Standard Life plc

Interim Results 2009

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Standard Life Group

Press Release

Standard Life plc
Interim Results 2009
5 August 2009

Ongoing resilience in volatile market conditions

Cash flow and capital position robust

- Core capital and cash generation after tax of £167m (2008: £143m)
- Financial Groups Directive surplus of £3.1bn (31 December 2008: £3.3bn)[1]
- Interim dividend of 4.15p, representing 2.0% growth

Positive net flows

- Positive net flows of £2.1bn across the Group (2008: £3.3bn)
- Life and pension PVNBP sales of £7.5bn (2008: £9.1bn)[2]

Profits impacted by lower financial market levels

- EEV operating profit before tax of £348m (2008: £534m)
- IFRS loss after tax attributable to equity holders of £20m (2008: profit £161m)

Strong progress made towards second phase efficiency target

- On track to meet £75m annual efficiency savings target by the end of 2010 - £26m achieved to date

Group Chief Executive Sir Sandy Crombie said:

"The recession has had an inevitable impact on our performance in the first half of 2009. However, today's results highlight Standard Life's robust business model and the ongoing resilience of our balance sheet.

"I am particularly pleased with the continued strength of our UK group pensions offering and by Standard Life Investments, where we have achieved good worldwide third party investments net inflows, despite a backdrop of industry slowdown and continuing market volatility. In addition, I am encouraged by the progress that has been made in our Canadian retail product lines following the repositioning of the business.

"We have announced healthy capital and cash generation and have made good progress towards our efficiency target. We have maintained a strong capital position and this enables us to develop the business by investing in our key growth areas.

"With our strong solvency position, proven capital-lite strategy and diversified business offering, I am confident that Standard Life is well positioned."

Unless otherwise stated, all comparisons are in Sterling and are with the six months ended 30 June 2008.

EEV operating profit

	H1 2009 £m	H1 2008 £m
Covered business by region		
UK	178	402
Canada	89	79
Europe	15	27
Asia	(25)	(16)
HWPF TVOG	89	8
Covered business operating profit	**346**	**500**
Covered business by source		
New business contribution	114	157
Contribution from in-force business		
expected return on existing business	189	218
experience variances	93	22
operating assumption changes	-	120
Other covered	(50)	(17)
Covered business operating profit	**346**	**500**
Non-covered business		
Global investment management	10	31
UK	9	3
Group corporate centre costs	(25)	(25)
Other	8	25
Non-covered business operating profit	**2**	**34**
Operating profit before tax	**348**	**534**
Tax on operating profit	(105)	(157)
Operating profit after tax	**243**	**377**
(Loss)/profit after tax	**(48)**	**7**
Diluted EEV operating EPS	**11.1p**	**17.3p**

IFRS underlying profit

	H1 2009 £m	H1 2008 £m
UK	56	249
Canada	(10)	66
Europe	21	16
Asia	(25)	(16)
Global investment management	21	25
Other	(16)	5
Underlying profit before tax	**47**	**345**
Tax on underlying profit	(22)	(45)
Underlying profit after tax	**25**	**300**
(Loss)/profit attributable to equity holders after tax	**(20)**	**161**
Diluted IFRS underlying EPS	**1.1p**	**13.8p**

For more information please refer to the Basis of preparation in Sections 1.9 and 4.1 and the IFRS pro forma reconciliation of Group underlying profit to IFRS profit for the period in Section 4 of the *Interim Results* 2009.

Ongoing resilience in volatile market conditions

Standard Life has delivered a resilient performance against a backdrop of continued challenging market conditions.

Our conservative balance sheet structure and capital-lite approach to writing new business have enabled us to maintain a robust capital surplus and generate strong cash flows during the first half of the year. Against this, market levels have had an inevitable impact on reported sales levels and profitability measured on EEV and IFRS bases.

Standard Life benefits from a diverse product offering across the Group, which is well-suited to meet customers' changing needs in both recessionary and recovery market conditions. This has been reflected in our continued ability to attract net inflows into the Group despite the challenging market backdrop.

Assets under administration

Standard Life is an asset managing business and net flows and assets under administration (AUA) are key drivers of shareholder value. AUA are gross assets that the Group administers for customers, including both those managed by the Group and those placed with third party managers. At the end of June 2009 the Group had total AUA of £156.5bn (31 December 2008: £156.8bn).

Positive net flows of £2.1bn across the Group included life and pensions net inflows of £0.7bn[3] and third party investment management net inflows of £3.1bn. Consolidation adjustments[4] reduced net flows by £0.8bn. We have continued to manage our mortgage exposure within our banking operation during the ongoing period of difficult credit market conditions, with a reduction in gross mortgages under management to £8.8bn (31 December 2008: £9.7bn) reflected in a net outflow of £0.9bn.

Market and other movements reduced AUA by £2.4bn. This equates to 2% of opening assets under administration and is in line with the reduction in equity markets over the same period.

Worldwide life and pensions operations

Net inflows across our worldwide life and pensions operations[3] were lower at £662m (2008: £1,842m). This is due to our previously announced decision not to renew UK bulk investment bond deals written in 2008 at relatively lower margins, which generated net inflows of £598m in the first half of 2008 and led to net outflows of £553m during the first half of 2009. Excluding these bond deals, worldwide net inflows amounted to £1,215m (2008: £1,244m).

Worldwide life and pension sales were 18% lower at £7.5bn (2008: £9.1bn)[2]. Sales in the second quarter of £3.9bn, while 15% lower than the strong prior year comparator, were at the highest level for four quarters, driven by strong sales in UK group pensions and Canada.

UK financial services

Within our UK life and pensions business we experienced net inflows of £135m (2008: £1,041m) and a 24% reduction in new business sales to £5.2bn (2008: £6.9bn). These reductions reflect lower incoming transfer values into our pension product lines and our decision not to renew bulk investment bond deals as noted above. In addition, and as previously highlighted in our Q1 2009 *Interim Management Statement*, activity levels at the start of the year were temporarily impacted by the revaluation of the Pension Sterling Fund.

We continue to see strong growth in our Individual SIPP customer base, the total number of accounts increasing by 13% to 74,700 during the period (31 December 2008: 65,900). Lower net inflows of £959m (2008: £1,435m), and a 26% reduction in new business sales to £1,537m (2008: £2,074m) reflect the impact of market movements on average incoming transfer values, which continue to represent the majority of new business. SIPP assets under administration have increased by 12% to £9.7bn[5] (31 December 2008: £8.7bn). Across our SIPP portfolio the average case size was £130,000 (31 December 2008: £131,000).

UK group pensions assets under administration have increased by 2% to £14.7bn (31 December 2008: £14.4bn)[6]. Lower net inflows of £671m (2008: £885m) and a 15% reduction in new business sales to £1,527m (2008: £1,803m) reflect lower asset values as well as reduced increment levels. During the second quarter, regular premium new business benefited from contributions received in respect of the BT scheme (£347m PVNBP), the largest trust based defined contribution scheme to tender in Europe, which was highlighted in our Q4 2008 *Interim Management Statement*. We expect to receive single premium transfer amounts relating to this scheme later in the year. Group SIPP volumes increased by 61% and accounted for 54% of total group pensions sales (2008: 28%). While market conditions remain challenging, the quality and flexibility of our evolving and award winning proposition to the corporate market, combined with the financial strength of the Group, continue to act as key differentiators and enable us to win new business in our chosen markets. The number of new schemes won during the first half of 2009 was 216 (2008: 248), our pipeline is good and current levels of tender activity remain strong.

As disclosed in our Q1 2009 *Interim Management Statement*, our decision not to renew bulk deals with large institutional distributors at lower margins has had a material impact on investment bond sales of £154m (2008: £1,025m) and net outflows of £825m (2008: net inflow £273m). Excluding these bulk deals, investment bond sales were £417m in the first half of 2008, with adjusted net outflows reducing from £325m in 2008 to £272m in 2009. Mutual funds sold on our Wrap, Sigma and Fundzone platforms continue to perform well, increasing by 49% to £542m (2008: £364m) with net inflows increasing to £336m (2008: £160m).

Assets under administration on our Wrap platform increased by 35% to £2.3bn (31 December 2008: £1.7bn)[7]. At 30 June 2009 there were 484 IFA firms using the platform (31 December 2008: 409 firms) and 23,000 customers (31 December 2008: 16,900 customers) with an average fund size of £101,000 (31 December 2008: £101,000). We continue to see strong momentum in our Wrap offering, with a strong pipeline of IFA firms in the process of adopting the platform.

A number of endowment policies that were written during the early 1980s reached maturity during the first half of the year. This has led to a net outflow of £761m (2008: net outflow £785m) in respect of pre-demutualisation life products. While we expect this trend to continue in the short term, the vast majority of these products are conventional with profits contracts, which generate minimal shareholder margin.

Claims levels across our UK life and pensions operations remain broadly in line with assumptions, with reduced claims in respect of individual pensions leading to a reduced net outflow from this product line.

Savings balances in our banking operations have increased to £5.5bn (31 December 2008: £5.0bn). This total includes combined SIPP and Wrap balances of £1.8bn (31 December 2008: £1.5bn). Savings inflows were experienced across the product range, with ISAs and business accounts performing well during the first half of 2009.

Consistent with our strategy to manage our mortgage exposure during the ongoing period of difficult credit market conditions, gross mortgage lending decreased by 80% to £143m (2008: £728m). Mortgages under management stood at £8.8bn (31 December 2008: £9.7bn), with an arrears rate of 0.68%, which is approximately a quarter of the Council of Mortgage Lenders industry average of 2.61% reported at 31 March 2009. The average indexed loan to value ratio increased slightly to 48% (31 December 2008: 46%).

Healthcare sales were 29% lower at £10m (2008: £14m) on an APE basis.

Europe

In Europe, net inflows were 28% lower in constant currency at £388m (2008: £497m)[8] and sales were 27% lower in constant currency at £557m (2008: £689m)[8].

In Ireland, total sales of £372m (2008: £427m)[8] were 18% lower in constant currency. Domestic sales in Ireland have increased by 8% in constant currency, driven by increased sales of post-retirement products during the second quarter ahead of planned changes to tax legislation. Offshore bond sales were 36% lower at £173m (2008: £270m) due to the impact of the weak economy.

Sales in Germany of £185m (2008: £262m) were 39% lower than the prior year in constant currency. This largely reflects weak consumer confidence, coupled with a preference for the more familiar domestic players during the current period of economic uncertainty.

Canada

Canadian net inflows of £139m (2008: £304m) reflect lower inflows across group savings and retirement products.

Canadian sales were 2% higher in constant currency at £1,352m (2008: £1,201m). Group savings and retirement sales of £750m benefited from a number of mid-sized mandates secured in the first few months of the period but were 11% lower in constant currency than the prior year figure which was distorted by a large defined benefit administration mandate secured in the second quarter. Within the Group savings and retirement total, defined contribution sales increased by 41% in constant currency to £635m (2008: £408m).

Individual insurance, savings and retirement new business has increased by 21% in constant currency to £240m (2008: £180m) with strong growth achieved in the second quarter in spite of a challenging Canadian retail market, which has been reflected in lower sales of mutual funds. Group insurance new business has also increased by 92% in constant currency to £260m (2008: £123m). This increase is due to changes to renewal assumptions, which were made as part of the year end process and were reflected in our 2008 *Preliminary Results*.

Asia

Combined sales across our Indian and Chinese joint ventures and our Hong Kong operation were 6% higher in constant currency at £296m (2008: £240m)[9].

There are continuing challenges in both India and China life insurance sectors with the economic slowdown and volatility in the equity markets impacting customer activity.

Against this backdrop, sales in constant currency increased by 2% in India. Standard Life's share of these sales was £203m (2008: £180m)[9]. In China, sales volumes decreased by 1% in constant currency. Standard Life's share of these sales was £56m (2008: £42m).

Hong Kong has continued to enjoy strong growth, primarily due to the success of its new unit-linked savings product, with new business sales in constant currency increasing by 56% to £37m (2008: £18m).

Global investment management

Despite volatile markets Standard Life Investments achieved worldwide third party net inflows of £3.1bn (2008: £2.7bn), £2.4bn of which relates to investment products only, representing a 17% increase over the equivalent period last year and an annualised 14% of opening third party assets under management. Nearly 80% of the new net inflows came from outside the UK as Standard Life Investments expands its global presence. 58 new institutional clients have been won in the UK and Europe during the first six months of the year, 10 segregated and 48 pooled, increasing the institutional client base in these markets by 16%.

Within the UK, we have seen a strong recovery in activity levels within both money market and retail mutual funds, with respective net inflows of £434m (2008: net outflow £316m) and £313m (2008: net inflow £4m).

While conditions remain challenging within the UK market for segregated institutional mandates, we have seen strong growth in institutional flows across our international markets, total European net flows rose to £743m (2008: net outflow £4m), with net flows in India of £855m (2008: £235m) reflecting increased traction into higher margin money market funds, and inflows into Canadian institutional business of £251m (2008: £2m) benefiting from a large mandate that transitioned during the second quarter.

Third party assets under management have performed well, increasing by 4% to £47.3bn (31 December 2008: £45.5bn) during a six month period in which the FTSE All-Share Index fell by 2%. Third party assets under management now represent 39% of total assets under management compared with 37% as at 31 December 2008. Total assets under management were 2% lower at £121.6bn (31 December 2008: £123.8bn).

The money-weighted active investment performance over all time periods (1, 3, 5, and 10 years) continues to be comfortably above median for our third party business. The strength of our investment process across a range of OEICS and unit trusts is demonstrated by the proportion of eligible and actively managed funds (21 out of 27) rated 'A' or above by Standard & Poor's.

The pipeline for institutional business remains strong with continued demand for GARS and fixed interest products. Over three quarters of the current pipeline is from clients outside the UK as Standard Life Investments continues to expand its global footprint. The mutual fund product range continues to grow in response to consumer demand with the Strategic Bond Fund, UK Equity Recovery Fund and European Equity Income Fund introduced during the period.

Operating profits impacted by opening market levels

EEV operating profit before tax was 35% lower at £348m (2008: £534m), delivering a return on embedded value (RoEV) of 8.0% (2008: 11.0%). In the first half of 2008 we reinsured £6.7bn of our UK immediate annuity liabilities to Canada Life International Re, which generated an EEV operating profit before tax of £119m. Excluding this transaction, EEV operating profit before tax decreased by 16%.

We report our RoEV under three components: core, efficiency and back book management.

	Breakdown of RoEV		Breakdown of EEV operating profit (£m)	
	H1 2009	H1 2008	H1 2009	H1 2008
Core	6.0%	9.2%	259	393
Efficiency	(0.2%)	(0.1%)	(5)	(3)
Back book management	2.2%	1.9%	94	144
Total	8.0%	11.0%	348	534

Core return

Core return comprises new business contribution, expected return, development costs for covered business[10] and IFRS normalised underlying profit for non-covered businesses[11,12]. Our Asian life and pensions operations are included on an IFRS basis.

As an asset managing business our core return will inevitably be influenced by the overall level of financial markets. Core EEV operating profit before tax was 34% lower at £259m (2008: £393m) delivering a core RoEV of 6.0% (2008: 9.2%). New business contribution was 27% lower at £114m (2008: £157m), due to reduced sales volumes against challenging markets. Core return was also impacted by lower non-life profits and a market driven reduction in the value of the in-force book at the end of 2008, which resulted in a lower expected return on existing business.

Our key new business metrics of internal rate of return (IRR) and discounted payback period were 16% (2008: 18%) and eight years (2008: seven years) respectively, the slight decrease in IRR having been driven by reduced asset values in Canada. The continued strength of these metrics reflects the benefit of our capital-lite approach.

We have continued to invest in our market leading propositions and our growing Asian operations. This has led to an increase in development expenses and IFRS losses in our Asia life and pensions operations, the impact of which has been partly offset by stronger profitability within our Canadian operations.

Continued drive for efficiency

Efficiency comprises covered business maintenance expense variances and assumption changes. In 2009 expense variances reduced RoEV by 0.2% (2008: (0.1%)).

Following the completion of the first phase of the Continuous Improvement Programme, during which we achieved £100m of annual efficiency savings one year early, we announced in March a target of achieving a further £75m of annual efficiency savings by the end of 2010.

In the first half of 2009 we have achieved £26m of annual efficiency savings towards this target, the majority of which relate to reduced acquisition costs which will be reflected in new business contribution going forward. Other savings relate to covered business maintenance expenses and non-covered business lines.

We have achieved this through a number of initiatives including:

- Alignment of our UK distribution and marketing operating models with our strategic objectives. This has led to a headcount reduction of around 200 and a reduction in accommodation costs and other associated overheads.
- Continued improvement and automation of customer service processes, which has allowed us to maintain our award-winning levels of customer service without needing to replace natural headcount attrition.
- Outsourcing elements of IT development.
- Consolidation of our investment management operations in the Asia Pacific region and transferring administrative responsibilities to the UK.

Active back book management

We remain committed to driving increased value from the management of our back book. This category includes all non-expense related operating variances and assumption changes for covered business plus those development costs directly related to back book management initiatives and, for non-covered business, specific costs attributed to back book management. During the year, back book management generated an operating profit before tax of £94m (2008: £144m), delivering a back book management RoEV of 2.2% (2008: 1.9%).

