.00p (2009: 12.24p) for the year, an increase of 6.2%. The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Strong balance sheet

Our balance sheet has strengthened on both an embedded value and IFRS basis. Our embedded value of £7,321m (31 December 2009: £6,435m), represents an embedded value per share of 322p (31 December 2009: 288p). IFRS equity excluding intangible assets and non-controlling interests was £3,768m (31 December 2009: £3,351m), representing 166p per share (31 December 2009: 150p). The increase in Group embedded value and IFRS equity primarily reflect profit for the year and favourable foreign exchange rate movements as well as a significant improvement in the net position of the UK staff pension scheme, partly offset by dividend payments made in 2010.

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Newswires and online publications

We will hold a conference call for newswires and online publications from 8:00 – 9:00am. Participants should dial +44 (0)1452 555566 and quote Standard Life 2010 Preliminary Results. The conference ID number is 47499346. A replay facility will be available for seven days. Investors and analysts should dial +44 (0)1452 550000. The pass code is 47499346#.

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 2010 Preliminary Results. A replay facility will be available for 14 days. Investors and analysts should dial +44 (0)121 2604861. The pass code is 1182010#.

Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

Notes to Editors:

1 Assets under administration (AUA), net flows, IFRS and EEV operating profit and EEV capital and cash generation exclude our discontinued banking and healthcare operations. Prior period figures have been restated accordingly.

2 AUA are the adjusted gross assets of the Group and include assets administered on behalf of customers, including both those managed by the Group and those placed with third party managers.

Other assets included within AUA of £10.2bn (2009: £8.9bn) comprise assets not backing products, joint ventures, non-life assets and consolidation / elimination adjustments.

3 The 46% increase in net inflows across the Group to £8.3bn excludes net flows in respect of UK money market funds and India cash funds. Outflows from these lower revenue yield and highly volatile funds amounted to £1.1bn in 2010 (2009: net inflow of £0.8bn). Including these funds, total net flows across the Group increased by 11% to £7.2bn (2009: £6.5bn).

4 IFRS operating profit includes the following items:

	2010 £m	Restated 2009 £m
IFRS operating profit	425	399
Adjustments:		
Reserve releases for UK deferred annuities included in spread/risk margin	(5)	(63)
Change in UK pension scheme liabilities	(59)	-
Profit including increased growth investment spend	**361**	**336**

5 Core elements comprise new business contribution (NBC), expected return on in-force business, non-covered business profits and development costs for covered business other than those directly related to back book. Core EEV capital and cash generation reflects the after tax net worth impact of the core EEV result attributable to shareholders.

6 In the UK, the 77bps revenue yield is calculated based on revenue and average assets excluding conventional with profits (CWP) and institutional pensions. The AUA for this business was £76.2bn at 31 December 2010 (31 December 2009: £66.6bn).

7 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 UCITS directive.

8 Source: Pridham Report.

9 Source: Standard Life Investments and the Investment Management Association (IMA).

10 The 2010 Preliminary Results are available on the Financial Results page of the Standard Life website at **www.standardlife.com**

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1 Business review

1.1 Group overview

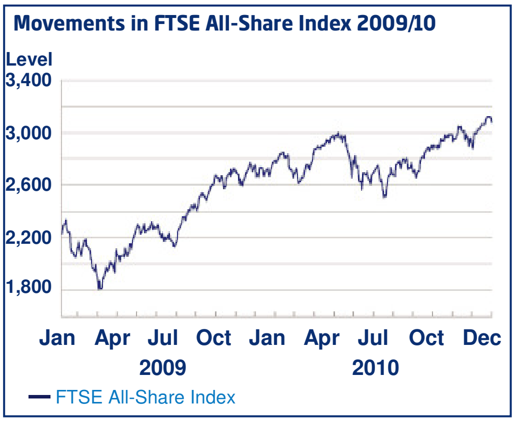
There are exciting opportunities for Standard Life in our key markets. External market forces affect our results and can influence the Group's performance. We assess our ability to achieve our strategic objectives by monitoring a range of key performance indicators.

Industry overview

We have performed strongly during 2010 and are well placed to benefit from future regulatory and demographic changes in all our markets. We believe that changing customer behaviours, the Retail Distribution Review, auto enrolment and the continuing pensions savings gap will create opportunities for our business.

Higher market levels

Although the financial crisis continued to weigh heavily on the global economy in 2010, average market values were substantially higher than in 2009. For example, the average daily FTSE All-Share Index rose by 21% between 2009 and 2010. Combined with similar rises in other major world markets, this contributed to a 16% increase in our fee based revenue to £1,131m. Higher market levels have a positive impact on our business as a significant proportion of our revenue is based on a percentage fee applied to assets under administration.



Pension reform

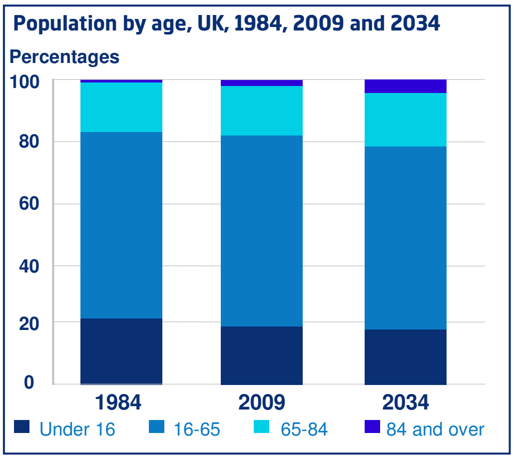
The UK Government has recently announced pension reform measures that retain an annual allowance for pension contributions qualifying for tax relief. There will also be a rise in the state pension age for men and women to age 66 by 2020. We welcome the simple and straightforward nature of the pension tax relief rules as these remove much of the administrative burden that the previous proposals of tiered removal of tax relief based on income would have created. The new three year carry forward rule will also allow high earners, restricted by the current interim rules, to make larger contributions from 6 April 2011. Simplification of pension tax relief rules makes it easier for advisers and individuals to plan effectively for their retirement. This is more important than ever given the size of the pension savings gap. The Government also announced the end of compulsory annuitisation from April 2011. The move is intended to provide individuals with more flexibility over the use of their pension savings and may encourage more people to save for the long term.

In Canada, the Federal Government announced its intention to create the legal environment for a new type of pension plan called the Pooled Registered Pension Plan (PRPP). This aims to make it easier and more affordable for small employers to offer pension plans and for self-employed individuals to participate. This new plan would be administered by the private sector and is expected to be in place in 2012 at the earliest. However, for this to happen, there will need to be provincial legislative changes. This initiative could increase the size of the pension plan market by improving accessibility to pension plans.

Changing demographics

Changing demographics continue to impact our key markets. The changes include: an ageing population, with people living longer whilst managing more extensive debt; diminishing state and employer pension provision; an increasing wealth gap between rich and poor; and lower long-term birth rates. In the UK, the structure of the population is changing as life expectancy rapidly increases. In 2009 there were 1.4 million people aged 85 and over in the UK and this is expected to increase to around 3.5 million by 2034. This emphasises the need for individuals to ensure that they have adequate pension provision to fund their retirement.

The UK currently has a significant pension savings gap. This gap is the difference between the income an individual needs for a comfortable retirement and the actual pension that they are on target to receive. The UK Government is making changes to increase the proportion of the population saving for retirement, including auto enrolment and the introduction of the National Employment Savings Trust (NEST). We believe that these steps will increase contributions to private pensions and that we are well placed to benefit from these changes.



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The changes above, combined with improved technology and automation, are altering the way customers approach their finances. Our customers are increasingly self-reliant and willing to take a greater role in managing their savings. We have increased our growth investment in the business over 2010, including a significant investment in technology. Together with our recent acquisition of Focus Solutions, this will allow us to capitalise on the growing consumer demand for technology-enabled long-term savings and investment solutions.

Government legislation and regulatory environment

There are currently a number of legislative and regulatory initiatives under discussion. The key initiatives and their potential impact on Standard Life are set out below:

	Description	Potential impact on Standard Life
Retail Distribution Review	The Retail Distribution Review (RDR) is designed to increase transparency in retail financial services and to raise professional standards. The RDR is due to be implemented by the end of 2012. The review has significant implications for those providing retail financial advice and involves new qualification standards for all advisers. The objectives of the RDR are to: • Improve the clarity with which firms describe their services and fees to consumers • Address the potential for adviser remuneration to distort consumer outcomes • Increase the professional standards of investment advisers	The RDR will bring a major change to the distribution landscape in the UK. While every significant change brings some inherent disruption and uncertainty, we believe that our customer-centric, capital-efficient approach means that we are particularly well placed to meet the proposed changes to the market in terms of removal of commission, increased transparency and professionalism. We have focused on building relationships with the new model advisers, who do not rely on commission to fund their business model and have the level of professionalism needed for a post-RDR world. We do not rely on paying commission to promote our propositions. Therefore, the ban on commission that will come as part of the RDR will effectively double the size of our accessible market. Our customer service, brand and technology enable us to win significant levels of business without paying commission. This will position us strongly once the playing field has been levelled through the RDR.
Auto enrolment	From October 2012 all employers will be required to automatically enrol eligible employees into a qualifying pension scheme and make combined employer and employee contributions of 8%. Not all employees are eligible for auto enrolment and employees have the right to opt out of the pension scheme if they wish. However, it is believed that the shift from ‘opting in’ to ‘opting out’ will increase the level of participation in corporate schemes from 50% to 80%.	As a provider of quality corporate pensions schemes, we welcome the introduction of auto enrolment in 2012. Millions of people in the UK are not saving enough to provide adequately for their retirement. Auto enrolment is an important step in improving the situation. We expect to benefit from auto enrolment from both more scheme wins as employers look to offer their employees a tailored solution, and also through increased participation in our current schemes as employees decide not to opt out.
National Employment Savings Trust	Employers who do not want to set up their own pension scheme or join an existing commercial scheme have the option to enrol their employees into a low-cost pension scheme called National Employment Savings Trust (NEST). Individuals will however, still have the choice of opting out. Implementation will be phased in over four years from 2012. Larger employers will have their duties imposed first, smaller employers last. This scheme aims to solve the problems of low portability and high charges. It is intended to operate as a large, multi-employer occupational pension scheme and extend the benefits of employer schemes to those who currently don’t have access to them – typically those on low-to-moderate incomes.	NEST is targeted at employers with employees on low-to-moderate incomes. Many employers will be looking for greater flexibility when setting up a pension scheme, so we do not consider NEST to be a major threat to our corporate pensions business. Our position has been strengthened further with the introduction in February 2011 of our combined pension and flexible benefits proposition called Lifelens. This allows employers to offer even more flexibility and accessibility to their employees. There is some market belief that NEST will lead to generally lower margins. However, although marketed as a low cost option, NEST will have an initial charge of 1.8% with an annual management fee of 30 basis points. This is broadly comparable with many of the commercial options in the market at the moment. Therefore, we do not see a significant pressure on revenue margins after NEST is introduced.

1.1 Group overview *continued*

	Description	Potential impact on Standard Life
Solvency 2	Solvency 2 is a major European regulatory change initiative which is currently due to be implemented on 1 January 2013, although firms will be required to be ready well in advance of this date. The Omnibus 2 Directive, published in January 2011, will amend the Solvency 2 Directive and is included in our implementation plans. Solvency 2 will affect risk and capital management, external reporting, supervision and business strategies of the European insurance industry.	We have been following the development of the new regime for many years and are actively involved in industry and regulatory discussions within the UK and Europe. We took part in the recent QIS5 exercise and have a formal development programme in place to ensure Standard Life is well prepared for the implementation of the new framework.
IFRS 4 Phase II	The International Accounting Standards Board (IASB) has published an exposure draft setting out draft proposals for a new accounting standard for insurance contracts (IFRS 4 Phase II).	We have actively contributed to industry responses to the proposals outlined in the exposure draft. The proposals will have a significant impact on reported earnings and business systems within the industry.
Gender differentiation	On 1 March 2011, the European Court of Justice ruled that the use of gender as a factor in determining premiums and benefits in insurance contracts will no longer be permitted. This change will take effect from 21 December 2012.	We currently use gender as a risk factor in calculating premiums and benefits for a number of our products. Following this ruling, we will not be making any immediate change to gender based rates used in our products. Looking ahead, we will ensure that the appropriate changes are implemented in accordance with the ruling but do not currently anticipate a significant impact on our results.

Transforming our business

We've made significant progress in transforming how we operate to deliver our strategic priorities. In corporate, we recently launched the employee benefits platform, Lifelens. Lifelens is the only proposition in the market that offers a single, fully flexible savings and benefit solution for employers and employees. The strength of this proposition allows us to work across the Group to look at opportunities to distribute Lifelens internationally. We have also recently developed a new online ISA and re-launched our Adviserzone platform.

In retail, our flexible UK Active Money Personal Pension provides an entry-level retirement savings proposition. Our new strategic alliance with Chuo Mitsui Asset Trust and Banking Company assists us in expanding the global reach of our investment management business. The joint venture businesses in Asia continue to develop.

We continue to invest in our technology to ensure that our propositions deliver a competitive advantage through a model that lowers the cost to acquire and serve customers. By building more automation into our processes we will remove barriers to growth and give our customers more control over their finances. New technologies will play an increasingly important role in the way we operate.

In June 2010, 'Take to Market' divisions were created in all our businesses. This brought sales, marketing and distribution closer together, increasing our speed to market. Standard Life Investments and the UK Take to Market business are jointly developing investment solutions for customers. This includes the launch of MyFolio, a proposition designed to help customers find the right investment solution for them. Since its launch in September 2010, MyFolio has already secured over £100m of assets under management, with higher than expected investment into actively managed funds at Standard Life Investments.

In September 2010, we announced changes to our organisational structure to support our transformation. This included reducing the size and cost of our group corporate centre. We confirmed that we would remove up to 600 jobs across the business and create up to 100 new jobs to support delivery of our strategy.

In February 2011, we took another important step on our transformation journey when we launched our brand repositioning and new visual identity. A key part of our brand repositioning is to deliver even clearer communications to our customers to help them plan for their financial future.

We are also driving an increased focus on performance throughout the Group. This includes aligning management and staff incentives to improve performance and increase Group IFRS operating profits. More details on our management incentives are included in Section 1.8 and the Directors' remuneration report in the Annual Report and Accounts 2010.

These changes will make our business more efficient, faster to market and improve our customers' experiences. We believe this will make us more profitable and generate more cash.

1.2 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 streamline operational processes and enhance efficiency to reduce costs.

IFRS highlights

	2010	2009	Movement
IFRS operating profit before tax from continuing operations[1]	**£425m**	£399m	7%
IFRS profit after tax attributable to equity holders of Standard Life plc	**£432m**	£213m	103%
Assets under administration	**£196.8bn**	£170.1bn	16%

[1] Profit from continuing operations excludes Standard Life Bank plc and Standard Life Healthcare Limited, which were sold on 1 January 2010 and 31 July 2010 respectively.

IFRS profit

IFRS profit for the year was £493m (2009: £180m). This comprised profit after tax attributable to equity holders of £432m (2009: £213m) and profit attributable to non-controlling interests of £61m (2009: loss £33m). The IFRS result included a 7% increase in operating profit before tax from continuing operations from £399m to £425m. Non-operating profits were £85m (2009: loss £255m).

IFRS operating profit before tax from continuing operations

	2010 £m	2009 £m
Fee based revenue	**1,131**	972
Spread/risk margin	**370**	461
Total income	**1,501**	1,433
Acquisition expenses	**(267)**	(240)
Maintenance expenses	**(673)**	(628)
Growth investment spend	**(149)**	(106)
Joint venture businesses	**(23)**	(27)
Group corporate centre costs	**(50)**	(50)
Capital management	**27**	17
Other	**59**	-
Group IFRS operating profit before tax from continuing operations	**425**	399

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

- Increased fee revenue of £159m from higher asset levels and the strong level of net inflows
- Reduced spread/risk margin of £91m, impacted by reduced annuity volumes and the £5m (2009: £63m) deferred annuity reserves release
- Increased growth investment spend in the business of £43m
- Other expenses increased by £72m 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. Acquisition expenses expressed as a proportion of sales fell from 171bps in 2009 to 149bps and maintenance expenses as a proportion of average customer assets reduced from 47bps in 2009 to 42bps
- Other relates to a change in the basis of future pension increases in the UK staff pension scheme which contributed £59m in 2010

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

Group IFRS operating profit before tax increased to £425m. Fee business revenue, which mainly relates to asset management charges, increased by 16% to £1,131m. This was due to higher asset values following positive market movements and the strong growth in net inflows.

Spread/risk margin includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes. Spread/risk margin reduced due to lower annuity volumes resulting from changes in our pricing due to market conditions and changes in operating assumptions in the UK. The 2010 result also included a £5m (2009: £63m) release of reserves following the review of UK deferred annuity data.

We have continued to invest for future growth in the business. This led to growth investment spend included in IFRS operating profit before tax increasing in 2010 to £149m, with a number of customer propositions launched during the year. The total amount invested in 2010 was £201m (2009: £128m). This includes additional investment in our joint ventures in Asia and also capitalised investment spend that does not impact profitability in 2010.

1.2 IFRS – Group *continued*

Acquisition expenses are the costs we incur in writing new business. Acquisition expenses increased to £267m reflecting the strong growth in sales volumes. Acquisition expenses expressed as a proportion of sales improved to 149bps (2009: 171bps).

Maintenance expenses mainly relate to the ongoing costs that we incur to service and administer customer policies. These costs increased to £673m. Maintenance expenses expressed as a proportion of average AUA improved to 42bps (2009: 47bps).

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.

In 2010 we achieved a margin improvement of £61m. This includes £34m in the second half of the year relating to our 2012 target. We are on track to meet our target of a further £100m margin improvement by 2012. The previous target of £75m was achieved six months earlier than our original target.

Segmental analysis of IFRS operating profit

UK

UK IFRS operating profit before tax from continuing operations increased to £234m. The average revenue yield on fee business increased to 77bps (2009: 75bps). The average revenue yield is a measure of fee business revenue expressed as a proportion of average fee based AUA in the year. Profitability was boosted by an increase in revenue from our existing fee based business and a £59m benefit from the change in the UK pension scheme.

This was partly offset by a reduction in spread/risk margin. The 2010 results included a £5m (2009: £63m) release of reserves following the review of our deferred annuity data.

The 2008 result included several one-off items that contributed £101m to profitability.

Canada

Canada recorded an operating profit before tax of £110m. 2010 results benefited from an increase in fee based revenue, as well as a release of reserves due to a review of annuity policy data and changes to reinsurance arrangements. The average revenue yield on fee business increased slightly to 118bps (2009: 116bps). 2009 results benefited from management actions to improve asset and liability matching, which decreased policyholder liabilities.

International

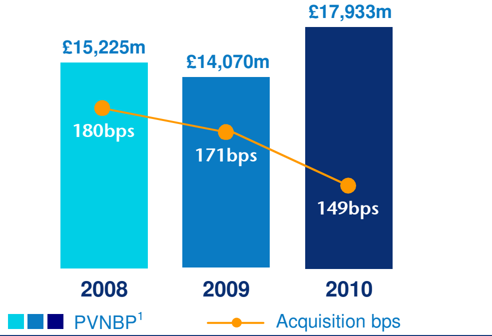
IFRS operating profit before tax of the wholly owned International businesses decreased to £38m (2009: £50m). This was mainly due to the decreasing transfer of profit to shareholders from the Heritage With Profits Fund (HWPF) in Germany. The average revenue yield on fee business was lower at 212bps (2009: 248bps), reflecting the continued shift away from premium based charges in Germany. This contributed to a fall in profitability in Germany to £42m (2009: £55m).

The joint ventures in India and China contributed an IFRS operating loss before tax of £23m (2009: loss £27m) to the Group, reflecting the continuing investment in developing the operations in these markets.

Global investment management

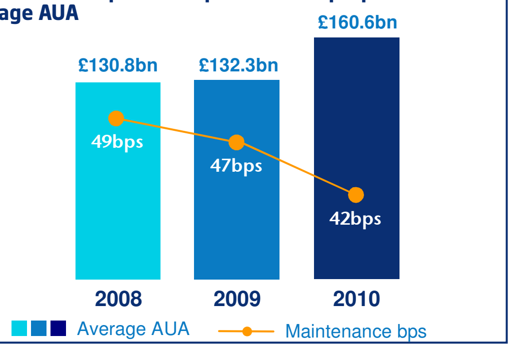
Global investment management IFRS operating profit before tax increased to £103m. This was mainly due to a rise in revenue of 29% as a result of higher average market values and increased third party new business flows. Third party average revenue yield on fee business increased to 35bps (2009: 34bps) with strong sales in higher margin products including GARS.

Acquisition expenses expressed as a proportion of sales

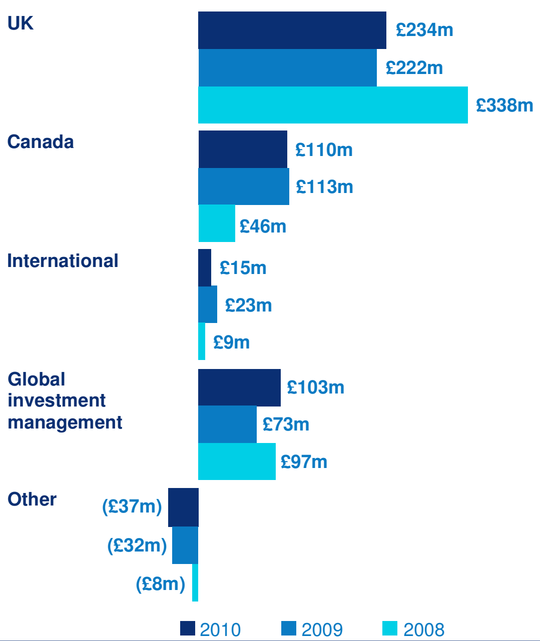


[1] PVNBP excludes Asia joint ventures.

Maintenance expenses expressed as a proportion of average AUA



IFRS operating profit before tax from continuing operations £425m (2009: £399m, 2008: £482m)



Other

Group corporate centre costs increased to £54m (2009: £50m) due to increased investment in the business, including growth investment spend of £4m. Other income remained broadly unchanged at £17m (2009: £18m).

Find out more about the IFRS operating results of our businesses in Section 1.4 – Business segment performance.

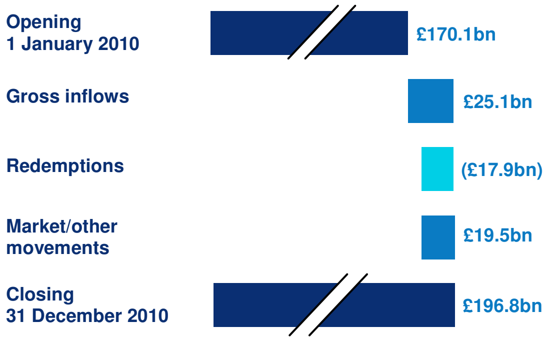
IFRS non-operating profit/(loss) before tax from continuing operations

IFRS non-operating profit was £85m compared with a loss of £255m in 2009. The increase primarily relates to short-term fluctuations in investment return and economic assumptions which produced non-operating gains of £127m in 2010 compared with losses of £214m in 2009. Non-operating restructuring and corporate transaction expenses increased to £71m (2009: £52m).

Assets under administration and net flows

Demand for our innovative products and services remained strong and led to good growth in net inflows which increased by 11% to £7.2bn. Supported by positive market movements, this led to a 16% increase in assets under administration (AUA) to £196.8bn. Of the total AUA, 83% (2009: 82%) related to fee business. The overall increase in AUA was driven by a significant increase in fee business AUA in the long-term savings and third party investment management businesses. Fee business AUA rose by 17% to £163.1bn (2009: £138.9bn). This increase was driven by a 14% growth in net flows to £7.9bn (2009: £6.9bn). Spread/risk business AUA increased by 5% to £23.5bn. This was due to positive market movements offsetting the £1.0bn (2009: £0.6bn) of net outflows. Find out more about the AUA and net flows of our businesses in Section 1.4 – Business segment performance.

Movement in Group AUA



1.3 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

	2010	2009	Movement
EEV per share	**322p**	288p	12%
EEV operating profit before tax from continuing operations[1]	**£787m**	£844m	(7%)
EEV profit before tax	**£1,152m**	£474m	143%
Return on embedded value from continuing operations[1]	**8.7%**	9.9%	(1.2% points)

1 Continuing operations exclude Standard Life Bank plc and Standard Life Healthcare Limited, which were sold on 1 January 2010 and 31 July 2010 respectively.

Group embedded value

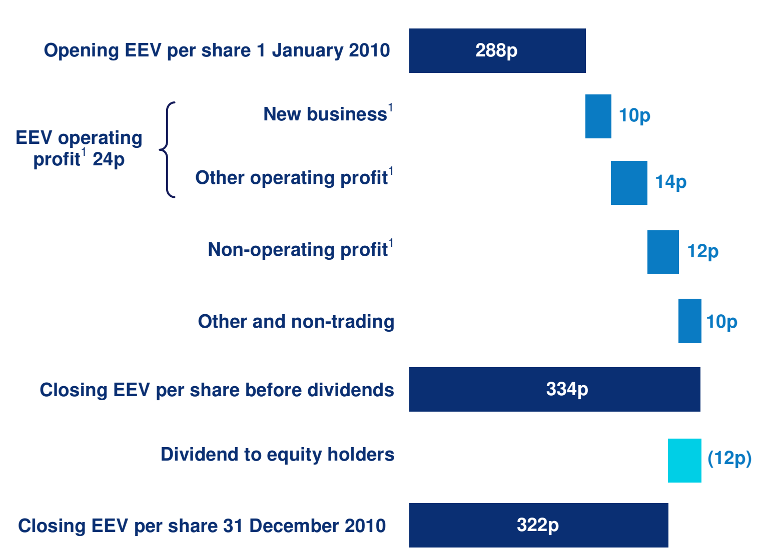
Group embedded value increased to £7,321m (2009: £6,435m) representing an EEV per share of 322p. EEV per share has increased by 46p before dividend distributions, representing a return of 16% on the opening EEV per share.

This movement included operating profit from continuing operations of £538m after tax (24p per share). This resulted in a return on embedded value (RoEV) of 8.7%. Non-operating profit from continuing operations was £258m after tax (12p 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 £152m. Actuarial gains of £125m after tax largely reflect the £149m after tax increase in the surplus of the UK pension scheme.

The closing EEV of £7,321m consists of £3,483m of net worth or shareholder net assets and £3,838m from the present value of in-force business (PVIF). The increase in total EEV of £886m consists of a movement in net worth of positive £432m and a movement in the PVIF of positive £454m.

Movement in embedded value per share



1 Profits are shown net of tax.

Find out more in Section 1.5 – Capital and cash generation on the movements in EEV shareholder net assets (net worth).

EEV profit

EEV profit before tax of £1,152m (2009: £474m) includes an operating profit from continuing operations of £787m (2009: £844m) and a non-operating profit from continuing operations of £348m (2009: loss £463m). EEV profit from discontinued operations was £17m before tax (2009: £93m).

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 decreased by 7%. Whilst core profits increased by £120m and efficiency profits rose by £146m, back book profits fell by £323m reflecting the large one-off profits we made in 2009.

Core profits increased by 24% to £629m due to the new business we sold and an improved expected return from our existing business. This also drove an increase in our core RoEV from 6.1% to 7.2%. New business contribution (NBC) increased by 45% – find out more about this under New business profitability. Expected return on our existing business increased by 13% to £422m (2009: £375m).

	EEV operating profit before tax		RoEV	
	2010 £m	2009 £m	2010 %	2009 %
Core	**629**	509	**7.2**	6.1
Efficiency	**132**	(14)	**1.6**	(0.2)
Back book management	**26**	349	**(0.1)**	4.0
Total	**787**	844	**8.7**	9.9

Our core non-covered business (predominantly our investment management business and other businesses that support our long-term savings businesses) produced an operating loss of £37m (2009: loss £22m). This was mainly due to higher spend on growth investment.

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

Profit from efficiency gains was mainly due to £130m in positive expense assumption changes across all of our long-term savings businesses, but particularly in Canada and the UK. These positive expense assumptions mainly reflect the reduction in the ongoing expenses of managing our covered business and the growth in business volumes.

Operating profit from back book management of £26m included a £59m one-off operating profit from the change in the UK pension scheme. We made significant profits last year from one-off activities to reduce market risk associated with the HWPF. This was the main contributor to the overall decrease in EEV operating profit in 2010.