Positive factors within the back book management result include a £89m benefit from modelling improvements and changes to asset allocations and hedging arrangements, which have reduced the time value of options and guarantees (TVOG) associated with the Heritage With Profits Fund (HWPF). In addition, the result benefited from a £29m (2008: £20m) release of reserves following a review of our deferred annuity data. In February 2008 we reinsured £6.7bn of our UK immediate annuity liabilities to Canada Life International Re. This generated a benefit to EEV operating profit before tax of £119m which was reflected in the prior period result.

Non-economic assumptions are reviewed at the end of each year.

Capital and cash generation

Overall, operating capital and cash generation amounted to £188m (2008: £250m).

Core capital and cash generation was 17% higher at £167m (2008: £143m). Capital and cash generation from new business and the expected return from existing covered business have strengthened by 32% to £174m (2008: £132m), despite the tough economic environment. This demonstrates the resilience of our capital-lite approach to writing new business, with capital and cash generated from existing business comfortably covering new business strain by more than three times (2008: two times).

Efficiency items reduced capital and cash by £8m (2008: £3m reduction). Capital and cash generated from back book management amounted to £29m. In 2008 back book management activities generated £110m of capital and cash, principally reflecting the reinsurance of UK immediate annuity liabilities in February 2008 and a reserve release in respect of UK deferred annuities.

After allowing for adverse investment variances and other non-operating items in the period, total EEV capital and cash generation was £49m (2008: £181m).

We have proposed an interim dividend of 4.15p per share. This represents growth of 2.0%. The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

IFRS

IFRS normalised underlying profit excluding the impact of market volatility on surplus assets and reserves in Canada was £98m (2008: £216m). As highlighted in our 2008 preliminary results, our IFRS profitability is affected by the strength and volatility of investment markets and asset values. The impact of this volatility can be significant within our operations in Canada due to the way Canadian life companies typically structure non-segregated funds, with assets backing both policyholder liabilities and the shareholder surplus. Mark-to-market value adjustments in respect of surplus assets, coupled with reserve movements have reduced profit in Canada by £52m compared with the prior year. Under EEV this volatility is treated as a non-operating item.

Including the impact of this volatility, normalised underlying profit was £77m (2008: £247m). Items impacting the year on year trend in normalised underlying profit include lower management charges due to reduced asset values of £71m, asset impairments of £12m, and increased new business development costs incurred in respect of our growing Asian franchises of £9m.

IFRS underlying profit before tax of £47m (2008: £345m) has also been affected by a number of items which are not included in the normalised underlying profit figure. In 2008 these included a £105m benefit arising from the reinsurance of UK immediate annuity liabilities. In 2009 these included charges of £59m arising from mark-to-market movements in asset backed securities related to the restructure of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc.

Balance sheet

Group embedded value of £5,859m (31 December 2008: £6,245m), represents an embedded value per share of 265p (31 December 2008: 286p). IFRS equity excluding intangible assets and non-controlling interests was £2,995m (31 December 2008: £3,295m), representing 135p per share (31 December 2008: 151p). The reduction in Group embedded value and IFRS equity during the period reflects the impact of foreign exchange movements on the carrying value of our overseas operations, the actuarial valuation of the Group's defined benefit pension schemes and the payment of the final dividend declared in respect of 2008.

The estimated Financial Groups Directive (FGD) surplus as at 30 June 2009 of £3.1bn has been largely insensitive to market movements and remains largely unchanged from the year-end position (31 December 2008: £3.3bn)[1], with a period end solvency cover of 217% (31 December 2008: 219%)[1]. The strength of our FGD surplus has been maintained throughout the recent challenging market conditions without any need to undertake any significant management actions.

Our FGD solvency remains strong under a number of downside market stresses, with the surplus maintained at £2.5bn in the event of a 20% fall in equity markets (to a FTSE 100 Index level 3,400) from the position at the end of June 2009 (FTSE 100 Index level 4,249). In the event of a 30% fall in markets from the position at the end of June (to a FTSE 100 Index level of below 3,000) our FGD surplus would remain strong at £2.2bn. Under the extreme market stress of a 40% fall (to a FTSE 100 Index level of around 2,500) our FGD surplus would be £1.4bn. If yields increased a further 100bps from the position at the end of June 2009 our FGD surplus would be £1.4bn.

The Heritage With Profits Fund (HWPF) residual estate amounted to £0.4bn as at 30 June 2009 (31 March 2009: £0.3bn 31 December 2008: £0.5bn). The impact on the residual estate of falls in equity markets continues to be mitigated by the hedges we have in place. The impact of most other adverse asset movements would, in the first instance, be met by policyholders, with indirect impacts on shareholders through higher guarantee costs. Shareholder exposure is also limited by the structure of the capital support mechanism set up at Demutualisation, with shareholder support being obtained by encumbering the furthest out cash transfers from the HWPF to shareholders.

Shareholders are exposed to debt securities which back annuity liabilities in the UK and Europe and the liability in respect of longevity risk reinsured from the HWPF. These debt securities amount to £1.8bn (31 December 2008: £1.5bn) and comprise £0.8bn (31 December 2008: £0.8bn) of government and government backed bonds and £1.0bn (31 December 2008: £0.7bn) of other corporate bonds. There have been no defaults on the debt securities in this portfolio during 2008 and the first half of 2009. Debt securities in non-segregated funds in Canada amount to £5.2bn (31 December 2008: £5.4bn), including £2.1bn (31 December 2008: £2.2bn) of corporate bonds. There have been no defaults within this portfolio of debt securities during 2008 and the first half of 2009.

Standard Life's total investment (including third party funds) in the asset backed securities markets across both short-term treasury instruments and long-term fixed interest is approximately £4.4bn or 2.8% (31 December 2008: £5.3bn or 3.3%) of Group assets under administration, predominantly in UK securities. Of the total of £4.4bn, £1.2bn (31 December 2008: £1.3bn) relates to shareholder funds, of which £1.0bn (31 December 2008: £1.2bn) is AAA rated. The overall level of asset backed securities has reduced compared to 31 December 2008 as a result of disposals from non-shareholder funds, a number of securities reaching maturity and due to market movements. The Group has continued to manage actively its exposure to asset backed securities and the portfolio remains a high quality credit portfolio with no direct exposures to the US mortgage market, no exposure to leveraged structures, no current direct exposure to Monolines and very modest exposure to credit within a Monoline wrapper. Following the restructure of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc, shareholder funds have a total exposure of £44m (31 December 2008: £83m, including £36m in respect of leveraged structures which have matured in 2009) to assets within a Monoline wrapper, representing 0.2% (31 December 2008: 0.3%) of shareholder financial assets.

Outlook

While financial market levels have shown some recovery from the lows seen earlier in the year, the economic environment continues to be challenging. Accordingly, the outlook for retail savings is likely to remain subdued, although we have seen some early signs of recovery within our mutual fund range and our Canadian retail propositions.

We remain confident in the prospects for our pensions businesses and Wrap proposition, reflecting both their market-leading positions and the significant proportion of sales that relates to consolidation of existing assets. Meanwhile, at Standard Life Investments we continue to broaden our global footprint, with a strong international pipeline for fixed income and absolute return investment mandates.

Overall, as an asset managing business our revenues will inevitably be impacted by lower financial market levels. Nevertheless, our ongoing focus on efficiency will help mitigate the impact on profitability. The Group will benefit from the expense efficiencies achieved to date and will continue to build on the strong initial progress made against our target of achieving £75m of annual efficiency savings by the end of 2010.

Standard Life is committed to a prudent, capital-lite strategy with balance sheet strength and cash generation remaining priorities. We will nevertheless continue to invest to secure future growth where profitable opportunities arise. This approach underpins the resilience of our business model.

For further information please contact:

Institutional Equity Investors

Gordon Aitken	0131 245 6799
Duncan Heath	0131 245 4742
Paul De'Ath	0131 245 9893

Retail Equity Investors

Capita Registrars	0845 113 0045

Media

Barry Cameron	0131 245 6165/07712 486 463
Nicola McGowan	0131 245 4016/07872 191 341
Paul Keeble	020 7872 4481/07712 486 387
Neil Bennett (Maitland)	020 7379 5151/07900 000 777

Debt Investors

Andy Townsend	0131 245 7260
Alan Coutts	0131 245 0201

Newswires and online publications

A conference call will take place for newswires and online publications from 8.00-9.00am. Participants should dial +44 (0)207 162 0077 and quote Standard Life Interim Results 2009. The conference ID number is 839173.

Investors and Analysts

A presentation to investors and analysts will take place at 11:00am at UBS Ground Floor Conference Centre, 1 Finsbury Avenue, London. 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 11:00am. Investors and analysts should dial +44 (0)1452 556620. Callers should quote Standard Life Interim Results. The conference ID number is 19773170. A replay facility will be available until 18 August 2009. UK Investors should call 0800 953 1533, and overseas investors should dial +44 1452 55 00 00. The pass code is 19773170#.

Notes to Editors:

1 Financial Groups Directive surplus at 31 December 2008 has been adjusted for the payment of the final dividend.

2 Present value of new business premiums (PVNBP) is calculated as 100% of single premiums plus the expected present value of new regular premiums.

3 Life and pensions net flows represent gross inflows less redemptions. Gross inflows are premiums and deposits recognised in the period on a regulatory basis (excluding any switches between funds). Redemptions are claims and annuity payments (excluding any reinsurance transactions and switches between funds).

Worldwide life and pensions net flows do not include net flows in respect of our Asia life and pensions joint ventures and our Hong Kong subsidiary.

4 Certain items are included in both life and pensions and investment flows. Therefore, at Group level, an elimination adjustment is required to remove any duplication.

5 Analysis of Individual SIPP assets under administration.

	30 Jun 2009	31 Dec 2008	Change	
	£m	£m	£m	%
Insured Standard Life Funds	2,495	2,559	(64)	(3)
Insured external funds	1,370	1,268	102	8
Collectives – Standard Life Investments	1,201	864	337	39
Collectives – Funds Network	764	656	108	16
Cash	1,092	869	223	26
Non collectives	2,796	2,443	353	14
Total	**9,718**	**8,659**	**1,059**	**12**
Insured	3,865	3,827	38	1
Non-insured	5,853	4,832	1,021	21
Total	**9,718**	**8,659**	**1,059**	**12**

Of the £9.7bn assets under administration at 30 June 2009, £1.1bn relate to assets on the Wrap platform.

6 The Group pensions AUA figure as at 31 December 2008 has been restated to align with the methodology used for other product lines.

7 Wrap assets under administration have been restated to exclude amounts that have been secured but are pending investment onto the Wrap platform. The impact of this restatement has been immaterial, reducing the assets under administration figures as at 31 December 2008 and 30 June 2009 by £0.1bn.

8 Offshore bond inflows of £77m (2008: £265m) and sales of £173m (2008: £270m) are now included within the European results rather than the UK.

9 H1 2008 PVNBP includes a restatement to opening assumptions in India. The impact is to reduce H1 2008 PVNBP by £53m.

10 Excludes development costs directly related to back book management initiatives.

11 The only difference between IFRS normalised underlying profit and IFRS underlying profit for non-covered business arises within global investment management. Net negative fair value movements in respect of the liability remaining following the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc and the 'Contract for Differences' written in September 2008 which limited this liability for Standard Life Investments and fair value movements of the corresponding assets which were brought directly on to the balance sheet, are included within IFRS underlying profit, but are excluded from IFRS normalised underlying profit.

12 Excludes specific costs attributable to back book management.

13 The *Interim Results 2009* are available on the Financial Results page of the Standard Life website at www.standardlife.com

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1 Business review

Forward-looking statements

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

Key differences between the EEV and IFRS bases

EEV

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.

IFRS

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 year adjusted for the amortisation of deferred acquisition costs.

1.1 Group overview

Financial highlights

	H1 2009	H1 2008	Movement
Life and pensions net flows[1]	**£662m**	£1,842m	(64%)
New business PVNBP[1,2]	**£7,451m**	£9,051m	(18%)
New business contribution	**£114m**	£157m	(27%)
EEV operating profit before tax	**£348m**	£534m	(35%)
Return on embedded value[3]	**8.0%**	11.0%	(3.0% points)
Diluted EEV operating EPS[3]	**11.1p**	17.3p	(36%)
IFRS underlying profit before tax	**£47m**	£345m	(86%)
IFRS (loss)/profit after tax attributable to equity holders	**(£20m)**	£161m	(112%)
EEV	**£5,859m**	£6,245m[4]	(6%)
EEV per share	**265p**	286p[4]	(7%)
Group assets under administration	**£156.5bn**	£156.8bn[4]	-
Group capital surplus[5]	**£3.1bn**	£3.5bn[4]	(11%)
EEV operating profit capital and cash generation[3]	**£188m**	£250m	(25%)
Interim dividend per share	**4.15p**	4.07p	2%

[1] The H1 2008 figures have been restated to include Sigma UKFS mutual funds. The impact is: net outflows of £122m and PVNBP of £40m.
[2] H1 2008 PVNBP includes a restatement to opening assumptions in India. The impact is to reduce H1 2008 PVNBP by £53m.
[3] Net of tax.
[4] Comparative as at 31 December 2008.
[5] H1 2009 based on estimated regulatory returns. FY 2008 based on final regulatory returns.

Standard Life has delivered a resilient performance against a backdrop of continued challenging market conditions.

Our conservative balance sheet structure and capital-lite approach to writing new business have enabled us to maintain a robust capital surplus and generate strong cash flows during the first half of the year. Against this, market levels have had an inevitable impact on reported sales levels and profitability measured on EEV and IFRS bases.

Standard Life benefits from a diverse product offering across the Group, which is well-suited to meet customers' changing needs in both recessionary and recovery market conditions. This has been reflected in our continued ability to attract net inflows into the Group despite the challenging market backdrop.

Financial performance

Total Group assets under administration (AUA) reduced slightly to £156.5bn (31 December 2008: £156.8bn) with positive net flows being offset by adverse market movements. Worldwide life and pensions net inflows for H1 2009 were £662m (H1 2008: £1,842m). The reduction in net inflows reflects lower incoming transfer values into our pension product lines and our decision not to renew bulk investment bond deals written in the first half of 2008. Third party investment management net inflows increased by 17% to £3.1bn despite the challenging conditions. Present value of new business premiums (PVNBP) decreased by 18% to £7,451m (H1 2008: £9,051m).

European Embedded Value (EEV) operating profits decreased to £348m (H1 2008: £534m) and return on embedded value (RoEV) fell to 8.0% (H1 2008: 11.0%). This was due to lower sales and associated new business contribution (NBC) and also the inclusion of a benefit relating to the successful reinsurance of pre-demutualisation UK immediate annuity liabilities reported in the H1 2008 results.

International Financial Reporting Standards (IFRS) underlying profit before tax fell by 86% to £47m (H1 2008: £345m). This reduction was largely due to inclusion of the reinsurance benefit in the prior year, and the impact of negative asset value movements on management charge revenues and on the results of our Canadian operations. Current year results include a charge of £59m arising from mark-to-market movements in asset backed securities related to the restructure of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc. IFRS profit after tax attributable to equity holders fell by 112% to a loss of £20m (H1 2008: profit £161m).

Operating profit capital and cash generation decreased from £250m to £188m. Within this, our core capital and cash generation increased by 17% to £167m (H1 2008: £143m) despite the tough economic environment, demonstrating the resilience of our capital-lite approach to writing new business. New business strain (NBS) continued to be comfortably covered by capital and cash generation from existing business, by more than three times at 30 June 2009.

1.1 Group overview *continued*

The Group capital surplus remained largely insensitive to market movements at £3.1bn, compared to £3.5bn at 31 December 2008. The strength of our Financial Groups Directive (FGD) surplus has been maintained throughout the challenging market conditions without the need to undertake any significant management actions.

Following the completion of the first phase of the Continuous Improvement Programme – during which we achieved £100m of annual efficiency savings one year early – we announced, in March, a target of achieving a further £75m of annualised efficiency savings by the end of 2010. In the first half of 2009 we have achieved £26m of annualised efficiency savings towards this target. The savings have been generated through a number of initiatives including alignment of our UK distribution and marketing operating models with our strategic objectives (which led to a headcount reduction of around 200 and a reduction in accommodation costs and other associated overheads), continued improvement and automation of customer service processes, outsourcing elements of IT development capability and consolidation of our global investment management operations in the Asia Pacific region.

During the period, the Group replaced the dividend reinvestment plan with a Scrip dividend scheme. The high take-up of the Scrip dividend resulted in a £58m cash flow benefit on payment of the 2008 final dividend in May 2009.

The Board proposes payment of an interim dividend of 4.15p per share for the period to 30 June 2009. This represents growth of 2%. The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

General industry matters

Economic and market conditions

The unprecedented volatility of global capital markets during the later part of 2008 and the first half of 2009, and the financial difficulty experienced by some major financial institutions, have attracted extensive media attention and heightened investors' concerns about the safety of their investments. Although all industry sectors have been affected, the spotlight has primarily been on financial services. In response to the continuing financial crisis a number of recent industry reports have been issued proposing significant changes to financial services regulation both in the UK and internationally. Standard Life will continue to closely monitor all new developments in the regulatory landscape and fully participate in discussions through our membership of industry bodies.

Market Consistent Embedded Value (MCEV)

The European Insurance Chief Financial Officers (CFO) Forum Market Consistent Embedded Value Principles ©* (MCEV Principles) were issued by the CFO Forum on 4 June 2008 to replace the current EEV Principles and Additional Guidance and were designed to improve the transparency and comparability of embedded value reporting. On 19 December 2008, the CFO Forum announced that it would undertake further work to seek to improve the consistency of certain MCEV Principles, particularly in light of volatile economic markets. As a member of the CFO Forum, the Group will continue to participate in this work.

In light of these developments, which may result in significant amendments to certain MCEV Principles, the CFO Forum announced on 22 May 2009 that it believed that it was sensible to defer the mandatory MCEV reporting for all member firms until 2011. A further update on the work of the CFO Forum will be provided later this year.

Solvency II

Solvency II has recently passed into European law, and is planned to be implemented by year end 2012. We have participated in all Quantitative Impact Studies to date and are also active in supporting the FSA's Insurance Standing Groups and in providing detailed input to the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) consultations through the Association of British Insurers.

Outlook

While financial market levels have shown some recovery from the lows seen earlier in the year, the economic environment continues to be challenging. Accordingly, the outlook for retail savings is likely to remain subdued, although we have seen some early signs of recovery within our mutual fund range and our Canadian retail propositions.

We remain confident in the prospects for our pensions businesses and Wrap proposition, reflecting both their market-leading positions and the significant proportion of sales that relates to consolidation of existing assets. Meanwhile, at Standard Life Investments we continue to broaden our global footprint, with a strong international pipeline for fixed income and absolute return investment mandates.

Overall, as an asset managing business our revenues will inevitably be impacted by lower financial market levels. Nevertheless, our ongoing focus on efficiency will help mitigate the impact on profitability. The Group will benefit from the expense efficiencies achieved to date and will continue to build on the strong initial progress made against our target of achieving £75m of annual efficiency savings by the end of 2010.

Standard Life is committed to a prudent, capital-lite strategy with balance sheet strength and cash generation remaining priorities. We will nevertheless continue to invest to secure future growth where profitable opportunities arise. This approach underpins the resilience of our business model.

* Stichting CFO Forum Foundation 2008.

1.2 New business sales and profitability

New business highlights

	H1 2009	H1 2008	Movement
Net flows[1]	**£662m**	£1,842m	(64%)
New business PVNBP[1,2]	**£7,451m**	£9,051m	(18%)
Investment – third party net inflows	**£3,113m**	£2,658m	17%
New business contribution	**£114m**	£157m	(27%)
Internal rate of return	**16%**	18%	(2% points)
Discounted payback period	**8 years**	7 years	(1 year)

[1] The H1 2008 figures have been restated to include Sigma UKFS mutual funds. The impact is: net outflows of £122m and PVNBP of £40m.
[2] H1 2008 PVNBP includes a restatement to opening assumptions in India. The impact is to reduce H1 2008 PVNBP by £53m.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary. Please also refer to Section 6 – Supplementary information for a detailed analysis of new business results and net flows.

AUA and net flows

Total Group assets under administration (AUA) reduced slightly to £156.5bn (31 December 2008: £156.8bn) with positive net flows being offset by adverse market movements. The Group continued to generate positive net inflows despite the difficult market conditions. Life and pensions net flows were £662m compared with £1,842m at H1 2008. Excluding UK bulk investment bond deals which generated £598m net inflows in H1 2008 and net outflows of £553m in H1 2009, worldwide net flows amounted to £1,215m (H1 2008: £1,244m). Third party global investment management net inflows amounted to £3,113m, an increase of 17% compared with H1 2008, a very strong result in the current market.

New business sales

The Group's new business sales for the six months to 30 June 2009 of £7,451m, represent an 18% decrease compared to H1 2008 of £9,051m.

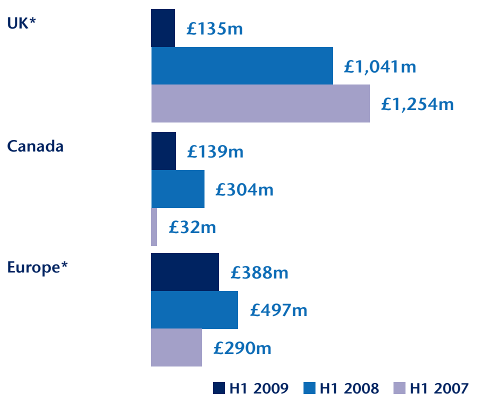
UK life and pensions sales at £5,246m were 24% lower than the prior period (H1 2008: £6,921m) with sales impacted primarily by negative market movements on average incoming transfer values, our decision not to renew UK bulk investment bond deals written in H1 2008 and lower consumer confidence. Gross lending in our banking business reduced to £143m (H1 2008: £728m). This was driven by a number of strategic measures to manage liquidity and is in line with many of our competitors. Our healthcare sales fell by 29% to £10m (H1 2008: £14m).

PVNBP sales in Canada increased by 2% in constant currency to £1,352m (H1 2008: £1,201m). Excluding large cases in both years and assumption changes, total sales were in line with last year.

In Europe, PVNBP sales decreased by 27% in constant currency to £557m (H1 2008: £689m). In Ireland, a sales decrease of 18% in constant currency was driven by falls in sales of offshore bonds, due to weaker customer confidence. Excluding offshore bonds, Ireland sales increased in constant currency by 8%, driven by sales in advance of expected changes to pensions tax legislation. In Germany, customer uncertainty in the face of market volatilty negatively impacted sales resulting in a 39% decrease in constant currency.

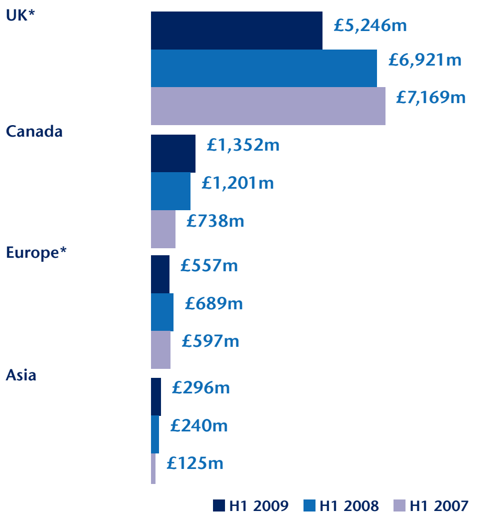
Operations in Asia continued to offer attractive growth potential and in H1 2009 PVNBP sales increased by 6%[2] in constant currency to £296m.

Worldwide Group net flows £662m (H1 2008: £1,842m, H1 2007: £1,576m)



* UK net flows comparatives have been restated to include Sigma UKFS mutual funds as covered business. UK and Europe comparatives have been restated to reflect the inclusion of offshore bonds within the Europe results. Prior to 2009 this was included within UK.

Worldwide Group PVNBP sales £7,451m (H1 2008: £9,051m, H1 2007: £8,629m)

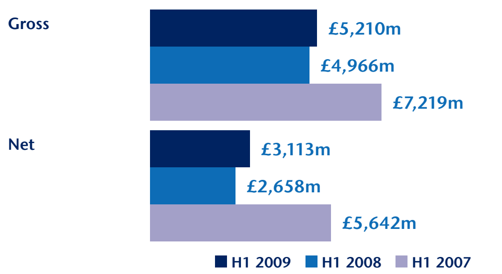


* UK PVNBP comparatives have been restated to include Sigma UKFS mutual funds as covered business. UK and Europe comparatives have been restated to reflect the inclusion of offshore bonds within the Europe results. Prior to 2009 this was included within UK.

1.2 New business sales and profitability *continued*

Against a backdrop of continued difficult markets, global investment management third party gross inflows increased by 5% from £4,966m to £5,210m. Net inflows increased by 17% to £3,113m. Third party assets under management (AUM) increased by 4% to £47.3bn (31 December 2008: £45.5bn). This increase compares favourably with the fall in financial markets during the period.

Global investment management third party flows



	NBC £m		PVNBP margin %		IRR %		Discounted payback (years)	
	H1 2009	H1 2008	**H1 2009**	H1 2008	**H1 2009**	H1 2008	**H1 2009**	H1 2008
UK[1,2]	**92**	132	**1.8**	1.9	**20**	20	**6**	7
Canada	**18**	18	**1.3**	1.5	**14**	21	**9**	7
Europe[2]	**4**	7	**0.8**	1.0	**7**	10	**21**	17
Total	**114**	157	**1.6**	1.7	**16**	18	**8**	7

[1] H1 2008 NBC, PVNBP margin, IRR and discounted payback do not include any contribution for Sigma UKFS mutual funds.

[2] H1 2008 NBC, PVNBP margin, IRR and discounted payback for UK and Europe have been restated to reflect the inclusion of offshore bonds within the Europe results. Prior to 2009 this was included within UK.

New business profitability

New business profitability has been impacted by the adverse market conditions. New business contribution (NBC) decreased by 27% to £114m. The total internal rate of return (IRR) for the Group was 16% (H1 2008: 18%) and the discounted payback period extended to eight years (H1 2008: seven years). We remain committed to our strategy of focusing on capital-lite products which deliver high capital returns and fast recovery of investment.

In the UK, NBC fell by 30% to £92m (H1 2008: £132m) due to lower sales volumes and a reduction in margins. The UK IRR has remained stable at 20%, whilst the payback period reduced slightly to six years (H1 2008: seven years). For further analysis of new business profitability by product refer to Section 1.5.1 – UK financial services.

In Canada, NBC was maintained at £18m. Margins were 1.3% compared to 1.5% at H1 2008 and reflect lower fund values in our investment funds caused by the decline in equity markets in the second half of 2008. The IRR reduced to 14% (H1 2008: 21%) and the payback period extended to nine years (H1 2008: seven years), due largely to lower profitability in investment funds products caused by market-related declines in asset values.

NBC in Europe decreased by £3m. The overall IRR and discounted payback period deteriorated compared to the prior year. In the German and offshore businesses, this was caused by the lower sales volumes which were not fully compensated for by a proportionate reduction in the cost base. However, in Ireland the IRR has increased due to higher sales and lower acquisition costs.

Further analysis of the individual segment results can be found in Section 1.5 – Business segment performance.

1.3 EEV – Group

EEV highlights

	H1 2009	H1 2008	Movement
EEV operating profit before tax	**£348m**	£534m	(35%)
Return on embedded value[1]	**8.0%**	11.0%	(3.0% points)
Diluted EEV operating EPS[1]	**11.1p**	17.3p	(36%)
EEV (loss)/profit before tax	**(£44m)**	£15m	(393%)
EEV	**£5,859m**	£6,245m[2]	(6%)
EEV per share	**265p**	286p[2]	(7%)

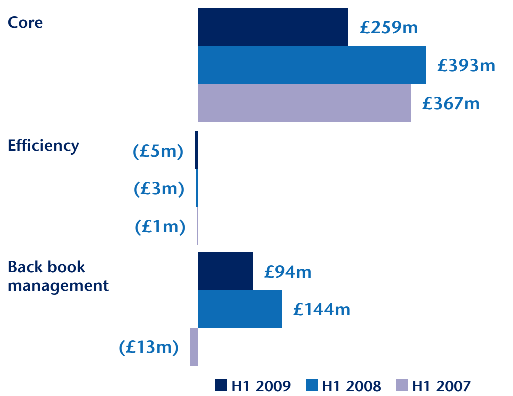
[1] Net of tax.
[2] Comparative as at 31 December 2008.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

EEV (loss)/profit before tax

The EEV consolidated income statement, in the supplementary EEV financial statements section of this report, presents the total EEV result showing both operating and non-operating items. Total EEV loss before tax of £44m (H1 2008: profit £15m) includes an operating profit of £348m (H1 2008: profit £534m) and a non-operating loss of £392m (H1 2008: loss £519m). Operating profit removes most of the investment variance within a reporting period but does reflect changes in investment conditions from period to period. Non-operating profits and losses are mainly market driven and occur as a result of short-term investment performance being different from the long-term return anticipated in the opening EEV. Further details on the operating profit and non-operating loss are given below.

EEV operating profit before tax £348m (H1 2008: £534m, H1 2007: £353m)



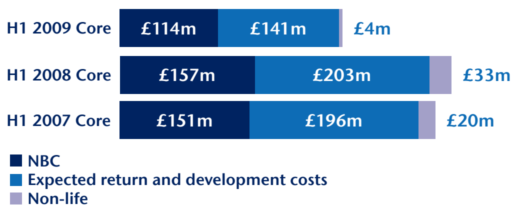
EEV operating profit before tax – core, efficiency and back book management

We analyse our EEV profits by three components that reflect the focus of our business effort – core, efficiency and back book management.

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 management.

The core element of our operating profit decreased by 34% to £259m (H1 2008: £393m). The fall primarily reflected the adverse impact of market conditions on NBC which decreased by £43m. Expected return from the Group's in-force business decreased by 13% to £189m (H1 2008: £218m), which primarily reflected market conditions. This included a £3m favourable exchange rate movement.

EEV operating profit before tax – core £259m (H1 2008: £393m, H1 2007: £367m)



There were losses in our Asia business of £25m (H1 2008: £16m) on an IFRS basis reflecting the continuing increase in operational activity. The decline in our non-covered business was driven by the fall in operating profit from our global investment management business and lower investment returns in the Group corporate centre (see 'EEV operating profit – by segment').

NBC is covered in detail in Section 1.2 – New business sales and profitability, while non-covered business is analysed in the segmental analysis of EEV operating profit and is discussed in greater detail in the relevant business segment sections of this report.

EEV operating profit before tax from back book management has decreased from £144m in H1 2008 to £94m for H1 2009. Management of the back book focuses on reducing risks and enhancing the value of expected shareholder profits as well as capturing the impact of changes in insurance experience and assumptions. The two major insurance risks to which shareholders are exposed are lapses and annuitant mortality.

1.3 EEV – Group *continued*

In line with general industry practice we will review our non-economic assumptions at the year end. As a result there have been no movements due to non-economic assumption changes in the six months to 30 June 2009.

A total £94m back book management profit was predominantly due to £89m of positive experience variance for the Heritage With Profits Fund time value of options and guarantees (HWPF TVOG), largely due to modelling improvements and the impact of changes in asset allocations and hedging arrangements. Included within 'Other' EEV operating profits from back book management is the benefit of a £29m release of provisions held for UK deferred annuity business. This release was made possible following a further review of our annuity data in H1 2009.

Total variance from lapse experience was negative £8m, compared to positive £2m in H1 2008. This was due to increased lapse activity in our German and offshore businesses, which reflected market conditions over the period. Lapse experience variance in our UK and Canada businesses was in line with long-term assumptions.

	UK £m	Canada £m	Europe £m	HWPF TVOG £m	**H1 2009 Total £m**	H1 2008 Total £m
Lapses	-	-	(8)	-	**(8)**	2
Mortality and morbidity	3	9	1	-	**13**	(1)
Tax	11	2	8	-	**21**	24
UK annuity reassurance	-	-	-	-	**-**	119
Other	(10)	(2)	(9)	89	**68**	-
Back book management	**4**	**9**	**(8)**	**89**	**94**	**144**

£21m of positive tax experience variance was generated across the Group, which included an £8m profit in Europe from the successful agreement of prior year tax affairs in Ireland.

Positive mortality and morbidity experience variances of £13m were largely driven by Canada, where profits were recognised following an exercise to verify the existence of current pay-out annuitants.

In H1 2008 we reinsured £6.7bn of pre-demutualisation UK immediate annuity liabilities. This represented a significant step in reducing shareholders' exposure to annuitant mortality risk and contributed £119m towards the EEV operating profit before tax for that period.

EEV operating profit before tax – by segment

EEV operating profit before tax decreased by 35% to £348m (H1 2008: £534m) and primarily reflected the difficult market conditions.

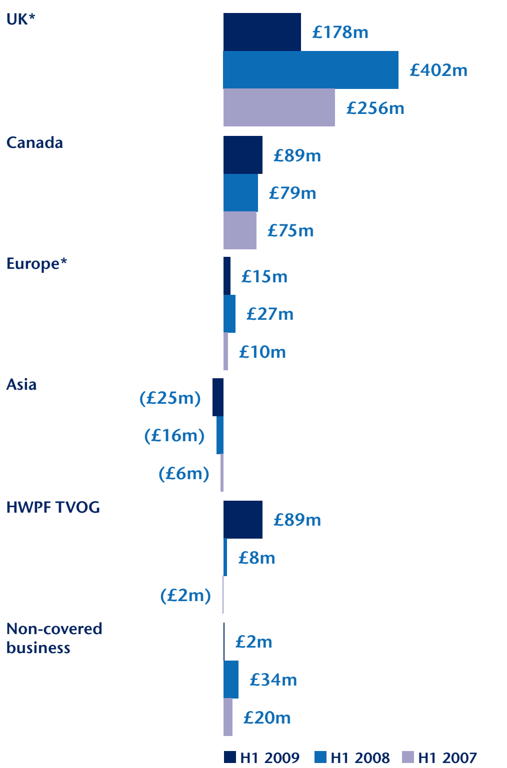
EEV operating profit for our UK life and pensions business, including HWPF TVOG, decreased by 35%. £107m of this movement is attributable to the reinsurance of immediate annuities in H1 2008. A decrease in NBC of £40m, and a £67m decrease in expected return on existing business and free surplus reflected the difficult economic climate. These factors were partially offset by £89m from HWPF TVOG and £3m lower development costs.

Operating profit for Canada increased by 2% on a constant currency basis, primarily due to higher expected return on existing business. NBC remained stable at £18m (H1 2008: £18m).