New business profitability

	PVNBP £m		NBC £m		PVNBP margin %		IRR %		Undiscounted payback (years)[1]	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
UK	**12,956**	10,180	**173**	139	**1.3**	1.4	**18**	16	**6**	6
Canada	**3,048**	2,460	**68**	46	**2.2**	1.9	**24**	14	**6**	7
International	**2,479**	1,908	**67**	28	**2.7**	1.5	**14**	10	**6**	8
Total	**18,483**	14,548	**308**	213	**1.7**	1.5	**17**	14	**6**	7

1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The 2009 comparative has been restated.

Improved new business profitability was due to higher sales volumes across the Group and increased margins in our overseas businesses. The present value of new business premiums (PVNBP) for the Group totalled £18,483m and was 27% greater than sales volumes in 2009. The total internal rate of return (IRR) for the Group was 17% (2009: 14%) and the undiscounted payback period shortened to 6 years (2009: 7 years).

Find out more on new business profitability for each of our businesses in Section 1.4 – Business segment performance.

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

Total EEV non-operating profit before tax from continuing operations of £348m (2009: loss £463m) was mainly due to a positive investment variance of £578m (2009: £70m). This primarily reflects higher investment returns than had been anticipated. The loss from economic assumption changes was £209m (2009: loss £539m). This mainly arose from the use of lower projected investment returns.

Restructuring and corporate transaction costs of £71m (2009: £52m) primarily represent costs incurred as part of our Group Transformation and Solvency 2 Programmes. Volatility arising from adjustments for different accounting bases resulted in a gain of £51m (2009: £67m).

1.4 Business segment performance

1.4.1 UK

We are one of the largest providers in the long-term savings and investments business in the UK, offering solutions to both the retail and corporate markets. We offer a wide range of insurance and investment wrappers. In 2010, we began transforming our operations, investing in new customer-centric propositions and increasing our speed to market. On 31 July 2010 the sale of Standard Life Healthcare Limited was completed.

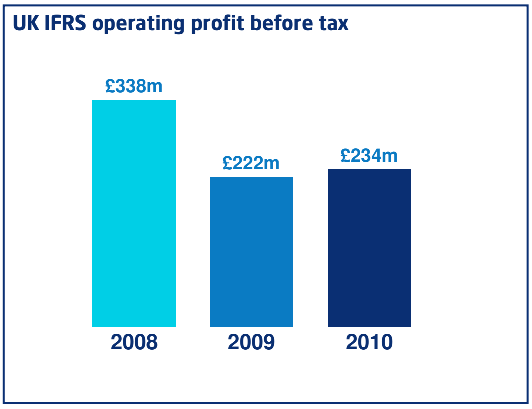
Financial highlights

	2010	2009	Movement
IFRS operating profit before tax from continuing operations[1]	**£234m**	£222m	5%
Assets under administration	**£119.2bn**	£105.6bn	13%
Net flows	**£2,997m**	£1,214m	147%
EEV covered business operating profit before tax	**£428m**	£649m	(34%)
EEV non-covered business operating profit/(loss) before tax from continuing operations[1]	**£28m**	(£18m)	256%

[1] Continuing operations exclude Standard Life Bank plc and Standard Life Healthcare Limited, which were sold on 1 January 2010 and 31 July 2010 respectively.

IFRS operating profit before tax

	2010 £m	2009 £m
Fee based revenue	**593**	498
Spread/risk margin	**148**	240
Total income	**741**	738
Acquisition expenses	**(172)**	(166)
Maintenance expenses	**(312)**	(291)
Growth investment spend	**(61)**	(31)
Capital management	**(21)**	(28)
Other	**59**	-
UK IFRS operating profit before tax from continuing operations	**234**	222



UK long-term savings and investments IFRS operating profit before tax was £234m (2009: £222m). Fee based revenue increased due to higher annual management charge income. This was driven by higher average AUA, due to both strong growth in new inflows and positive market movements during the year. The average revenue yield on fee business increased slightly to 77bps (2009: 75bps).

The spread/risk margin reduced due to changes in operating assumptions and lower annuity volumes that resulted from market-led changes in our pricing. The spread/risk margin result in 2010 benefited from investment strategy changes, partially offset by a mortality assumption change which together contributed £30m to the result. The 2010 result also included a £5m (2009: £63m) release of reserves following the review of our deferred annuity data.

Initiatives to significantly increase our AUA were tightly controlled. As a result, acquisition expenses were only slightly higher than last year. Maintenance expenses increased, mainly because of Vebnet and Standard Life Wealth forming part of the UK business in 2010.

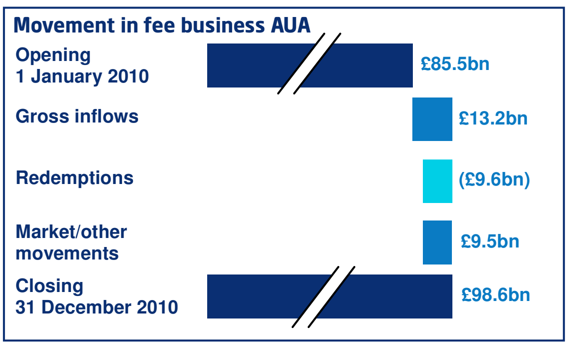
We have continued to invest in growing our business. Growth investment spend increased to £61m, with a number of customer propositions launched during the year.

Other relates to a £59m benefit from the change in the UK pension scheme in 2010.

The 2008 result included several one-off items that contributed £101m to profitability.

Assets under administration and net flows

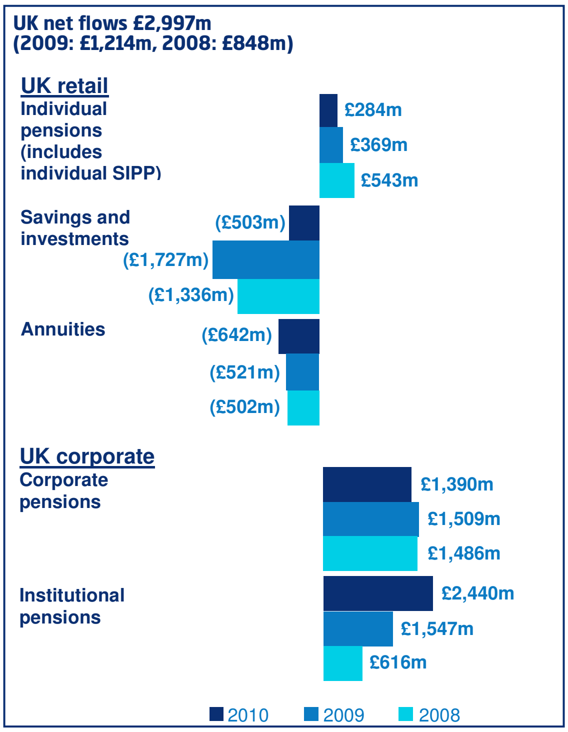
Assets under administration (AUA) grew by £13.6bn to £119.2bn. Fee based business, which accounts for the majority of total AUA, increased by 15% to £98.6bn (2009: £85.5bn) due to strong net inflows and positive market movements. Spread/risk business AUA has increased by £0.3bn to £13.4bn due to positive market movements. As at 31 December 2010, 63% of total fee based AUA related to retail business (2009: 65%) and 37% to corporate business (2009: 35%).



Total UK net inflows for the year increased by 147% to £2,997m. Within this, fee based business net inflows more than doubled to £3,611m (2009: £1,698m), while net outflows for spread/risk business were £614m (2009: £484m). At a product level, retail net outflows of £833m were £1,009m lower than 2009. This reflected strong self invested personal pension (SIPP) and mutual funds inflows. However, this was partly offset by increased outflows across all pension products as customers took retirement benefits before the minimum age changed from 50 to 55 in April 2010. Outflows decreased across our pension products after the age change came into effect.

The reduction in savings and investments net outflows was mainly due to lower investment bonds net outflows of £807m. Outflows were higher in 2009 due to our decision not to renew bulk investment bond deals, which contributed £581m to net outflows. We also experienced lower legacy life net outflows of £988m in 2010.

Corporate net inflows of £3,830m (2009: £3,056m) increased by 25% due to the success in winning new institutional pension mandates. There were significant inflows into GARS and fixed income funds offered through Standard Life Investments. This was slightly offset by corporate pension net inflows of £1,390m (2009: £1,509m) being 8% lower than last year. An increase in outflows, mainly due to the 50 to 55 age change were partially offset by higher inflows from strong sales levels.



Graph excludes protection (2010: £28m; 2009: £37m; 2008: £41m).

New business performance

	PVNBP £m[1]		NBC £m		IRR %		Undiscounted payback (years)	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
Individual pensions[2] (F)	**3,858**	3,388	**19**	7	**9**	7	**8**	10
Savings and investments (F)	**1,997**	1,406	**7**	(3)	**9**	5	**8**	12
Annuities (S/R)	**341**	448	**56**	76	**Infinite**	Infinite	**Immediate**	Immediate
UK retail	**6,197**	5,244	**82**	80	**18**	18	**6**	6
Corporate pensions[2] (F)	**3,287**	2,640	**45**	34	**11**	10	**10**	10
Institutional pensions (F)	**3,472**	2,296	**46**	25	**>40**	>40	**<3**	<3
UK corporate	**6,759**	4,936	**91**	59	**18**	15	**6**	7
UK total	**12,956**	10,180	**173**	139	**18**	16	**6**	6
Split of total								
Fee business (F)	**12,614**	9,730	**117**	63	**13**	10	**7**	9
Spread/risk business (S/R)	**342**	450	**56**	76	**Infinite**	Infinite	**Immediate**	Immediate

1 UK retail and UK total PVNBP includes protection of £1m (2009: £2m) which is classed as spread/risk business.

2 Retail Trustee Investment Plan has been reclassified from corporate pensions to individual pensions in 2010. The impact of this was PVNBP £25m (2009: £22m). There was no impact on NBC, IRR and undiscounted payback.

PVNBP sales increased by 27% to £12,956m. In our retail business, PVNBP increased by 18% to £6,197m. Individual pensions, which includes individual SIPP, rose by 14% to £3,858m. Within this, individual SIPP sales were up by 18% to £3,461m. This was driven by strong growth in new customer accounts, increased activity around the tax year end and higher average market values boosting incoming transfer values. Savings and investment sales grew by 42% to £1,997m with mutual fund sales increasing by 53% to £1,795m, reflecting significant growth in sales through our Wrap platform. This was partly offset by investment bonds sales which fell by 14% to £202m.

Corporate sales grew by 37% to £6,759m. Within this, corporate pensions increased by 25% to £3,287m. This rise was due to our success in winning new schemes with a higher average value compared to 2009, combined with an increase in the number of new members and increments into existing schemes. Also, our enhanced trustee-based pension proposition was successful in attracting both new and existing schemes and contributed £319m to sales. Institutional pension sales increased by 51% to £3,472m, reflecting strong growth in new customers.

New business contribution (NBC) increased to £173m, while the PVNBP margin fell to 1.3% (2009: 1.4%). The internal rate of return (IRR) increased to 18% and the payback period was maintained at 6 years.

1.4 Business segment performance *continued*

1.4.1 UK *continued*

EEV operating profit before tax

UK EEV operating profit, including HWPF time value of options and guarantees and non-covered business, decreased to £456m (2009: £631m) largely due to a decrease in operating profit from back book management activities. This was partially offset by a £34m increase in NBC. In addition, the return on the present value of in-force business was higher due to both a higher opening embedded value and a higher risk discount rate. Development spend increased to £30m (2009: £18m), reflecting our further investment in developing our corporate and retail propositions and our brand. Reducing the ongoing expenses of managing our business contributed to an efficiency profit of £44m (2009: loss £26m).

Delivering our strategy

In our corporate business, we successfully launched our trustee-based pension proposition and our employee benefits platform, Lifelens. This offers a compelling proposition for both employees and employers because it combines corporate savings and benefits, education and communication in one place. This innovative offering has attracted significant interest from new and existing customers, with the first customers moving onto the platform in 2011.

We also continued to offer our customers innovative solutions, as demonstrated by the Logica scheme win. With a tailored savings and benefits package, this makes the most of Vebnet's experience in the employee benefits market. We believe the flexibility and sustainability of our corporate offering, combined with the innovative, customer-centric propositions that we are developing, will allow us to build on our strong position in the UK corporate market.

Our retail business successfully launched the Active Money Personal Pension in February 2010. This extends our reach in the individual pensions market, with a product which adapts to the changing needs of each customer. We also continued to see strong growth in our individual SIPP customer base during the year. The total number of customer accounts increased by 28% to 107,100 (2009: 83,900). 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 remains innovative, competitive and market-leading.

AUA on our Wrap platform continued to grow significantly and was up 69% to £6.1bn as at 31 December 2010 (2009: £3.6bn). This was partly due to a significant increase in the number of advisers using the platform. 820 adviser firms now use the platform compared to 583 at 31 December 2009. This contributed to an 80% increase in customer numbers to 57,000 as at 31 December 2010 (2009: 31,600). We made a number of enhancements to the platform based on adviser feedback. This included introducing model portfolios and continuing to develop 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.

In March 2010, we announced our intention to transform how we operate by investing significantly in our propositions and increasing our speed to market, making us more nimble and allowing us to respond quickly to customer growth opportunities. We have already made significant progress. During 2010, we restructured the UK business, which included the creation of a new Take to Market function and established an Operations Transformation Programme. The new operating model will enhance customers' experience and deliver increased value and efficiencies by increasing automation and making it easier for customers to self-serve.

Also in March 2010, we announced the purchase of the remaining 75% stake in the intermediary support services business, threesixty, having held a 25% stake since May 2007. This acquisition adds further depth to our propositions in the intermediary market and supports our long-term distribution capability. We have already begun work with threesixty to develop the business for the benefit of our independent financial adviser client firms.

In June 2010, we established a team to focus on the direct-to-customer market. As a result we have rebuilt our customer website, making more products available to buy online and launched the MyFolio fund range.

In January 2011, we announced the completion of the acquisition of Focus Solutions for £48m. This will enhance and accelerate delivery of our market-leading solutions and services for intermediaries and other distribution channels. This acquisition is relevant to our core intermediary market and will help us to grow our retail bank and direct-to-customer distribution.

1.4.2 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.

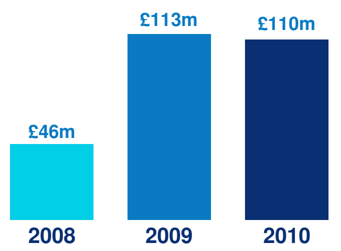
Financial highlights

	2010	2009	Movement
IFRS operating profit before tax	**£110m**	£113m	(3%)
Assets under administration	**£25.3bn**	£21.3bn	19%
Net flows	**£63m**	£361m	(83%)
EEV operating profit before tax	**£250m**	£192m	30%

IFRS operating profit before tax

	2010 £m	2009 £m
Fee based revenue	150	109
Spread/risk margin	222	221
Total income	372	330
Acquisition expenses	(64)	(60)
Maintenance expenses	(193)	(156)
Growth investment spend	(35)	(30)
Capital management	30	29
Canada IFRS operating profit before tax	110	113

Canada IFRS operating profit before tax



Operating profit before tax fell slightly to £110m (2009: £113m). Fee based revenue benefited from an increase in management charge income and surplus income from higher AUA. The average revenue yield on fee business was 118bps (2009: 116bps). This reflected changes in the product mix, including an increase in retail funds.

Spread/risk margin remained broadly in line with 2009. The 2010 result was impacted by policyholder liabilities increasing by £13m (2009: £34m) and included management actions to improve asset and liability matching and reduce future volatility. One-off changes also included a release of reserves due to a review of annuity policy data, modelling changes and changes to reinsurance arrangements.

Maintenance expenses included a charge of £14m following an assessment of the methodology and amortisation period for deferred acquisition costs. The rise in AUA also impacts maintenance expenses due to the increased ongoing costs to service and administer these assets.

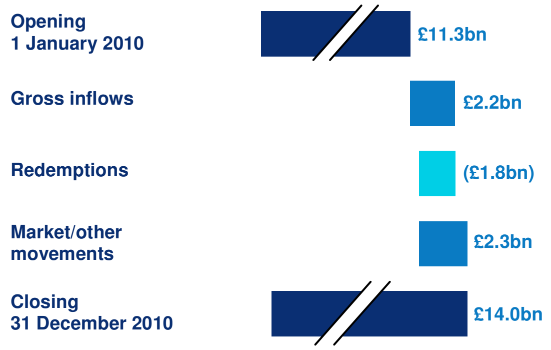
The business maintained its strong credit profile, with a mortgage portfolio average loan to value ratio of 45% (2009: 46%). No credit losses were experienced during the period.

Assets under administration and net flows

AUA increased by £4.0bn during the year driven by positive market movements and stable net inflows into fee business. In particular, individual savings and retirement experienced strong net flows. Our fee business grew strongly and now accounts for 55% (2009: 53%) of total AUA. Spread/risk AUA increased to £10.1bn (2009: £9.2bn), also driven by positive market movements. This was partially offset by scheduled annuity payments.

Net flows decreased by 84% in constant currency to £63m, due to lower inflows within the spread/risk business and higher claims and withdrawals. These more than offset the strong growth in gross inflows achieved across our fee business. In our retail fee business, which includes individual segregated funds and mutual funds, net inflows increased to £119m (2009: £81m). This reflects the strength of our savings and investments propositions, our well-positioned offering and strong adviser relationships. The recovery in equity markets during 2010 improved customer sentiment and this also increased net flows.

Movement in fee business AUA

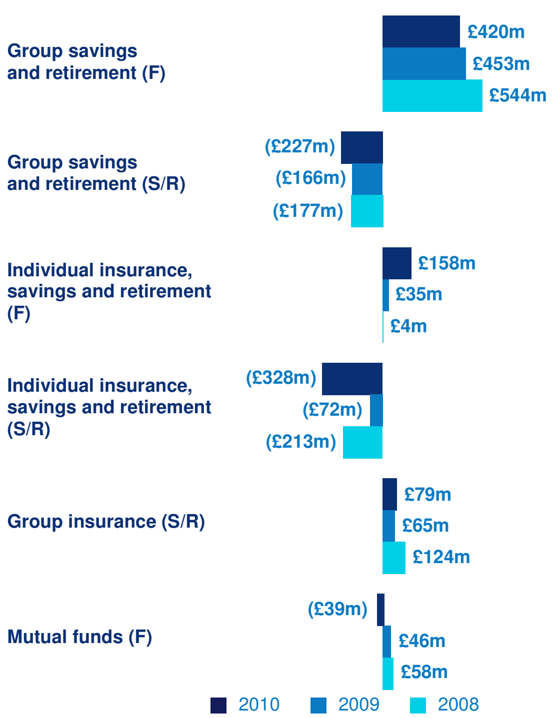


1.4 Business segment performance *continued*

1.4.2 Canada *continued*

In our retail spread/risk business, net outflows increased from £72m to £328m, mainly due to lower term funds sales and maturing term deposits sold in 2009 when product demand was very high. Total group savings and retirement net inflows decreased by 39% in constant currency to £193m (2009: £287m). This was despite strong sales and an increase in market share. Large mandates won during the year only provided marginal inflows, consisting mostly of future annually recurring premiums. Group insurance net inflows increased by 10% in constant currency to £79m (2009: £65m), as the strength of our innovative disability offering helped us make gains in a contracting market. Total net inflows, excluding scheduled payments relating to non-core legacy annuity products decreased by 38% in constant currency to £584m (2009: £844m).

Canada net flows £63m (2009: £361m, 2008: £340m)



New business performance

PVNBP sales increased by 12% in constant currency to £3,048m (2009: £2,460m). Sales in our retail line, which includes individual insurance, savings and retirement and mutual funds, increased by 4% in constant currency to £975m (2009: £848m). Group savings and retirement sales increased by 35% in constant currency to £1,466m (2009: £981m) with close to two-thirds of sales comprising of recurring annual premiums. Excluding large wins in both years, sales have increased by 22% in constant currency. Group insurance sales decreased by 13% in constant currency to £607m (2009: £631m), reflecting a contracted business environment.

New business contribution increased by 34% in constant currency to £68m (2009: £46m) and PVNBP margin improved to 2.2% (2009: 1.9%). This was the result of a more profitable sales mix, with higher sales of individual segregated funds and mutual funds. Internal rate of return increased to 24% (2009: 14%). This was mainly due to the change in sales mix. The undiscounted payback period shortened to 6 years (2009: 7 years).

EEV operating profit before tax

EEV operating profit before tax increased by 18% in constant currency to £250m (2009: £192m). This was mainly due to efficiency gains and higher new business contribution. Expense experience gains and assumption changes resulted in a profit of £73m (2009: loss £8m). Back book management delivered a loss of £41m (2009: gain £23m), largely due to a reduction in expected fee income in our group savings and retirement line. This was partly offset by favourable experience following a review of annuity policy data.

Delivering our strategy

In line with our strategy, we have continued to focus on increasing our visibility in the market. In 2010, we launched the second phase of our award-winning advertising campaign, which included online marketing and social media. A new organisational structure has also been adopted to allow our business to react more quickly to new business opportunities.

In our group savings and retirement line, we have focused on expanding in the large case segments and continued to build our core propositions. In the small market segment, we continue to evolve our Express product by launching web tools to support our advisers in their sales process. We also revamped our Plan for Life statements, highlighting the important information members need to make informed decisions about their retirement income planning. The update was well received by clients and intermediaries.

In the first quarter of 2011, we will launch a trust application platform. This will enable us to deliver a combined offering of stock plans and stock options within our regular defined contribution proposition.

The progress we have made in improving our retail sales function and building solid distribution relationships was acknowledged by an industry survey. Our retail sales team received a top ranking from retail advisers for the second year in a row, recognising the strength of our business consultancy model and the strong relationships that we have built with our advisers. We also launched our new Corporate Class Mutual Fund series featuring tax-efficient funds. This allows non-registered investors to enjoy all the benefits of our traditional range of funds with an added layer of tax efficiency. At the beginning of 2011, we launched a new Distributor Relationship Management system as part of our continuous effort to deliver propositions that meet the evolving needs of our customers. The system provides an overview of our adviser relationships and will help to extend our distribution reach.

In our group insurance line, we continue to provide additional support to customers and improve our product offering. Our new flexible benefit administration and enrolment tool was instrumental in delivering key new accounts. We are also actively promoting our disability management expertise as part of our comprehensive benefit offering and as a stand-alone offer.

1.4.3 International

Our International business is made up of four wholly owned businesses and two joint ventures. Our wholly owned businesses are Standard Life International Limited (offshore bonds business based in Dublin), Standard Life Ireland (Ireland domestic business), Standard Life Germany (operating in Germany and Austria) and Standard Life Asia (based in Hong Kong). The joint ventures are based in China and India. International offers long-term savings and investments products.

Financial highlights – wholly owned

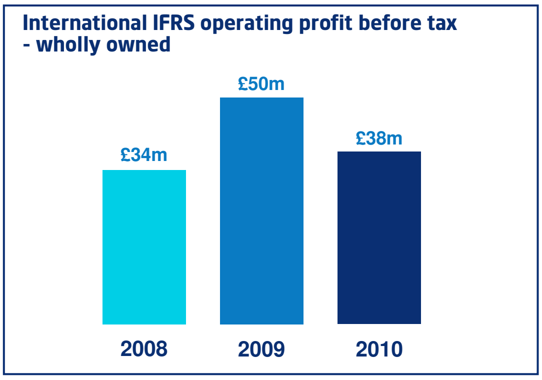
	2010	2009	Movement
IFRS operating profit before tax	**£38m**	£50m	(24%)
Assets under administration	**£11.1bn**	£9.1bn	22%
Net flows	**£1,412m**	£881m	60%
EEV covered business operating profit before tax	**£90m**	£30m	200%
EEV non-covered business operating loss before tax	**(£7m)**	(£6m)	(17%)

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

	2010	2009	Movement
IFRS operating loss before tax	**(£23m)**	(£27m)	15%
Assets under administration	**£1.2bn**	£0.8bn	50%
Net flows	**£254m**	£211m	20%
EEV covered business operating profit/(loss) before tax	**£3m**	(£1m)	400%

IFRS operating profit before tax

	2010 £m	2009 £m
Fee based revenue	**212**	208
Acquisition expenses	**(31)**	(14)
Maintenance expenses	**(129)**	(127)
Growth investment spend	**(15)**	(17)
Capital management	**1**	-
Total wholly owned	**38**	50
Joint venture businesses	**(23)**	(27)
International IFRS operating profit before tax	**15**	23



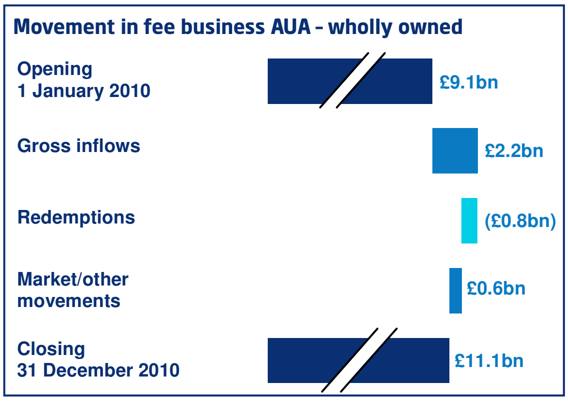
IFRS operating profit before tax of the wholly owned businesses decreased by 24% to £38m (2009: £50m). Profitability in Germany fell to £42m (2009: £55m) and in Ireland domestic business remained broadly stable at £8m (2009: £9m). The offshore bonds business recorded a loss of £9m (2009: loss £10m). In Germany, the fall in profitability was mainly due to the reducing transfer of profit to shareholders from the HWPF in accordance with the Scheme of Demutualisation. This was partly offset by rising profits from the post-demutualisation business. Most revenue in Germany is from premium based charges. During 2010 fee business revenue bps fell to 310bps (2009: 413bps) because of the reduction in charges from pre-demutualisation business. Profitability in Ireland benefited from increased management charge income and lower operating costs. This led to a rise in the average revenue yield on fee business to 81bps (2009: 74bps). Hong Kong recorded a profit of £4m (2009: £2m) due to strong sales and margins growth. The International result also includes central costs relating to business development.

Assets under administration and net flows

AUA in the wholly owned businesses grew by £2.0bn to £11.1bn (2009: £9.1bn) due to high net inflows in the year. In Ireland, AUA increased to £4.2bn (2009: £3.7bn) for the domestic business and to £1.8bn (2009: £1.2bn) for offshore bonds. AUA in Germany rose by 24% in constant currency to £5.0bn (2009: £4.2bn).

Net flows of the wholly owned businesses increased by 60% to £1,412m. This was mainly due to strong growth in sales in Ireland.

Ireland domestic business net inflows of £215m (2009: £11m) were higher due to strong sales growth and lower claims. Net flows of offshore bonds increased to £496m (2009: £157m) due to higher inflows from new business, particularly from our Wrap platform.



1.4 Business segment performance *continued*

1.4.3 International *continued*

Net flows in Germany were £666m (2009: £701m), a 1% decrease in constant currency. The market remained challenging for the whole industry, especially the IFA segment, leading to a fall in new business levels.

Our Hong Kong operation continues to deliver strong growth, with net flows up 185% in constant currency to £35m (2009: £12m).

New business performance

PVNBP sales in the wholly owned businesses increased by 35% to £1,929m (2009: £1,430m). In Ireland domestic business, sales increased by 22% in constant currency to £598m (2009: £512m) due to our strong investment proposition and the launch of a new pensions product. We benefited as customers moved towards financial institutions they perceived as being more secure. Offshore bonds sales were 89% higher at £700m (2009: £370m) due to an improved proposition and better market conditions. In Germany, sales of £337m (2009: £407m) were 14% lower than 2009 in constant currency.

Hong Kong performed very well and increased its market share. PVNBP sales of £294m (2009: £141m) were up 108% 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 quarter four 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 £44m (2009: £17m). This was mainly due to cost efficiencies and higher sales levels in Ireland and Hong Kong.

EEV operating profit before tax

EEV operating profit before tax of the wholly owned businesses, including non-covered business, increased to £83m (2009: £24m). This increase was mainly due to increased profits from new business and the positive persistency in Ireland and Germany. The NBC for Ireland and Hong Kong increased due to higher sales levels. PVNBP margin was 2.3%.

Delivering our strategy

International operates as a customer-centric long-term savings and investments business. The Europe and Asia divisions were combined into one International business at the start of 2010. This will enable synergies, make it easier to share ideas and improve efficiency. The streamlined structure will position International to grow profitability and provide new solutions for customers and distributors.