Europe EEV operating profit decreased by 52% in constant currency to £15m (H1 2008: £27m). The comparative period included an operating profit of £12m as a result of improved risk margins following the reinsurance of UK immediate annuities in H1 2008. In the current period, Europe experienced lower sales volumes and adverse persistency variations due to the difficult market conditions.

Losses in the Asia business on an IFRS basis reflect continued investment in developing operations in the region.

EEV operating profit before tax £348m (H1 2008: £534m, H1 2007: £353m)



* UK and Europe comparatives have been restated to reflect the inclusion of offshore bonds within the Europe results. Prior to 2009 this was included within UK.

The operating profit from our non-life and pensions operations was £2m (H1 2008: £34m). This decrease was driven by a fall in operating profit from our global investment management business from £31m to £10m, and reflects lower investment revenues as a result of the fall in world markets. Operating results from our UK banking and healthcare businesses have remained resilient despite the adverse market conditions. Reductions in profit in other non-covered business reflect lower investment returns in Standard Life plc.

Further comments on the operating profits of each of the businesses noted above are provided in Section 1.5 – Business segment performance.

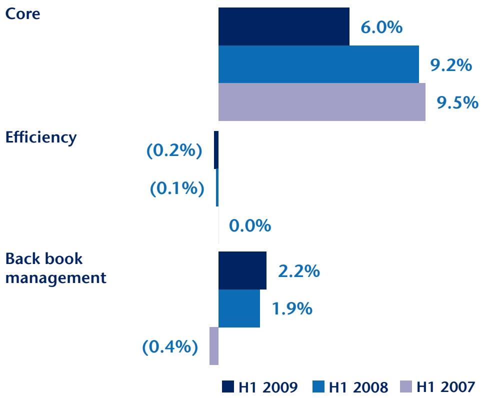
EEV operating profit after tax

EEV operating profit after tax decreased by 36% to £243m (H1 2008: £377m). The attributable tax rate was 30% in H1 2009 (H1 2008: 29%).

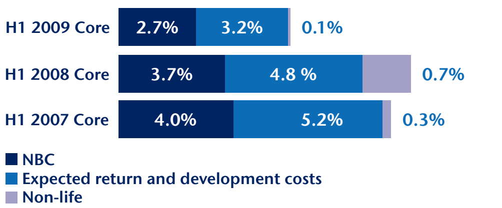
Return on embedded value (RoEV)

RoEV was 8.0% in H1 2009 compared to 11.0% in H1 2008. Core contributed 6.0% to total RoEV compared to 9.2% in H1 2008. This movement was primarily due to decreases in NBC and expected return from existing business, which contributed 1.0% and 1.6% respectively to the decrease in total RoEV. H1 2008 back book management RoEV included the reinsurance of UK immediate annuities, which contributed 1.4% to back book management RoEV.

Return on embedded value 8.0%
(H1 2008: 11.0%, H1 2007: 9.1%)



Return on embedded value – core 6.0%
(H1 2008: 9.2%, H1 2007: 9.5%)



Diluted EEV operating earnings per share (EPS)

The diluted EEV operating EPS decreased from 17.3p in H1 2008 to 11.1p in H1 2009. The basic EEV operating EPS also decreased from 17.3p in H1 2008 to 11.1p in H1 2009. These negative movements were largely driven by the 36% decrease in operating profit after tax compared to H1 2008. EPS is based on operating profit after tax and on 2,184m shares for basic EPS (H1 2008: 2,175m) and 2,185m shares for diluted EPS (H1 2008: 2,175m).

EEV non-operating loss before tax

Total non-operating loss before tax was £392m in H1 2009 (H1 2008: loss £519m), primarily reflecting lower than expected investment returns arising from the volatile markets during the period. Our life and pensions businesses produced a non-operating loss of £469m (H1 2008: loss £492m). This included long-term investment variances of negative £477m (H1 2008: negative £516m) and economic assumption changes of positive £33m (H1 2008: positive £40m).

Non-operating losses include losses in relation to the restructuring of the sub-fund of Standard Life Investments (Global Liquidity Funds) plc. £53m has been included within investment return and tax variances within UK covered business in H1 2009, and £6m within other non-operating items, which represented a net negative fair value movement in respect of the liability remaining following the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc and the ‘Contract for Differences’ written in September 2008 which limited this liability for Standard Life Investments.

£25m has been incurred as part of our Continuous Improvement Programme. Volatility arising from adjustments for different accounting bases resulted in a gain of £87m (H1 2008: £43m) within Bank and between Canada and Standard Life plc.

EEV non–operating loss after tax

The non-operating loss after tax was £291m (H1 2008: loss £370m). The attributed tax rate in H1 2009 was 26% compared to 29% in H1 2008.

EEV (loss)/profit after tax

EEV loss after tax was £48m in H1 2009 compared to a profit after tax of £7m in H1 2008.

1.3 EEV – Group *continued*

Reconciliation of EEV

6 months to 30 June 2009

	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Group EEV £m
Opening	**2,348**	**844**	**3,192**	**3,053**	**6,245**
Operating capital and cash generation	172	16	**188**	-	**188**
Non-operating capital and cash generation	(140)	1	**(139)**	-	**(139)**
PVIF income statement	-	-	**-**	(97)	**(97)**
(Loss)/profit after tax	**32**	**17**	**49**	**(97)**	**(48)**
Dividends	(168)	-	**(168)**	-	**(168)**
Other non-trading movements	(22)	(55)	**(77)**	(93)	**(170)**
Closing	**2,190**	**806**	**2,996**	**2,863**	**5,859**

Group embedded value

Overall our Group embedded value has fallen from £6.2bn to £5.9bn. Before taking into account dividends paid to shareholders and other non-trading movements, Group embedded value decreased by £48m, of which positive £188m was from operating capital and cash generation and negative £139m was from non-operating capital and cash generation. Core capital and cash generation of £167m represents a £24m increase from H1 2008 under tough market conditions. Efficiency capital and cash generation contributed negative £8m. Capital and cash generation from back book management of £29m was largely as a result of a release of provisions in relation to the UK deferred annuities, improvements in mortality and morbidity, and positive tax variances during the period.

This is discussed in more detail in Section 1.7 – Capital and cash generation.

Before taking into account other non-trading movements, the present value of the in-force (PVIF) business net of cost of capital has decreased by £97m predominantly due to an expected return of negative £143m and adverse investment return and tax variances of £155m, partially offset by an increase in PVIF from NBC written in the year of £155m, £43m of positive experience variances and £3m of positive economic assumption changes.

Included within the PVIF net of cost of capital is the TVOG for the Group. This includes the UK and Europe HWPF TVOG which reflects the value of the shareholder exposure to the policyholder guarantees within the HWPF. This has decreased from £220m for the FY 2008 to £101m due to £89m operating profits from back book management of HWPF TVOG and £76m of investment related profits, offset by £46m tax.

The HWPF is discussed in more detail in Section 1.7 – Capital and cash generation.

The decrease in the Group embedded value is predominantly due to dividend payments and other non-trading movements. Of the total £168m dividend, £110m was paid in cash and £58m of new shares were issued in the form of shares in lieu of cash dividends as part of the Scrip dividend scheme. Other non-trading movements include adverse exchange movements of £174m and actuarial losses of £80m in relation to the UK and Canada pension schemes.

The net worth of our Group has decreased from £3,192m to £2,996m primarily due to dividends and other non-trading movements. PVIF net of cost of capital has decreased from £3,053m to £2,863m, largely due to the impact of adverse market movements and negative expected return.

1.4 IFRS – Group

IFRS highlights

	H1 2009	H1 2008	Movement
IFRS underlying profit before tax	**£47m**	£345m	(86%)
IFRS (loss)/profit after tax attributable to equity holders	**(£20m)**	£161m	(112%)
Diluted IFRS underlying EPS[1]	**1.1p**	13.8p	(92%)
Dividend cover[2]	**0.3 times**	3.4 times	(91%)
IFRS tangible equity per share[3]	**135p**	151p[4]	(11%)

[1] Diluted IFRS underlying EPS is based on 2,185m shares (30 June 2008: 2,175m) and the IFRS underlying profit after tax of £25m (H1 2008: £300m).

[2] Dividend cover is calculated as IFRS underlying profit after tax and non-controlling interests for the period divided by the dividend proposed in respect of this period.

[3] IFRS tangible equity per share is based on the diluted closing number of issued shares of 2,212m (31 December 2008: 2,180m) and tangible IFRS equity of £2,995m (31 December 2008: £3,295m). IFRS tangible equity excludes non-controlling interests and intangible assets.

[4] Comparative as at 31 December 2008.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

IFRS (loss)/profit

IFRS loss for the period was £49m (H1 2008: profit £158m). This comprises loss after tax attributable to equity holders of £20m (H1 2008: profit £161m) and losses attributable to non-controlling interests of £29m (H1 2008: loss £3m). The IFRS result included an 86% decrease in underlying profit before tax from £345m to £47m as well as the impact of volatility excluded from the underlying profit. The decrease in underlying profit before tax was primarily due to the inclusion of a benefit relating to the reinsurance of pre-demutualisation UK immediate annuity liabilities in the H1 2008 results and the impact of the continuing market volatility in the period, and is explained in more detail below.

IFRS underlying profit before tax

Our IFRS consolidated income statement which shows IFRS (loss)/profit after tax attributable to equity holders, and the reconciliation to underlying profit are shown in the Group IFRS financial statements section of this report. We believe that the IFRS loss before tax adjusted for non-operating items provides a more meaningful analysis of the underlying business performance.

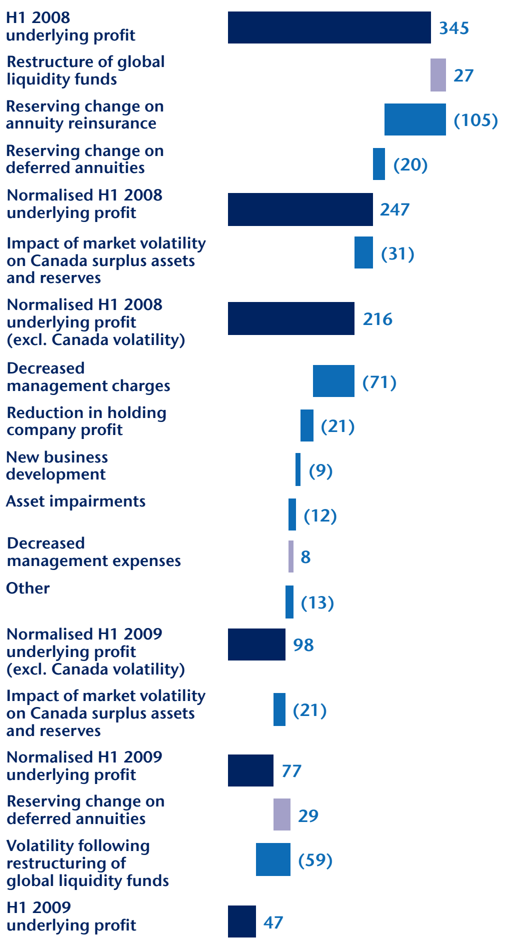
Movement in IFRS underlying profit

Underlying profit has been adversely impacted by the continued challenging market conditions. In H1 2008, underlying profit benefited from the inclusion of a £105m release of reserves following the reinsurance of £6.7bn of UK immediate annuities and a £20m release of reserves in relation to deferred annuity business. Offsetting these benefits was a cost of £27m relating to the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc.

In H1 2009, the underlying profit included a £59m charge in relation to continuing market volatility following the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc in 2008, of which £53m was recognised in UK life and pensions and £6m by the global investment management business. This was partially offset by a £29m release of reserves in relation to UK deferred annuity business.

Excluding the transactions noted above, the normalised underlying profit decreased by 69% to £77m (H1 2008: £247m) with profitability being significantly impacted by the continued weakness and volatility of investment markets. Across the Group, decreased management charges reduced profits by £71m due to lower asset values compared with H1 2008, and profitability was further impacted by a £21m reduction to profit in the holding company, Standard Life plc, due to lower interest income and adverse foreign exchange movements. In addition, new business development costs increased by £9m and asset impairment charges increased by £12m. Operational efficiencies and strict control of expenditure have had a positive impact on profitability of £8m.

Movement in IFRS underlying profit £m



1.4 IFRS – Group *continued*

The impact of market volatility continues to be evident within our Canadian operations due to the way that Canadian life companies typically structure non-segregated funds, with assets backing both policyholder liabilities and the shareholder surplus. A fall in investment property values has contributed to a reduction in surplus assets and an increase in policyholder liabilities. This has reduced Canadian normalised underlying profit by £21m in H1 2009 (H1 2008: increase £31m).

Excluding the impact of Canadian volatility, normalised underlying profit was £98m (H1 2008: £216m).

Segmental analysis of IFRS underlying profit

UK

Total IFRS underlying profit before tax within our UK business, which comprises our UK life and pensions, healthcare, and savings and mortgages businesses, decreased by 78% to £56m (H1 2008: £249m).

UK life and pensions underlying profit before tax fell by 84% to £36m (H1 2008: £229m). Normalised underlying profit decreased by £44m to £60m (H1 2008: £104m).

Our savings and mortgage business delivered a robust performance, focusing on managing profitability whilst ensuring liquidity requirements were met. Underlying profit increased by 25% to £15m (H1 2008: £12m). The underlying result excludes unrealised fair value gains on derivatives of £26m (H1 2008: £43m) in respect of non-qualifying economic hedges.

Underlying profitability in our healthcare business decreased to £5m (H1 2008: £8m) due to reduced investment income.

Canada

Canada recorded an underlying loss of £10m (H1 2008: profit £66m) driven by the impact of a fall in property values on policyholder liabilities and shareholder surplus.

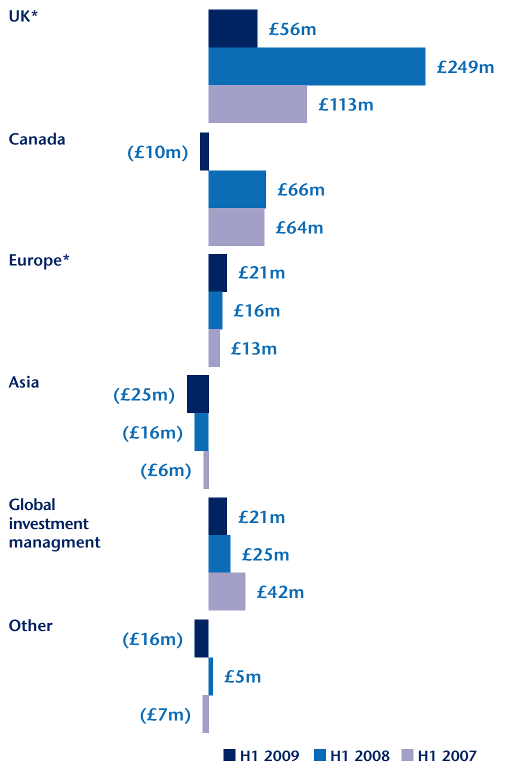
Europe

Europe underlying profit increased by 31% to £21m (H1 2008: £16m) with Germany contributing £26m (H1 2008: £26m) and Ireland recording a profit of £3m (H1 2008: loss £2m). Losses of £6m (H1 2008: loss £8m) from offshore bonds and expenses of £2m relating to European development are included in the Europe results for the first time.

Asia

Our Asia business recorded an IFRS underlying loss before tax of £25m (H1 2008: loss £16m) reflecting the continuing investment in developing the operations in the region and the negative impact of exchange rate movements.

IFRS underlying profit before tax £47m (H1 2008: £345m, H1 2007: £219m)



* UK and Europe comparatives have been restated to reflect the inclusion of offshore bonds within the Europe results. Prior to 2009 this was included within UK.

Global investment management

In our global investment management business, revenues have been adversely affected by the substantial fall in global financial markets and volatile conditions. Revenue fell by 12%, reflecting lower asset values, and despite costs being tightly controlled, IFRS normalised underlying profit before tax decreased by 48% to £27m (H1 2008: £52m).

Other

Group corporate centre (GCC) costs remained at £25m (H1 2008: £25m) reflecting continued cost control and 'other' decreased by £21m to £9m (H1 2008: £30m), primarily due to a reduction in holding company profit.

Refer to Section 1.5 – Business segment performance for further detail on the IFRS underlying result for our businesses.

IFRS tangible equity per share

IFRS tangible equity per share[3] decreased to 135p (31 December 2008: 151p) primarily due to the dividend payment and adverse foreign exchange movements in the period.

1.5 Business segment performance

1.5.1 UK financial services

UK financial services (UKFS) is the combination of our UK life and pensions, savings and mortgages and healthcare businesses. The UK business has a strong capital base, innovative and capital-lite propositions, and strong distribution relationships which makes it well placed to face the current difficult market conditions.

Life and pensions

The life and pensions business is one of the largest pensions, long-term savings and investment providers in the UK with £93bn of assets under administration. The business offers a broad range of insurance and investment wrappers, with particular strength in the accumulation market. Further developments will continue to be made to the award winning products and innovative propositions to ensure that they remain relevant to customers' lives and their changing financial needs.

Key performance indicators

	H1 2009	H1 2008	Movement
Net flows[1,2]	**£135m**	£1,041m	(87%)
New business PVNBP[1,2]	**£5,246m**	£6,921m	(24%)
New business contribution[2]	**£92m**	£132m	(30%)
Internal rate of return	**20%**	20%	-
Discounted payback period	**6 years**	7 years	1 year
EEV covered business operating profit before tax[2,3]	**£267m**	£410m	(35%)
EEV non-covered business operating loss before tax[4]	**(£11m)**	(£17m)	35%
IFRS underlying profit before tax[2]	**£36m**	£229m	(84%)

[1] The H1 2008 figures have been restated to include Sigma mutual funds. The impact is: net outflows of £122m and PVNBP of £40m.

[2] H1 2008 figures have been restated to exclude offshore bond business which is now reported within the Europe results. The impact of this is to adjust net flows by (£265m), PVNBP by (£270m), new business contribution by (£6m), EEV covered business operating profit by (£1m) and IFRS underlying profit before tax by £8m.

[3] Includes Heritage With Profits Fund time value of options and guarantees (HWPF TVOG).

[4] Includes UK defined benefit pension scheme charge and non-covered Wrap platform result.

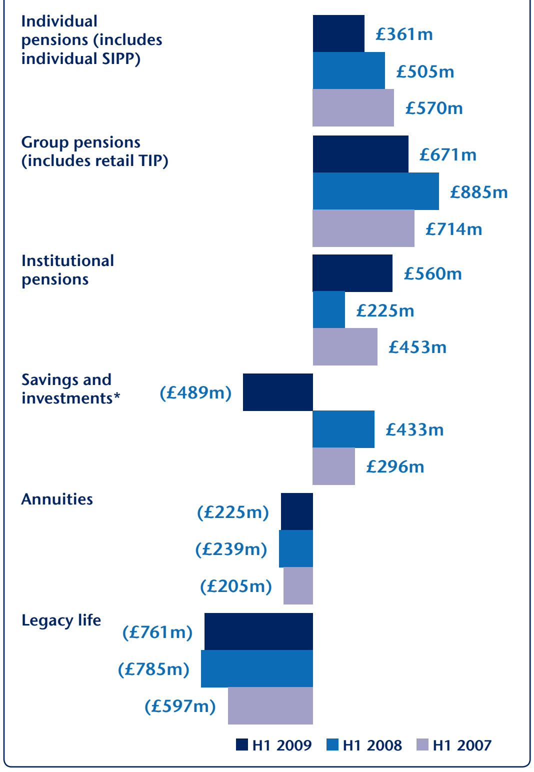
Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

Net flows

Net inflows for the period were £135m (H1 2008: £1,041m). Total pension net inflows of £1,592m were £23m lower than H1 2008. Individual pensions net inflows, which includes individual self invested personal pension (SIPP), were lower at £361m (H1 2008: £505m). Within this, lower net outflows of individual pensions of £598m (H1 2008: £930m) were offset by lower individual SIPP net inflows of £959m (H1 2008: £1,435m) driven by lower financial markets which have reduced incoming transfer values. Group pensions net inflows were £671m (H1 2008: £885m). Institutional pensions net inflows were £560m (H1 2008: £225m) reflecting successful scheme wins, strong regular contributions and lower outflows.

Savings and investments net outflows were £489m (H1 2008: net inflow £433m). Mutual funds net inflows were £336m (H1 2008: £160m) reflecting growth in customer numbers on our Wrap platform. This was more than offset by onshore bond net outflows of £825m (H1 2008: net inflow £273m). The decrease in net flows was mainly due to our decision not to renew bulk investment bond deals written in H1 2008 the majority of which have now surrendered in H1 2009 resulting in a net impact of £1.2bn compared to the prior year. Net outflows for legacy life were £761m (H1 2008: £785m). The vast majority is conventional with profit business, which generates minimal shareholder margin.

UK net flows £135m
(H1 2008: £1,041m, H1 2007: £1,254m)



Graph excludes Protection (H1 2009: £18m, H1 2008: £17m, H1 2007: £23m).

* H1 2008 and H1 2007 net flows have been restated to reflect the exclusion of offshore bonds which are now within the Europe results and the inclusion of Sigma mutual funds.

1.5 Business segment performance *continued*

1.5.1 UK financial services *continued*

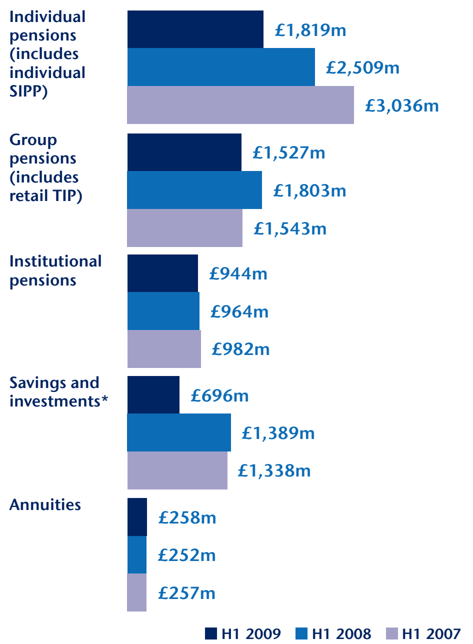
New business sales

Total PVNBP sales were £5,246m (H1 2008: £6,921m), a fall of 24%. Individual pensions, which includes individual SIPP and increments, decreased by 28% to £1,819m (H1 2008: £2,509m). Within this, individual SIPP sales were £1,537m (H1 2008: £2,074m). Individual SIPP customer numbers increased by 13% to 74,700 (31 December 2008: 65,900) during the period, however, the financial benefit of this was offset by lower average incoming transfer values. Group pensions sales fell by 15% to £1,527m (H1 2008: £1,803m) with sales boosted by £347m from the recently won British Telecom plc scheme (BT Scheme). We expect to receive single premium transfer amounts relating to this scheme later in the year. Activity has remained strong, and the number of insured lives has continued to grow since the end of 2008. Savings and investments sales decreased by 50% to £696m (H1 2008: £1,389m). Mutual funds sales increased by 49% to £542m (H1 2008: £364m) reflecting growth in customer numbers on the Wrap platform. This was offset by lower onshore bond sales of £154m (H1 2008: £1,025m), which was mainly due to our decision not to renew UK bulk investment bond deals written in 2008, which contributed £608m to sales in H1 2008.

New business profitability

New business contribution (NBC) decreased to £92m (H1 2008: £132m), with a new business margin of 1.8% (H1 2008: 1.9%). Overall the internal rate of return (IRR) remained stable at 20% (H1 2008: 20%), while the discounted payback period improved slightly to six years (H1 2008: seven years). Relatively flat acquisition expenses with lower volumes had an adverse impact on margin. The higher annuity margin reflects a change in our pricing of annuities in response to market conditions.

UK PVNBP sales £5,246m
(H1 2008: £6,921m, H1 2007: £7,169m)



Graph excludes Protection (H1 2009: £2m, H1 2008: £4m, H1 2007: £13m).

* H1 2008 and H1 2007 PVNBP have been restated to reflect the exclusion of offshore bonds which are now within the Europe results and the inclusion of Sigma mutual funds.

	NBC £m		PVNBP margin %		IRR %		Discounted payback (years)	
	H1 2009	H1 2008	**H1 2009**	H1 2008	**H1 2009**	H1 2008	**H1 2009**	H1 2008
Individual pensions	**14**	36	**0.7**	1.4	**11**	17	**10**	8
Group pensions	**29**	44	**1.9**	2.4	**14**	15	**11**	10
Institutional pensions	**7**	10	**0.8**	1.1	**>40**	>40	**<3**	<3
Savings and investments[1,2,3]	**(4)**	2	**(0.6)**	0.2	**4**	9	**n/a**	19
Annuities	**46**	40	**17.8**	15.9	**Infinite**	Infinite	**Immediate**	Immediate
UK Total	**92**	132	**1.8**	1.9	**20**	20	**6**	7

[1] H1 2008 new business contribution, IRR and payback figures have not been restated to include Sigma mutual funds.
[2] H1 2008 figures have been restated to exclude offshore bond business, which is now reported within the Europe results.
[3] H1 2009 payback period is not applicable due to new business loss.

Business development

In the current market conditions many of our customers are seeking solutions that will provide lower volatility for their investments. In response to this we continue to promote alternatives to equity investment such as fixed-rate deposit accounts in conjunction with our savings and mortgages business, and the Global Absolute Return Strategies fund through Standard Life Investments.

During the period we began migration of the previously announced BT Scheme. We believe this scheme win demonstrates our strength in the corporate pensions marketplace, and our ability to tailor our offering to meet trustee and employee specific needs. We believe this, and our reputation for service excellence combined with efficiency gives us a market-leading position in the corporate pensions marketplace. We also launched a new capital-lite onshore bond in June 2009 which offers a flexible transparent funded commission structure.

At 30 June 2009, we had 23,000 Wrap customers compared to 16,900 at 31 December 2008 and the number of independent financial adviser (IFA) firms using the platform had grown to 484 compared to 409 at 31 December 2008. With total funds on the platform increasing to £2.3bn compared to £1.7bn as at 31 December 2008, we expect momentum in Wrap to continue building.

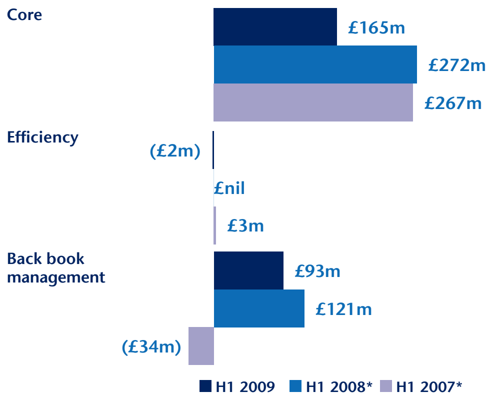
Performance

EEV operating profit before tax

UK EEV operating profit, including HWPF TVOG and non-covered business, decreased by 35% during the period to £256m (H1 2008: £393m). Core profit of £165m (H1 2008: £272m) includes NBC, expected return on in-force business, non-covered business and development costs. The £107m reduction in core was driven by a £40m fall in NBC, lower unwind of in-force business due to lower markets and a lower risk discount rate. Higher maintenance expenses resulted in a negative efficiency variance of £2m (H1 2008: £nil). Back book management profit of £93m (H1 2008: £121m) includes an £89m benefit from TVOG reflecting the actions management have taken to manage market risk. In addition, the result benefited from a £29m (H1 2008: £20m) release of reserves following a review of our deferred annuity data. The H1 2008 result also included a £107m benefit following the reinsurance of £6.7bn of UK immediate annuities. Overall lapse experience is broadly in line with long-term assumptions.

In H1 2009, development costs were £10m compared to £13m in H1 2008. Development costs were mainly in relation to development of group pensions, our Wrap platform as well as implementing legislation changes.

UK EEV operating profit before tax £256m (H1 2008: £393m, H1 2007: £236m)



* H1 2008 and H1 2007 EEV operating profit before tax have been restated to reflect the exclusion of offshore bonds which are now within the Europe results.

IFRS underlying profit before tax

UK life and pensions IFRS underlying profit before tax was £36m (H1 2008: £229m). The 2009 result includes a £53m adverse impact in relation to the continuing volatility in respect of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc in accordance with the 'Contract for Differences' written in September 2008. This was partially offset by a positive £29m (H1 2008: £20m) release of statutory reserves in relation to the deferred annuity business. The H1 2008 result also included a positive £105m reserve movement following the reinsurance of UK immediate annuities.

Excluding the above adjustments the normalised underlying IFRS result was £44m lower than H1 2008. Lower financial markets have had an inevitable impact on assets under management. This has reduced annual management charges, while lower interest rates have also reduced the return earned on working capital.

The results exclude the impact of volatility arising from the accounting mismatch of subordinated liabilities being measured at amortised cost while the associated assets are measured at fair value, and restructuring costs relating to the Continuous Improvement Programme.

Awards won during 2009

During H1 2009, customer service remained one of our key strengths and was recognised through the following awards:

- Corporate Adviser:
  - Best Corporate Pension Provider
- Money Marketing Awards:
  - Company of the Year
  - Best Pension Provider
- Financial Adviser Life and Pension Awards:
  - SIPP and/or SSAS Provider of the Year
  - Best Income Drawdown Provider

1.5 Business segment performance *continued*

1.5.1 UK financial services *continued*

Savings and mortgages

The savings and mortgages business offers retail savings and mortgage products in the UK, via intermediaries and also direct to customers, all through telephone and internet-based platforms. The focus during 2009 has been on managing liquidity and the size of the mortgage book appropriately in response to ongoing volatile market conditions.

Key performance indicators

	H1 2009	H1 2008	Movement
Mortgages under management	**£8.8bn**	£9.7bn[1]	(9%)
Gross lending	**£143m**	£728m	(80%)
Savings and deposits	**£5.5bn**	£5.0bn[1]	10%
IFRS underlying profit before tax	**£15m**	£12m	25%
Return on equity after tax	**7.4%**	5.2%	2.2% points
Interest margin	**67bps**	49bps	18bps
Cost income ratio[2]	**43%**	61%	18% points

1 Comparative as at 31 December 2008.

2 Cost income ratio calculated as total operating expenses (excluding impairment charges) divided by total underlying income – H1 2008 has been restated on this basis.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

New business

Our savings book experienced strong growth of 15% to £5.5bn (H1 2008: £4.8bn), of which SIPP and Wrap balances represent £1.8bn (H1 2008: £1.1bn). Savings balances increased across the product range, with Individual Savings Accounts (ISA) and business accounts performing well during the first half of 2009.

Consistent with the strategy of managing our mortgage exposure, gross mortgage lending decreased by 80% to £143m (H1 2008: £728m). The UK mortgage market as a whole also experienced significant reductions in gross lending during 2009 compared to previous years, due to the scarcity and higher costs of wholesale funding and the tightening of lending criteria brought on by the credit crunch and its impact on the wider economy.

Funding

Following our approval as an eligible institution under the UK Government 2008 Credit Guarantee Scheme we launched our Euro Medium Term Note programme and issued £500m of 2 year AAA rated debt in February 2009, further strengthening and diversifying our term funding base. In addition, our focus on retail product management has generated positive savings and mortgage inflows allowing us to reduce our reliance on wholesale funding during H1 2009.

We remain well capitalised with a high quality mortgage book and access to a wide range of funding sources, with no draw downs made on the committed facilities provided by our relationship banks. All regulatory liquidity and capital ratios remained within target during the period.

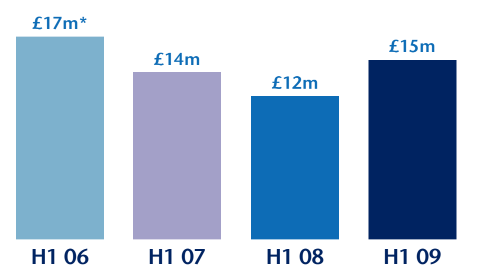
Performance

Our savings and mortgage business delivered a robust performance, focussing on managing profitability whilst ensuring liquidity requirements were met. IFRS underlying profit before tax (excluding volatility in respect of non-qualifying economic hedges) increased to £15m (H1 2008: £12m), despite increased impairment charges in the period.

Return on equity in H1 2009 increased to 7.4% (H1 2008: 5.2%), with our ability to achieve our 15% target continuing to be impacted by the effects of the credit crisis.

The growth in retail savings, combined with the reduction in wholesale funding and careful balance sheet management, has driven an increase in interest margin to 67 bps (H1 2008: 49 bps). Improved interest margin, coupled with continued focus on cost efficiency, has improved the cost income ratio in H1 2009 to 43% (H1 2008: 61%).

IFRS underlying profit before tax



* H1 2006 results are shown on a pro forma basis.

Our high quality mortgage portfolio continues to perform well despite the adverse economic conditions, with arrears figures remaining low in comparison to the Council of Mortgage Lenders (CML) average. Only 0.68% of total mortgages were three or more months in arrears or in repossession at the end of H1 2009, nearly a quarter of the CML industry average of 2.61% (as at Q1 2009). The average indexed loan to value ratio increased slightly to 48% (31 December 2008: 46%). Impairment charges, which reflect market factors including rising unemployment and falling house prices, increased to £8m in H1 2009 (H1 2008: £1m), however our net write-offs for H1 2009 were only £2m (H1 2008: £1m), further demonstrating the high quality of our mortgage portfolio.

Healthcare

The healthcare business offers a range of private medical insurance (PMI) and other health and well-being solutions to individuals, families, small businesses and companies, and is the fourth largest PMI provider in the UK.

Key performance indicators

	H1 2009	H1 2008	Movement
New business	**£10m**	£14m	(29%)
In-force premium income	**£295m**	£295m	-
IFRS underlying profit before tax	**£5m**	£8m	(38%)
Underwriting profit	**£4m**	£4m	-
Return on equity after tax	**7.6%**	12.2%	(4.6% points)
Claims ratio	**70.9%**	70.2%	(0.7% points)

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

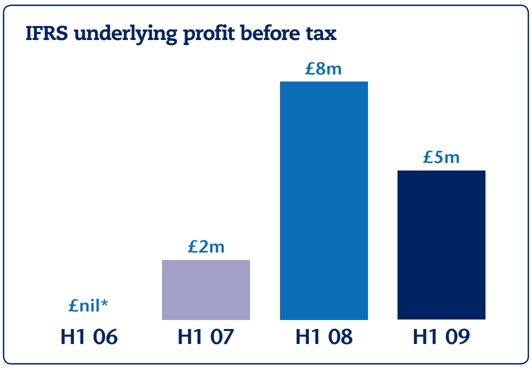
New business

Our overall new business sales decreased by 29% to £10m (H1 2008: £14m), due to the adverse economic conditions. Our strategy continues to be that of writing only profitable business. In-force premium income was maintained at H1 2008 levels of £295m despite these challenges. New customer propositions, offering market-leading flexibility were launched in November 2008 for the larger corporate customers and June 2009 for individuals.