We have improved our product investment range by adding the GARS products, which generated sales across Germany, Austria and Ireland. In Germany we started to strengthen our corporate propositions and will continue with this in 2011. In Ireland domestic business, we carried out a customer insight and market segmentation exercise to help us keep improving the way we deal with our customers and IFAs. In the offshore bonds business, we strengthened our propositions with the addition of a number of discretionary fund managers. We widened our distribution route through strategic deals and by increasing engagement with the UK sales force.

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 superior market-leading propositions, like the newly launched Harvest Supreme proposition.

These initiatives maintained and strengthened our market presence in the countries where International operates and have contributed to higher new business levels and strong net flows.

Joint Ventures – India and China

In China and India our focus is on increasing long-term shareholder value by delivering products that meet our customers' needs.

The joint ventures contributed an IFRS operating loss before tax of £23m (2009: loss £27m) to the Group, reflecting the continued progression of the business and our commitment to invest in the region.

In India, PVNBP was £444m (2009: £362m), up 15% in constant currency. In China, sales fell by 10% in constant currency to £106m (2009: £116m). This reflects a greater focus on profitability by increasing the proportion of regular premium business.

Net flows in the joint ventures increased by 14% in constant currency to £254m (2009: £211m), mainly driven by India where strong growth and market share gains reflected success in the bancassurance channel.

EEV covered business operating profit before tax for the joint ventures was £3m (2009: loss £1m). Sales increased by 9% in constant currency and led to a strong rise in NBC to £23m (2009: £11m). This resulted in a PVNBP margin of 4.3%.

In India, regulatory changes that affect unit linked business were implemented from 1 September 2010 and will have a severe negative impact on sales and margins across the industry in the short term. However, effective initial management of the changes helped increase our market share in the private market to 12% in 2010 (2009: 8%). We remain confident about our future competitive positioning, with our individual business emerging as the leading private player during the fourth quarter of 2010.

In China, the outcome of negotiations with Bank of China over a possible deal was not as we would have hoped. We are now focused on developing our joint venture partnership to deliver a successful business that meets customer needs in this growth market.

1.4.4 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 2010.

Financial highlights

	2010	2009	Movement
IFRS operating profit before tax	**£103m**	£73m	41%
Earnings before interest and tax (EBIT)	**£106m**	£80m	33%
EBIT margin	**33%**	32%	1% point
Third party assets under management (AUM)	**£71.6bn**	£56.9bn	26%
Total assets under management	**£156.9bn**	£138.7bn	13%
Third party net inflows (excluding money market funds)[1]	**£7,269m**	£4,848m	50%

[1] Total third party net inflows in 2010 were £6,200m (2009: £5,674m).

Standard Life Investments performed strongly in 2010, despite volatile and subdued markets. The sales growth of past periods was maintained with strong inflows of institutional and wholesale business of £6.2bn. After removing the structural outflows of money market assets, the underlying net inflow was £7.3bn. These flows increased third party AUM to a record level of £71.6bn (2009: £56.9bn). The increase in new business flows and a rise in average market values resulted in strong revenue growth of 29%, driving EBIT up 33% to £106m (2009: £80m) and EBIT margin to 33% (2009: 32%). Our continued focus on serving existing clients and winning new clients through strong investment performance, product innovation, global distribution and high levels of customer service has paid off. The economic recovery remains subdued and fragile but this robust performance shows that Standard Life Investments can prosper in difficult conditions and is in good shape to benefit from a future return to stability.

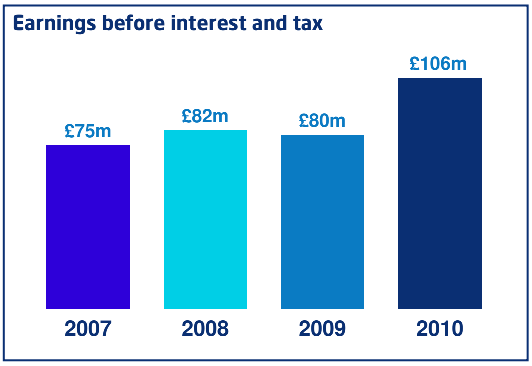
Profitability

IFRS operating profit before tax increased by 41% to £103m.

Revenue rose by 29% because of increased 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 third party AUM to 35bps (2009: 34bps).

Operating costs were tightly controlled while allowing for continued investment in the business to maintain our longer term growth. These measures resulted in an increased EBIT of 33% to £106m and an EBIT margin of 33% (2009: 32%).

Lower interest expense also contributed to the increased IFRS operating profit. A subordinated loan of £30m was repaid at the end of 2009 and a further £15m subordinated loan was repaid at the end of 2010, leaving the business with no gearing.



Financial market overview

Despite the financial crisis continuing to weigh heavily on the global economy in 2010, average market values in 2010 were substantially higher than in 2009. The average daily FTSE All-Share Index, for example, rose 21% between the two years. Combined with rises in other major world markets, this led to an increase in asset management revenues. We continue to maintain strong third party sales across institutional, wholesale and customer segments.

Investment performance

Investment performance was strong during 2010 and we continued to deliver a robust investment performance over the longer term. The money-weighted average active investment performance over all time periods – one, three, five and ten years – continues to be above median for our third party business. Our mutual fund and unit trust range strength is shown by the proportion of eligible and actively managed funds (23 out of 28) rated A or above by Standard & Poor's in the UK.

The pipeline for institutional business is still 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.

1.4 Business segment performance *continued*

1.4.4 Global investment management *continued*

Assets under management and net flows

We achieved third party net inflows of £7,269m (2009: £4,848m), after removing the structural outflows from money market funds. This was a 50% increase from 2009, representing 14% of opening third party AUM. Total third party net inflows were £6,200m. UK mutual funds net inflows rose significantly to £2,221m (2009: £669m). A notable number of new institutional clients were won in the UK and Europe during the year, increasing the institutional client base in these markets by 32%. Our high overall retention rates are reflected in nearly £1bn of net inflows generated from existing institutional clients.

Third party AUM was up by 26% to a record level of £71.6bn (2009: £56.9bn). This was caused by strong inflows in the UK and international markets and the recovery of market levels in 2010. Third party AUM now represents 46% of total AUM (2009: 41%). In-house AUM increased to £85.3bn (2009: £81.8bn) with favourable market movements offsetting outflows from the with profits business and from the sale of Standard Life Bank plc. As a result, total assets managed by Standard Life Investments stood at a record level of £156.9bn (2009: £138.7bn).

Delivering our strategy

We entered into a strategic alliance with Chuo Mitsui Asset Trust and Banking Company, one of the largest trust banks in Japan, for reciprocal asset management services. The alliance sees Standard Life Investments provide advice on Chuo Mitsui's Global Equity Funds and Chuo Mitsui manage and advise on Standard Life Investments' Japanese Equity funds. We will also be able to market each other's investment strategies through our respective distribution networks.

Our successful GARS proposition is now available to institutional investment clients in the USA, Canada and Australia where we have secured a number of new mandates. It has also recently been launched in a SICAV wrapper to access the international market. US expansion progressed well with the launch of our first segregated GARS mandate in the region and continued strong interest in the offshore GARS product.

In the UK wholesale space we had particular success with our GARS product which achieved a market-leading 39% share of 2010 sales within the absolute return sector, and the UK Smaller Companies Fund which achieved a 42% market share of 2010 sales within its relevant sector.

MyFolio was successfully launched in September 2010, following collaborative working across the Group. This is a proposition designed to help customers find the right investment solution. MyFolio has proved successful since its launch, providing new business flows into Standard Life Investments' actively managed funds. We expect MyFolio to continue its positive growth during 2011.

Standard Life Investments also extended its range of alternative assets during 2010 by acquiring a 75.1% stake in Aida Capital Limited, a London-based FSA registered fund of hedge funds manager.

During 2010 we also made some enhancements to our infrastructure. This included restructuring our Global Client Group, investing in our people (880 staff at 31 December 2010, up from 783 at the beginning of the year) and investing in our core operational platforms.

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.

1.5 Capital and cash generation

Our strategy remains focused on careful 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

	2010	2009	Movement
EEV operating capital and cash generation from continuing operations[1]	**£287m**	£371m	(23%)
Group capital surplus[2]	**£3.8bn**	£3.6bn	6%
EEV	**£7,321m**	£6,435m	14%
IFRS equity attributable to equity holders of Standard Life plc	**£3,903m**	£3,457m	13%

[1] Continuing operations exclude Standard Life Bank plc and Standard Life Healthcare Limited, which were sold on 1 January 2010 and 31 July 2010 respectively.
[2] 2010 based on estimated regulatory returns. 2009 based on final regulatory returns.

Group EEV capital and cash generation

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 growth investment spend was £596m (2009: £617m). Excluding the contribution from back book management activities of £10m (2009: £71m), which is more variable from year to year, adjusted capital and cash generation was £586m. This represents an increase of 7% from £546m in 2009.

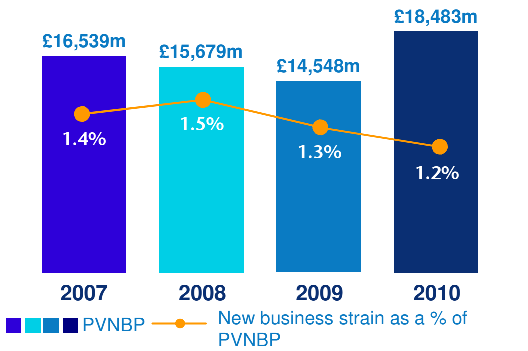
	2010 £m	2009 £m
UK	**372**	395
Canada	**128**	131
International	**97**	102
Non-covered	**(1)**	(11)
Gross operating capital and cash generation from continuing operations	**596**	617
New business strain	**(220)**	(188)
Growth investment spend	**(89)**	(58)
Operating capital and cash generation from continuing operations	**287**	371
Dividend declared (£m)	**295**	272
Coverage of gross operating capital and cash to new business strain	**2.7**	3.3
Coverage of operating capital and cash to dividend declared	**1.0**	1.4

New business strain (NBS) is a measure of the cost of selling new business. Whilst NBS has increased to £220m, this was lower than growth in new business sales volumes. As a result, the NBS margin (NBS/PVNBP) fell from 1.3% to 1.2%.

The growth in NBS contributed to a fall in the coverage ratio of gross operating capital and cash to NBS, which was down from 3.3 to 2.7. This was also due to a decrease in capital and cash from management of the existing book of business. The decrease in capital and cash from back book management activities contributed 0.3 to the fall in the coverage of gross operating capital and cash to NBS.

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 17% (2009: 14%) and the payback period was 6 years (2009: 7 years). Find out more on new business profitability in Section 1.3 – EEV – Group.

New business strain



Coverage of operating capital and cash to dividend was 1.0 compared to 1.4 for 2009. The decrease in back book management capital and cash and the increase in growth investment spend were the main contributors to the total decrease in the ratio.

1.5 Capital and cash generation *continued*

In overall terms, our EEV operating capital and cash generation from continuing operations has decreased to £287m. This was mainly due to a fall in capital and cash generation from back book management activities which generated £10m capital and cash in 2010. In 2009, back book management activities generated £71m which included the benefit of a release of UK deferred annuity reserves.

Capital and cash generation from existing business after new business sales of £384m was the main contributor to our operating capital and cash generation. There was negative capital and cash contribution from our growth investment activities. This is reflected in our core covered business development expenses of £48m (2009: £32m) and it also contributed to the increased losses from our core non-covered businesses from £19m to £47m.

	2010			2009		
	Free surplus movement £m	Required capital movement £m	Net worth movement £m	Free surplus movement £m	Required capital movement £m	Net worth movement £m
Capital and cash generation from existing business	**626**	**(22)**	**604**	567	(21)	546
New business strain	**(265)**	**45**	**(220)**	(252)	64	(188)
Covered business capital and cash generation from new business and expected return	**361**	**23**	**384**	315	43	358
Covered business development expenses	**(48)**	**-**	**(48)**	(32)	-	(32)
Non-covered business core capital and cash generation	**(47)**	**-**	**(47)**	(19)	-	(19)
Core	**266**	**23**	**289**	264	43	307
Efficiency	**(12)**	**-**	**(12)**	(8)	1	(7)
Back book management	**66**	**(56)**	**10**	65	6	71
EEV operating capital and cash generation from continuing operations	**320**	**(33)**	**287**	321	50	371
Capital and cash generation from non-operating items	**93**	**41**	**134**	(394)	12	(382)
Total EEV capital and cash generation from continuing operations	**413**	**8**	**421**	(73)	62	(11)
Capital and cash generation from discontinued operations	**20**	**-**	**20**	49	-	49
Total EEV capital and cash generation	**433**	**8**	**441**	(24)	62	38

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.

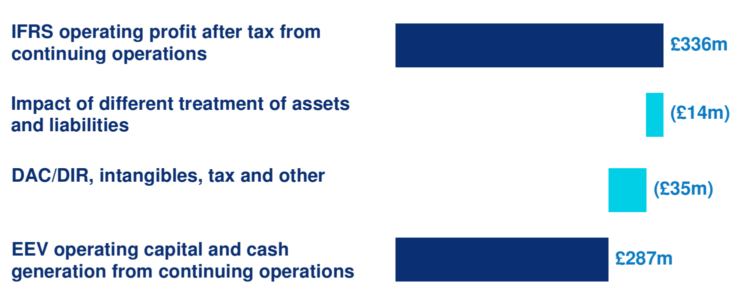
Non-operating capital and cash generation from continuing operations was £134m (2009: negative £382m). This increase was mainly due to higher than expected market returns over the period.

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:

- £14m 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 primarily reflects a higher increase in reserves in the UK EEV capital and cash compared to IFRS operating profit.
- £35m from the difference in the treatment of deferred acquisition costs/deferred income recognition, intangibles, tax and other. The impact of different methodologies in respect of expected income is the main reason for the movement. 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 year ended 31 December 2010



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.

	2010 £m	2009 £m
Opening capital 1 January	**602**	623
Dividends received from subsidiaries	**286**	190
Additional investments in subsidiaries	**(75)**	(20)
Group corporate centre costs	**(54)**	(50)
Cash dividends paid to shareholders	**(186)**	(158)
Other	**92**	17
Closing capital 31 December	**665**	602

Dividends

During the year, we paid the final dividend for 2009 of 8.09p per share, amounting to £180m and the 2010 interim dividend amounting to £98m. In 2009, the previous dividend reinvestment plan (DRIP) was discontinued and a new Scrip dividend scheme introduced. This reduced the cash required to pay the 2009 final dividend from £180m to £134m and the 2010 interim dividend from £98m to £52m. We propose a final dividend of 8.65p per share, making a total of 13.00p (2009: 12.24p). This represents an increase of 6.2%, reflecting the solid progress made during the year. We will continue to apply our existing progressive dividend policy, taking account of market conditions and our financial performance.

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 Half Year Results 2010.

Group capital surplus

	2010 £bn	2009 £bn
Shareholders' capital resources	**3.0**	2.7
Capital resources arising from subordinated debt	**1.8**	2.1
SLAL long-term business funds	**2.6**	1.6
Group capital resources	**7.4**	6.4
Group capital resource requirement	**(3.6)**	(2.8)
Group capital surplus	**3.8**	3.6
Group solvency cover	**205%**	230%

2010 figures above based on estimated regulatory returns. 2009 based on final regulatory returns. The 2010 figures have been prepared on an Insurance Groups Directive (IGD) basis; previous periods on a Financial Groups Directive (FGD) basis.

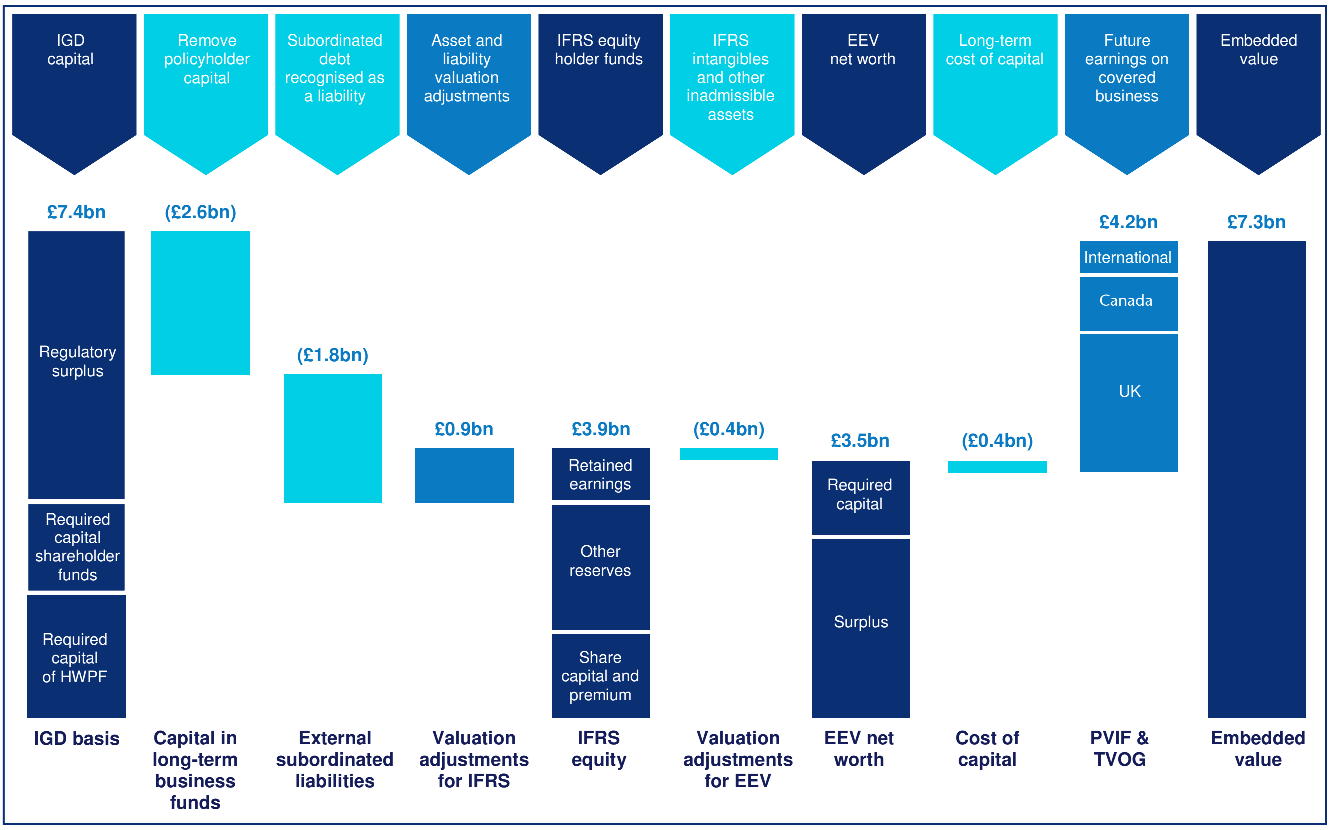
Following the sale of Standard Life Bank plc on 1 January 2010 we are now classified as an 'insurance group' as defined by the IGD. In 2010, our capital surplus remained robust, increasing by £0.2bn to £3.8bn. Capital resources increased to £7.4bn, largely due to higher market levels. The quality of our capital remains strong, with only £0.5bn (2009: £0.8bn) and £0.7bn (2009: £0.7bn) of total Group capital resources classified as upper tier 2 and lower tier 2 respectively. Lower tier 2 capital contributes only 18% (2009: 19%) to the Group capital surplus and further illustrates the strength of our capital position.

The IGD surplus remains largely insensitive to a further 40% fall in equities from the 31 December 2010 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.

1.5 Capital and cash generation *continued*

Reconciliation of key capital measures

The following diagram illustrates the key differences between regulatory, IFRS and EEV capital measures at 31 December 2010:



1.6 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.

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.

During 2010, we established a Group Board level Risk and Capital Committee in line with the Walker Review recommendations. The Committee serves to oversee, challenge and advise the Group Board on:

- The Group's current risk appetite, tolerance and strategy, material risk exposures and future risk strategy and their impact on capital
- The structure of the Group's Enterprise Risk Management Framework and its suitability to react to forward-looking issues and the changing nature of risks
- The risk aspects of major investments, major product developments and other corporate transactions
- Material actuarial matters affecting the Group
- Material risk and capital matters affecting the Heritage With Profits Fund

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 exposure to equity and property risks as a consequence of direct holdings in such assets. These holdings have been acquired for a number of reasons, including an expectation that such assets would increase returns to shareholders. A hedge was put in place during the year that reduces 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 year, 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.

1.6 Risk management *continued*

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.

The previously disclosed 'Contract for Differences' between Standard Life Assurance Limited and Standard Life Investments was closed out during the year and the Group's exposure to credit risk arising from asset backed securities has been reduced. The credit risk associated with swap spread widening has also been reduced over the course of the year following the implementation of cash flow matching of annuities written in the UK business post-demutualisation.

In addition, credit risk arises from holding cash and cash equivalents, debt securities and the reinsurance of certain insurance liabilities to various counterparties.

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.

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.

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 31 December 2010 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 managed with action planning and progress monitoring in place. The operational risk processes and systems have been extensively revised and enhanced, together with a substantial programme of education and skill improvements within the business. During 2010 the overall risk structure was revised with the creation of Chief Risk Officers within the UK business, Standard Life Investments and the International business.

Operational risk is identified, assessed, managed and reported in a consistent and coherent way across the Group and is recorded on a single global system. 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.

1.7 Our customers

We serve a wide variety of customers – individuals, financial advisers, corporate customers and large institutions. Making sure we give our customers exactly what they need, in the way they need it, is central to our success. We continue to drive our transformation by putting customers at the heart of everything we do.

We believe it's our responsibility to help customers get to grips with their finances. So even in these uncertain times, they can look forward to the future with confidence and optimism. At the same time, they're reassured by the knowledge that we're secure and that we'll invest their money responsibly.

Putting customers at the heart of our work means we've got to keep listening, responding and developing our understanding of their needs and challenges. We know that customers want us to treat their money responsibly. We believe it's our job to look after their money better than they could themselves.

Our approach

Our approach to putting customers first has four main pillars:

- Making sure we offer products that are easy to access, understand and have tangible long-term benefits
- Being transparent about how our products work and what charges are involved
- Helping customers handle their finances effectively, empowering them so they can make informed choices
- Making sure that Standard Life is easy to deal with and that we respond to customer needs

Building even better relationships

In 2010, we spoke to 8,500 customers and 7,500 potential customers. We asked them about our service and communications and how helpful or otherwise they found them. We ran 16 sessions across the UK where our senior team, including David Nish and our non-executive Directors met up with groups of customers to hear their views and opinions. We now have approximately 900 members in our online community, with 200 regular, active users who give us frequent feedback on topics like our literature, products, new propositions and the effects of the first budget of the new government.

New us, new look

In February 2011 we took another important step on our transformation journey when we launched our new brand and visual identity. It's a clear signal that our focus is very sharply on the customer. Our brand is more than just a new look – it's about the way we work and it underpins the experiences we create. It strengthens our relationships with customers and differentiates us strongly from competitors. We're an organisation that helps customers look forward to their financial future with confidence and optimism. This is summed up in our new strapline, The Way Forward.

The results

In 2010, this resulted in a number of initiatives with customers at their heart including:

Active Money Personal Pension
Our research showed us that 28-40 year olds in the UK needed a different kind of pension product. They needed different ways of interacting with us, as well as high levels of flexibility. We developed the Active Money Personal Pension for them. After testing its content and application process, we got hugely positive feedback, with customers describing their experience as modern, straightforward, informative, friendly, easy, sensible, flexible, professional, clear and personal. In November, we launched the option for customers to apply directly online.

www.standardlife.co.uk relaunches
We listened to what our customers told us and we redeveloped our website to meet their needs more closely. This meant improving the structure and design, and simplifying the content.

Our website now:

- Engages customers with clear, interactive and open content designed to help them get to grips with their finances
- Lets customers apply for the Active Money Personal Pension online
- Has tools to help customers become more confident in making financial decisions

Supporting financial advisers
We're also broadening and deepening our relationship with advisers. Last year we launched a campaign to get advisers' feedback on the technology we offer. We asked them what would make a difference to them, and ultimately, their customers. This is our core focus. Based on feedback, we widened our pension proposition to cover both personal pensions and the specialist SIPP market. This now lets our IFA partners offer more choice to customers.

We are very focused on supporting advisers through the changes that will occur once the requirements of the Retail Distribution Review are implemented. A key development will be an enhanced retail investment platform. This solution will allow advisers to access all of their customers' assets and trade on all of their customers' assets on a single platform. In February 2011 we launched the first phase of this solution via our award-winning Adviserzone, with additional enhancements being made throughout the year. We want to go beyond the traditional product provider relationship with advisers. A good example of this was our acquisition of threesixty and Focus Solutions – businesses who offer specialist support to advisers. We also took steps to help advisers manage their investment process by launching a new investment proposition. To make it easier for them to manage risk effectively, we made a number of improvements to our platform, including introducing bulk re-balancing.

Corporate customers

We redesigned the pack employees receive when they join their corporate pension scheme. We worked with employees throughout the redesign to make sure our ideas were working. The new pack gives them the information they want in a format they like. In 2010, more than 400,000 employees managed their flexible benefit options through our technology.

In February 2011, we launched the employee benefits platform, Lifelens. This cutting-edge technology lets employers offer and showcase all employee benefits and rewards through one single application. It means all members of corporate savings schemes get an easily accessible, personalised, single view of their benefits package. It directly promotes financial wellbeing by giving customers greater ownership of their benefits package.

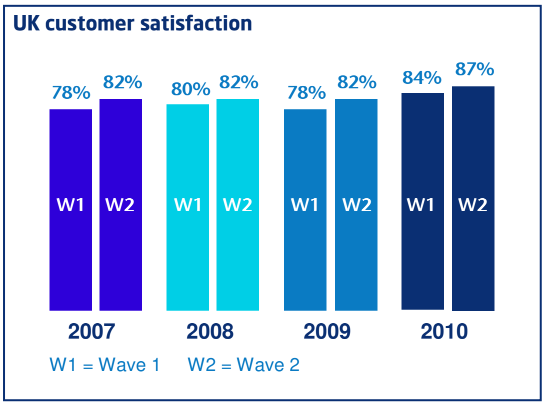
Treating Customers Fairly

We have embedded the Financial Service Authority's Treating Customers Fairly (TCF) principles across the business. In 2010 we carried out a review to make sure that TCF is linked to and supports our strategy of putting customers at the heart of our business. The review showed that TCF is still embedded and highlighted opportunities to enhance our approach. We're implementing this throughout 2011.

Satisfied customers

UK

We're keeping close tabs on our customers' thoughts and views of the service we give. We do a survey twice a year with customers who have been in touch with us recently. It shows the long-term trend is very positive. In 2010, 69% of customers we surveyed said they'd be likely or very likely to recommend Standard Life to family or friends. We've also introduced a new way for people to give us feedback on our service levels straight after they've talked to us on the phone.



Source: ORC International.

In 2010 our UK business was recognised with awards, including:

- Financial Adviser Service Awards:
  - Life and pensions five star provider award
- Finance and Technology Research Centre (FTRC):
  - Group SIPP received the top 'eee' rating for four consecutive years
  - Group Personal Pension 'eee' rating for five consecutive years
  - Group Contracted-in Money Purchase 'eee' rating for four consecutive years
  - SIPP and SIPP specialist 'eee' rating for three consecutive years
  - Wrap platform 'eee' rating
- UK Pensions Awards:
  - Bundled/Full Service Defined Contribution Provider of the Year
- Financial Adviser Life & Pensions Awards:
  - SIPP and/or SSAS Provider of the Year for five consecutive years
  - Best Income Drawdown Provider for four consecutive years
- Aberdeen UK Platform Awards:
  - Wrap Platform of the Year
- Professional Adviser Awards:
  - Best Website for IFAs

Canada

High quality customer service is the basis of our growth strategy. We focus on building retention and strong customer relationships. In 2010, our client retention level based on internal methodology was 94.4%. We're constantly investing in technology, training and processes to help us provide the level of service our customers need and expect. This includes continuing to enhance web-based functionality across our group lines. This makes it easier for both sponsors and participants to administer our products.

Our customer focus has earned us a number of awards throughout the year, including:

- Best Financial Services Integrated Advertising for our 'One key, countless possibilities' multimedia campaign, highlighting our success in connecting with our customers
- Insurance and Financial Communicators Association Awards:
  - Award of Excellence: Group Savings and Retirement – 'Welcome kits'
  - Award of Excellence: Group Savings and Retirement Summary of Pension Legislation in Canada
- Environics Adviser Perception Study:
  - Ranked first in seven out of nine criteria measuring the quality of the wholesaler
- Excellent rating in the DALBAR Trends and Best Practices in Defined Contribution Pension Plan Statements report

1.7 Our customers *continued*

International

One of our core values is to deliver exceptional customer service and always put our customers at the heart of our thinking. In 2010, we actively managed our customer relationships which led to very good customer retention in Ireland and Germany. In Hong Kong we developed additional web-enabled services which will add further customer value to our propositions.

All International operations are committed to maintaining the highest level of customer service. This commitment to customer service was acknowledged during 2010 by various awards received by our operations including:

- The German business won two awards for outstanding service and broker support
- The offshore bonds business received an International Adviser Award for 'Best Adviser Support and Customer Service – UK Offshore'
- The offshore bond business also received two significant awards at the International Fund and Product Awards 2010, which recognises achievement in the offshore financial services industry: one for the Best International Life Product (UK) for our International Bond and one for the Best Service Initiative for our online trading
- In India, HDFC Life's YoungStar Super plan was voted Product of the Year 2010 in the insurance category by a consumer survey on product innovation

Global investment management

Our business is underpinned by strong investment performance achieved by rigorously applying our 'focus on change' investment philosophy. High quality support by our client service teams – combined with this strong investment performance – won us a number of awards in 2010 including:

- Best Investment Service Provider 1993 to 2010 from Financial Adviser in recognition of our long-term commitment to the IFA community over the last 18 years
- Investment Provider 5-Star Award at the Financial Adviser Service Awards. Standard Life Investments has secured success in the 5-Star category in 14 of the last 15 years
- The Scottish Financial Services Award in recognition of its role in promoting stewardship and for excellent performance
- The Standard Life UK Smaller Companies Trust Plc has, for the fourth year running, won the UK Smaller Companies category at the Moneywise Investment Trust Awards
- Best Fund – Equity Global High UK category at the Lipper Awards for the performance of its Managed Fund over a three and five year period

1.8 Our people

To become a more customer-focused business we need to develop and harness the talents of our people, working closely with them to make change happen. We believe that highly engaged people are more productive and have a positive effect on profit and shareholder value. So, in 2010, we began transforming our performance, talent and leadership practices to help strengthen the relationship that each individual employee has with our business. During 2011 we will continue to focus on increasing leadership capability, ensuring our leaders are equipped to help our people grow and fulfil their potential.

Employee engagement

Building on our previous annual surveys of employee engagement, in quarter 2 2010 we launched the Transformation Tracker as a mechanism by which we could capture our people's views and attitudes towards our transformational journey. Their feedback was then utilised to help shape our activities and ensure that communications were fit for purpose, relevant and effective.

The second Transformation Tracker ran in November 2010, with the results we expected following a period of significant change. We will use these results to build on our successes this year, and to inform how we do things in 2011.

In 2011 we will be launching our refreshed approach to monitoring, measuring and tracking employee engagement within Standard Life. We're working with the Hay Group on a new survey that will give us a more complete view of what influences each employee's relationship with Standard Life.

We have embarked on a group-wide programme of activity to bring to life what we stand for as an organisation when we are at our best. A wide cross-section of our people have been coming together to share stories of what it looks and feels like when we do the right thing for our customers, collaborate with each other and care about our stakeholders in all of our geographies and communities. The richness of these stories contributes to strengthening the environment we work in, and in delivery of our core business objectives.

Leadership and talent

A priority is to ensure that we have the depth and flexibility of talent we need for the future, as well as powerful and consistent leadership at all levels of the business. In 2010 we made good progress in moving towards these objectives. We made significant changes at senior levels, with 40% of executives leaving during the year and many others moving to new roles that will support our transformation and new organisation design. At the same time we increased the ratio of internal appointments into this level as a result of previous investment in building talent pipelines.

All our executives are in the process of completing 360 degree feedback against our leadership framework and establishing individual development plans. In the autumn we ran a series of 'leadership conversations' across different parts of the Group for people leaders, to deepen their understanding of their role in leading our transformation and support their development as leaders. Through these sessions, and other activities across the Group, all people leaders are expected to establish a development plan to build and develop their leadership and support delivery of personal objectives.

During the year we also introduced three new leadership development programmes, tailored to the needs of team, area and senior leaders. Pilots have been run successfully across the Group in 2010. The roll out timetable in Canada is well under way. Places are available for 480 UK and European leaders in 2011.

We continue to invest in building the strength and depth of our talent up through the organisation. A group-wide organisational review created the opportunity to make a number of key appointments at senior levels and to move and reposition our talent for the future. We have begun our third intake into ADS (Accelerated Development Support), our process to support the development of senior leaders with high potential, taking the total numbers involved to 60. In addition, we launched a similar process for emerging leaders and will extend this further in 2011. The quality and effectiveness of our talent processes was recognised through ADS being awarded the Talent Management Programme of the Year by Hr NETWORK (Scotland).

We continue to attract and recruit high calibre graduate entrants across the range of our programmes, with just under 40 new people joining Standard Life in 2010, along with a number of interns.

As a consequence of these and other activities, the strength of our internal talent pipelines and depth of succession coverage is steadily improving. We will also continue to strengthen our senior leadership and executive populations as required.

Senior management incentivisation

Our senior management are incentivised with a remuneration package which comprises a fixed salary, an annual bonus and a Long-Term Incentive Plan (LTIP), designed to deliver our long-term strategy.

The annual bonus measures performance against clear financial and non-financial (customer, people and strategic) targets set out in personal scorecards for both Group and personal outcomes.

The 2010 and 2011 LTIP targets are entirely focused on IFRS operating profit before tax (excluding joint ventures) designed to deliver our three year strategic plan. Full details of the LTIP targets will be included in the Directors' remuneration report in the Annual Report and Accounts 2010.

1.9 Basis of preparation

Overview

Our Business review for the year to 31 December 2010 has been prepared in line with the Companies Act 2006 and the Disclosure and Transparency Rules (DTR) issued by the Financial Services Authority (FSA). Under section 417 of the Companies Act 2006, DTR 4.1.8 and DTR 4.1.9, the Group is required to provide a fair review of the business and a description of the principal risks and uncertainties facing the Group. Principal uncertainties are detailed in Section 1.1 – Group overview. Principal risks are detailed in Section 1.6 – Risk management. 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 financial statements 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 summary consolidated income statement, summary consolidated statement of financial position and summary consolidated statement of cash flows, which are presented in the IFRS consolidated financial statements in Section 2 of this report.

IFRS and EEV reporting

The financial results 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 Section 1.2 of the Business review and in the IFRS financial information section of this report have been prepared on the basis of the IFRS accounting policies applied by the Group in the IFRS financial information section of this report. 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 Section 1.3 of the Business review and in the EEV financial statements section of this report have been prepared in accordance with the EEV methodology applied by the Group in Note 3.17 to the EEV financial information in this report for 2010, and in the relevant EEV methodology notes included in the Annual Report and Accounts 2009 in respect of the comparative period.

IFRS and EEV operating profit

The 2010 IFRS reconciliation of consolidated operating profit to profit for the year, presented on page 46 of this report, presents profit before tax attributable to equity holders adjusted for non-operating items. The 2010 EEV consolidated income statement on page 72, presents EEV profit showing both operating and non-operating items. By presenting IFRS and EEV results in this way, the Directors believe they are presenting a more meaningful indication of the underlying business performance of the Group.

Key differences between the IFRS and EEV bases

IFRS	EEV
For new business, profits expected to arise on the contract in future years are not recognised. Not all acquisition costs are deferred and therefore the IFRS results recognise the initial cost or strain associated with writing long-term business. Profit on in-force business is the statutory surplus for the period adjusted for the amortisation of deferred acquisition costs.	For new business, all profits expected to arise on the contract are recognised at the point of sale. Future profits are discounted to a present value using an appropriate discount rate over the lifetime of the contract. Profit on in-force business is recognised with the unwind of the risk discount rate as future cash flows move one year nearer to realisation. Adjustments are also made to profit in order to reflect changes to current best estimate assumptions.

2 International Financial Reporting Standards (IFRS)

IFRS summary consolidated income statement
For the year ended 31 December 2010

	Notes	2010 £m	Restated 2009* £m
Revenue			
Gross earned premium		**3,244**	3,296
Premium ceded to reinsurers		**(94)**	(95)
Net earned premium		**3,150**	3,201
Net investment return		**14,570**	13,171
Fee and commission income		**752**	666
Other income		**97**	129
Total net revenue		**18,569**	17,167
Expenses			
Claims and benefits paid		**5,513**	5,821
Claim recoveries from reinsurers		**(619)**	(623)
Net insurance benefits and claims		**4,894**	5,198
Change in policyholder liabilities		**9,899**	9,985
Change in reinsurance assets		**97**	(942)
Expenses under arrangements with reinsurers		**569**	563
Administrative expenses	2.3	**1,607**	1,486
Change in liability for third party interest in consolidated funds		**443**	323
Finance costs		**113**	115
Total expenses		**17,622**	16,728
Share of profit/(loss) from associates and joint ventures		**24**	(29)
Profit before tax		**971**	410
Tax expense attributable to policyholders' returns	2.4	**400**	299
Profit before tax attributable to equity holders' profits		**571**	111
Total tax expense	2.4	**498**	279
Less: Tax attributable to policyholders' returns	2.4	**(400)**	(299)
Tax expense/(credit) attributable to equity holders' profits	2.4	**98**	(20)
Profit for the year from continuing operations		**473**	131
Profit for the year from discontinued operations	2.5	**20**	49
Profit for the year		**493**	180
Attributable to:			
Equity holders of Standard Life plc		**432**	213
Non-controlling interests		**61**	(33)
		493	180
Earnings per share from continuing operations			
Basic (pence per share)	2.6	**18.4**	7.5
Diluted (pence per share)	2.6	**18.3**	7.5

* The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation. The presentation of the 2009 comparatives in certain primary statements and in the corresponding notes has been reclassified accordingly, as indicated. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010 and was classified as a discontinued operation for the year ended 31 December 2009.

IFRS consolidated statement of comprehensive income

For the year ended 31 December 2010

	Notes	2010 £m	Restated 2009 £m
Profit for the year		**493**	180
Less: Profit from discontinued operations	2.5	**(20)**	(49)
Profit from continuing operations		**473**	131
Fair value (losses)/gains on cash flow hedges		**(2)**	1
Actuarial gains/(losses) on defined benefit pension schemes		**184**	(77)
Revaluation of land and buildings		**(14)**	(16)
Net investment hedge		**(39)**	(12)
Exchange differences on translating foreign operations		**122**	(65)
Equity movements transferred to unallocated divisible surplus		**(2)**	104
Aggregate equity holder tax effect of items recognised in comprehensive income		**(60)**	28
Other comprehensive income/(expense) for the year from continuing operations		**189**	(37)
Total comprehensive income for the year from continuing operations		**662**	94
Profit from discontinued operations	2.5	**20**	49
Other comprehensive income from discontinued operations	2.5	**24**	8
Total comprehensive income for the year from discontinued operations		**44**	57
Total comprehensive income for the year		**706**	151
Attributable to:			
Equity holders of Standard Life plc			
From continuing operations		**601**	127
From discontinued operations		**44**	57
Non-controlling interests			
From continuing operations		**61**	(33)
		706	151

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

For the year ended 31 December 2010

	Notes	2010* £m	2009* £m
Operating profit before tax from continuing operations			
UK		**234**	222
Canada		**110**	113
International		**15**	23
Global investment management		**103**	73
Other		**(37)**	(32)
Operating profit before tax from continuing operations	2.1(a)	**425**	399
Adjusted for the following items:			
Short-term fluctuations in investment return and economic assumption changes	2.7(a)	**127**	(214)
Restructuring and corporate transaction expenses	2.3	**(71)**	(52)
Impairment of intangible assets		**-**	(2)
Impairment of investments in associates		**(1)**	-
Other operating profit adjustments	2.7(b)	**30**	13
Non-operating profit/(loss) before tax from continuing operations		**85**	(255)
Profit/(loss) attributable to non-controlling interests		**61**	(33)
Profit before tax attributable to equity holders' profits		**571**	111
Tax (expense)/credit attributable to:			
Operating profit		**(89)**	(34)
Adjusted items		**(9)**	54
Total tax (expense)/credit attributable to equity holders' profits		**(98)**	20
Profit for the year from continuing operations		**473**	131
Profit for the year from discontinued operations	2.5	**20**	49
Profit for the year		**493**	180

* The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and the Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. Both businesses have been classified as discontinued operations. The analysis of operating profit presented for the years ended 31 December 2010 and 31 December 2009 include continuing operations only.

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 volatility arising from changes in insurance and investment contract liabilities driven by corresponding changes in tax provisions, 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 summary consolidated statement of financial position
As at 31 December 2010

	Notes	2010 £m	2009 £m
Assets			
Intangible assets		**135**	106
Deferred acquisition costs		**881**	872
Investments in associates and joint ventures		**3,087**	2,169
Investment property		**8,410**	7,111
Property, plant and equipment		**164**	161
Reinsurance assets		**6,962**	7,032
Loans		**3,136**	2,769
Derivative financial assets		**1,343**	1,229
Investment securities		**120,042**	106,181
Other assets		**2,522**	2,152
Cash and cash equivalents		**7,434**	7,436
Assets of operations classified as held for sale	2.5	**-**	9,395
Total assets		**154,116**	146,613
Equity			
Share capital	2.9(a)	**228**	224
Shares held by trusts	2.9(b)	**(21)**	-
Share premium reserve		**976**	888
Retained earnings		**1,094**	685
Other reserves		**1,626**	1,660
Equity attributable to equity holders of Standard Life plc		**3,903**	3,457
Non-controlling interests		**335**	296
Total equity		**4,238**	3,753
Liabilities			
Non-participating contract liabilities	2.10	**99,164**	85,892
Participating contract liabilities	2.10	**33,474**	32,352
Deposits received from reinsurers		**6,021**	6,104
Third party interest in consolidated funds		**5,454**	3,004
Borrowings	2.11	**245**	227
Subordinated liabilities		**1,799**	1,832
Deferred income		**382**	371
Income and deferred tax liabilities		**401**	214
Derivative financial liabilities		**924**	797
Other liabilities		**2,014**	2,924
Liabilities of operations classified as held for sale	2.5	**-**	9,143
Total liabilities		**149,878**	142,860
Total equity and liabilities		**154,116**	146,613

IFRS consolidated statement of changes in equity

For the year ended 31 December 2010

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**

2009	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	**218**	**-**	**792**	**774**	**1,623**	**3,407**	**334**	**3,741**
Profit/(loss) for the year	-	-	-	213	-	213	(33)	**180**
Other comprehensive (expense)/income for the year	-	-	-	(50)	21	(29)	-	**(29)**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**163**	**21**	**184**	**(33)**	**151**
Distributions to equity holders	-	-	-	(260)	-	(260)	-	**(260)**
Issue of share capital other than in cash	6	-	96	-	-	102	-	**102**
Reserves credit for employee share-based payment schemes	-	-	-	-	24	24	-	**24**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	8	(8)	-	-	**-**
Other movements in non-controlling interests in the year	-	-	-	-	-	-	(5)	**(5)**
31 December	**224**	**-**	**888**	**685**	**1,660**	**3,457**	**296**	**3,753**

IFRS summary consolidated statement of cash flows
For the year ended 31 December 2010

	2010 £m	Restated 2009 £m
Cash flows from operating activities		
Profit before tax from continuing operations	971	410
Profit before tax from discontinued operations	17	93
	988	503
Change in operating assets	(15,726)	(11,074)
Change in operating liabilities	12,457	8,859
Non-cash and other items	240	235
Taxation paid	(262)	(239)
Net cash flows from operating activities	(2,303)	(1,716)
Cash flows from investing activities		
Net (acquisition)/disposal of property, plant and equipment	(16)	41
Disposal of subsidiaries net of cash disposed	(1,272)	-
Investments in associates and joint ventures	(16)	(6)
Other	(64)	(16)
Net cash flows from investing activities	(1,368)	19
Cash flows from financing activities		
Proceeds from other borrowings	33	11
Repayment of other borrowings	(33)	(19)
Capital flows from non-controlling interests and third party interest in consolidated funds	2,553	960
Distributions paid to non-controlling interests	(56)	(35)
Shares acquired by trusts	(35)	-
Interest paid	(117)	(131)
Ordinary dividends paid	(186)	(158)
Net cash flows from financing activities	2,159	628
Net decrease in cash and cash equivalents	(1,512)	(1,069)
Cash and cash equivalents at the beginning of the year	8,840	9,951
Effects of exchange rate changes on cash and cash equivalents	2	(42)
Cash and cash equivalents at the end of the year	7,330	8,840
Supplemental disclosures on cash flows from operating activities		
Interest paid	-	275
Interest received	2,663	3,003
Dividends received	1,329	1,266
Rental income received on investment properties	605	599

Notes to the IFRS financial information

2.1 Accounting policies

(a) Basis of preparation

The preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU), with interpretations issued by the International Financial Reporting Standards Interpretations Committee and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies as set out in the Group's Annual Report and Accounts for the year ended 31 December 2010 have been applied in the preparation of this preliminary announcement. The Group's accounting policies have not changed since the issue of the Annual Report and Accounts 2009, except as described below.

The Group has adopted the following amendments to IFRSs, International Accounting Standards (IASs) and interpretations which are effective from 1 January 2010 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Group's financial statements:

- IFRS 3 *Business Combinations* (revised)
- IAS 27 *Consolidated and Separate Financial Statements* (revised)
- *Improvements to IFRSs* 2009
- Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Transactions*
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
- IFRIC 17 *Distributions of Non-Cash Assets to Owners*
- IFRIC 18 *Transfers of Assets from Customers*

Change in the Group's chosen supplementary measure of IFRS performance

During 2010, the Group adopted operating profit as its main IFRS performance measure in place of IFRS underlying profit. This performance measure was reported for the first time in the Half Year Results 2010. The Directors consider that this change will provide equity holders and other stakeholders with a better understanding of the Group's long-term operating performance by removing the impact of short-term economic volatility. In addition, the change will better reflect the Group's internal management approach while also allowing for greater comparability with others in the industry. The key differences between the previous and the new measure are as follows:

Removal of short-term fluctuations in investment return and economic assumption changes:

- Under the previous method of reporting, short-term fluctuations in investment return were only partly excluded from IFRS underlying profit through an adjustment for the volatility arising on different asset and liability valuation bases.
- Operating profit is calculated based on expected returns on investments backing equity holder funds, with a consistent treatment of 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 liabilities are excluded from operating profit, and are reported within the statutory IFRS profit before tax. The impact of certain changes in economic assumptions is also excluded from operating profit, and is reported within profit before tax.

Other adjustments:

- Volatility arising from changes in insurance and investment contract liabilities caused by changes in tax provisions in our Canadian subsidiary was previously included in IFRS underlying profit. As this item has no overall impact on equity holder profit after tax, it will be excluded from operating profit.
- Adjustment will also be made for one-off items which are 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. Previously such items would have been included in IFRS underlying profit. In 2010 and 2009, no such one-off items were adjusted in determining operating profit.

The table below presents the effect of these changes to the Group's chosen measure of IFRS performance for the year ended 31 December 2009:

	Underlying profit 2009 £m	Effect of change of measure £m	Operating profit 2009 £m
Underlying/operating profit before tax from continuing operations			
UK	184	38	222
Canada	(7)	120	113
International	18	5	23
Global investment management	66	7	73
Other	(45)	13	(32)
Underlying/operating profit before tax from continuing operations	**216**	**183**	**399**
Adjusted for the following items:			
Short-term fluctuations in investment return and economic assumption changes	-	(214)	(214)
Volatility arising on different asset and liability valuation bases	(18)	18	-
Restructuring and corporate transaction expenses	(52)	-	(52)
Impairment of intangible assets	(2)	-	(2)
Other operating profit adjustments	-	13	13
Loss attributable to non-controlling interests	(33)	-	(33)
Profit before tax attributable to equity holders' profits	**111**	**-**	**111**
Tax credit/(expense) attributable to underlying/operating profit	3	(37)	(34)
Tax credit attributable to adjusted items	17	37	54
Total tax credit attributable to equity holders' profits	**20**	**-**	**20**
Profit for the year from continuing operations	**131**	**-**	**131**
Profit for the year from discontinued operations	**49**	**-**	**49**
Profit for the year	**180**	**-**	**180**

(b) Preliminary announcement

The preliminary announcement for the year ended 31 December 2010 does not constitute statutory accounts as defined in Section 435 of the UK Companies Act 2006. PricewaterhouseCoopers LLP have audited the consolidated statutory accounts for the Group for the years ended 31 December 2009 and 31 December 2010 and their reports were unqualified and did not contain a statement under Section 498(2) or (3) of the UK Companies Act 2006. The Group's consolidated statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies. The Group's Annual Report and Accounts for the year ended 31 December 2010 will be available from 4 April 2011.

2.2 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. The Group's reportable segments are as follows:

UK
UK operations comprise life and pensions business and healthcare business. The life and pensions business 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. It has therefore been classified as a discontinued operation, refer to Note 2.5 – Discontinued operations. UK operations previously included the Group's banking business, Standard Life Bank plc, which was sold on 1 January 2010.

Canada
Canadian 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. The Group has operations in Ireland, Germany and Austria, which for 31 December 2009 reporting were included in the Europe reportable segment. The Group also holds investments in joint ventures in India and China and has a wholly owned subsidiary in Hong Kong, each of which were included in the Asia reportable segment for 31 December 2009 reporting. This change in composition of reportable segments corresponds to changes made during the reporting period to the way in which the Group is managed and the relevant 31 December 2009 segment information has been restated accordingly.

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 year, operating profit is considered to present an indication of the 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.

2010	UK[1] £m	Canada £m	International[4] £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 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation. 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 2.3 – Administrative expenses.
4 Included in the international reporting segment, total net revenue, excluding inter-segment revenue, for Germany, Ireland and Asia is £1,253m (2009: £1,188m), £548m (2009: £597m) and £91m (2009: £44m) respectively.

2.2 Segmental analysis *continued*

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

2009	UK[1] £m	Canada £m	International[2] £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue							
Net earned premium	1,574	709	914	4	-	-	**3,201**
Net investment return	10,272	2,044	885	-	4	(34)	**13,171**
Other segment income	499	112	30	155	7	(8)	**795**
Inter-segment revenue	8	2	(5)	91	539	(635)	**-**
Total net revenue	**12,353**	**2,867**	**1,824**	**250**	**550**	**(677)**	**17,167**
Expenses							
Segment expenses	11,850	2,833	1,781	200	603	(654)	**16,613**
Finance costs	120	13	-	5	-	(23)	**115**
Total expenses	**11,970**	**2,846**	**1,781**	**205**	**603**	**(677)**	**16,728**
Share of profit/(loss) from associates and joint ventures	7	(29)	(27)	19	1	-	**(29)**
Profit/(loss) before tax	**390**	**(8)**	**16**	**64**	**(52)**	**-**	**410**
Tax attributable to policyholders' returns	294	-	5	-	-	-	**299**
Tax attributable to equity holders' profits	(53)	33	(3)	13	(10)	-	**(20)**
Profit/(loss) for the year from continuing operations	**149**	**(41)**	**14**	**51**	**(42)**	**-**	**131**
Profit for the year from discontinued operations[1]	49	-	-	-	-	-	**49**
Profit/(loss) for the year	**198**	**(41)**	**14**	**51**	**(42)**	**-**	**180**
Loss attributable to non-controlling interests from continuing operations	33	-	-	-	-	-	**33**
Profit/(loss) attributable to equity holders of Standard Life plc	**231**	**(41)**	**14**	**51**	**(42)**	**-**	**213**
Reconciliation to consolidated operating profit[1]							
Tax (credit)/expense attributable to equity holders' profits from continuing operations	(53)	33	(3)	13	(10)	-	**(20)**
Non-operating loss before tax from continuing operations	93	121	12	9	20	-	**255**
Less: Profit for the year from discontinued operations	(49)	-	-	-	-	-	**(49)**
Operating profit/(loss) before tax from continuing operations	**222**	**113**	**23**	**73**	**(32)**	**-**	**399**
Other income included in the income statement is as follows:							
Interest income:							
From continuing operations	154	145	60	1	5	-	**365**
From discontinued operations	350	-	-	-	-	-	**350**
Other expenses included in the income statement include:							
Impairment losses recognised:							
From continuing operations	30	4	-	-	7	-	**41**
From discontinued operations	19	-	-	-	-	-	**19**
Amortisation of intangible assets:							
From continuing operations	9	1	2	-	3	-	**15**
From discontinued operations	2	-	-	-	-	-	**2**
Amortisation of deferred acquisition costs:							
From continuing operations	82	12	45	-	-	-	**139**
From discontinued operations	34	-	-	-	-	-	**34**
Depreciation of property, plant and equipment[3]	-	2	1	1	6	-	**10**
Interest expense:[4]							
From continuing operations	132	19	2	5	116	(139)	**135**
From discontinued operations	238	-	-	-	-	-	**238**
Assets							
Segment assets	114,042	20,423	9,516	506	796	(839)	**144,444**
Investments in associates and joint ventures	1,915	104	80	32	38	-	**2,169**
Total assets	**115,957**	**20,527**	**9,596**	**538**	**834**	**(839)**	**146,613**
Additions during the year							
Intangible assets	6	1	5	-	4	-	**16**
Deferred acquisition costs	105	14	82	-	-	-	**201**
Property, plant and equipment	1	2	-	1	9	-	**13**
Investment properties	348	4	13	-	-	-	**365**
	460	**21**	**100**	**1**	**13**	**-**	**595**

1 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. The reconciliation to consolidated operating profit for the year ended 31 December 2009 includes continuing operations only.

2 The business areas included in the Europe and Asia reportable segments presented as at 31 December 2009 are included within the International reportable segment.

3 All from continuing operations.

4 Refer to Note 2.3 – Administrative expenses.

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

	2010 £m	2009 £m
UK	7,437	6,292
Continental Europe	48	51
Canada	1,223	1,035
Total	**8,708**	7,378

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).

2.3 Administrative expenses

	Notes	2010 £m	Restated 2009 £m
Restructuring and corporate transaction expenses		73	60
Commission expenses		370	331
Interest expenses		17	250
Staff costs and other employee-related costs		586	599
Acquisition costs deferred during the year		(218)	(201)
Amortisation of deferred acquisition costs		196	173
Impairment losses on deferred acquisition costs		-	33
Other administrative expenses		622	608
Total administrative expenses		**1,646**	1,853
Less: administrative expenses from discontinued operations	2.5	(39)	(367)
Administrative expenses		**1,607**	1,486

Interest expense of £113m (2009: £123m) in respect of subordinated liabilities is included within finance costs. For the year ended 31 December 2010, total interest expense is £130m (2009: £373m).

Included in total restructuring costs of £73m (2009: £60m) are £1m (2009: £1m) of costs in relation to discontinued operations.

Restructuring costs from continuing operations incurred during the year include £64m of expenses in relation to the Group's Transformation and Solvency 2 Programmes (2009: £50m) and £8m (2009: £9m) of transaction costs incurred from the sale of Standard Life Bank plc and Standard Life Healthcare Limited.

Of the restructuring costs from continuing operations of £72m, £71m (2009: £52m) is adjusted when determining operating profit for the year, with the remaining £1m (2009: £1m) incurred by the Heritage With Profits Fund.

2.4 Tax expense/(credit)

The tax expense/(credit) is attributed as follows:

	Notes	2010 £m	Restated 2009 £m
Tax expense attributable to policyholders' returns		**400**	299
Tax expense/(credit) attributable to equity holders' profits		**98**	(20)
		498	279
Tax (credit)/expense from discontinued operations	2.5	**(3)**	44
		495	323

From 1 April 2011, the UK corporation tax rate will be reduced from 28% to 27%. This rate change has been included in the calculation of UK deferred tax. The 2010 Budget statement also announced the government's intention to make further reductions in corporation tax. These reductions have not been included in the calculation of deferred tax as they are subject to legislation being enacted in future years.

The share of tax of associates and joint ventures is £4m (2009: £9m) and is included above the line 'Profit before tax' in the summary consolidated income statement in 'Share of profit/(loss) from associates and joint ventures'.