Performance

IFRS underlying profit before tax was £5m (H1 2008: £8m), before taking into account one-off costs relating to new system development and restructuring costs. The £3m fall in IFRS underlying profit for H1 2009 was primarily due to reduced investment income as a result of depressed investment returns.

Underwriting discipline has seen the underwriting profit maintained at H1 2008 levels despite pressures on the claims ratio and earned premium. Annualised return on equity for H1 2009 was 7.6% (H1 2008: 12.2%).



* H1 2006 results are shown on a pro forma basis.

UK financial services looking ahead

We expect markets to remain volatile and economic conditions to remain difficult. However, we remain confident about the prospects for our pensions business. As a significant proportion of our business relates to consolidation of existing assets we expect this to underpin future activity levels.

Following the success of our recent BT Scheme win, we expect our market-leading corporate pensions business to continue to benefit from opportunities from the movement towards defined contribution schemes by employers, and the movement towards bundled products. In addition, we will continue to invest and build momentum in our award winning Wrap platform. Continuing volatility in financial markets has created difficult conditions for our customers however we remain confident of generating profitable returns in the markets in which we operate.

Within our savings and mortgages business we will continue to develop our savings proposition whilst managing the balance sheet appropriately. Within our healthcare business we expect our recently launched innovative flexible individual and corporate propositions to gain momentum as the economy begins to recover.

1.5 Business segment performance *continued*

1.5.2 Canada

Standard Life Canada continues to deliver positive operating results through challenging times. Volatile financial markets and a weakened Canadian economy have impacted our results in the first half of 2009, but we remain committed to profitable growth and operational and capital efficiency. Standard Life Canada serves 1.3 million customers in its range of savings, retirement and insurance products. Standard Life Canada currently has £18bn of assets under administration.

Key performance indicators

	H1 2009	H1 2008	Movement
Net flows	**£139m**	£304m	(54%)
New business PVNBP	**£1,352m**	£1,201m	13%
New business contribution	**£18m**	£18m	-
Internal rate of return	**14%**	21%	(7% points)
Discounted payback period	**9 years**	7 years	(2 years)
EEV operating profit before tax	**£89m**	£79m	13%
IFRS underlying (loss)/profit before tax	**(£10m)**	£66m	(115%)

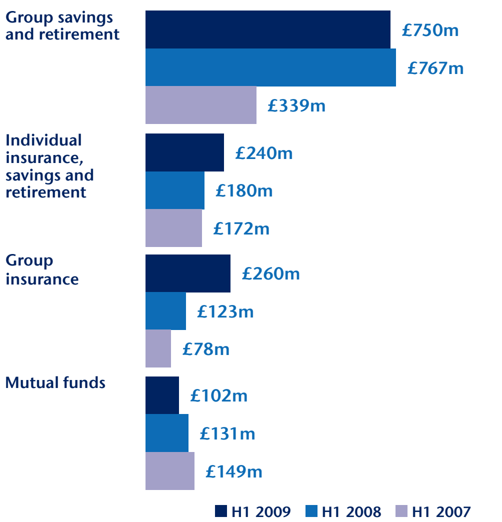
Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

Net flows and new business sales

Net flows have decreased by 59% in constant currency to £139m (H1 2008: £304m), primarily due to the inclusion of a large single premium of £297m in the prior period. Results in 2009 were underpinned by increased sales and continued strong client retention.

PVNBP sales increased by 2% in constant currency to £1,352m (H1 2008: £1,201m). Group savings and retirement sales decreased by 11% in constant currency to £750m, with continued price competition in the market. A large win in our core defined contribution segment accounted for £208m in H1 2009. We increased our relationship building efforts in the first half of 2009 with key distributors and introduced several features for plan sponsors and members alike, focused on our administrative and investment platforms. Sales in our core defined contribution offering increased by 41% in constant currency to £635m (H1 2008: £408m). Excluding large wins in both years, group savings and retirement total sales increased by 4%. Group insurance sales increased by 92% in constant currency to £260m, of which £149m is due to changes to renewal assumptions which were made as part of the 2008 year end process. Excluding large cases in both years and assumption changes, total sales were in line with last year. Sales in our retail line, which include individual insurance, savings and retirement and mutual funds were impacted by the financial crisis, and declined slightly in constant currency.

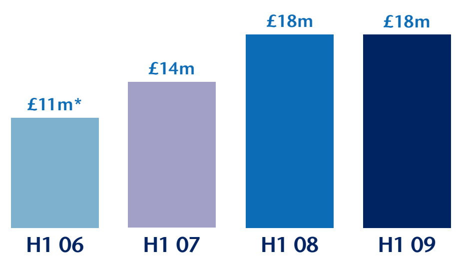
Canada PVNBP sales £1,352m (H1 2008: £1,201m, H1 2007: £738m)



New business profitability

New business contribution (NBC) remained constant at £18m (H1 2008: £18m) and PVNBP margins declined to 1.3% (H1 2008: 1.5%). Margins were impacted by lower fund values in our investment funds caused by the decline in equity markets in the second half of 2008. IRR reduced to 14% (H1 2008: 21%) and the payback period extended to nine years (H1 2008: seven years), due largely to lower profitability in investment funds products caused by market-related declines in asset values.

Canada NBC



* H1 2006 results are shown on a pro forma basis.

Business development

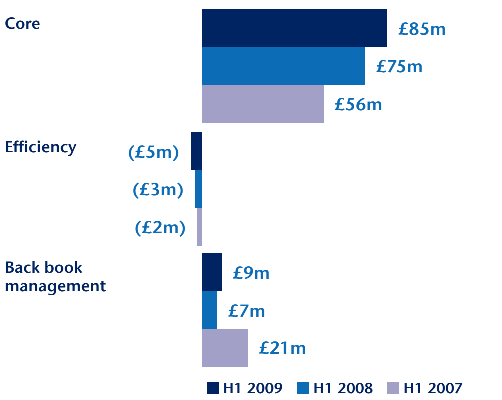
In light of the continuing difficult market conditions, we have focused our efforts on building client and distributor relationships and highlighting our innovative solutions to protect our clients' assets. We are continually evolving our group pensions platform, with enhancements to our investment program and award winning member communication plan, providing plan members with improved tools to manage their retirement needs and safeguard their assets. Our member and sponsor interactive websites were both recognised in 2009 by winning awards for marketing and communication excellence and technological achievements. In our group insurance line, we are addressing sponsor need for a cost-efficient, flexible benefits solution, and will introduce new products such as a critical illness offering. In our retail line we continue to expand our fund offering, and have offered clients innovative fund portfolios which enable them to manage investment risk in a more proactive manner. Our expertise in this domain was evidenced by our Moderate Portrait Portfolio Fund being awarded the Lipper Fund Award as 2009's Best Fund in the one-year Canadian Neutral Balanced category. We are actively promoting our risk management approach and our strong overall investment track record, where close to 75% and 60% of our funds ranked in the top two quartiles for three year and one year returns, respectively.

Performance

EEV operating profit before tax

EEV operating profit before tax increased by 3% in constant currency to £89m (H1 2008: £79m). The core element accounted for £85m compared to £75m in H1 2008, an increase of 3% in constant currency. This was driven by an improvement in total expected return of £10m to £68m (H1 2008: £58m). NBC remained stable, at £18m (H1 2008: £18m). The efficiency result amounted to a loss of £5m (H1 2008: loss £3m), whilst the back book management operating result was a gain of £9m (H1 2008: profit £7m), mostly as a result of mortality improvements.

Canada EEV operating profit before tax £89m (H1 2008: £79m, H1 2007: £75m)



IFRS underlying (loss)/profit before tax

Market conditions have continued to impact IFRS results, with the underlying results decreasing to a loss of £10m in the period (H1 2008: profit £66m). This was largely driven by investment losses resulting from declines in property values, and equity market volatility. Whereas most losses from assets supporting policyholder liabilities are offset by corresponding changes to those liabilities, volatility on assets supporting shareholder capital directly impacts earnings, and such losses totalled £16m (H1 2008: gain £9m). We have and will continue to take action to reduce volatility from our balance sheet. A strengthening of policyholder liabilities because of lower anticipated cash flows from property assets, amounting to £68m was also recognised as a result of the economic conditions. This was partly offset by a release of policyholder liabilities of £50m (H1 2008: £22m), due to higher anticipated cash flows from fixed income assets. Other movements included a fall in fee income relating to lower asset values and revenue of £13m related to a release of policy guarantees following an improvement in equity markets. The business maintained its good credit profile, experiencing no defaults in its corporate bond and mortgage loan portfolios. The mortgage portfolio had an average loan to value ratio of 44%. The value of mortgages where the loan to value ratio exceeded 70% amounted to just £84m and there were no mortgages three or more months in arrears or in repossession at the end of June 2009.

Looking ahead

We remain cautious about growth prospects in the short term due to the weak economy while our operating performance remains positive. We expect results to improve if the capital markets recovery continues. Our continued focus on operational and capital management will enable us to take advantage of opportunities in our core chosen markets of defined contribution pension and disability insurance. Our retail line is gaining momentum from both the repositioning of distribution last year and more positive news in the financial markets.

1.5 Business segment performance *continued*

1.5.3 Europe

The operations in Europe consist of Standard Life Ireland, Standard Life Germany, which operates in both Germany and Austria, and Standard Life International, the offshore business based in Dublin. The European businesses offer a range of investment and pension solutions and currently have £8bn of assets under administration. Standard Life Ireland is celebrating its 175th anniversary this year and a series of events are planned to further strengthen the brand.

Key performance indicators

	H1 2009[1]	H1 2008[2]	Movement
Net flows	**£388m**	£497m	(22%)
New business PVNBP	**£557m**	£689m	(19%)
New business contribution	**£4m**	£7m	(43%)
Internal rate of return	**7%**	10%	(3% points)
Discounted payback period	**21 years**	17 years	(4 years)
EEV covered business operating profit before tax	**£15m**	£27m	(44%)
EEV non-covered business operating loss before tax	**(£2m)**	-	-
IFRS underlying profit before tax	**£21m**	£16m	31%

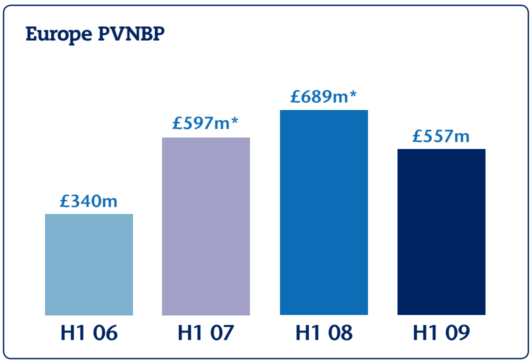
1 The H1 2009 figures include offshore bonds that were previously reported under UK life and pensions.
2 The H1 2008 figures have been restated to reflect the inclusion of offshore bonds. The H1 2008 impact is: net inflows of £265m, PVNBP of £270m, NBC of £6m, IRR increase of 2%, payback period shortened by 13 years, EEV operating profit before tax of £1m and IFRS underlying loss before tax of £8m.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

Net flows and new business sales

Total net flows for H1 2009 in Europe have fallen by 28% in constant currency to £388m with the strength of German gross inflows offsetting the lower offshore flows during the period. Total new business sales in Europe decreased by 27% in constant currency to £557m (H1 2008: £689m).

In Germany, PVNBP sales of £185m (H1 2008: £262m) were 39% lower than H1 2008 in constant currency. This largely reflects weak consumer confidence, coupled with a preference for the more familiar domestic players during the current period of economic uncertainty.



* H1 2008 and H1 2007 have been restated to reflect the inclusion of offshore bonds.

PVNBP sales in Ireland (excluding offshore bonds) increased 8% in constant currency to £199m (H1 2008: £157m) driven by increased sales in the post retirement area resulting from expected changes to pensions tax relief legislation. Offshore bond sales, now reported within the Europe results, having previously been included in the UK results, were 36% lower at £173m (H1 2008: £270m) due to weaker consumer confidence in the stock market.

New business profitability

New business contribution in Europe decreased to £4m (H1 2008: £7m). The overall internal rate of return (IRR) and discounted payback period also deteriorated compared to the prior year. This was caused by the lower sales volumes which were not fully compensated by a proportionate reduction in the cost base in Germany and the offshore business. However, in Ireland the IRR has increased due to higher sales and lower acquisition costs.

Business development

Across Europe we are focused on strengthening our existing operations and improving efficiency while also responding to the difficult market conditions with innovative solutions for customers and distributors.

In Germany, we have a pipeline of planned product enhancements that will increase the capital efficiency of the business while also strengthening our position in the corporate and wealth management markets.

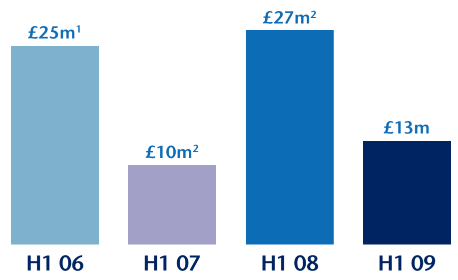
In Ireland, the continued development of our self investment Synergy product range, particularly our extensive deposit options, has now positioned our platform as the most comprehensive in this space.

Performance

EEV operating profit before tax

EEV operating profit before tax decreased by 60% in constant currency to £13m (H1 2008: £27m). This is due to the inclusion in H1 2008 of £12m as a result of improved risk margins following the reinsurance of UK immediate annuities. EEV operating profits in Germany and the offshore business were also affected by lower sales and adverse persistency variations, which have been partially offset by increased profits in Ireland due to improved back book management.

Europe EEV operating profit before tax



[1] H1 2006 results are shown on a pro forma basis.

[2] H1 2008 and H1 2007 have been restated to reflect the inclusion of offshore bonds.

IFRS underlying profit before tax

IFRS underlying profit before tax increased by 5% in constant currency to £21m (H1 2008: £16m) with Germany contributing £26m (H1 2008: £26m) and Ireland recording a profit of £3m (H1 2008: loss £2m). Losses of £6m (H1 2008: loss £8m) from offshore bonds and expenses of £2m relating to European development are included in the Europe results for the first time. The decrease in Germany of 13% in constant currency was primarily due to the decreasing transfer of profit to shareholders from the Heritage With Profits Fund in accordance with the Scheme, which was partly offset by increasing profits from the post-demutualisation business. In Ireland, there has been a significant increase in IFRS profits of £5m due to improved back book management and increased fee income as the post-demutualisation book grows.

Looking ahead

Market and economic conditions in Europe continue to be challenging and until confidence is restored in investment markets we expect sales growth to be delayed.

In the short term, we are transforming our European operations into an asset managing business. This means launching new products, re-engineering our current product range to improve capital efficiency, aggressively managing our cost base and continuing to offer innovative solutions to the individual wealth management and corporate markets.

In the medium and longer term, prospects for Europe are good. We are well positioned to build on our strength in distribution, market-leading platform propositions and range of investment solutions to grow in both existing and new markets. This will allow us to exploit the opportunities presented by changing regulations and the growing demand for wealth management solutions across Europe.

1.5 Business segment performance *continued*

1.5.4 Asia

Standard Life has a growing position in the Asia Pacific life and pensions market with joint venture companies in India and China and a wholly owned subsidiary in Hong Kong performing well under difficult conditions.

Key performance indicators

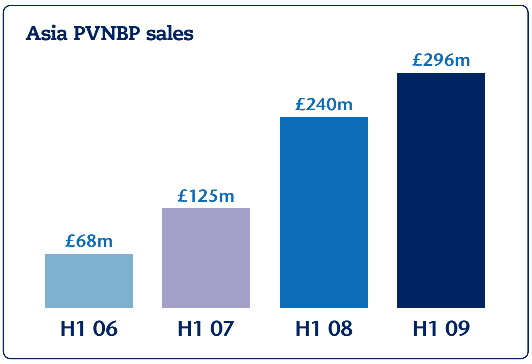
	H1 2009	H1 2008	Movement
New business PVNBP[1]	**£296m**	£240m	23%
New business APE[2]	**£56m**	£56m	-
IFRS underlying loss before tax	**(£25m)**	(£16m)	(56%)

[1] H1 2008 PVNBP includes a restatement to opening assumptions in India. The impact is to reduce H1 2008 PVNBP by £53m.
[2] H1 2008 APE include reclassification of regular premium to single premium for China. The impact is to reduce H1 2008 APE by £1m.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

New business

Despite ongoing difficult trading conditions, Asia continued to achieve growth, with total PVNBP sales up 6%[1] in constant currency to £296m (H1 2008: £240m).



In India, HDFC Standard Life Insurance Company (HDFC SL) delivered good results in challenging conditions. The effects of the economic slowdown and volatility in equity markets have continued to impact customer activity. However, PVNBP sales delivered a 2%[1] increase in constant currency to £203m (H1 2008: £180m). APE sales were down 23% in constant currency to £41m (H1 2008: £48m). Lower levels of growth are being experienced by the India life insurance sector with many operators focusing on cost control during the period of the economic downturn. Management initiatives to rationalise the number of financial consultants and enhance productivity have resulted in a reduction of financial consultants to approximately 200,000 (31 December 2008: 202,000). As part of cost control measures, the number of managers employed to manage the financial consultants has been reduced and the number of branches is also decreasing.