The total tax expense is split as follows:

	2010 £m	Restated 2009 £m
Income tax:		
UK	**253**	162
Double tax relief	**(1)**	(1)
Canada and international	**42**	28
Adjustment to tax expense in respect of prior years	**4**	(3)
Total income tax	**298**	186
Deferred tax:		
Deferred tax expense arising from the current year	**197**	137
Total deferred tax	**197**	137
Total tax expense	**495**	323
Less: Income tax credit/(expense) attributable to discontinued operations	**3**	(44)
Total income tax expense attributable to continuing operations	**498**	279
Attributable to equity holders' profits	**98**	(20)

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

	2010 £m	2009 £m
Tax on actuarial gains/(losses) on defined benefit pension schemes	**59**	(27)
Revaluation of land and buildings	**1**	(1)
Tax on fair value gains on cash flow hedges attributable to discontinued operations	**6**	3
Tax relating to each component of other comprehensive income	**66**	(25)

2.5 Discontinued operations

The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 for a cash consideration of £138m and has therefore been classified as a discontinued operation. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010 for a cash consideration of £246m and was classified as a discontinued operation for the year ended 31 December 2009. The assets and liabilities attributable to Standard Life Bank plc as at 31 December 2009 have been classified as held for sale.

The profit included in the consolidated income statement in respect of discontinued operations is as follows:

	2010 £m	Restated 2009 £m
Revenue		
Net earned premium	**152**	266
Net investment return	**(27)**	392
Fee and commission income	**-**	4
Other income	**1**	(1)
Net revenue	**126**	661
Expenses		
Net insurance benefits and claims	**105**	190
Change in insurance and participating liabilities	**2**	(7)
Administrative expenses	**39**	367
Finance costs	**-**	8
Expenses	**146**	558
Gain/(loss) recognised on the measurement of the assets of disposal group	**37**	(10)
Profit before tax	**17**	93
Tax (credit)/expense	**(3)**	44
Profit for the year	**20**	49

The comprehensive income included in the consolidated statement of comprehensive income in respect of discontinued operations is as follows:

	2010 £m	2009 £m
Profit for the year from discontinued operations	**20**	49
Fair value gains on cash flow hedges	**30**	11
Aggregate equity holder tax effect of items not recognised in the income statement	**(6)**	(3)
Other comprehensive income for the year from discontinued operations	**24**	8
Total comprehensive income for the year from discontinued operations	**44**	57

2.6 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 year. The weighted average number of ordinary shares outstanding during the year 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.

	2010	Restated 2009
Profit from continuing operations (£m)	412	164
Profit from discontinued operations (£m)	20	49
Profit attributable to equity holders of Standard Life plc (£m)	**432**	213
Weighted average number of ordinary shares in issue (millions)	2,242	2,201
Basic earnings per share from continuing operations (pence per share)	18.4	7.5
Basic earnings per share from discontinued operations (pence per share)	0.9	2.2
Basic earnings per share (pence per share)	**19.3**	9.7

(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.

	2010	Restated 2009
Profit from continuing operations (£m)	412	164
Profit from discontinued operations (£m)	20	49
Profit attributable to equity holders of Standard Life plc (£m)	**432**	213
Weighted average number of ordinary shares for diluted earnings per share (millions)	2,248	2,203
Diluted earnings per share from continuing operations (pence per share)	18.3	7.5
Diluted earnings per share from discontinued operations (pence per share)	0.9	2.2
Diluted earnings per share (pence per share)	**19.2**	9.7

The dilutive effect of share awards and options included in the weighted average number of ordinary shares above was six million (2009: two 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.

	2010 £m	2010 p per share	Restated 2009 £m	Restated 2009 p per share
Operating profit before tax from continuing operations	**425**	**19.0**	399	18.1
Short-term fluctuations in investment return and economic assumption changes	**127**	**5.7**	(214)	(9.7)
Restructuring and corporate transaction expenses	**(71)**	**(3.2)**	(52)	(2.4)
Impairment of intangible assets	**-**	**-**	(2)	(0.1)
Impairment of investments in associates	**(1)**	**-**	-	-
Other operating profit adjustments	**30**	**1.3**	13	0.6
Profit/(loss) attributable to non-controlling interests	**61**	**2.7**	(33)	(1.5)
Profit before tax from continuing operations	**571**	**25.5**	111	5.0
Tax (expense)/credit attributable to:				
Operating profit	**(89)**	**(4.0)**	(34)	(1.5)
Adjusted items	**(9)**	**(0.4)**	54	2.5
(Profit)/loss attributable to non-controlling interests	**(61)**	**(2.7)**	33	1.5
Profit from discontinued operations	**20**	**0.9**	49	2.2
Profit attributable to equity holders of Standard Life plc	**432**	**19.3**	213	9.7

The table above represents basic alternative earnings per share. On a diluted basis short-term fluctuations in investment return and economic assumption changes is 5.6p (2009: (9.7p)) per share.

2.7 Operating profit

(a) 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 Canadian 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 Canadian operations are determined by the Appointed Actuary in Canada.

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

	2010		2009	
	UK %	Canada %	UK %	Canada %
Equity securities	**7.11**	**8.60**	6.42	8.60
Property	**6.11**	**8.60**	5.42	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 Canadian 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 year ended 31 December 2010 were £127m (2009: (£214m)). 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.

2.7 Operating profit *continued*

(b) Other operating profit adjustments

The volatility arising from changes in insurance and investment contract liabilities caused by changes in tax provisions in the Group's Canadian subsidiary was £30m (2009: £13m). This volatility has no impact on equity holder profit after tax and as such is excluded from operating profit before tax.

2.8 Dividends

The Company paid a final dividend of 8.09 pence per share (final 2008: 7.7 pence) totalling £180m in respect of the year ended 31 December 2009 on 28 May 2010 (final 2008: £168m) and an interim dividend of 4.35 pence per share (interim 2009: 4.15 pence) totalling £98m (interim 2009: £92m) in respect of the year ended 31 December 2010 on 19 November 2010.

Subsequent to 31 December 2010, the Directors have proposed a final dividend for the year ended 31 December 2010 of 8.65 pence per ordinary share, £197m in total. The dividend will be paid on 27 May 2011 to shareholders on the Company's register as at 18 March 2011, subject to approval at the Annual General Meeting on 17 May 2011. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2011.

Investors taking part in the Scrip scheme receive their dividend entitlement in the form of shares rather than cash and the distribution under Scrip is recorded as an appropriation of retained earnings. Dividends paid during the year ended 31 December 2010 comprise £92m (2009: £102m) settled by the issue of shares under the Scrip scheme and £186m paid in cash (2009: £158m).

2.9 Issued share capital and shares held by trusts

(a) Issued share capital

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

	2010 Number	2010 £m	2009 Number	2009 £m
At 1 January	**2,236,292,157**	**224**	2,177,799,354	218
Shares issued in lieu of cash dividends	**44,854,401**	**4**	55,018,211	6
Shares issued in respect of employee share plans	**566,626**	**-**	630,003	-
Shares issued in respect of share options	**1,305,584**	**-**	2,842,293	-
Demutualisation shares	**490**	**-**	449	-
Shares issued in respect of bonus issue	**583**	**-**	1,847	-
At 31 December	**2,283,019,841**	**228**	2,236,292,157	224

During the year ended 31 December 2010, 44,854,401 shares have been issued in respect of dividends declared in the year under the Scrip dividend scheme (2009: 55,018,211).

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 year ended 31 December 2010, the Company allotted 566,626 (2009: 630,003) ordinary shares to Group employees under the share incentive plans.

The Group also operates a Long-Term Incentive Plan (LTIP) for executives and senior management. During the year ended 31 December 2010, 1,305,584 (2009: 2,842,293) ordinary shares were issued on exercise of share options in respect of the LTIP.

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 year ended 31 December 2010, 490 ordinary shares were issued to eligible members in respect of their demutualisation entitlements (2009: 449).

As part of the offer on the demutualisation of SLAC and flotation of Standard Life plc, holders of demutualisation shares, employee shares or shares acquired in the preferential offer who retained their shares for a continuous period of one year from 10 July 2006 were entitled to one bonus share for every 20 shares. Equity holders who are entitled to bonus shares but were not allocated shares on 10 July 2007 had until 10 July 2010 to claim their entitlements. During the year ended 31 December 2010, 583 ordinary shares were issued to equity holders entitled to receive bonus shares (2009: 1,847).

(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 summary 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 the Standard Life Assurance Company (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.

The number of shares held by trusts at 31 December 2010 which were not offset by a corresponding obligation to deliver a fixed number of equity instruments was 12,209,946.

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

	2010 £m	2009 £m
Non-participating insurance contract liabilities	23,564	22,164
Non-participating investment contract liabilities	75,600	63,728
Non-participating contract liabilities	**99,164**	85,892
Participating insurance contract liabilities	17,357	16,568
Participating investment contract liabilities	15,329	14,993
Unallocated divisible surplus	788	791
Participating contract liabilities	**33,474**	32,352

The movement in insurance contract liabilities, participating investment contracts and reinsurance assets during 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**

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

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 performance over the year, changes in assumptions and, to a limited extent, improvements in modelling techniques.

The movement in insurance contract liabilities, participating investment contracts and reinsurance assets during 2009 was as follows:

2009	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	**17,625**	**19,635**	**15,674**	**52,934**	**(6,076)**	**46,858**
Expected change	(627)	(379)	(828)	(1,834)	184	(1,650)
Methodology/modelling changes	(17)	(70)	(12)	(99)	(27)	(126)
Effect of changes in:						
Economic assumptions	(311)	1,759	(268)	1,180	(1,117)	63
Non-economic assumptions	(22)	(90)	-	(112)	52	(60)
Effect of:						
Economic experience	205	593	133	931	(25)	906
Non-economic experience	(21)	(324)	272	(73)	(4)	(77)
New business	38	777	110	925	(5)	920
Total change in contract liabilities	**(755)**	**2,266**	**(593)**	**918**	**(942)**	**(24)**
Foreign exchange adjustment	(302)	276	(88)	(114)	(14)	(128)
Movements attributable to discontinued healthcare operations	-	(13)	-	(13)	-	(13)
At 31 December	**16,568**	**22,164**	**14,993**	**53,725**	**(7,032)**	**46,693**

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

	2010 £m	2009 £m
At 1 January	**63,728**	52,273
Contributions	**11,145**	8,997
Initial charges and reduced allocations	**(9)**	(21)
Account balances paid on surrender and other terminations in the year	**(7,589)**	(6,682)
Investment return credited and related benefits	**7,740**	9,088
Foreign exchange adjustment	**955**	376
Recurring management charges	**(370)**	(303)
At 31 December	**75,600**	63,728

2.11 Borrowings

	2010 £m	2009 £m
Certificates of deposit, commercial paper and medium term notes	**-**	816
Securitisations – mortgage backed floating rate notes	**-**	1,967
Bank overdrafts	**104**	87
Other	**141**	140
Total borrowings	**245**	3,010
Less: Borrowings classified as held for sale	**-**	(2,783)
Borrowings	**245**	227

2.12 Defined benefit and defined contribution plans

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

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

	2010 £m	2009 £m
Current service cost	**(67)**	(53)
Interest cost on benefit obligation	**(110)**	(93)
Expected return on plan assets	**119**	91
Past service cost	**59**	1
Gains on curtailment	**-**	4
Credit/(expense) recognised in the summary consolidated income statement	**1**	(50)

In 2010 a credit from past service costs of £59m has been 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 summary consolidated statement of financial position

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

	2010				2009			
	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m
Present value of funded obligation	**(1,724)**	**(175)**	**(51)**	**(1,950)**	(1,700)	(135)	(43)	(1,878)
Present value of unfunded obligation	**-**	**(56)**	**-**	**(56)**	-	(41)	-	(41)
Fair value of plan assets	**2,005**	**175**	**48**	**2,228**	1,644	144	48	1,836
Adjustment for unrecognised past service costs	**-**	**(6)**	**-**	**(6)**	-	(6)	-	(6)
Net asset/(liability) in the summary consolidated statement of financial position	**281**	**(62)**	**(3)**	**216**	(56)	(38)	5	(89)

The Group also recognises a net liability of £6m (2009: £5m) arising from a scheme with a total defined benefit obligation of £6m (2009: £5m) administered for the benefit of employees in Germany, resulting in a net asset of £210m (2009: liability of £94m). The summary consolidated statement of financial position presents any net scheme assets within other assets and any net scheme liabilities within other liabilities.

(c) Principal assumptions

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

	2010			2009		
	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %
Rate of increase in salaries	**4.65-5.65**	**3.50**	**3.50**	4.80-5.80	3.50	3.50
Rate of increase in pensions	**3.05-3.65**	**1.33**	**1.00**	3.80	1.33	1.00
Discount rate	**5.30**	**5.50**	**5.25**	5.60	6.25	6.00
Inflation assumption	**3.05-3.65**	**2.00**	**2.00**	3.80	2.00	2.00
Expected return on plan assets	**6.15**	**7.00**	**5.00**	6.30	7.00	5.93

2.13 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 contingencies 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.

(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.

2.14 Commitments

(a) Capital commitments

As at 31 December 2010, capital expenditure that was authorised and contracted for, but not provided and incurred, was £251m (2009: £296m) in respect of investment properties. Of this amount, £239m (2009: £283m) and £12m (2009: £13m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

As at 31 December 2010, the Group had committed the following unrecognised financial instruments to customers and third parties:

	2010 £m	2009 £m
Commitments to extend credit:		
Original term to maturity of one year or less	**51**	112
Original term to maturity of more than one year	**7**	1,859
Other commitments	**335**	715

Included in other commitments is £315m (2009: £696m) 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.

The commitments to extend credit with an original term to maturity of more than one year as at 31 December 2009 were primarily in respect of the Group's banking business, Standard Life Bank plc, which was sold on 1 January 2010.

2.15 Related party transactions

(a) Transactions with/from related parties

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

	2010 £m	2009 £m
Sale to:		
Associates	**17,340**	11,607
Joint ventures	**32**	2
	17,372	11,609
Purchase from:		
Associates	**18,052**	10,907
Joint ventures	**19**	100
	18,071	11,007

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 shown above, the Group's defined benefit pension schemes have assets of £655m (2009: £528m) 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 year ended 31 December 2010, the key management personnel contributed £1.9m (2009: £11.1m) to products sold by the Group.

2.16 Capital statement

The Group's capital position is analysed between UK regulated life business, overseas life operations and other activities. The UK regulated life business is analysed by the nature of the underlying funds and includes German and Irish business written by branches of UK regulated companies. Other activities comprise investment management, general insurance and group corporate centre. The Group's capital position, based on draft regulatory returns, is set out below:

2010	UK regulated life business: Heritage With Profits Fund[1] £m	UK regulated life business: Proprietary business funds £m	UK regulated life business: Life business equity holders' funds £m	Total UK regulated life business £m	Overseas life operations £m	Total life business £m	Other activities[2] £m	Group total £m
Available capital resources								
Equity holders' funds								
Held outside life assurance funds	-	-	1,008	1,008	1,220	2,228	796	**3,024**
Held within life assurance funds	-	879	-	879	-	879	-	**879**
Equity attributable to ordinary equity holders of Standard Life plc	**-**	**879**	**1,008**	**1,887**	**1,220**	**3,107**	**796**	**3,903**
Unallocated divisible surplus	**788**	**-**	**-**	**788**	**-**	**788**	**-**	**788**
Other qualifying capital								
Subordinated liabilities	-	-	-	-	-	-	1,799	**1,799**
Internal subordinated liabilities	-	-	1,799	1,799	257	2,056	(2,056)	**-**
	-	**-**	**1,799**	**1,799**	**257**	**2,056**	**(257)**	**1,799**
Adjustments onto regulatory basis								
Changes to the valuation of contract liabilities	3,262	(2)	-	3,260	(80)	3,180	-	**3,180**
Exclusion of deferred acquisition costs and other inadmissible assets	(122)	(528)	(326)	(976)	(111)	(1,087)	(43)	**(1,130)**
Exclusion of deferred income	114	231	-	345	(1)	344	-	**344**
Changes to the valuation of other assets and liabilities	(11)	(259)	(120)	(390)	128	(262)	208	**(54)**
	3,243	**(558)**	**(446)**	**2,239**	**(64)**	**2,175**	**165**	**2,340**
Total available capital resources to meet regulatory requirement	**4,031**	**321**	**2,361**	**6,713**	**1,413**	**8,126**	**704**	**8,830**
Analysed as follows:								
Capital not subject to constraints	-	-	2,336	2,336	577	2,913	623	**3,536**
Capital subject to constraints	4,031	321	25	4,377	836	5,213	81	**5,294**
Total available capital resources	**4,031**	**321**	**2,361**	**6,713**	**1,413**	**8,126**	**704**	**8,830**
Regulatory capital requirement				**2,910**	**709**	**3,619**	**33**	**3,652**

1 Capital resources amounting to £34m in respect of other with profits funds are disclosed within the Heritage With Profits Fund (HWPF) column.
2 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and its capital resources are not, therefore, included in the analysis.

2009	UK regulated life business: Heritage With Profits Fund[1] £m	UK regulated life business: Proprietary business funds £m	UK regulated life business: Life business equity holders' funds[2] £m	Total UK regulated life business £m	Overseas life operations £m	Total life business £m	Other activities £m	Group total £m
Available capital resources								
Equity holders' funds								
Held outside life assurance funds	-	-	1,077	1,077	1,053	2,130	710	**2,840**
Held within life assurance funds	-	617	-	617	-	617	-	**617**
Equity attributable to ordinary equity holders of Standard Life plc	**-**	**617**	**1,077**	**1,694**	**1,053**	**2,747**	**710**	**3,457**
Unallocated divisible surplus	**791**	**-**	**-**	**791**	**-**	**791**	**-**	**791**
Other qualifying capital								
Subordinated liabilities	-	-	265	265	-	265	1,846	**2,111**
Internal subordinated liabilities	-	-	1,876	1,876	236	2,112	(2,112)	**-**
	-	**-**	**2,141**	**2,141**	**236**	**2,377**	**(266)**	**2,111**
Adjustments onto regulatory basis								
Changes to the valuation of contract liabilities	1,485	20	-	1,505	(75)	1,430	-	**1,430**
Exclusion of deferred acquisition costs and other inadmissible assets	(143)	(496)	(484)	(1,123)	(87)	(1,210)	(119)	**(1,329)**
Exclusion of deferred income	132	207	-	339	(2)	337	-	**337**
Changes to the valuation of other assets and liabilities	(610)	(90)	645	(55)	79	24	225	**249**
	864	**(359)**	**161**	**666**	**(85)**	**581**	**106**	**687**
Total available capital resources to meet regulatory requirement	**1,655**	**258**	**3,379**	**5,292**	**1,204**	**6,496**	**550**	**7,046**
Analysed as follows:								
Capital not subject to constraints	-	-	3,112	3,112	422	3,534	432	**3,966**
Capital subject to constraints	1,655	258	267	2,180	782	2,962	118	**3,080**
Total available capital resources	**1,655**	**258**	**3,379**	**5,292**	**1,204**	**6,496**	**550**	**7,046**
Regulatory capital requirement				**2,040**	**666**	**2,706**	**81**	**2,787**

1 Capital resources amounting to £13m in respect of other with profits funds are disclosed within the Heritage With Profits Fund column.

2 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. For the year ended 31 December 2009, its capital resources were included within life business equity holders' funds.

UK regulated life business

Standard Life Assurance Limited's (SLAL) regulatory solvency position is determined using the Financial Services Authority's (FSA) 'twin peaks' approach, which requires liabilities to be valued on both a realistic and a regulatory basis. The realistic basis removes some of the margins for prudence included in calculations under the regulatory basis. However, it requires discretionary benefits that are not considered under the regulatory basis, such as final bonuses, to be valued. The extent to which the realistic peak is more onerous than the regulatory peak increases the amount of the Capital Resources Requirements (CRR).

Based on draft regulatory returns at 31 December 2010, SLAL had available capital resources of £6.7bn (2009: £5.3bn) and a CRR of £2.9bn (2009: £2.0bn). The capital resources shown in the capital statement are based on the value of assets and liabilities valued on a regulatory basis. However, the CRR reflects the higher value required as a result of the application of the realistic peak.

Capital subject to constraints for the UK regulated life business of £4.4bn at 31 December 2010 (2009: £2.2bn) represents capital resources held within long-term business funds, or in relation to other regulated entities, the amount of the CRR.

2.16 Capital statement *continued*

Overseas life operations

Capital resources of £1,413m (2009: £1,204m), which relate mainly to operations in Canada, also include operations in Asia. The capital resources of the operations in Canada are based on local Generally Accepted Accounting Principles financial statements adjusted where necessary to reflect the fair value of assets with a corresponding adjustment to liabilities. The Canadian regulator sets the minimum required capital. It also requires certain assets to be held in trust to increase policyholder protection (vested assets). As a result of the combination of the capital requirement and vested assets, the overseas life capital subject to constraints amounted to £836m at 31 December 2010 (2009: £782m).

Other activities

At 31 December 2010, capital resources of £704m (2009: £550m) and capital subject to constraints of £81m (2009: £118m) relate to the Group's investment management businesses and group corporate centre activities.

Intra-group transactions

The Group, through subsidiaries and joint ventures, provides insurance and other financial services in the UK, Canada, India and China. Through branches, the Group also provides such services in Ireland and Germany. With the exception of the requirements of the Scheme and the intra-group subordinated debt referred to below and the capital support mechanisms, there are no formal arrangements to provide capital to particular funds or business units. Any allocations of capital would need to be approved on a case-by-case basis by the Board.

SLAL has issued subordinated loans to the Company, which SLAL treats as capital for regulatory purposes. The Standard Life Assurance Company of Canada has issued subordinated liabilities of £257m (2009: £236m) to the Company. During the year, Standard Life Investments Limited repaid the subordinated liabilities of £15m that it had issued. This amount of subordinated liabilities is included within the capital resources of that business during 2009. At Group level only subordinated liabilities issued to external parties are included in the Group's capital resources.

Group capital requirement

The Group must also calculate a group solvency position under the Insurance Groups Directive (IGD). The IGD calculation is a very prudent aggregate value for the Group's capital resources. The capital held within the long-term business funds of approximately £4.4bn (2009: £1.9bn) is restricted to the level of the CRR of those funds of approximately £2.6bn (2009: £1.6bn). Therefore, the Group recognises no net surplus in respect of capital within the long-term business funds.

The estimated IGD position at 31 December 2010 is shown in the Business review Section 1.5 – Capital and cash generation.

In respect of the Group's IGD reporting there were no breaches of regulatory capital requirements at any time during the year.

Movements in capital

The movements in the total capital resources shown in the capital statement are set out below.

2010	UK regulated life business Heritage With Profits Fund £m	Proprietary business funds £m	Life business equity holders funds £m	Total UK regulated life business £m	Overseas life operations £m	Total life business £m	Other activities £m	Group total £m
At 1 January	**1,655**	**258**	**3,379**	**5,292**	**1,204**	**6,496**	**550**	**7,046**
Methodology/modelling changes	675	4	-	679	(47)	632	-	**632**
Change in assumptions used to measure life assurance contract liabilities and experience differences	(56)	8	-	(48)	(6)	(54)	-	**(54)**
New business	(16)	(138)	-	(154)	(26)	(180)	-	**(180)**
Investment surplus	2,415	87	5	2,507	98	2,605	-	**2,605**
Equity holder/inter-fund transfers	(71)	71	-	-	32	32	(32)	**-**
Dividend transfers	-	-	(205)	(205)	-	(205)	19	**(186)**
Other factors	(571)	31	(818)	(1,358)	158	(1,200)	167	**(1,033)**
At 31 December	**4,031**	**321**	**2,361**	**6,713**	**1,413**	**8,126**	**704**	**8,830**

2009	UK regulated life business Heritage With Profits Fund £m	Proprietary business funds £m	Life business equity holders funds £m	Total UK regulated life business £m	Overseas life operations £m	Total life business £m	Other activities £m	Group total £m
At 1 January	**2,976**	**267**	**2,756**	**5,999**	**1,188**	**7,187**	**558**	**7,745**
Methodology/modelling changes	113	12	-	125	(38)	87	-	**87**
Change in assumptions used to measure life assurance contract liabilities and experience differences	19	13	-	32	7	39	-	**39**
New business	(20)	(117)	-	(137)	(26)	(163)	-	**(163)**
Investment surplus	(124)	17	6	(101)	102	1	-	**1**
Equity holder/inter-fund transfers	(869)	(63)	932	-	16	16	(16)	**-**
Dividend transfers	-	-	(173)	(173)	-	(173)	15	**(158)**
Other factors	(440)	129	(142)	(453)	(45)	(498)	(7)	**(505)**
At 31 December	**1,655**	**258**	**3,379**	**5,292**	**1,204**	**6,496**	**550**	**7,046**

Changes in assumptions used to measure contract liabilities have not had a significant impact on capital resources.

Equity holder/inter-fund transfers include the transfer of £nil (2009: £844m) from the HWPF to the Shareholder Fund in respect of the recourse cash flows for UK and Ireland and £71m (2009: £25m) to the Proprietary Business Funds (PBF) in relation to additional expenses charged on German unitised with profits business.

Equity holder/inter-fund transfers in 2009 of £844m include £588m relating to a contingent loan agreement. In 2010, a £195m repayment of this contingent loan was made from the Shareholder Fund to SLAL's HWPF. This loan repayment is included in other factors.

2.17 Events after the reporting period

On 11 January 2011, the Group's offer for the entire issued and to be issued share capital of Focus Solutions Group plc (Focus) was declared wholly unconditional and therefore is the effective date of the acquisition. 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 fair value of net assets acquired and resulting goodwill are as follows:

	£m
Purchase consideration	
Cash paid	41
Loan notes issued	7
Total purchase consideration	**48**
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	(6)
	22
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 European Embedded Value (EEV)

EEV consolidated income statement
For the year ended 31 December 2010

	Notes	2010[1] £m	Restated 2009[1] £m
Covered business			
UK		**436**	506
Canada		**250**	192
International		**93**	29
HWPF TVOG		**(8)**	143
Covered business operating profit	3.2(a)	**771**	870
Global investment management[2]	3.6(b)	**33**	42
UK		**28**	(18)
Group corporate centre costs		**(54)**	(50)
Other	3.6(c)	**9**	-
Non-covered business operating profit/(loss)		**16**	(26)
Operating profit before tax from continuing operations		**787**	844
Non-operating items			
Long-term investment return and tax variances		**578**	70
Effect of economic assumption changes		**(209)**	(539)
Impairment of investments in associates		**(1)**	-
Restructuring and corporate transaction expenses[3]		**(71)**	(52)
Other non-operating items		**-**	(9)
Consolidation adjustment for different accounting bases[4]		**51**	67
Non-operating profit/(loss) before tax from continuing operations		**348**	(463)
Profit before tax from continuing operations		**1,135**	381
Tax attributable to:			
Operating profit		**(249)**	(247)
Non-operating items		**(90)**	122
Profit after tax from continuing operations		**796**	256
Profit after tax from discontinued operations		**20**	49
Total profit after tax		**816**	305

1 The Group's healthcare business, Standard Life Healthcare Limited, was sold on 31 July 2010 and has therefore been classified as a discontinued operation. The presentation of the 2009 comparatives in certain primary statements and in the corresponding notes has been reclassified accordingly, as indicated. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010 and was classified as a discontinued operation for the year ended 31 December 2009. Refer to Note 3.1 – Basis of preparation.

2 Global investment management operating profit before tax is stated after excluding profits of £70m (2009: £33m) which have been generated by life and pensions business. Refer to Note 3.17 – EEV methodology.

3 Refer to IFRS financial information Note 2.3 – Administrative expenses.

4 This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 3.17 – EEV methodology.

EEV earnings per share (EPS)
For the year ended 31 December 2010

	2010	Restated 2009
EEV operating profit after tax from continuing operations (£m)[1]	**538**	597
Basic EPS (pence) from continuing operations	**24.0**	27.1
Weighted average number of ordinary shares in issue (millions)	**2,242**	2,201
Diluted EPS (pence) from continuing operations	**23.9**	27.1
Weighted average number of ordinary shares on a diluted basis (millions)	**2,248**	2,203

1 EEV operating profit before tax from continuing operations of £787m (2009: £844m) less attributed tax on operating profit from continuing operations of £249m (2009: £247m).

EEV consolidated statement of comprehensive income
For the year ended 31 December 2010

	Notes	2010 £m	Restated 2009 £m
Profit after tax		**816**	305
Less: Profit after tax from discontinued operations		**20**	49
Profit from continuing operations		**796**	256
Fair value (losses)/gains on cash flow hedges[1]		**(2)**	1
Actuarial gains/(losses) on defined benefit pension schemes[1]		**184**	(77)
Exchange differences on translating foreign operations[2]		**152**	26
Net investment hedge[1]		**(39)**	(12)
Aggregate tax effect of items not recognised in income statement		**(59)**	27
Other		**9**	13
Other comprehensive income/(expense) for the period		**245**	(22)
Total comprehensive income for the period attributable to equity holders from continuing operations		**1,041**	234
Profit after tax from discontinued operations		**20**	49
Other comprehensive income from discontinued operations[3]		**24**	8
Total comprehensive income for the period attributable to equity holders from discontinued operations		**44**	57
Total comprehensive income for the period attributable to equity holders	3.7	**1,085**	291

1 Consistent with the IFRS consolidated statement of comprehensive income for the year ended 31 December 2010.
2 Exchange differences primarily relate to Canada £139m.
3 Refer to IFRS financial information Note 2.5 – Discontinued operations.

EEV consolidated statement of financial position

As at 31 December 2010

	Notes	31 December 2010 £m	31 December 2009 £m
Covered business			
Free surplus		**1,202**	925
Required capital		**1,031**	956
Net worth		**2,233**	1,881
Present value of in-force		**4,277**	3,775
Cost of required capital		**(439)**	(391)
Total embedded value of covered business	3.2(c)	**6,071**	5,265
Non-covered business			
Global investment management		**256**	195
UK		**271**	(19)
Group corporate centre		**457**	389
Other		**221**	255
Discontinued operations		**-**	343
Total net assets of non-covered business	3.6(a)	**1,205**	1,163
Consolidation adjustment for different accounting bases[1]		**45**	7
Total Group embedded value	3.7	**7,321**	6,435
Equity			
Share capital		**228**	224
Shares held by trusts		**(21)**	-
Share premium reserve		**976**	888
Retained earnings on an IFRS basis		**1,094**	685
Other reserves		**1,626**	1,660
Additional retained earnings on an EEV basis		**3,418**	2,978
Total equity		**7,321**	6,435

[1] This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 3.17 – EEV methodology.

EEV per share

As at 31 December 2010

	31 December 2010	31 December 2009
Total Group embedded value (£m)	**7,321**	6,435
EEV per share (pence)	**322**	288
Diluted closing number of ordinary shares in issue (millions)	**2,275**	2,237

Notes to the EEV financial information

3.1 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 3.17. There have been no significant changes to EEV methodology from that adopted in the previous reporting period, except as noted below.

Covered business

A detailed description of EEV covered business is provided in Note 3.17 – EEV methodology.

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 either Solvency 2 or from the adoption of IFRS reporting in place of local GAAP in the Canada business.

Non-covered business

Following the Group's decision to replace IFRS underlying profit with IFRS operating profit as the chosen supplementary measure of IFRS performance, non-covered business EEV operating profit was represented by IFRS operating profit for the first time for the six months ended 30 June 2010. See Note 2.1(a) – Accounting policies – Basis of preparation of the IFRS financial information for more detail.

Prior to this change, EEV operating profit for non-covered business was defined as IFRS normalised underlying profit. Comparatives for the 12 months to 31 December 2009 have not been restated to reflect the inclusion of non-covered business on an IFRS operating profit basis, on the basis that a restatement would be immaterial in the context of the Group EEV operating profit for this period.

3.1 Basis of preparation *continued*

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 3.2(a) – Segmental analysis – covered business – Segmental EEV income statement.

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 year ended 31 December 2010. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. The comparatives for the year ended 31 December 2009 include both the banking and healthcare businesses as discontinued operations. UK non-covered business is shown within Note 3.6 – 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. The presentation of the comparatives has been restated accordingly. Prior to the exclusion of EEV operating profit from discontinued operations, total Group EEV operating profit before tax would have been £919m for the 12 months ended 31 December 2009.

Included within the International reporting segment are the Group's operations in Ireland and Germany, which for 31 December 2009 reporting were included in the Europe segment. Also included are the Group's business in Hong Kong and the Group's joint venture businesses in India and China, which were previously included in the Asia segment for 31 December 2009 reporting. This change in composition of reportable segments corresponds to changes made during the reporting period to the way in which the Group is managed and is consistent with the reportable segments in the IFRS financial information. The comparative information for the 12 months ended 31 December 2009 has been restated accordingly.

Impact of UK legislation enacted in 2010

The impact of UK legislation enacted in 2010:

a) Reduced the corporation tax rate from 28% to 27% effective from 1 April 2011, and
b) Increased the rate of Value Added Tax (VAT) from 17.5% to 20% effective from 4 January 2011

These changes have been included within our best estimate assumptions for UK corporation tax and VAT as at 31 December 2010.

In the Budget statement of 22 June 2010, the government also announced an intention to make further reductions in corporation tax of 1% in 2012, 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 31 December 2010.

Sensitivity analysis

The sensitivity analysis contained within Note 3.16 – Sensitivity analysis – economic and non-economic assumptions shows the sensitivity of the embedded value and the new business contribution to different scenarios. The sensitivity of the embedded value and new business contribution to a 10% fall in the market value of equity assets and a 10% fall in the market value of property assets is disclosed separately for the first time for the results as at 31 December 2010. Prior to this, we disclosed a combined test of the embedded value to a 10% fall in the market value of equity and property assets.

PVIF monetisation profile

Additional information has been included in the new Note 3.12 – PVIF monetisation profile to indicate the cash that may emerge in the next five years from the in-force PVIF. This assumes that future experience is in line with the assumptions used to calculate the PVIF, and ignores any future new business. The expected cash emergence is provided on both a discounted basis, equivalent to the PVIF used within the closing EEV, and also on an undiscounted basis.

Equivalent analyses are also provided for the new business written during the year. This is based on the cash expected to emerge from the PVIF calculated at the end of the year, and excludes all cash flows that have emerged from point of sale to end of year.

Events after the reporting period

On 11 January 2011, the Group's offer for the entire issued and to be issued share capital of Focus Solutions Group plc (Focus) was declared wholly unconditional and therefore is the effective date of the acquisition. 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. Refer to IFRS financial information Note 2.17 – Events after the reporting period.

3.2 Segmental analysis – covered business

(a) Segmental EEV income statement

This Note provides an analysis of EEV covered business as defined in Note 3.17 – EEV methodology.

12 months to 31 December 2010	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	3.3	173	68	67	-	**308**
Contribution from in-force business:						
Expected return on existing business		237	142	43	-	**422**
Experience variances	3.4	32	16	(13)	(8)	**27**
Operating assumption changes	3.5	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**

12 months to 31 December 2009	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	3.3	139	46	28	-	**213**
Contribution from in-force business:						
Expected return on existing business		204	132	39	-	**375**
Experience variances	3.4	148	4	(18)	143	**277**
Operating assumption changes	3.5	60	11	(3)	-	**68**
Development expenses		(18)	(6)	(23)	-	**(47)**
Expected return on free surplus		(27)	5	6	-	**(16)**
Operating profit before tax		**506**	**192**	**29**	**143**	**870**
Investment return and tax variances		(8)	(31)	47	62	**70**
Effect of economic assumption changes		(243)	(292)	(13)	9	**(539)**
Restructuring costs		(34)	(1)	(8)	-	**(43)**
Profit/(loss) before tax		**221**	**(132)**	**55**	**214**	**358**
Attributed tax		(62)	34	(15)	(60)	**(103)**
Profit/(loss) after tax		**159**	**(98)**	**40**	**154**	**255**

An analysis of profit after tax by territory is provided in Note 3.9 – 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 the operating profit for the period and are reported as part of the total EEV profit.

3.2 Segmental analysis – covered business *continued*

(a) Segmental EEV income statement *continued*

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 businesses' TVOG and the cost of TVOG arising on business written outside of the HWPF in Germany.

The increase in the expected return on existing business is primarily due to higher opening PVIF and higher opening risk discount rates.

The higher development costs of £67m in 2010 compared to £47m in 2009 reflect the increased investment in the business. Development costs of £30m in the UK mainly relate to the investment in corporate and retail propositions and brand development. The £27m of development costs in International include £10m that reflect the costs of developing the joint venture businesses to build future growth, and £17m in the wholly owned businesses.

The negative £20m 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. The increase in the expected return on free surplus within Canada reflects the impact of an asset switch which resulted in more real estate within free surplus.

Profits within investment return and tax variances are largely driven by the impact of higher investment returns experienced in 2010 than had been anticipated. The UK profit of £463m includes a £43m profit from the Contract for Differences – refer to Note 3.6(b) – non-covered business – Global investment management EEV profits before tax. This also includes a £21m loss, 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. The £53m profit from HWPF TVOG reflects the impact of higher than expected returns which reduced the burnthrough risk.

Effect of economic assumption changes was a loss of £209m. The impact of assuming lower future investment returns generated a loss of £426m, which included a loss of £59m reflecting higher HWPF burnthrough costs. This was partially offset by a non-operating profit of £185m (2009: loss £214m), which is explained in Note 3.13 – Principal economic assumptions – deterministic calculations – covered business. The UK result also benefited from a £30m contribution from the combined impact of a 1% reduction in corporation tax and a 2.5% increase in the rate of VAT. Refer to Note 3.1 – Basis of preparation.

HWPF TVOG shows separate movements in investment variances and economic assumptions, whereas in practice, economic assumption changes are highly dependent on the same factors that give rise to investment variances, for example market yields. Therefore, the key consideration is the net effect of the two items rather than the individual items themselves. Further comments on the movement in TVOG are provided in Note 3.4 – Experience variances and Note 3.10 – Time value of options and guarantees (TVOG).

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 2.3 – Administrative expenses.

(b) Segmental analysis of movements in EEV

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**
Opening adjustments	**-**	**-**	**-**	**-**	**-**
Opening adjusted 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**

12 months to 31 December 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,129**	**1,597**	**626**	**(220)**	**5,132**
Opening adjustments	-	-	33	-	**33**
Opening adjusted EEV	**3,129**	**1,597**	**659**	**(220)**	**5,165**
Profit/(loss) after tax	159	(98)	40	154	**255**
Internal capital transfers	(175)	(2)	(1)	-	**(178)**
Transfer back of surplus to Standard Life Investments	(19)	(3)	(2)	-	**(24)**
Transfer back of mutual funds net worth	20	(1)	-	-	**19**
Actuarial (losses)/gains on defined benefit pension schemes	-	(16)	13	-	**(3)**
Foreign exchange differences	-	71	(51)	-	**20**
Aggregate tax effect of items not recognised in income statement	-	5	-	-	**5**
Other	6	-	-	-	**6**
Closing EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**

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

Opening adjustments in International for the 12 months to 31 December 2009 reflect the inclusion of the Asia businesses on an EEV basis for the first time.

(c) Segmental analysis of opening and closing EEV

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**

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.

3.2 Segmental analysis – covered business *continued*

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

12 months to 31 December 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	899	154	124	-	**1,177**
PVIF	2,173	939	528	(220)	**3,420**
Required capital	95	737	29	-	**861**
Cost of capital	(38)	(233)	(22)	-	**(293)**
Opening adjusted EEV	**3,129**	**1,597**	**659**	**(220)**	**5,165**
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)**
Closing EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**

Opening adjusted EEV in International for the 12 months to 31 December 2009 reflects the inclusion of the Asia businesses on an EEV basis for the first time.

3.3 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 3.17 – EEV methodology.

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

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.

12 months to 31 December 2009	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	7	3,096	79	3,388	3.7	0.2
Savings and investments	F	(3)	1,256	19	1,406	7.9	(0.2)
Annuities	S/R	76	448	-	448	-	17.1
Protection	S/R	-	-	1	2	2.0	11.9
Retail		**80**	**4,800**	**99**	**5,244**	**4.5**	**1.5**
Corporate pensions[3]	F	34	908	437	2,640	4.0	1.3
Institutional pensions	F	25	2,253	17	2,296	2.5	1.1
Corporate		**59**	**3,161**	**454**	**4,936**	**3.9**	**1.2**
UK		**139**	**7,961**	**553**	**10,180**	**4.0**	**1.4**
Fee	F	23	817	43	1,326	11.8	1.7
Spread/risk	S/R	23	415	45	1,134	16.0	2.0
Canada		**46**	**1,232**	**88**	**2,460**	**14.0**	**1.9**
Wholly owned	F	17	881	58	1,430	9.5	1.2
Joint ventures[4]		11	72	96	478	4.2	2.3
International		**28**	**953**	**154**	**1,908**	**6.2**	**1.5**
Total covered business		**213**	**10,146**	**795**	**14,548**	**5.5**	**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.

3 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2009 impact on PVNBP is £22m.

4 Single premiums in India have been restated by £8m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is negative £2m. The impact on PVNBP for the 12 months to 31 December 2009 is £2m.

3.4 Experience variances

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**

Mortality profits in Canada arise from a release of annuity reserves following an exercise to validate the policy data.

Other UK variances 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. The £15m loss from other variances in Canada arises from various reconciliations and variances. The majority results from premium projection variances within Canada group insurance business. The £11m loss in International mainly reflects reserving changes in the joint venture businesses.

3.4 Experience variances *continued*

For the 12 months to 31 December 2009, other UK variances included a £111m benefit from reduction in market risk plus the EEV operating profit benefit from a £63m release of deferred annuity reserves, offset by £38m of modelling changes for life business. The £143m of other HWPF TVOG variances primarily reflected the benefits of changes in asset allocations and hedging arrangements which reduced the HWPF burnthrough risk.

12 months to 31 December 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	1	-	(5)	-	**(4)**
Maintenance expenses	(8)	-	4	-	**(4)**
Mortality and morbidity	2	18	(1)	-	**19**
Tax	26	(5)	8	-	**29**
Other	127	(9)	(24)	143	**237**
Total	**148**	**4**	**(18)**	**143**	**277**

3.5 Operating assumption changes

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**

Positive lapse assumption changes in the UK include improved long-term assumptions for most life and pension contracts. These changes in long-term assumptions reflect recent experience, after adjusting for the short-term impact of increased pension lapse activity ahead of the change in the minimum retirement age. The assumption change also anticipates the short-term impact of potential higher switching activity prior to the introduction of the Retail Distribution Review.

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 losses from mortality assumption changes in the UK and in Canada mainly arise from valuation and best estimate annuitant mortality.

The other assumption changes in Canada include a £37m loss from a reduction in expected fee income in our group savings and retirement products.

For the 12 months to 31 December 2009, positive lapse assumption changes in UK and Canada mainly arose from the improved persistency of pension business. The £26m loss in International reflected higher paid up assumptions in Germany and higher lapse rates for offshore business.

12 months to 31 December 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	69	34	(26)	-	**77**
Maintenance expenses	(18)	(8)	16	-	**(10)**
Mortality and morbidity	7	4	1	-	**12**
Tax	1	-	-	-	**1**
Other	1	(19)	6	-	**(12)**
Total	**60**	**11**	**(3)**	**-**	**68**

3.6 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 3.1 – Basis of preparation.

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 year ended 31 December 2010. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. The comparatives for the year ended 31 December 2009 include both the banking and healthcare businesses as discontinued operations.

(a) Segmental analysis – non-covered business

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 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 3.17 – EEV methodology under consolidation adjustments.

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

On 15 May 2009, the Group's equity holders approved the introduction of the Scrip dividend scheme, effective for the final 2008 dividend payment onwards. 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 12 months ended 31 December 2010, dividends paid comprise £92m (2009: £102m) settled by the issue of shares under the Scrip scheme, and £186m paid in cash (2009: £158m).

The other movement in the UK EEV net assets relates to the change in the UK non-covered pension scheme surplus of £214m (2009: £73m deficit) and the associated deferred tax liability of £65m (2009: £23m deferred tax asset).

Other movements in other including group corporate centre predominantly relate to the £92m issue of share capital other than in cash in relation to the Scrip dividend paid by Standard Life plc, offset by shares acquired by employee trusts of £35m.

3.6 Non-covered business *continued*

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

12 months to 31 December 2009	Global investment management £m	UK £m	Discontinued operations £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**143**	**31**	**309**	**672**	**1,155**
Opening adjustments	-	-	-	-	-
Opening adjusted EEV net assets	**143**	**31**	**309**	**672**	**1,155**
Profit/(loss) after tax	26	(26)	49	(48)	**1**
Transfer back of net worth from covered business	24	(20)	-	1	**5**
Foreign exchange differences	1	-	-	5	**6**
Internal capital transfers	-	46	(23)	155	**178**
Distributions to equity holders	-	-	-	(260)	**(260)**
Other	1	(50)	8	119	**78**
Closing EEV net assets	**195**	**(19)**	**343**	**644**	**1,163**

(b) Global investment management EEV profits before tax

Global investment management profits are included in EEV on a look through basis. This means that the profits from global investment management generated from the life and pensions business are allocated to covered business. However, the excluded life and pensions profits include £33m (2009: £19m) of profits relating to products which are actively marketed and sold to third parties through global investment management distribution channels. If these profits are added to the third party profits disclosed for non-covered business, there are £66m (2009: £61m) of third party related profits for global investment management.

	12 months to 31 December 2010 £m	12 months to 31 December 2009 £m
Life and pensions look through profits before tax	**70**	33
Less: Third party related life and pensions profits before tax	**33**	19
Life and pensions look through profits before tax excluding third party profits	**37**	14
Third party related life and pensions profits before tax	**33**	19
Third party related profits before tax	**33**	42
Total third party related profits before tax	**66**	61
Total EEV operating profit before tax	**103**	75
Non-operating items[1]	**3**	(11)
Total EEV profit before tax	**106**	64

[1] The non-operating items for the 12 months to 31 December 2010 include £nil in relation to the net negative fair value movement in respect of the liability remaining following the restructuring of a sub-fund of the Standard Life Investments (Global Liquidity Funds) plc and the 'Contract for Differences' written in September 2008, limited the liability for Standard Life Investments (2009: £9m). As at 31 December 2010, the Contract for Differences was closed at market value and all payments had been settled in full. The losses for all periods relating to the non-life net negative fair value movement and the fair value movement of assets brought directly on to the statement of financial position are also excluded from IFRS operating profit along with £3m positive other non-operational adjustments (2009: £2m).

Changes in the cost allocation methodology relating to inputs to the EEV profit calculation were introduced during 2010 together with other minor changes. The 2009 equivalent impact of these changes is an increase of £11m in life and pensions look through profits before tax, and a similar reduction in total third party related profits before tax. On this basis, the year-on-year growth in total third party related profits before tax is 32%.

(c) Other EEV operating profits before tax

	12 months to 31 December 2010 £m	12 months to 31 December 2009 £m
Canada non-life subsidiaries	1	(1)
Mutual funds transferred to covered business	(3)	(2)
Canada non-life subsidiaries excluding transfers to covered business	**(2)**	(3)
Standard Life plc income/(expense)	3	(2)
Other	8	5
Other non-covered business EEV operating profit before tax	**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.

3.7 EEV reconciliation of movements in consolidated statement of financial position

	12 months to 31 December 2010 £m	12 months to 31 December 2009 £m
Opening EEV	**6,435**	6,245
Opening adjustments	-	33
Opening adjusted EEV	**6,435**	6,278
Total comprehensive income for the period attributable to equity holders	1,085	291
Distributions to equity holders	(278)	(260)
Issue of share capital other than in cash	92	102
Shares acquired by employee trusts	(35)	-
Reserves credit for employee share-based payment schemes	18	24
Shares gifted to charity	4	-
Closing EEV	**7,321**	6,435

The opening adjustment for the 12 months to 31 December 2009 reflects the inclusion of the Asia businesses on an EEV basis for the first time.

3.8 Reconciliation of EEV net assets to IFRS net assets

	31 December 2010 £m	31 December 2009 £m
Net assets on an EEV basis	**7,321**	6,435
Present value of in-force life and pensions business net of cost of capital	(3,838)	(3,384)
EEV net worth	**3,483**	3,051
Adjustment of long-term debt to market value	(40)	(101)
Canada marked to market	(46)	(49)
Deferred acquisition costs net of deferred income reserve	378	358
Deferred tax differences	98	157
Adjustment for share of joint ventures	35	35
Consolidation adjustment for different accounting bases[1]	(45)	(7)
Other	40	13
Net assets attributable to equity holders on an IFRS basis	**3,903**	3,457

[1] This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 3.17 – EEV methodology.

Reconciling items are shown net of tax where appropriate.

3.9 Analysis of covered business EEV PVIF and net worth movements (net of tax)
(a) Total

12 months to 31 December 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**
Opening adjustments	(25)	-	(25)	25	**-**
Opening adjusted EEV	**900**	**956**	**1,856**	**3,409**	**5,265**
Contribution from new business	(265)	45	(220)	451	**231**
Contribution from in-force business:					
Expected return on existing business	(1)	37	36	275	**311**
Expected return transfer to net worth	625	(59)	566	(566)	**-**
Experience variances	35	(1)	34	(17)	**17**
Operating assumption changes	6	(55)	(49)	108	**59**
Development expenses	(51)	-	(51)	-	**(51)**
Expected return on free surplus	2	-	2	-	**2**
Operating profit/(loss) after tax	**351**	**(33)**	**318**	**251**	**569**
Investment return and tax variances	179	10	189	234	**423**
Effect of economic assumption changes	(73)	31	(42)	(110)	**(152)**
Restructuring expenses	(33)	-	(33)	-	**(33)**
Profit after tax	**424**	**8**	**432**	**375**	**807**
Internal capital transfers	(83)	-	(83)	-	**(83)**
Transfer back of surplus to Standard Life Investments	(52)	-	(52)	-	**(52)**
Transfer back of mutual funds net worth	24	-	24	-	**24**
Actuarial losses on defined benefit pension schemes	(29)	-	(29)	-	**(29)**
Foreign exchange differences	13	67	80	54	**134**
Aggregate tax effect of items not recognised in income statement	5	-	5	-	**5**
Closing EEV	**1,202**	**1,031**	**2,233**	**3,838**	**6,071**

The adjustment to opening EEV net worth and PVIF net of cost of capital 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. Total EEV operating profit for the 12 months to 31 December 2010 is unaffected by this adjustment.

12 months to 31 December 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**1,235**	**844**	**2,079**	**3,053**	**5,132**
Opening adjustments	(58)	17	(41)	74	**33**
Opening adjusted EEV	**1,177**	**861**	**2,038**	**3,127**	**5,165**
Contribution from new business	(252)	64	(188)	346	**158**
Contribution from in-force business:					
Expected return on existing business	(1)	39	38	236	**274**
Expected return transfer to net worth	579	(60)	519	(519)	**-**
Experience variances	32	11	43	156	**199**
Operating assumption changes	41	(4)	37	7	**44**
Development expenses	(36)	-	(36)	-	**(36)**
Expected return on free surplus	(11)	-	(11)	-	**(11)**
Operating profit after tax	**352**	**50**	**402**	**226**	**628**
Investment return and tax variances	(256)	13	(243)	296	**53**
Effect of economic assumption changes	(138)	(1)	(139)	(255)	**(394)**
Restructuring expenses	(32)	-	(32)	-	**(32)**
Profit/(loss) after tax	**(74)**	**62**	**(12)**	**267**	**255**
Internal capital transfers	(178)	-	(178)	-	**(178)**
Transfer back of surplus to Standard Life Investments	(24)	-	(24)	-	**(24)**
Transfer back of mutual funds net worth	19	-	19	-	**19**
Actuarial losses on defined benefit pension schemes	(3)	-	(3)	-	**(3)**
Foreign exchange differences	(3)	33	30	(10)	**20**
Aggregate tax effect of items not recognised in income statement	5	-	5	-	**5**
Other	6	-	6	-	**6**
Closing EEV	**925**	**956**	**1,881**	**3,384**	**5,265**

For the 12 months to 31 December 2009, Asia businesses are included within the covered business results for the first time on an EEV basis. This is reflected in the opening adjustment of £33m.

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

(b) UK and HWPF TVOG

12 months to 31 December 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**
Opening adjustments	-	-	-	-	**-**
Opening adjusted EEV	**673**	**139**	**812**	**2,242**	**3,054**
Contribution from new business	(134)	17	(117)	242	**125**
Contribution from in-force business:					
Expected return on existing business	(1)	5	4	169	**173**
Expected return transfer to net worth	374	(3)	371	(371)	**-**
Experience variances	34	(3)	31	(15)	**16**
Operating assumption changes	(26)	-	(26)	58	**32**
Development expenses	(21)	-	(21)	-	**(21)**
Expected return on free surplus	(14)	-	(14)	-	**(14)**
Operating profit after tax	**212**	**16**	**228**	**83**	**311**
Investment return and tax variances	187	-	187	190	**377**
Effect of economic assumption changes	(80)	4	(76)	(23)	**(99)**
Restructuring expenses	(28)	-	(28)	-	**(28)**
Profit after tax	**291**	**20**	**311**	**250**	**561**
Internal capital transfers	(15)	-	(15)	-	**(15)**
Transfer back of surplus to Standard Life Investments	(47)	-	(47)	-	**(47)**
Transfer back of mutual funds net worth	28	-	28	-	**28**
Closing EEV	**930**	**159**	**1,089**	**2,492**	**3,581**

12 months to 31 December 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**899**	**95**	**994**	**1,915**	**2,909**
Opening adjustments	-	-	-	-	**-**
Opening adjusted EEV	**899**	**95**	**994**	**1,915**	**2,909**
Contribution from new business	(109)	21	(88)	188	**100**
Contribution from in-force business:					
Expected return on existing business	(1)	4	3	144	**147**
Expected return transfer to net worth	342	(3)	339	(339)	**-**
Experience variances	32	19	51	158	**209**
Operating assumption changes	19	(1)	18	24	**42**
Development expenses	(13)	-	(13)	-	**(13)**
Expected return on free surplus	(19)	-	(19)	-	**(19)**
Operating profit after tax	**251**	**40**	**291**	**175**	**466**
Investment return and tax variances	(213)	1	(212)	251	**39**
Effect of economic assumption changes	(71)	3	(68)	(99)	**(167)**
Restructuring expenses	(25)	-	(25)	-	**(25)**
Profit/(loss) after tax	**(58)**	**44**	**(14)**	**327**	**313**
Internal capital transfers	(175)	-	(175)	-	**(175)**
Transfer back of surplus to Standard Life Investments	(19)	-	(19)	-	**(19)**
Transfer back of mutual funds net worth	20	-	20	-	**20**
Other	6	-	6	-	**6**
Closing EEV	**673**	**139**	**812**	**2,242**	**3,054**

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

(c) Canada

12 months to 31 December 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**
Opening adjustments	(25)	-	(25)	25	**-**
Opening adjusted EEV	**136**	**770**	**906**	**647**	**1,553**
Contribution from new business	(18)	20	2	48	**50**
Contribution from in-force business:					
Expected return on existing business	-	30	30	75	**105**
Expected return transfer to net worth	142	(60)	82	(82)	**-**
Experience variances	14	5	19	(6)	**13**
Operating assumption changes	30	(55)	(25)	39	**14**
Development expenses	(8)	-	(8)	-	**(8)**
Expected return on free surplus	12	-	12	-	**12**
Operating profit/(loss) after tax	**172**	**(60)**	**112**	**74**	**186**
Investment return and tax variances	(12)	9	(3)	32	**29**
Effect of economic assumption changes	4	27	31	(92)	**(61)**
Restructuring expenses	(1)	-	(1)	-	**(1)**
Profit/(loss) after tax	**163**	**(24)**	**139**	**14**	**153**
Internal capital transfers	(65)	-	(65)	-	**(65)**
Transfer back of surplus to Standard Life Investments	(3)	-	(3)	-	**(3)**
Transfer back of mutual funds net worth	(4)	-	(4)	-	**(4)**
Actuarial losses on defined benefit pension schemes	(20)	-	(20)	-	**(20)**
Foreign exchange differences	14	67	81	58	**139**
Aggregate tax effect of items not recognised in income statement	5	-	5	-	**5**
Closing EEV	**226**	**813**	**1,039**	**719**	**1,758**

The adjustment to opening EEV net worth and PVIF net of cost of capital 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 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. Total EEV operating profit for the 12 months to 31 December 2010 is unaffected by this adjustment.