In China, Heng An Standard Life Insurance Company Limited (HASL) PVNBP was 1% below H1 2008 in constant currency at £56m. However, regular premiums have increased by 185% compared to H1 2008 in constant currency.

In Hong Kong, sales increased by 56% in constant currency to £37m (H1 2008: £18m) on a PVNBP basis and by 49% on an APE basis.

Performance

Asia IFRS underlying loss of £25m was higher than the prior year, reflecting the continuing investment in developing the operations in the region and the negative impact of exchange rate movements.

Looking ahead

We anticipate that sales in Asia will continue to grow, driven primarily by deeper penetration of markets and product development. The pace of overall growth is likely to be dampened by negative consumer sentiment caused by the economic downturn. However, we believe that both our joint ventures and subsidiary are well placed to achieve good levels of performance despite the challenging trading conditions.

Future sales growth in India will be underpinned by productivity, development of the sales force and optimising the bancassurance distribution channel via the HDFC Bank branch network. We also envisage growth in other channels including direct marketing, telemarketing and independent broker.

In China a branch in Guangdong province opened in July which takes our presence into 26 cities across eight provinces. Guangdong was the top province for life insurance sales in China in 2008 and accounts for one tenth of national gross domestic product.

We expect sustainable growth in Hong Kong as it continues to broaden and deepen its broker distribution arrangements and develop its offshore business activity.

1.5.5 Global investment management

The focus at Standard Life Investments is to deliver superior investment performance, supported by an exceptional client experience. Standard Life Investments operates as a global team, with its investment process underpinned by its 'focus on change' philosophy which has proved itself to be robust and repeatable in both good and bad market conditions. Over the past 10 years since its inception, Standard Life Investments has delivered a strong track record of profitable organic growth, a trend which continued during the first half of 2009 despite the volatile market conditions.

Key performance indicators

	H1 2009	H1 2008	Movement
Third party assets under management (AUM)	**£47.3bn**	£45.5bn[1]	4%
Total assets under management	**£121.6bn**	£123.8bn[1]	(2%)
Third party gross inflows	**£5,210m**	£4,966m	5%
Third party net inflows	**£3,113m**	£2,658m	17%
Earnings before interest and tax (EBIT)	**£30m**	£46m	(35%)
IFRS normalised underlying profit before tax[2]	**£27m**	£52m	(48%)
IFRS profit/(loss) before tax	**£19m**	(£15m)	227%
EBIT margin	**24%**	32%	(8% points)

[1] Comparative as at 31 December 2008.

[2] IFRS normalised underlying profit before tax excludes all costs associated with the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc, including £6m (H1 2008: £27m) within the Group's IFRS underlying profit statement in Section 4 of this report.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

Standard Life Investments delivered a strong underlying performance in H1 2009, against the continued background of extremely volatile and dislocated markets. The strong sales momentum of past years has continued in 2009 with an increasing proportion coming from outside the UK. Higher third party net inflows almost fully offset the very substantial fall in market values. Revenue fell as a result of the current market conditions but costs were also reduced substantially to deliver an EBIT of £30m (H1 2008: £46m) for the half year. Standard Life Investments has continued to focus on maintaining high levels of customer service and protecting existing relationships while managing our current revenue streams and cost base very tightly. In addition, there has been continued investment in building our capabilities, particularly in global equities, global fixed income, global property and global absolute return strategies (GARS), in order to build future revenue streams and emerge stronger from the current downturn.

Financial market overview

The financial crisis continued to weigh heavily on the global economy in 2009. Despite the rally in equity markets in March and April, average market values in the first half of 2009 were substantially lower than for the equivalent period last year. The average daily FTSE All-Share Index, for example, fell 31% between the two periods and this, combined with similar falls in other major world markets, inevitably put downward pressure on asset management revenues. Since H1 2008, the UK industry has also experienced substantial net outflows of funds, particularly at the retail end of the market. In contrast, Standard Life Investments has been able to mitigate the worst effects of the market falls and has also maintained relatively strong third party sales momentum throughout the period, across both institutional and retail customer segments.

Investment performance

UK equity investment performance improved significantly in the first half of 2009 and we continued to deliver good investment performance over the longer term. The money-weighted average active investment performance over all time periods – 1, 3, 5 and 10 years – continues to be comfortably above median for our third party business. The strength of our investment process across a range of open-ended investment companies (OEICs) and unit trusts is demonstrated by the high proportion of eligible and actively managed funds (21 out of 27) rated 'A' or above by Standard & Poor's, including the complete range of eligible UK fixed income OEIC funds.

The institutional pipeline of new business is strong with continued demand for GARS and fixed interest products, increasingly from outside the UK. In addition, the product range continued to expand in response to consumer demand with the introduction of three new retail funds: the Strategic Bond Fund; the UK Equity Recovery Fund; and the European Equity Income Fund.

1.5 Business segment performance *continued*

1.5.5 Global investment management *continued*

Strong investment performance and client service during the period have been recognised by a number of major awards, including:

- 'Best Sterling Corporate Bond Fund' – Morningstar Fund Awards
- 'Winner, Global Fixed Income Fund (Unhedged Category)' – Asian Investor Awards
- 'Winner, Sterling High Yield Bond Fund' – Lipper Awards
- 'Winner, UK Smaller Companies Category' – Moneywise Investment Trust Awards
- 'Top One Hundred Fund Manager of the Year' (Harry Nimmo) – Citywire Awards
- 'Best UK Small Cap' – Money Observer Investment Trust Awards
- 'Smallcap Fund of the Year' – The Growth Company Awards

Net flows

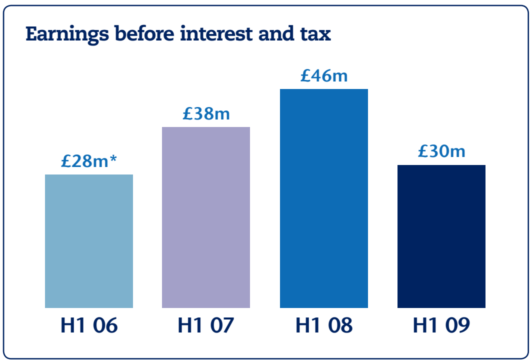
Standard Life Investments achieved third party net inflows of £3,113m (H1 2008: £2,658m), a 17% increase over the equivalent period last year and representing an annualised 14% of opening third party AUM. Despite sales being affected by the ongoing industry slowdown and continuing market volatility, positive momentum was maintained across the board, particularly in UK retail, Europe, Canada and India plus our money market funds. Retail net inflows (UK mutual funds and SICAVs) achieved a significant increase over the same period last year rising to £499m (H1 2008: £4m). 58 new institutional clients were won in the UK and Europe during the first half of the year, 10 segregated and 48 pooled, increasing the institutional client base in these markets by 16%.

Third party AUM remained resilient in the face of weak markets reaching £47.3bn (30 June 2008: £47.5bn, 31 December 2008: £45.5bn), with strong net inflows being offset by the impact of adverse market movements. In-house AUM fell to £74.3bn (30 June 2008: £83.1bn, 31 December 2008: £78.3bn) due to a combination of adverse market movements and continuing outflows from with profits business. As a result, total assets managed by Standard Life Investments stand at £121.6bn (30 June 2008: £130.6bn), slightly below the 2008 year end level of £123.8bn.

Performance

EBIT held up well in the face of difficult trading conditions at £30m for the half year (H1 2008: £46m; H2 2008: £36m). Revenue fell 12% as a result of the substantial fall in world markets and volatile trading conditions but costs were tightly controlled and also fell 5% in constant currency despite allowing for continued investment in the business to sustain our longer term growth. These measures enabled us to hold the EBIT margin at 24% (H1 2008: 32%) for the period.

IFRS normalised underlying profit before tax was £27m (H1 2008: £52m). IFRS profit before tax was £19m (H1 2008: loss £15m) reflecting restructuring costs of £2m and a £6m net negative fair value movement in respect of the liability remaining following the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc and the 'Contract for Differences' written in September 2008 which limited this liability for Standard Life Investments. At H1 2008 the impact of restructuring was negative £66m.



* H1 2006 results are shown on a pro forma basis.

Looking ahead

We expect conditions in the second half of 2009 to remain challenging for all players in the industry, including Standard Life Investments. The reduction in equity markets year on year will continue to impact revenue streams during the remainder of 2009. On the other hand, we continue to see a good volume of requests for proposals and our pipeline of confirmed third party new business is strong, driven substantially by institutional funds with opportunities skewed towards fixed interest and liability driven investment mandates, due to the existing market conditions. Over three quarters of the current pipeline is from clients outside the UK as Standard Life Investments continues to expand its global footprint.

Against this background we will continue to pursue our strategy of increasing the diversity of our earnings by growing our capability in selected product areas and increasing our global reach. We will also maintain tight control over our costs to drive further efficiencies and allow for necessary investment to support future growth.

1.6 Group assets under administration

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.

Analysis of Group AUA

For the period ended 30 June 2009

	Opening at 1 January 2009 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing at 30 June 2009 £bn
UK[1]	94.8	5.4	(5.3)	0.1	(2.0)	92.9
Europe[1]	8.3	0.8	(0.4)	0.4	(1.0)	7.7
Canada	18.0	1.2	(1.0)	0.2	(0.5)	17.7
Asia	0.5	-	-	-	-	0.5
Total worldwide life and pensions	**121.6**	**7.4**	**(6.7)**	**0.7**	**(3.5)**	**118.8**
Non-life businesses	13.0	0.1	(1.0)	(0.9)	0.2	12.3
Standard Life Investments third party assets under management (AUM)	45.5	5.2	(2.1)	3.1	(1.3)	47.3
Group adjustments[2]	(23.3)	(1.7)	0.9	(0.8)	2.2	(21.9)
Group assets under administration	**156.8**	**11.0**	**(8.9)**	**2.1**	**(2.4)**	**156.5**
Group assets under administration managed by:						
Standard Life Group entities	138.5					135.9
Other third party managers	18.3					20.6
Total	**156.8**					**156.5**

[1] The opening balances for UK and Europe have been restated to reflect the inclusion of offshore bonds in Europe which had previously been included in the UK figures.

[2] 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.

During the period, positive net flows of £2.1bn were offset by negative market/other movements of £2.4bn due to falling property and fixed interest security values. As a result Group AUA fell slightly to £156.5bn. Positive net flows were achieved in each of the life and pensions territories. However, worldwide life and pensions AUA fell by £2.8bn due to the adverse market movements experienced in H1 2009. Third party AUM increased to £47.3bn with net inflows being partially offset by adverse market movements. AUA in the non-life businesses fell by £0.7bn reflecting measures taken by our banking business to manage our mortgage exposure during difficult market conditions.

1.7 Capital and cash generation

Capital and cash generation highlights

	H1 2009	FY 2008	Movement
EEV operating profit capital and cash generation[1]	**£188m**	£250m[2]	(25%)
Group capital surplus[3]	**£3.1bn**	£3.5bn	(11%)
Group solvency cover[3]	**217%**	219%	(2% points)
Realistic working capital: Heritage With Profits Fund	**£0.4bn**	£0.5bn	(20%)
EEV	**£5,859m**	£6,245m	(6%)
IFRS equity attributable to equity holders of Standard Life plc	**£3,106m**	£3,407m	(9%)

[1] Net of tax.
[2] Comparative shown as at 30 June 2008.
[3] H1 2009 based on estimated regulatory returns. FY 2008 based on final regulatory returns.

Please refer to Section 1.9 – Basis of preparation and Section 7 – Glossary.

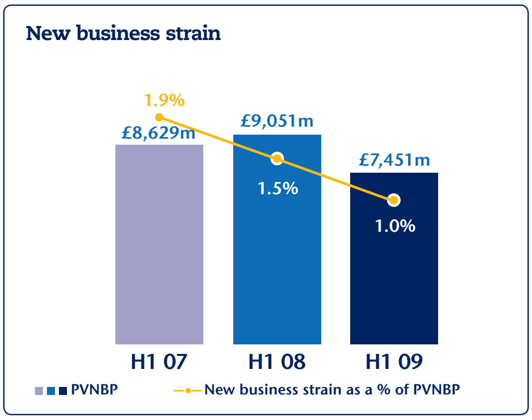
Group capital and cash generation

The Group's IFRS statement of cash flows, included in the IFRS financial statements section of this report, shows that our net cash inflows from operating activities were £667m (H1 2008: £308m). This statement combines cash flows relating to both policyholders and equity holders, but the practical management of cash within the Group maintains a distinction between the two, as well as taking into account regulatory and other restrictions on availability and transferability of capital. An analysis of the movement in the EEV shareholders' net worth is representative of underlying shareholder capital and cash flow. Under existing EEV principles, we are also required to identify required capital for all covered business. Increases/(decreases) in required capital will not reduce the shareholders' net worth because no external cash flows are made, but will decrease/(increase) the free surplus.

		H1 2009			H1 2008	
	Free surplus movement £m	Required capital movement £m	Net worth movement £m	Free surplus movement £m	Required capital movement £m	Net worth movement £m
New business strain	**(96)**	**24**	**(72)**	(152)	21	(131)
Capital and cash generation from existing business	**257**	**(11)**	**246**	263	-	263
Covered business capital and cash generation from new business and expected return	**161**	**13**	**174**	111	21	132
Covered business development expenses	**(9)**	**-**	**(9)**	(10)	-	(10)
Non-covered business core, capital and cash generation	**2**	**-**	**2**	21	-	21
Core	**154**	**13**	**167**	122	21	143
Efficiency	**(8)**	**-**	**(8)**	(3)	-	(3)
Back book management	**26**	**3**	**29**	89	21	110
Operating profit capital and cash generation	**172**	**16**	**188**	208	42	250
Capital and cash generation from non-operating items	**(140)**	**1**	**(139)**	(72)	3	(69)
Total capital and cash generation	**32**	**17**	**49**	136	45	181

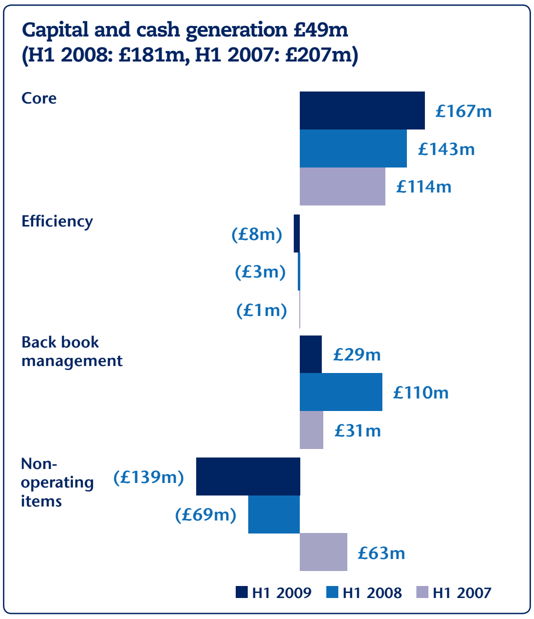
All figures are net of tax. Net income directly recognised in the EEV balance sheet, including exchange differences and distributions to and injections from shareholders, are not included as these are not trading related cash flows.

The analysis on the previous page highlights the impact of profit on free surplus and shareholders' net worth, including investment of shareholder capital in new business, or new business strain (NBS) and the amount of capital and cash emerging from existing business. NBS margin has fallen to 1.0% (H1 2008: 1.5%) primarily due to planned reductions in sales of UK onshore bonds and management actions to reduce NBS. Our covered business capital and cash flows from new business and expected return have increased to £174m (H1 2008: £132m). This was predominantly due to a decrease in NBS following lower new business volumes. This has led to NBS being covered three times by capital and cash flow from existing business. In overall terms, our operating profit capital and cash generation decreased from £250m to £188m. This is discussed in further detail below.



NBS margin is calculated excluding Asia. H1 2007 NBS margin has not been restated for mutual funds. H1 2008 NBS margin has not been restated for Sigma UKFS mutual funds.

We also analyse capital and cash generation in the three components that reflect the focus of our business effort – core, efficiency and back book management. Core and back book management were the main contributors to our capital and cash generation during the period. The core capital and cash flows of £167m, primarily reflect robust capital and cash generation from new business and expected return, and after tax profits from non-life operations, partially offset by development expenses. The back book management capital and cash flows of £29m largely arise from management action over the in-force business and decreased primarily due to the impact of the reinsurance of the UK immediate annuities in H1 2008.



Non-operating capital and cash generation of negative £139m (H1 2008: negative £69m) is driven by £188m of negative capital and cash generation (H1 2008: negative £53m) in the life businesses and predominantly consists of negative investment returns which reflect the difficult economic conditions over the period. The non-life businesses contributed positive £5m (H1 2008: negative £16m) of capital and cash generation and includes unrealised fair value gains on derivatives, non-life restructuring costs and non-life net negative fair value movements in relation to the 'Contract for Differences'. Non-operating capital and cash generation also includes an after tax Group consolidation adjustment for the Canadian subordinated liability of positive £44m (H1 2008: £nil) which represents the removal of volatility arising from different accounting bases.

Holding company capital and cash flows

In addition to the movement in capital and cash on an EEV basis, the following summary has been provided to show 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 Holding Limited. The capital position is based on these companies' balance sheets, excluding investments in operating subsidiaries.