12 months to 31 December 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**154**	**737**	**891**	**706**	**1,597**
Opening adjustments	-	-	-	-	**-**
Opening adjusted EEV	**154**	**737**	**891**	**706**	**1,597**
Contribution from new business	(38)	35	(3)	37	**34**
Contribution from in-force business:					
Expected return on existing business	-	34	34	64	**98**
Expected return transfer to net worth	132	(60)	72	(72)	**-**
Experience variances	14	(14)	-	3	**3**
Operating assumption changes	15	(3)	12	(5)	**7**
Development expenses	(4)	-	(4)	-	**(4)**
Expected return on free surplus	3	-	3	-	**3**
Operating profit/(loss) after tax	**122**	**(8)**	**114**	**27**	**141**
Investment return and tax variances	(43)	9	(34)	12	**(22)**
Effect of economic assumption changes	(60)	(4)	(64)	(152)	**(216)**
Restructuring expenses	(1)	-	(1)	-	**(1)**
(Loss)/profit after tax	**18**	**(3)**	**15**	**(113)**	**(98)**
Internal capital transfers	(2)	-	(2)	-	**(2)**
Transfer back of surplus to Standard Life Investments	(3)	-	(3)	-	**(3)**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Actuarial losses on defined benefit pension schemes	(16)	-	(16)	-	**(16)**
Foreign exchange differences	6	36	42	29	**71**
Aggregate tax effect of items not recognised in income statement	5	-	5	-	**5**
Closing EEV	**161**	**770**	**931**	**622**	**1,553**

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

(d) International

12 months to 31 December 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**
Opening adjustments	-	-	-	-	**-**
Opening adjusted EEV	**91**	**47**	**138**	**520**	**658**
Contribution from new business	(113)	8	(105)	161	**56**
Contribution from in-force business:					
Expected return on existing business	-	2	2	31	**33**
Expected return transfer to net worth	109	4	113	(113)	**-**
Experience variances	(13)	(3)	(16)	4	**(12)**
Operating assumption changes	2	-	2	11	**13**
Development expenses	(22)	-	(22)	-	**(22)**
Expected return on free surplus	4	-	4	-	**4**
Operating profit/(loss) after tax	**(33)**	**11**	**(22)**	**94**	**72**
Investment return and tax variances	4	1	5	12	**17**
Effect of economic assumption changes	3	-	3	5	**8**
Restructuring expenses	(4)	-	(4)	-	**(4)**
Profit/(loss) after tax	**(30)**	**12**	**(18)**	**111**	**93**
Internal capital transfers	(3)	-	(3)	-	**(3)**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Actuarial losses on defined benefit pension schemes	(9)	-	(9)	-	**(9)**
Foreign exchange differences	(1)	-	(1)	(4)	**(5)**
Closing EEV	**46**	**59**	**105**	**627**	**732**

12 months to 31 December 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**182**	**12**	**194**	**432**	**626**
Opening adjustments	(58)	17	(41)	74	**33**
Opening adjusted EEV	**124**	**29**	**153**	**506**	**659**
Contribution from new business	(105)	8	(97)	121	**24**
Contribution from in-force business:					
Expected return on existing business	-	1	1	28	**29**
Expected return transfer to net worth	105	3	108	(108)	**-**
Experience variances	(14)	6	(8)	(5)	**(13)**
Operating assumption changes	7	-	7	(12)	**(5)**
Development expenses	(19)	-	(19)	-	**(19)**
Expected return on free surplus	5	-	5	-	**5**
Operating profit/(loss) after tax	**(21)**	**18**	**(3)**	**24**	**21**
Investment return and tax variances	-	3	3	33	**36**
Effect of economic assumption changes	(7)	-	(7)	(4)	**(11)**
Restructuring expenses	(6)	-	(6)	-	**(6)**
Profit/(loss) after tax	**(34)**	**21**	**(13)**	**53**	**40**
Internal capital transfers	(1)	-	(1)	-	**(1)**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Actuarial gains on defined benefit pension schemes	13	-	13	-	**13**
Foreign exchange differences	(9)	(3)	(12)	(39)	**(51)**
Closing EEV	**91**	**47**	**138**	**520**	**658**

For the 12 months to 31 December 2009, Asia businesses are included within the covered business results for the first time on an EEV basis. This is reflected in the opening adjustment of £33m.

3.10 Time value of options and guarantees (TVOG)

	31 December 2010 £m	31 December 2009 £m
UK and Europe HWPF	**(76)**	(66)
Canada	**(26)**	(23)
International	**(17)**	(17)
Total	**(119)**	(106)

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 increased by £10m during 2010, with the favourable impact of better than expected investment performance over the year being offset by the effect of modelling changes and, in particular, the effect of a downward shift in the yield curve.

3.11 Market value of subordinated liabilities within covered business

	31 December 2010 £m	31 December 2009 £m
UK	**(1,682)**	(1,682)
Canada	**(302)**	(244)
Total	**(1,984)**	(1,926)

Subordinated liabilities within EEV covered business are based on the market value of the debt. The free surplus shown in Note 3.2(c) – Segmental analysis – covered business – Segmental analysis of opening and closing EEV is net of these liabilities.

The £58m increase in the Canada subordinated debt liability includes £23m from currency movements.

The impact of these movements is reflected in non-operating profit in the UK and Canada as shown in Note 3.2(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 Canada subordinated debt liability, as shown in the EEV consolidated income statement.

3.12 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 3.2(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 3.9 – Analysis of covered business EEV PVIF and net worth movements (net of tax).

(a) PVIF emergence

In-force business		Discounted		Undiscounted	
	PVIF	Cash emerging in first 5 years		Cash emerging in first 5 years	
At 31 December 2010	£m	£m	%	£m	%
UK	2,637	1,348	51	1,566	34
Canada	1,087	379	35	461	14
International	672	356	53	401	37
Total	**4,396**	**2,083**	**47**	**2,428**	**27**

New business		Discounted		Undiscounted	
	PVIF	Cash emerging in first 5 years		Cash emerging in first 5 years	
At 31 December 2010	£m	£m	%	£m	%
UK	249	109	44	129	28
Canada	55	15	27	18	12
International	169	101	60	110	44
Total	**473**	**225**	**48**	**257**	**30**

(b) Reconciliation to closing PVIF

In-force business	Reconciliation of discounted PVIF		
	PVIF	TVOG	Total
At 31 December 2010	£m	£m	£m
UK	2,637	(76)	**2,561**
Canada	1,087	(26)	**1,061**
International	672	(17)	**655**
Total	**4,396**	**(119)**	**4,277**

* See also Note 3.2(c) – Segmental analysis – covered business – Segmental analysis of opening and closing EEV.

New business	Reconciliation of discounted PVIF			
	PVIF	Cost of capital	TVOG	Total
At 31 December 2010	£m	£m	£m	£m
UK	249	(7)	-	**242**
Canada	55	(7)	-	**48**
International	169	(4)	(4)	**161**
Total	**473**	**(18)**	**(4)**	**451**

* See also Note 3.9 – Analysis of covered business EEV PVIF and net worth movements (net of tax).

As outlined in Note 3.1 – 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 from the adoption of IFRS reporting in place of local GAAP in the Canada business, and also the regulatory changes under Solvency 2.

3.13 Principal economic assumptions – deterministic calculations – covered business

(a) Gross investment returns and expense inflation

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

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

At 31 December 2009	UK %	Canada %	Europe %
Gross investment returns			
Risk free	4.11	3.85	3.39
Corporate bonds	4.71 *	**	n/a
Equities	7.11	8.60	6.39
Property	6.11	8.60	5.39
Other			
Expense inflation:	3.97	***	
Germany			2.62
Ireland			3.34

* Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 5.36% for annuities that are level or subject to fixed escalations and 4.11% for annuities where escalations are linked to a price index.
** 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.
*** 1.367% in 2010. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.

(b) Risk discount rates – in-force business

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

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 Standard Life International Limited (SLIL) which uses the same risk discount rate assumptions as UK business.

At 31 December 2009	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %
Risk margin – in-force business					
Risk margin before cost of capital adjustment:					
Market risk	1.80	1.50	2.50	1.80	1.50
Non-market risk	1.70	1.80	2.80	1.70	1.80
Total	**3.50**	**3.30**	**5.30**	**3.50**	**3.30**
Cost of capital adjustment	-	(0.50)	(2.00)	-	(0.50)
Risk margin after cost of capital adjustment	**3.50**	**2.80**	**3.30**	**3.50**	**2.80**
Risk discount rates – in-force business					
Risk free	4.11	4.11	3.85	3.39	3.39
Risk margin	3.50	2.80	3.30	3.50	2.80
Risk discount rate[1]	**7.61**	**6.91**	**7.15**	**6.89**	**6.19**

1 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 7.38% and 6.56% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

Changes in market risk margins generally arise from changes in the mix of business and asset allocations. In Canada, the market risk is also impacted by the relative movements in the returns assumed on equities and property compared to risk free.

During 2010, management action in Canada resulted in less equities and properties being used to back fixed liabilities. If this action had not been taken, the market risk margin in Canada would have been 0.2% higher. The impact of this reduction in the risk discount rate was a profit of £40m, which is reported through Canada other operating assumption changes as reported in Note 3.2(a) – Segmental analysis – covered business – Segmental EEV income statement.

The impact of the other changes in risk discount rates has been included in the effect of economic assumption changes shown in Note 3.2(a) – Segmental analysis – covered business – Segmental EEV income statement. The amount that relates to the changes in risk discount rate is a total of £185m, arising from UK: profit £156m; Canada: profit £7m; and International: profit £22m. These profits reflect the benefit of reduced risk discount rates which are mainly driven by reductions in risk free rates.

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

(c) Risk discount rates – new business

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

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.

12 months to 31 December 2009	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %
Risk margin – new business					
Risk margin before cost of capital adjustment:					
Market risk	1.70	1.40	1.50	1.70	1.40
Non-market risk	0.50	1.80	1.90	0.50	1.80
Total	**2.20**	**3.20**	**3.40**	**2.20**	**3.20**
Cost of capital adjustment	-	(0.40)	(0.20)	-	(0.40)
Risk margin after cost of capital adjustment	**2.20**	**2.80**	**3.20**	**2.20**	**2.80**
Risk discount rates – new business					
Risk free[1]	3.42	3.42	3.07	2.95	2.95
Risk margin	2.20	2.80	3.20	2.20	2.80
Risk discount rate[2]	**5.62**	**6.22**	**6.27**	**5.15**	**5.75**

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 2008.

2 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe were 6.11% and 5.83% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

(d) International – Asia

The PVIF and cost of required capital of the Asia businesses is calculated using a 'risk neutral' approach whereby projected investment returns and discount rates are based on risk free rates. The risk free rates used were:

	31 December 2010 %	31 December 2009 %
India	**6.81**	7.50
China	**3.92**	3.66
Hong Kong	**1.55**	2.45

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 at 31 December 2010 by £28m (2009: £21m). Similarly, the 2010 pre-tax NBC has been reduced by £18m (2009: £12m) as an allowance for non-market risk.

3.14 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 3.17 – 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).

3.14 Principal economic assumptions – stochastic calculations *continued*

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 table:

UK Sterling Option term (years)	31 December 2010 Swap term (years) 10	 15	31 December 2009 Swap term (years) 10	 15
10	14.4%	14.2%	14.5%	14.3%
15	14.5%	14.3%	14.6%	14.5%
20	14.2%	13.9%	14.5%	15.2%
25	13.6%	13.3%	15.6%	17.5%

Euro Option term (years)	31 December 2010 Swap term (years) 15	 20	31 December 2009 Swap term (years) 15	 20
10	15.5%	15.1%	16.0%	15.5%
15	15.0%	14.4%	15.4%	15.4%
20	13.5%	12.8%	15.0%	15.8%
25	12.6%	N/A	16.6%	N/A

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 table:

UK equities Term (years)	31 December 2010	31 December 2009
10	25.4%	26.6%
15	26.7%	26.6%
20	27.4%	26.9%
25	28.4%	28.0%
European equities Term (years)		
10	25.8%	27.1%
15	27.9%	27.7%
20	29.0%	28.6%
25	29.6%	30.0%

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% for 31 December 2010 and 15% for 31 December 2009.

Note 3.10 – 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.

3.15 Foreign exchange

A description of the approach to the currency translation for foreign entities is provided in Note 3.17 – EEV methodology.

The principal exchange rates applied are:

Local currency: £	Closing 31 December 2010	Average to 31 December 2010	Closing 31 December 2009	Average to 31 December 2009
Canada	**1.556**	**1.605**	1.693	1.778
Europe	**1.167**	**1.165**	1.126	1.118
India	**70.007**	**70.803**	75.148	75.388
China	**10.317**	**10.477**	11.025	10.649
Hong Kong	**12.171**	**12.032**	12.522	12.086

3.16 Sensitivity analysis – economic and non-economic assumptions

The tables below show the sensitivity of the embedded value and the NBC to different scenarios.

The sensitivities tested were:

- 1% increase and decrease in the risk discount rates
- Interest rates 1% higher and lower than base case, with consequential changes in fixed interest asset values, reserving assumptions, risk discount rates and investment returns on equities and properties
- 10% fall in market value of equity assets
- 10% fall in market value of property assets
- 10% decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 p.a. would represent an expense assumption of £9 p.a.). Where there is a look through into service company expenses, the fee charged by the service company is unchanged while the underlying expense decreases.
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 5% p.a. would represent a lapse rate of 4.5% p.a.)
- 5% decrease in both mortality and morbidity rates for annuitant and non-annuitant policies
- EEV results assuming only prescribed minimum capital (where economic capital has been used in the EEV calculations)

Embedded value:

31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Embedded value	3,657	1,758	732	(76)	**6,071**
Risk discount rate +1%	(175)	(148)	(44)	-	**(367)**
Risk discount rate -1%	202	184	50	-	**436**
Interest returns +1%	(3)	13	(1)	19	**28**
Interest returns -1%	11	(76)	(10)	(74)	**(149)**
Fall in equity market values by 10%	(162)	(30)	(21)	(2)	**(215)**
Fall in property market values by 10%	(16)	(52)	(2)	(5)	**(75)**
Maintenance expenses -10%	120	94	10	-	**224**
Lapse rates -10%	111	119	14	(8)	**236**
Annuitant mortality -5%	(57)	(45)	(4)	-	**(106)**
Non-annuitant mortality -5%	12	54	(2)	(2)	**62**
Prescribed minimum capital	-	71	-	-	**71**

The sensitivity of the Canada embedded value as shown above includes the effect of changes in the market value of the subordinated liability. Whilst Group EEV is adjusted for the different subordinated debt valuation bases used for covered and non-covered business as explained in Note 3.17 – EEV methodology, the impact of these sensitivities on the Group EEV consolidation adjustment is not included in this sensitivity analysis.

3.16 Sensitivity analysis – economic and non-economic assumptions *continued*

New business contribution:

12 months to 31 December 2010	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
New business contribution	173	68	67	-	**308**
Risk discount rate +1%	(25)	(10)	(10)	-	**(45)**
Risk discount rate -1%	29	12	10	-	**51**
Interest returns +1%	(2)	(2)	(1)	-	**(5)**
Interest returns -1%	2	1	(8)	-	**(5)**
Fall in equity market values by 10%	(23)	(10)	(5)	-	**(38)**
Fall in property market values by 10%	(1)	-	-	-	**(1)**
Maintenance expenses -10%	18	14	3	-	**35**
Lapse rates -10%	13	11	5	-	**29**
Annuitant mortality -5%	(2)	-	-	-	**(2)**
Non-annuitant mortality -5%	-	7	-	-	**7**
Prescribed minimum capital	-	2	-	-	**2**

Sensitivities to higher and lower assumed equity and property risk premiums in future investment earnings have not been calculated, as the effect of the risk premium is removed in setting the market risk margin in the risk discount rate.

The demographic sensitivities shown above represent a standard change to the assumptions for all products. Different products will be more or less sensitive to the change, and impacts may partially offset one another.

3.17 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 joint venture businesses in China and India), 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 12 months to 31 December 2010 (during the 12 months to 31 December 2009: 26%)
- The Group’s share of results in the joint venture in China, Heng An Standard Life Insurance Company Limited, at 50% for the 12 months to 31 December 2010 (during the 12 months to 31 December 2009: 50%)

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 and the banking business, Standard Life Bank plc, was sold on 1 January 2010. Both businesses have been classified as discontinued operations.

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.

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.

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, as in Canada, 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.

3.17 EEV methodology *continued*

Separate risk discount rates have been calculated for in-force and new business and for the principal geographic segments (UK, Europe and Canada). 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 3.13 – Principal economic assumptions – deterministic calculations – covered business.

In Asia, 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 Asia businesses, this methodology would give a similar result to the methodology used in the UK, Europe and Canada 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 business 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 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.

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 150% 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 Europe.

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.

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 3.13 – 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.

3.17 EEV methodology *continued*

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 and Standard Life Bank plc. Refer to the IFRS financial information Note 2.3 – 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, business is deemed to be 'new business' 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.

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 3.15 – Foreign exchange.

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4 Supplementary information

Supplementary information

4.1 Analysis of IFRS profit by segment

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)**
Growth investment spend	(61)	(35)	(15)	(34)	(4)	-	**(149)**
Joint venture businesses	-	-	(23)	-	-	-	**(23)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	(21)	30	1	-	17	-	**27**
Other	59	-	-	-	-	-	**59**
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.

2009	UK £m	Canada £m	International £m	Global investment management[1] £m	Other £m	Elimination £m	Total £m
Opening IFRS shareholder net assets							**3,407**
Fee based revenue	498	109	208	267	-	(110)	**972**
Spread/risk margin	240	221	-	-	-	-	**461**
Total income	**738**	**330**	**208**	**267**	**-**	**(110)**	**1,433**
Acquisition expenses	(166)	(60)	(14)	-	-	-	**(240)**
Maintenance expenses	(291)	(156)	(127)	(164)	-	110	**(628)**
Growth investment spend	(31)	(30)	(17)	(25)	(3)	-	**(106)**
Joint venture businesses	-	-	(27)	-	-	-	**(27)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	(28)	29	-	(5)	21	-	**17**
Other	-	-	-	-	-	-	**-**
IFRS operating profit/(loss) before tax from continuing operations	**222**	**113**	**23**	**73**	**(32)**	**-**	**399**
Tax on operating profit	27	(55)	1	(13)	6	-	**(34)**
IFRS operating profit/(loss) after tax from continuing operations	**249**	**58**	**24**	**60**	**(26)**	**-**	**365**
Non-operating items	(93)	(121)	(12)	(9)	(20)	-	**(255)**
Tax on non-operating items	26	22	2	-	4	-	**54**
Profit/(loss) for the year from continuing operations	**182**	**(41)**	**14**	**51**	**(42)**	**-**	**164**
Profit from discontinued operations	49	-	-	-	-	-	**49**
IFRS profit/(loss) after tax attributable to equity holders	**231**	**(41)**	**14**	**51**	**(42)**	**-**	**213**
Other comprehensive income, dividends and other movements in equity							(163)
Closing IFRS shareholder net assets							**3,457**

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

4.2 EEV and EEV operating profit

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**

2009	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	**2,909**	**1,597**	**626**	**1,155**	**(42)**	**6,245**	**286**
Opening adjustments	-	-	33	-	-	33	
Adjusted opening EEV	**2,909**	**1,597**	**659**	**1,155**	**(42)**	**6,278**	
New business contribution	139	46	28	-	-	213	
Contributions from in-force business	510	146	1	-	-	657	
Non-covered business	-	-	-	(26)	-	(26)	
EEV operating profit/(loss) before tax from continuing operations	**649**	**192**	**29**	**(26)**	**-**	**844**	
Tax on operating profit	(183)	(51)	(8)	(5)	-	(247)	
EEV operating profit/(loss) after tax from continuing operations	**466**	**141**	**21**	**(31)**	**-**	**597**	**27**
EEV non-operating (loss)/profit after tax and EEV profit after tax from discontinued operations	(153)	(239)	19	32	49	(292)	(13)
EEV profit/(loss) after tax	**313**	**(98)**	**40**	**1**	**49**	**305**	
Non-trading adjustments	(168)	54	(41)	7	-	(148)	
Closing EEV	**3,054**	**1,553**	**658**	**1,163**	**7**	**6,435**	**288**

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

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 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**

2009	UK £m	Canada £m	International £m	Investment management £m	Other £m	Total £m
IFRS operating profit/(loss) before tax from continuing operations	222	113	23	73	(32)	**399**
Tax on operating profit	27	(55)	1	(13)	6	**(34)**
IFRS operating profit/(loss) after tax from continuing operations	**249**	**58**	**24**	**60**	**(26)**	**365**
Impact of different treatment of assets and reserves	10	69	(3)	(1)	(9)	**66**
DAC & DIR, intangibles and other	(13)	(16)	(31)	-	-	**(60)**
Look through to investment management	19	3	2	(24)	-	**-**
EEV operating capital and cash generation from continuing operations	**265**	**114**	**(8)**	**35**	**(35)**	**371**
EEV operating profit after tax – PVIF	175	27	24	-	-	**226**
EEV operating profit/(loss) after tax from continuing operations	**440**	**141**	**16**	**35**	**(35)**	**597**

4.4 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)
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
Joint ventures	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.

4.4 Group assets under administration and net flows *continued*

Group assets under administration (summary)
12 months ended 31 December 2009

	Opening AUA at 1 Jan 2009 £bn	Gross inflows £bn	Redemptions £bn	Net inflows £bn	Market and other movements £bn	Closing AUA at 31 Dec 2009 £bn
Fee business						
UK	57.4	7.9	(6.6)	1.3	7.9	66.6
Institutional pensions	8.6	2.5	(0.9)	1.6	1.8	12.0
Conventional with profits (excluding annuities)	7.9	0.3	(1.5)	(1.2)	0.2	6.9
UK total	**73.9**	**10.7**	**(9.0)**	**1.7**	**9.9**	**85.5**
Canada	9.0	1.6	(1.1)	0.5	1.8	11.3
International (wholly owned)	8.3	1.8	(0.9)	0.9	(0.1)	9.1
Standard Life Investments third party	45.5	9.7	(4.0)	5.7	5.7	56.9
Consolidation/eliminations[1]	(18.7)	(3.8)	1.9	(1.9)	(3.3)	(23.9)
Total fee business	**118.0**	**20.0**	**(13.1)**	**6.9**	**14.0**	**138.9**
Spread/risk						
UK	11.9	0.6	(1.1)	(0.5)	1.7	13.1
Canada	8.3	1.0	(1.1)	(0.1)	1.0	9.2
Total spread/risk business	**20.2**	**1.6**	**(2.2)**	**(0.6)**	**2.7**	**22.3**
Assets not backing products	9.7	-	-	-	(1.9)	7.8
Joint ventures	0.5	0.3	(0.1)	0.2	0.1	0.8
Non-life assets	1.7	-	-	-	(0.1)	1.6
Other consolidation/eliminations[1]	(2.2)	-	-	-	0.9	(1.3)
Group assets under administration	**147.9**	**21.9**	**(15.4)**	**6.5**	**15.7**	**170.1**

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.

Group assets under administration
12 months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	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
UK							
Individual SIPP	F	11.8	3.4	(1.5)	1.9	1.4	15.1
Individual pensions	F	22.3	0.8	(2.5)	(1.7)	3.0	23.6
Investment bonds	F	8.7	0.3	(1.1)	(0.8)	0.8	8.7
Mutual funds	F	3.7	1.7	(0.4)	1.3	0.3	5.3
Annuities	S/R	13.1	0.5	(1.1)	(0.6)	0.9	13.4
Legacy life	F	9.1	0.4	(1.3)	(0.9)	0.9	9.1
UK retail		**68.7**	**7.1**	**(7.9)**	**(0.8)**	**7.3**	**75.2**
Corporate pensions	F	17.9	3.0	(1.6)	1.4	1.7	21.0
Institutional pensions	F	12.0	3.6	(1.2)	2.4	1.4	15.8
UK corporate		**29.9**	**6.6**	**(2.8)**	**3.8**	**3.1**	**36.8**
Assets not backing products		7.0	-	-	-	0.2	7.2
UK long-term savings		**105.6**	**13.7**	**(10.7)**	**3.0**	**10.6**	**119.2**
Canada							
Fee	F	8.5	1.5	(1.1)	0.4	1.8	10.7
Spread/risk	S/R	3.4	0.2	(0.4)	(0.2)	0.4	3.6
Group savings and retirement		**11.9**	**1.7**	**(1.5)**	**0.2**	**2.2**	**14.3**
Fee	F	1.4	0.4	(0.3)	0.1	0.2	1.7
Spread/risk	S/R	5.3	0.3	(0.6)	(0.3)	0.9	5.9
Individual insurance, savings and retirement		**6.7**	**0.7**	**(0.9)**	**(0.2)**	**1.1**	**7.6**
Group insurance	S/R	0.5	0.4	(0.3)	0.1	-	0.6
Mutual funds	F	1.4	0.3	(0.4)	(0.1)	0.3	1.6
Assets not backing products		0.8	-	-	-	0.4	1.2
Canada long-term savings		**21.3**	**3.1**	**(3.1)**	**-**	**4.0**	**25.3**
International							
Ireland	F	4.9	1.4	(0.7)	0.7	0.4	6.0
Germany	F	4.2	0.8	(0.1)	0.7	0.1	5.0
Hong Kong	F	-	-	-	-	0.1	0.1
Wholly owned long-term savings		**9.1**	**2.2**	**(0.8)**	**1.4**	**0.6**	**11.1**
Joint ventures long-term savings		**0.8**	**0.4**	**(0.1)**	**0.3**	**0.1**	**1.2**
International long-term savings		**9.9**	**2.6**	**(0.9)**	**1.7**	**0.7**	**12.3**
Total worldwide long-term savings		**136.8**	**19.4**	**(14.7)**	**4.7**	**15.3**	**156.8**
Non-life assets		**1.6**	**-**	**-**	**-**	**(0.2)**	**1.4**
Standard Life Investments third party assets under management		**56.9**	**12.4**	**(6.2)**	**6.2**	**8.5**	**71.6**
Consolidation and elimination adjustments[1]		(25.2)	(6.7)	3.0	(3.7)	(4.1)	(33.0)
Group assets under administration		**170.1**	**25.1**	**(17.9)**	**7.2**	**19.5**	**196.8**
Group assets under administration managed by:							
Standard Life Group entities		144.9					164.0
Other third party managers		25.2					32.8
Total		**170.1**					**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.

4.4 Group assets under administration and net flows *continued*

Long-term savings operations net flows (regulatory basis)
12 months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	Gross inflows 12 months to 31 Dec 2010 £m	Redemptions 12 months to 31 Dec 2010 £m	Net inflows 12 months to 31 Dec 2010 £m	Gross inflows 12 months to 31 Dec 2009 £m	Redemptions 12 months to 31 Dec 2009 £m	Net inflows 12 months to 31 Dec 2009 £m
UK							
Individual SIPP[1]	F	**3,436**	**(1,493)**	**1,943**	2,897	(1,136)	1,761
Individual pensions[2]	F	**827**	**(2,486)**	**(1,659)**	939	(2,331)	(1,392)
Investment bonds	F	**247**	**(1,054)**	**(807)**	294	(1,527)	(1,233)
Mutual funds[1]	F	**1,647**	**(355)**	**1,292**	1,038	(243)	795
Annuities	S/R	**491**	**(1,133)**	**(642)**	617	(1,138)	(521)
Protection	S/R	**85**	**(57)**	**28**	94	(57)	37
Legacy life	F	**345**	**(1,333)**	**(988)**	396	(1,685)	(1,289)
UK retail		**7,078**	**(7,911)**	**(833)**	6,275	(8,117)	(1,842)
Corporate pensions[1,2]	F	**2,994**	**(1,604)**	**1,390**	2,613	(1,104)	1,509
Institutional pensions	F	**3,631**	**(1,191)**	**2,440**	2,468	(921)	1,547
UK corporate		**6,625**	**(2,795)**	**3,830**	5,081	(2,025)	3,056
UK long-term savings[3]		**13,703**	**(10,706)**	**2,997**	11,356	(10,142)	1,214
Canada							
Fee	F	**1,483**	**(1,063)**	**420**	1,158	(705)	453
Spread/risk	S/R	**176**	**(403)**	**(227)**	180	(346)	(166)
Group savings and retirement		**1,659**	**(1,466)**	**193**	1,338	(1,051)	287
Fee	F	**438**	**(280)**	**158**	243	(208)	35
Spread/risk	S/R	**296**	**(624)**	**(328)**	447	(519)	(72)
Individual insurance, savings and retirement		**734**	**(904)**	**(170)**	690	(727)	(37)
Group insurance	S/R	**411**	**(332)**	**79**	350	(285)	65
Mutual funds[1]	F	**313**	**(352)**	**(39)**	225	(179)	46
Canada long-term savings		**3,117**	**(3,054)**	**63**	2,603	(2,242)	361
International							
Ireland	F	**1,349**	**(638)**	**711**	949	(781)	168
Germany	F	**796**	**(130)**	**666**	823	(122)	701
Hong Kong	F	**43**	**(8)**	**35**	16	(4)	12
Wholly owned long-term savings		**2,188**	**(776)**	**1,412**	1,788	(907)	881
Joint ventures long-term savings[4]		**378**	**(124)**	**254**	287	(76)	211
International long-term savings		**2,566**	**(900)**	**1,666**	2,075	(983)	1,092
Total worldwide long-term savings		**19,386**	**(14,660)**	**4,726**	16,034	(13,367)	2,667

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. Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The total 2010 net outflow is £3m (2009: net outflow £13m).
3. UK long-term savings include a total net outflow of £1,778m in relation to conventional with profits business (2009: net outflow £2,081m). Of this, a net outflow of £855m is in relation to annuities business (2009: net outflow £874m).
4. Includes net flows in respect of Standard Life's share of the Asia joint ventures.

Long-term savings operations net flows (regulatory basis)
Three months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	Gross inflows 3 months to 31 Dec 2010 £m	Redemptions 3 months to 31 Dec 2010 £m	Net inflows 3 months to 31 Dec 2010 £m	Gross inflows 3 months to 31 Dec 2009 £m	Redemptions 3 months to 31 Dec 2009 £m	Net inflows 3 months to 31 Dec 2009 £m
UK							
Individual SIPP[1]	F	**795**	**(356)**	**439**	784	(346)	438
Individual pensions[2]	F	**154**	**(565)**	**(411)**	184	(635)	(451)
Investment bonds	F	**67**	**(268)**	**(201)**	52	(245)	(193)
Mutual funds[1]	F	**453**	**(23)**	**430**	337	(80)	257
Annuities	S/R	**98**	**(282)**	**(184)**	131	(278)	(147)
Protection	S/R	**22**	**(14)**	**8**	22	(13)	9
Legacy life	F	**82**	**(331)**	**(249)**	93	(328)	(235)
UK retail		**1,671**	**(1,839)**	**(168)**	1,603	(1,925)	(322)
Corporate pensions[1,2]	F	**643**	**(362)**	**281**	838	(303)	535
Institutional pensions	F	**955**	**(327)**	**628**	903	(258)	645
UK corporate		**1,598**	**(689)**	**909**	1,741	(561)	1,180
UK long-term savings[3]		**3,269**	**(2,528)**	**741**	3,344	(2,486)	858
Canada							
Fee	F	**380**	**(336)**	**44**	271	(210)	61
Spread/risk	S/R	**50**	**(103)**	**(53)**	49	(90)	(41)
Group savings and retirement		**430**	**(439)**	**(9)**	320	(300)	20
Fee	F	**129**	**(89)**	**40**	95	(71)	24
Spread/risk	S/R	**96**	**(156)**	**(60)**	101	(147)	(46)
Individual insurance, savings and retirement		**225**	**(245)**	**(20)**	196	(218)	(22)
Group insurance	S/R	**104**	**(86)**	**18**	89	(73)	16
Mutual funds[1]	F	**65**	**(84)**	**(19)**	70	(51)	19
Canada long-term savings		**824**	**(854)**	**(30)**	675	(642)	33
International							
Ireland	F	**458**	**(214)**	**244**	314	(218)	96
Germany	F	**237**	**(37)**	**200**	240	(31)	209
Hong Kong	F	**20**	**(3)**	**17**	7	(2)	5
Wholly owned long-term savings		**715**	**(254)**	**461**	561	(251)	310
Joint ventures long-term savings[4]		**102**	**(41)**	**61**	80	(19)	61
International long-term savings		**817**	**(295)**	**522**	641	(270)	371
Total worldwide long-term savings		**4,910**	**(3,677)**	**1,233**	4,660	(3,398)	1,262

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 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The total 2010 net outflow is £3m (2009: net outflow £1m).
3 UK long-term savings include a total net outflow of £449m in relation to conventional with profits business (2009: net outflow £436m). Of this, a net outflow of £209m is in relation to annuities business (2009: net outflow £217m).
4 Includes net flows in respect of Standard Life's share of the Asia joint ventures.

4.4 Group assets under administration and net flows *continued*

Long-term savings operations net flows (regulatory basis)
15 months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	Net flows 3 months to 31 Dec 2010 £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m	3 months to 31 Dec 2009 £m
UK						
Individual SIPP	F	**439**	446	492	566	438
Individual pensions	F	**(411)**	(375)	(368)	(505)	(451)
Investment bonds	F	**(201)**	(194)	(198)	(214)	(193)
Mutual funds	F	**430**	301	245	316	257
Annuities	S/R	**(184)**	(173)	(166)	(119)	(147)
Protection	S/R	**8**	7	7	6	9
Legacy life	F	**(249)**	(273)	(253)	(213)	(235)
UK retail		**(168)**	(261)	(241)	(163)	(322)
Corporate pensions	F	**281**	336	471	302	535
Institutional pensions	F	**628**	546	792	474	645
UK corporate		**909**	882	1,263	776	1,180
UK long-term savings		**741**	621	1,022	613	858
Canada						
Fee	F	**44**	83	176	117	61
Spread/risk	S/R	**(53)**	(50)	(61)	(63)	(41)
Group savings and retirement		**(9)**	33	115	54	20
Fee	F	**40**	33	34	51	24
Spread/risk	S/R	**(60)**	(79)	(97)	(92)	(46)
Individual insurance, savings and retirement		**(20)**	(46)	(63)	(41)	(22)
Group insurance	S/R	**18**	21	22	18	16
Mutual funds	F	**(19)**	(7)	(12)	(1)	19
Canada long-term savings		**(30)**	1	62	30	33
International						
Ireland	F	**244**	203	154	110	96
Germany	F	**200**	149	151	166	209
Hong Kong	F	**17**	7	6	5	5
Wholly owned long-term savings		**461**	359	311	281	310
Joint ventures long-term savings[1]		**61**	60	44	89	61
International long-term savings		**522**	419	355	370	371
Total worldwide long-term savings		**1,233**	1,041	1,439	1,013	1,262

[1] Includes net flows in respect of Standard Life's share of the Asia joint ventures.

4.5 Analysis of new business

Long-term savings operations new business
12 months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	Single premiums 12 months to 31 Dec 2010 £m	Single premiums 12 months to 31 Dec 2009 £m	New regular premiums 12 months to 31 Dec 2010 £m	New regular premiums 12 months to 31 Dec 2009 £m	PVNBP 12 months to 31 Dec 2010 £m	PVNBP 12 months to 31 Dec 2009 £m	Change[4] %	Change in constant currency[4] %
UK									
Individual SIPP[1]	F	3,201	2,698	69	55	3,461	2,923	18%	18%
Individual pensions[2]	F	338	398	23	24	397	465	(15%)	(15%)
Investment bonds	F	202	236	-	-	202	236	(14%)	(14%)
Mutual funds	F	1,625	1,020	23	19	1,795	1,170	53%	53%
Annuities	S/R	341	448	-	-	341	448	(24%)	(24%)
Protection	S/R	-	-	1	1	1	2	(50%)	(50%)
Legacy life	F	-	-	-	-	-	-	-	-
UK retail		5,707	4,800	116	99	6,197	5,244	18%	18%
Corporate pensions[1,2]	F	1,225	908	508	437	3,287	2,640	25%	25%
Institutional pensions	F	3,472	2,253	-	17	3,472	2,296	51%	51%
UK corporate		4,697	3,161	508	454	6,759	4,936	37%	37%
UK long-term savings		10,404	7,961	624	553	12,956	10,180	27%	27%
Canada									
Fee	F	465	349	68	43	1,297	858	51%	36%
Spread/risk	S/R	51	70	10	5	169	123	37%	24%
Group savings and retirement		516	419	78	48	1,466	981	49%	35%
Fee	F	438	243	-	-	438	243	80%	63%
Spread/risk	S/R	186	344	4	3	224	380	(41%)	(47%)
Individual insurance, savings and retirement		624	587	4	3	662	623	6%	(4%)
Group insurance	S/R	2	1	38	37	607	631	(4%)	(13%)
Mutual funds	F	313	225	-	-	313	225	39%	26%
Canada long-term savings		1,455	1,232	120	88	3,048	2,460	24%	12%
International									
Ireland	F	1,260	846	9	9	1,298	882	47%	51%
Germany	F	39	29	24	29	337	407	(17%)	(14%)
Hong Kong	F	14	6	44	20	294	141	109%	108%
Wholly owned long-term savings		1,313	881	77	58	1,929	1,430	35%	38%
India[3]		34	24[5]	104	83[5]	444	362[5]	23%	15%
China[3]		40	48	15	13	106	116	(9%)	(10%)
Joint ventures long-term savings		74	72	119	96	550	478	15%	9%
International long-term savings		1,387	953	196	154	2,479	1,908	30%	31%
Total worldwide long-term savings		13,246	10,146	940	795	18,483	14,548	27%	25%

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 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2010 impact on PVNBP is £25m (2009: £22m).
3 Standard Life's share of the joint venture company's new business.
4 % change is calculated on the figures rounded to millions.
5 Single premiums in India have been restated by £8m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is negative £2m. The impact on PVNBP for the 12 months to 31 December 2009 is £2m.
6 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the 12 months to 31 December 2010 were £1: C$1.60 (2009: £1: C$1.78) and £1: €1.17 (2009: £1: €1.12).

4.5 Analysis of new business *continued*

Investment operations
12 months ended 31 December 2010

		Opening AUM at 1 Jan 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 31 Dec 2010 £m
UK	Mutual funds[1]	5,818	3,838[2]	(1,617)	2,221	1,140	3,361	9,179
	Private equity	3,547	82	(65)	17	(127)	(110)	3,437
	Segregated funds	12,754	1,073	(1,417)	(344)	1,569	1,225	13,979
	Pooled property funds	1,417	208	-	208	77	285	1,702
Total UK		**23,536**	**5,201**	**(3,099)**	**2,102**	**2,659**	**4,761**	**28,297**
Canada	Mutual funds[1]	1,562	309[3]	(347)	(38)	265	227	1,789
	Separate mandates	3,004	491	(649)	(158)	597	439	3,443
Total Canada		**4,566**	**800**	**(996)**	**(196)**	**862**	**666**	**5,232**
International	Europe	2,136	1,625	(198)	1,427	243	1,670	3,806
	India[4]	2,096	654	-	654	642	1,296	3,392
	Other	142	84	(9)	75	914	989	1,131
Total International		**4,374**	**2,363**	**(207)**	**2,156**	**1,799**	**3,955**	**8,329**
Total worldwide investment products excluding money market and related funds		**32,476**	**8,364**	**(4,302)**	**4,062**	**5,320**	**9,382**	**41,858**
	UK money market funds[5]	3,625	519	-	519	(191)	328	3,953
	India cash funds[5]	2,458	(1,588)	-	(1,588)	565	(1,023)	1,435
Total worldwide investment products		**38,559**	**7,295**	**(4,302)**	**2,993**	**5,694**	**8,687**	**47,246**

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 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 31 Dec 2010 £m
Third party investment products	38,559	7,295	(4,302)	2,993	5,694	8,687	47,246
Third party insurance contracts (new business classified as insurance products)	18,370	5,104	(1,897)	3,207	2,790	5,997	24,367
Total third party assets under management	**56,929**	**12,399**	**(6,199)**	**6,200**	**8,484**	**14,684**	**71,613**
Standard Life Investments – total assets under management	**138,724**						**156,874**

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 12 months to 31 December 2009, UK mutual funds gross inflows were £1,615m and net inflows were £669m.

3 In the 12 months to 31 December 2009, Canada mutual funds gross inflows were £231m and net inflows were £48m.

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.

6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 31 December 2010. 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 31 December 2010 were £1: C$1.56 (31 December 2009: £1: C$1.69) and £1: €1.17 (31 December 2009: £1: €1.13). The principal average exchange rates for the 12 months to 31 December 2010 were £1: C$1.60 (2009: £1: C$1.78) and £1: €1.17 (2009: £1: €1.12).

Long-term savings operations new business
Three months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	Single premiums 3 months to 31 Dec 2010 £m	Single premiums 3 months to 31 Dec 2009 £m	New regular premiums 3 months to 31 Dec 2010 £m	New regular premiums 3 months to 31 Dec 2009 £m	PVNBP[4] 3 months to 31 Dec 2010 £m	PVNBP[4] 3 months to 31 Dec 2009 £m	Change[5] %	Change in constant currency[5] %
UK									
Individual SIPP[1]	F	**723**	722	**15**	10	**770**	761	**1%**	**1%**
Individual pensions[2]	F	**39**	52	**5**	5	**54**	64	**(16%)**	**(16%)**
Investment bonds	F	**62**	42	**-**	-	**62**	42	**48%**	**48%**
Mutual funds	F	**449**	337	**5**	-	**483**	337	**43%**	**43%**
Annuities	S/R	**60**	95	**-**	-	**60**	95	**(37%)**	**(37%)**
Protection	S/R	**-**	-	**-**	-	**-**	-	**-**	**-**
Legacy life	F	**-**	-	**-**	-	**-**	-	**-**	**-**
UK retail		**1,333**	1,248	**25**	15	**1,429**	1,299	**10%**	**10%**
Corporate pensions[1,2]	F	**174**	377	**87**	85	**502**	704	**(29%)**	**(29%)**
Institutional pensions	F	**875**	869	**-**	3	**875**	875	**-**	**-**
UK corporate		**1,049**	1,246	**87**	88	**1,377**	1,579	**(13%)**	**(13%)**
UK long-term savings		**2,382**	2,494	**112**	103	**2,806**	2,878	**(3%)**	**(3%)**
Canada									
Fee	F	**103**	59	**7**	4	**185**	113	**64%**	**54%**
Spread/risk	S/R	**17**	21	**1**	1	**26**	32	**(19%)**	**(24%)**
Group savings and retirement		**120**	80	**8**	5	**211**	145	**46%**	**37%**
Fee	F	**129**	95	**-**	-	**129**	95	**36%**	**24%**
Spread/risk	S/R	**67**	74	**1**	1	**76**	86	**(12%)**	**(19%)**
Individual insurance, savings and retirement		**196**	169	**1**	1	**205**	181	**13%**	**4%**
Group insurance	S/R	**-**	-	**11**	15	**174**	264	**(34%)**	**(40%)**
Mutual funds	F	**65**	70	**-**	-	**65**	70	**(7%)**	**(16%)**
Canada long-term savings		**381**	319	**20**	21	**655**	660	**(1%)**	**(9%)**
International									
Ireland	F	**423**	285	**3**	2	**438**	297	**47%**	**51%**
Germany	F	**20**	14	**7**	9	**113**	129	**(12%)**	**(9%)**
Hong Kong	F	**7**	2	**18**	8	**124**	48	**158%**	**154%**
Wholly owned long-term savings		**450**	301	**28**	19	**675**	474	**42%**	**46%**
India[3]		**11**	9[6]	**21**	23[6]	**95**	111[6]	**(14%)**	**(20%)**
China[3]		**12**	11	**5**	5	**41**	38	**8%**	**1%**
Joint ventures long-term savings		**23**	20	**26**	28	**136**	149	**(9%)**	**(15%)**
International long-term savings		**473**	321	**54**	47	**811**	623	**30%**	**30%**
Total worldwide long-term savings		**3,236**	3,134	**186**	171	**4,272**	4,161	**3%**	**1%**

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 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2010 impact on PVNBP is £7m (2009: £9m).
3 Standard Life's share of the joint venture company's new business.
4 The PVNBP figures for the three months period to 31 December 2010 and to 31 December 2009 exclude the full impact of the 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 (2009: decrease £110m).
5 % change is calculated on the figures rounded to millions.
6 Single premiums in India have been restated by £2m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is negative £1m. There impact on PVNBP for the three months to 31 December 2009 is £1m.
7 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the 12 months to 31 December 2010 were £1: C$1.60 (2009: £1: C$1.78) and £1: €1.17 (2009: £1: €1.12).

4.5 Analysis of new business *continued*

Investment operations
Three months ended 31 December 2010

		Opening AUM at 1 Oct 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 31 Dec 2010 £m
UK	Mutual funds[1]	8,192	1,239[2]	(489)	750	237	987	9,179
	Private equity	3,483	19	(41)	(22)	(24)	(46)	3,437
	Segregated funds	14,184	55	(554)	(499)	294	(205)	13,979
	Pooled property funds	1,682	21	-	21	(1)	20	1,702
Total UK		**27,541**	**1,334**	**(1,084)**	**250**	**506**	**756**	**28,297**
Canada	Mutual funds[1]	1,687	68[3]	(87)	(19)	121	102	1,789
	Separate mandates	3,318	63	(111)	(48)	173	125	3,443
Total Canada		**5,005**	**131**	**(198)**	**(67)**	**294**	**227**	**5,232**
International	Europe	3,560	365	(70)	295	(49)	246	3,806
	India[4]	3,456	(110)	-	(110)	46	(64)	3,392
	Other	196	5	(2)	3	932	935	1,131
Total International		**7,212**	**260**	**(72)**	**188**	**929**	**1,117**	**8,329**
Total worldwide investment products excluding money market and related funds		**39,758**	**1,725**	**(1,354)**	**371**	**1,729**	**2,100**	**41,858**
	UK money market funds[5]	5,192	(891)	-	(891)	(348)	(1,239)	3,953
	India cash funds[5]	1,600	(348)	-	(348)	183	(165)	1,435
Total worldwide investment products		**46,550**	**486**	**(1,354)**	**(868)**	**1,564**	**696**	**47,246**

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 Oct 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 31 Dec 2010 £m
Third party investment products	46,550	486	(1,354)	(868)	1,564	696	47,246
Third party insurance contracts (new business classified as insurance products)	22,556	1,360	(608)	752	1,059	1,811	24,367
Total third party assets under management	**69,106**	**1,846**	**(1,962)**	**(116)**	**2,623**	**2,507**	**71,613**
Standard Life Investments - total assets under management	**153,749**						**156,874**

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 31 December 2009 UK mutual funds gross inflows were £499m and net inflows were £225m.

3 In the three months to 31 December 2009 Canada mutual funds gross inflows were £72m and net inflows were £21m.

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.

6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 31 December 2010. 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 31 December 2010 were £1: C$1.56 (30 September 2010: £1: C$1.62) and £1: €1.17 (30 September 2010: £1: €1.15). The principal average exchange rates for the 12 months to 31 December 2010 were £1: C$1.60 (2009: £1: C$1.78) and £1: €1.17 (2009: £1: €1.12).

Long-term savings operations new business
15 months ended 31 December 2010

	Fee (F) – Spread/risk (S/R)	PVNBP 3 months to 31 Dec 2010[2] £m	3 months to 30 Sep 2010 £m	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m	3 months to 31 Dec 2009[2] £m
UK						
Individual SIPP	F	**770**	757	878	1,029	761
Individual pensions	F	**54**	80	152	114	64
Investment bonds	F	**62**	49	45	46	42
Mutual funds	F	**483**	445	383	480	337
Annuities	S/R	**60**	72	82	127	95
Protection	S/R	**-**	-	1	-	-
Legacy life	F	**-**	-	-	-	-
UK retail		**1,429**	1,403	1,541	1,796	1,299
Corporate pensions	F	**502**	949	1,024	727	704
Institutional pensions	F	**875**	755	1,012	830	875
UK corporate		**1,377**	1,704	2,036	1,557	1,579
UK long-term savings		**2,806**	3,107	3,577	3,353	2,878
Canada						
Fee	F	**185**	344	434	255	113
Spread/risk	S/R	**26**	48	49	35	32
Group savings and retirement		**211**	392	483	290	145
Fee	F	**129**	91	98	120	95
Spread/risk	S/R	**76**	48	46	54	86
Individual insurance, savings and retirement		**205**	139	144	174	181
Group insurance	S/R	**174**	125	140	168	264
Mutual funds	F	**65**	66	81	101	70
Canada long-term savings		**655**	722	848	733	660
International						
Ireland	F	**438**	313	292	253	297
Germany	F	**113**	71	76	78	129
Hong Kong	F	**124**	59	69	64	48
Wholly owned long-term savings		**675**	443	437	395	474
India[1]		**95**	116	93	140	111[3]
China[1]		**41**	21	29	26	38
Joint ventures long-term savings		**136**	137	122	166	149
International long-term savings		**811**	580	559	561	623
Total worldwide long-term savings		**4,272**	4,409	4,984	4,647	4,161

1 Amounts shown reflect Standard Life's share of the joint venture company's new business.

2 The three month period to 31 December 2010 and to 31 December 2009 exclude 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 (2009: decrease £110m).

3 PVNBP for India has been restated to reflect the reclassification from regular premiums to single premiums.

4.6 Exposure to investment property and financial assets

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				
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	9,986	29,883	17,869	1,997	**59,735**
Loans	2,823	207	106	-	**3,136**
Other financial assets	1,365	7,516	935	232	**10,048**
Cash and cash equivalents	2,243	221	4,254	716	**7,434**
Total	**17,880**	**51,016**	**76,898**	**6,125**	**151,919**

[1] Third party interest in consolidated funds and non-controlling interests.

	Exposure				
31 December 2009	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Investments in associates and joint ventures	47	1,138	686	72	**1,943**
Investment property	776	2,314	3,279	742	**7,111**
Equity securities	479	8,151	40,759	1,469	**50,858**
Debt securities	9,339	30,208	15,095	876	**55,518**
Loans	9,876	211	146	-	**10,233**
Other financial assets	1,533	7,657	668	112	**9,970**
Cash and cash equivalents	4,106	904	3,727	190	**8,927**
Total	**26,156**	**50,583**	**64,360**	**3,461**	**144,560**

[1] Third party interest in consolidated funds and non-controlling interests.

The total shareholder exposure to investment property and financial assets of £17.9bn (31 December 2009: £26.2bn) includes £11.2bn (31 December 2009: £10.1bn) of assets held by non-segregated funds of the Group's Canadian 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.

Shareholder exposure to investment property and financial assets

	Canada non-segregated funds exposure		Standard Life Bank exposure		Other shareholder exposure		Total shareholder exposure	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Investments in associates and joint ventures	**21**	17	**-**	-	**16**	30	**37**	47
Investment property	**862**	776	**-**	-	**-**	-	**862**	776
Equity securities	**459**	372	**-**	-	**105**	107	**564**	479
Debt securities	**6,359**	5,989	**-**	195	**3,627**	3,155	**9,986**	9,339
Loans	**2,811**	2,374	**-**	7,464	**12**	38	**2,823**	9,876
Other financial assets	**512**	458	**-**	194	**853**	881	**1,365**	1,533
Cash and cash equivalents	**184**	68	**-**	1,491	**2,059**	2,547	**2,243**	4,106
Total	**11,208**	10,054	**-**	9,344	**6,672**	6,758	**17,880**	26,156

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.

Standard Life Bank was sold on 1 January 2010 and therefore the Group has no exposure to Standard Life Bank assets after that date.

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 52% of debt securities rated AAA (31 December 2009: 57%) and 95% (31 December 2009: 95%) being rated as investment grade.

	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	2,672	8,013	5,335	416	**16,436**
Corporate – other	3,045	3,167	4,016	552	**10,780**
Other	206	324	350	5	**885**
Total	**9,986**	**29,883**	**17,869**	**1,997**	**59,735**

1 Third party interest in consolidated funds and non-controlling interests.

	Exposure				
31 December 2009	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government	4,231	18,679	7,285	478	**30,673**
Corporate – financial institutions	2,484	7,929	4,824	220	**15,457**
Corporate – other	2,374	3,228	2,552	173	**8,327**
Other	250	372	434	5	**1,061**
Total	**9,339**	**30,208**	**15,095**	**876**	**55,518**

1 Third party interest in consolidated funds and non-controlling interests.

4.6 Exposure to investment property and financial assets *continued*

Shareholder exposure to debt securities

Further details of the shareholder exposure to debt securities, including credit ratings, are presented below.

	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	856	898	52	363	**2,672**
Corporate – other	290	232	1,928	517	78	**3,045**
Other	135	-	-	-	71	**206**
Total	**2,094**	**2,607**	**4,204**	**569**	**512**	**9,986**

	Credit rating					
31 December 2009	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**Below BBB or not rated £m**	**Total £m**
Government	1,596	1,419	1,216	-	-	**4,231**
Corporate – financial institutions	787	532	679	70	416	**2,484**
Corporate – other	236	200	1,371	434	133	**2,374**
Other	155	-	11	11	73	**250**
Total	**2,774**	**2,151**	**3,277**	**515**	**622**	**9,339**

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 loans

Shareholders are directly exposed to loans of £2.8bn (31 December 2009: £9.9bn) which, in 2010, primarily comprise the Canadian non-segregated funds commercial mortgage book. This mortgage book is deemed to be of very high quality. In 2009, loans also included Standard Life Bank's retail mortgage book.

	31 Dec 2010 £m	31 Dec 2009 £m
Canada non-segregated funds commercial mortgage book	**2,811**	2,374
Standard Life Bank retail mortgage book	**-**	7,464
Other	**12**	38
Total	**2,823**	9,876

The Canadian mortgage book has an average loan to value of 45% (31 December 2009: 46%).

4.7 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)

Total

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Equity securities	59,059	49,621	40	17	1,208	1,220	60,307	50,858
Debt securities	25,147	26,158	33,102	27,845	1,486	1,515	59,735	55,518
Derivative financial assets	435	398	908	970	-	-	1,343	1,368
Derivative financial liabilities	(95)	(81)	(829)	(818)	-	-	(924)	(899)
Total	84,546	76,096	33,221	28,014	2,694	2,735	120,461	106,845

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	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Equity securities	554	469	-	-	10	10	564	479
Debt securities	551	747	8,467	7,843	968	749	9,986	9,339
Derivative financial assets	-	-	298	455	-	-	298	455
Derivative financial liabilities	(2)	-	(30)	(151)	-	-	(32)	(151)
Total	1,103	1,216	8,735	8,147	978	759	10,816	10,122

Policyholder (participating) exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Equity securities	8,606	7,527	-	-	729	624	9,335	8,151
Debt securities	17,969	19,029	11,543	10,729	371	450	29,883	30,208
Derivative financial assets	334	391	271	327	-	-	605	718
Derivative financial liabilities	(8)	(16)	(122)	(446)	-	-	(130)	(462)
Total	26,901	26,931	11,692	10,610	1,100	1,074	39,693	38,615

4.7 Fair value hierarchy of financial instruments *continued*

Policyholder (unit linked) exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Equity securities	48,341	40,679	40	17	68	63	48,449	40,759
Debt securities	5,943	5,899	11,794	8,893	132	303	17,869	15,095
Derivative financial assets	72	6	263	159	-	-	335	165
Derivative financial liabilities	(62)	(54)	(507)	(193)	-	-	(569)	(247)
Total	54,294	46,530	11,590	8,876	200	366	66,084	55,772

Third party interest in consolidated funds and non-controlling interests exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m	31 Dec 2010 £m	31 Dec 2009 £m
Equity securities	1,558	946	-	-	401	523	1,959	1,469
Debt securities	684	483	1,298	380	15	13	1,997	876
Derivative financial assets	29	1	76	29	-	-	105	30
Derivative financial liabilities	(23)	(11)	(170)	(28)	-	-	(193)	(39)
Total	2,248	1,419	1,204	381	416	536	3,868	2,336

4.8 Total expenses and operating cost base

	2010 £m	2009 £m
Total expenses per IFRS income statement	17,622	16,728
Less: Claims, commissions and changes in provisions and liabilities	(15,694)	(14,880)
Less: IFRS adjustments and amortisation	(892)	(906)
Less: Finance costs	(113)	(115)
Total operating cost base in respect of continuing operations	923	827

Movement in the operating cost base

	UK £m	Canada £m	International £m	Global investment management £m	Other £m	Total £m
Opening operating cost base	426	147	97	189	55	914
Remove costs relating to discontinued businesses	(87)	-	-	-	-	(87)
Opening operating cost base in respect of continuing operations	339	147	97	189	55	827
Inflation[1]	7	3	1	9	3	23
Foreign exchange impact[2]	-	16	(3)	-	-	13
Organic growth[3]	30	9	8	31	-	78
Efficiency savings[4]	(27)	(8)	(7)	(20)	1	(61)
Movement in investing for growth costs[5]	20	4	-	20	(1)	43
Closing operating cost base in respect of continuing operations	369	171	96	229	58	923

1 Notional level of inflation that would have impacted the operating cost base during the year. Blended rate used for staff and non-staff costs of 2.5% for 2010 (2009: 2.3%).

2 Adjustment to opening cost base as a result of movement in the average exchange rate.

3 Movement in the cost base implied by the growth of the organisation – a combination of PVNBP and policies in-force movements used for the life and pensions businesses and assets under management used for Standard Life Investments.

4 Difference between the movement in the cost base implied by the organic growth calculation and the actual change that has taken place, plus realised savings from cost initiatives and other reductions.

5 Movements in the operating cost base, which are specifically identifiable and relate to investing for growth.

4.9 Growth investment spend

	2010 £m	2009 £m	Movement £m
Growth investment in operating cost base	**149**	106	**43**
Growth investment capitalised	**36**	5	**31**
Additional investment in joint venture businesses	**16**	17	**(1)**
Total growth investment spend	**201**	128	**73**

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