	H1 2009 £m	H1 2008 £m	FY 2008 £m
Opening capital 1 January	**623**	502	502
Dividends received from subsidiaries	**165**	436	436
Additional investments in subsidiaries	**(7)**	(16)	(54)
Group corporate centre costs	**(25)**	(25)	(50)
Cash dividends paid to shareholders	**(110)**	(168)	(257)
Other	**4**	-	46
Closing capital	**650**	729	623

The capital and cash held in the holding company is managed at a level to fund the dividend obligations and strategic investments of the Group. During H1 2009, capital increased by £27m, primarily as a result of receiving £165m of dividends from subsidiaries offset by the capital impact of dividends paid to shareholders of £110m. Standard Life plc's ability to pay dividends to shareholders is determined by the distributable reserves of the Company which broadly comprise its retained earnings and special reserve. The Board must also consider the Group's future business plans, market conditions and regulatory solvency when determining the level of dividends.

1.7 Capital and cash generation *continued*

Dividends

During the period, the Group paid the final dividend for 2008 of 7.70p per share, amounting to £168m. We have replaced the previous dividend reinvestment plan (DRIP) with a Scrip dividend scheme. The high take-up of the Scrip dividend option reduced the impact on capital of paying the 2008 final dividend from £168m to £110m. The Board proposes an interim dividend of 4.15p per share (H1 2008: 4.07p), an increase of 2%. This reflects the solid progress made during the period. Looking forward the Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Capital management

Objectives and measures of Group capital

The process of capital and risk management is aligned within the Group to support the strategic objective of driving sustainable, high quality returns for shareholders. The different measures of capital reflect the regulatory environment in which we operate and the bases that we consider effective for the management of the business.

Financial Groups Directive

	H1 2009 £bn	H1 2008 £bn	FY 2008 £bn
Shareholders' capital resources	**2.3**	2.6	2.6
Capital resources arising from subordinated debt	**2.1**	2.0	2.2
SLAL long-term business funds	**1.4**	2.1	1.7
FGD Group capital resources	**5.8**	6.7	6.5
FGD Group capital resource requirement	**(2.7)**	(3.2)	(3.0)
FGD Group capital surplus	**3.1**	3.5	3.5
FGD Group solvency cover	**217%**	206%	219%

H1 2009 and H1 2008 based on estimated regulatory position.

The Group is classified as a 'financial conglomerate' as defined by the Financial Groups Directive (FGD). The FGD surplus has decreased to £3.1bn during the period, reflecting the payment of dividends to shareholders, continued investment in the business and the impact of adverse market movements, primarily in the long-term business funds. The strength of our FGD surplus has been maintained throughout the recent challenging market conditions. Group capital resources decreased mainly because of ongoing investment in the business and negative market movements during the period which reduced the capital resources of the HWPF. However, this was partially offset by a reduction to the capital resource requirements of the HWPF.

The quality of capital within the Group remains strong with only £0.8bn (31 December 2008: £0.8bn) and £0.7bn (31 December 2008: £0.7bn) of total Group capital resources classified as upper tier 2 and lower tier 2 respectively. Lower tier 2 capital contributes only 23% (31 December 2008: 20%) to the Group capital surplus and further illustrates the strength of our capital position.

Analysis of movement in Group capital surplus

The following table illustrates the key movements in the regulatory capital surplus for the period ended 30 June 2009:

	H1 2009 £bn	H1 2008 £bn	FY 2008 £bn
Opening capital surplus	**3.5**	3.6	3.6
Movement in capital resources of long-term business funds	**(0.3)**	(2.4)	(2.7)
Movement in capital resource requirements of long-term business funds	**0.1**	2.4	2.7
Net movement in capital position of long-term business funds	**(0.2)**	-	-
Movement in capital resources of shareholder funds:			
Annuity reinsurance change	**-**	0.1	0.1
New business	**(0.1)**	(0.1)	(0.2)
Transfers from HWPF to shareholder funds	**0.1**	0.2	0.4
Dividend payments	**(0.1)**	(0.2)	(0.3)
Other factors	**(0.3)**	(0.1)	-
Movement in capital resource requirements of shareholder funds	**0.2**	-	(0.1)
Closing capital surplus	**3.1**	3.5	3.5

The significant factors affecting the capital surplus during the six months to 30 June 2009 were:

Shareholder funds:

- Ongoing investment of shareholder capital in the business through writing new business offset by the recourse cash flows emerging from pre-demutualisation business
- Payment of dividend to shareholders during the period

Long-term business funds:

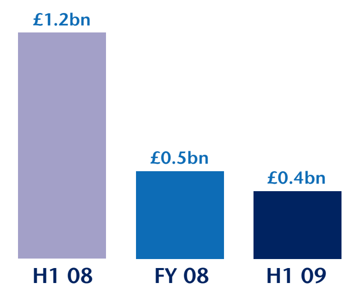
- Impact of changing financial conditions on the capital resources and capital resource requirement of the HWPF and other long-term business funds

The Group capital resources include the capital resources within the long-term business funds, but the FGD limits the amount that can be recognised to the level of the capital resources requirement for that fund. The HWPF currently has a negative contribution of £0.2bn to the Group capital surplus, reflecting that its capital resources are now less than its capital resources requirement, the latter being covered in part by capital resources held outwith the HWPF. Previously the HWPF capital resources exceeded its capital resources requirement, resulting in a restriction (£1.3bn at 31 December 2008) and a net zero contribution to the Group capital surplus.

The largest regulated entity within the Group is Standard Life Assurance Limited (SLAL), and its regulatory position reflects capital resources including long-term business funds. SLAL's capital resources have decreased primarily as a result of falling property, equity and bond returns and the payment of dividends. This has led to a decrease in solvency cover to 207% from 274% at 31 December 2008.

The capital resources of SLAL include the residual estate of approximately £0.4bn. This represents a reduction of £0.1bn from the level at 31 December 2008, however it has improved by £0.1bn from the March level reported at the preliminary announcement on 12 March. The reduction of £0.1bn from 31 December 2008 largely reflects the net effect of changes in market conditions. The impact on the residual estate of further falls in equity markets continues to be mitigated by the hedges we have in place. The impact of most other adverse asset movements would, in the first instance, be met by policyholders with indirect impacts on shareholders via higher guarantee costs, and hence higher burnthrough cost. Shareholder exposure is also limited by the structure of the capital support mechanism set up at demutualisation, with shareholder support being obtained by encumbering the furthest out cash transfers from the HWPF to shareholders.

Residual estate of the HWPF



1.7 Capital and cash generation *continued*

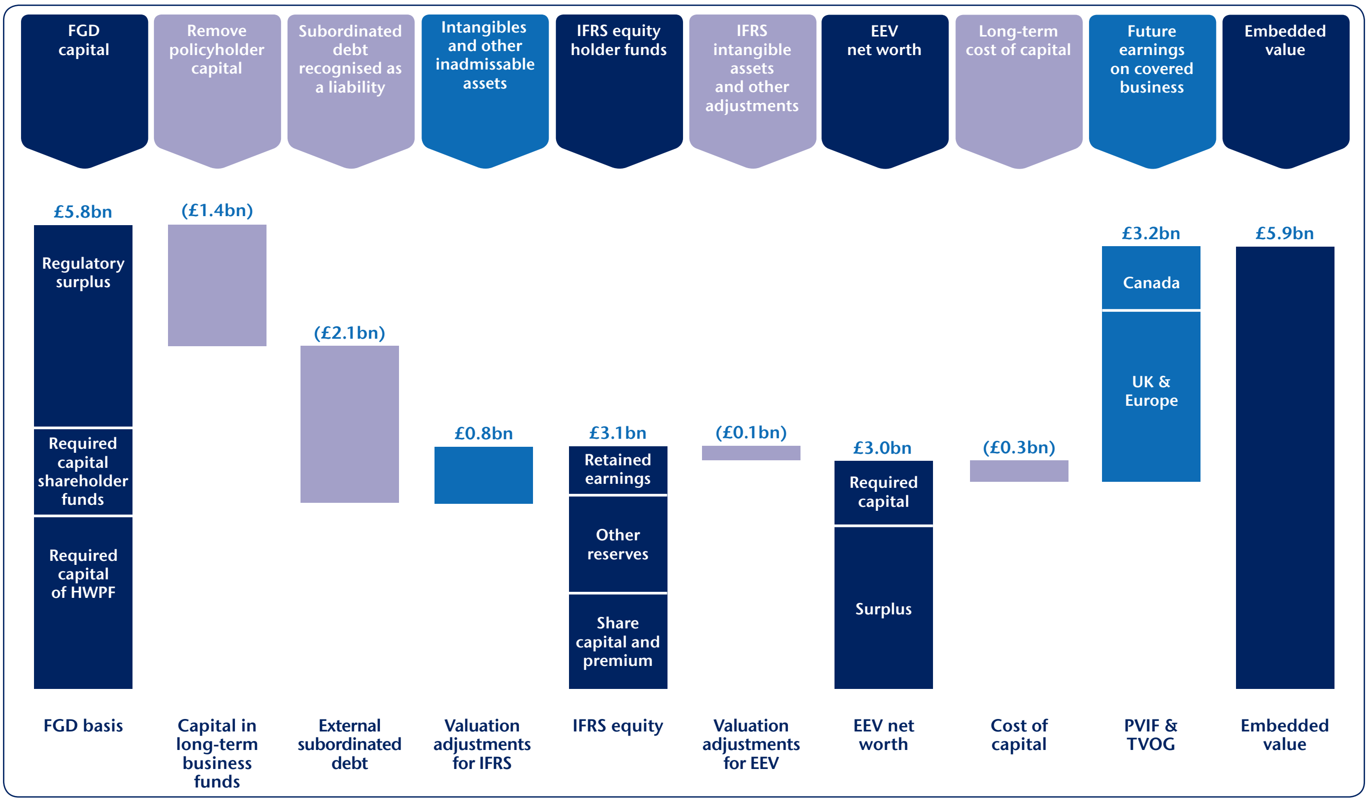
Analysis of accrued transfers out of the HWPF

	H1 2009 £m	H1 2008 £m	FY 2008 £m
Recourse cash flows arising on UK and Irish unitised contracts	**81**	118	243
Recourse cash flows arising on UK and Irish non-unitised contracts	**24**	27	124
Additional expenses charged on German unitised with-profit contracts	**13**	20	39
Transfer out of HWPF	**118**	165	406

In accordance with the Scheme of Demutualisation of the Standard Life Assurance Company (the Scheme), certain transfers are made out of the HWPF to the shareholder fund with this transfer being made after the year end position is finalised. The recourse cash flows accruing in respect of UK and Irish unitised contracts fell to £81m (H1 2008: £118m) primarily due to reduced management charges on a lower asset base. The German additional expense charge has reduced as the percentage allocation has fallen in accordance with the Scheme.

Reconciliation of key capital measures

The following diagram illustrates the key differences between the regulatory, IFRS and EEV capital measures at 30 June 2009:



The Group's capital, as measured by the FGD, can be split into three elements:

- Shareholder capital, used to invest in the strategy of the Group, covers the capital requirements borne directly by shareholders and manages risk borne by shareholders
- Capital arising from the subordinated debt issued by the Group, amounting to £2.1bn at 30 June 2009, which is used to provide capital support to SLAL and Standard Life Bank
- A restricted amount of policyholder capital (£1.4bn at 30 June 2009), which matches the capital resource requirements of that business, and includes the HWPF

While these latter two elements provide capital support for the Group, they do not form part of the shareholders' regulatory capital. Shareholder capital can be measured under each of the Group's reporting bases – regulatory, IFRS equity and EEV net worth. Each of these is a comparable measure of the net assets attributable to equity holders of the Group. In some cases, the regulatory rules for valuing assets and liabilities differ from IFRS accounting rules, resulting in a valuation adjustment of £0.8bn. Similarly, the EEV balance sheet recognises certain valuation adjustments to give the EEV net worth, resulting in an equivalent adjustment of £0.1bn to IFRS equity holder funds. The total EEV of the Group relates to the net worth adjusted for the cost of capital of £0.3bn and increased by the value of the present value of in-force business (PVIF) of £3.2bn to give the total EEV of £5.9bn at 30 June 2009.

Capital management policy

Matters related to management of the Group's 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 the Group's overall management framework. It operates alongside and complements the Group's other policies and processes, in particular its risk policies and strategic planning process, and provides a framework for the effective and consistent management of capital. The Group continues to develop its Enterprise Risk Management (ERM) framework to robustly link the processes of capital allocation, value creation and risk management.

Debt, facilities and liquidity

The Group's capital structure has been developed to provide an efficient capital base by using a combination of equity holders' funds, subordinated debt and capital within the HWPF. The Group has robust plans in place to ensure that it has access to sufficient liquidity to meet operating requirements during the current market uncertainty. Our banking operation remains well capitalised with a very high quality mortgage book, has access to a range of funding sources and has continued to actively reduce its funding requirements during the period.

Bond default allowances

Shareholders are exposed to debt securities which back annuity liabilities in the UK and Europe and the liability in respect of longevity risk reinsured from SLAL's HWPF. These debt securities amount to £1.8bn and comprise £0.8bn of government and government backed bonds and £1.0bn of other corporate bonds. There were no defaults in respect of assets backing UK and European annuity liabilities in H1 2009. The average yield deduction to allow for future defaults within the valuation of liabilities has been broadly maintained at 31 December 2008 levels. Debt securities in Canadian non-segregated funds amount to £5.2bn, including £2.1bn of corporate bonds. There were no defaults within this portfolio of debt securities during H1 2009 and the allowance for future defaults within the valuation of liabilities has been maintained at 31 December 2008 levels.

Financial assets valuation and exposures

Asset-backed securities

Standard Life's total investment (including third party funds) in the asset-backed securities markets across both short-term treasury instruments and long-term fixed interest is approximately £4.4bn or 2.8% (31 December 2008: £5.3bn or 3.3%) of Group assets under administration (AUA), predominantly in UK securities. Of the total of £4.4bn, £1.2bn relates to shareholder funds, of which £1.0bn is AAA rated. The overall level of asset-backed securities has reduced compared to 31 December 2008 as a result of disposals from non-shareholder funds, a number of securities reaching maturity and market movements. The Group has continued to actively manage its exposure to asset-backed securities and the portfolio remains of high quality with no direct exposures to the US mortgage market, no exposure to leveraged structures, no current direct exposure to Monolines and very modest exposure to credit within a Monoline wrapper.

Shareholder asset exposures

At 30 June 2009, shareholders had direct exposure to equity, debt securities and investment property of £9.9bn. This included exposure to equity securities of £0.4bn. The exposure to debt securities was £8.8bn and consisted of government debt securities of £3.7bn, corporate bonds of £4.8bn and other debt securities including supranationals of £0.3bn. The exposure to investment property amounted to £0.7bn. The total shareholder exposure to equity securities, debt securities and investment property of £9.9bn includes £6.2bn of assets held by non-segregated funds in Canada. The effective exposure of shareholders to assets of the non-segregated funds in Canada was significantly lower than £6.2bn because changes in the value of assets are typically offset by a change in the value of the 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. In addition, shareholders had direct exposure to loans and receivables of £10.6bn which included £8.6bn in respect of the retail mortgage book of Standard Life Bank and £2.0bn in respect of the commercial mortgage book of the business in Canada. Both mortgage books are deemed to be of very high quality. The average indexed loan to value of the Standard Life Bank mortgage book stood at 48%. For further information on the Standard Life Bank mortgage book see Section 1.5.1. The mortgage book in Canada had an average loan to value ratio of 44%. The value of mortgages where the loan to value ratio exceeded 70% amounted to just £84m and there were no mortgages three or more months in arrears or in repossession at the end of June 2009.

Credit ratings

External credit ratings agencies perform independent assessments of the financial strength of companies. The current insurer financial strength ratings for SLAL are A1/Stable and A+/Stable from Moody's and Standard & Poor's respectively. These ratings are unchanged from those reported in the 2008 *Annual report and accounts*.

1.8 Risk management

Risk management is an integral part of the Group's corporate agenda. We have developed and embedded an Enterprise Risk Management framework that enables the risks of the Group to be identified, assessed, controlled and monitored consistently, objectively and holistically.

The Group has recently established a 'Risk Hub' as a centralised area with specific responsibility for developing risk transfer solutions. This will further develop the Group's ability to proactively manage risk and lead to innovation in risk solutions.

Further detail of our approach to risk management is provided in the Business review and Note 39 of the Group's 2008 *Annual Report and Accounts*. The Group's principal risks as reported in the 2008 *Annual Report and Accounts* are still relevant and are summarised below:

Risk type	Key risks	Key risk controls
Demographic and expense 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, which for the purpose of risk management includes liabilities of insurance and investment contracts.	• Longevity • Persistency • Morbidity/mortality (assurances) • Expenses	• Regular reviews of experience • Reinsurance and risk transfer • Business planning process • Specified underwriting limits • Testing of claim values, reinsurance recoveries, and the survival of annuitants
Credit The risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner. It also includes the risk of a reduction in the value of corporate bonds due to a widening of corporate bond spreads.	• Counterparty/bond default • Spread widening • Concentration of exposure	• Regular monitoring of risk exposures to ensure that risks remain within approved risk appetite • Specific limits on counterparty exposure, based on credit rating, approved by the Group Board • Group companies establish and maintain adequate controls to manage exposure within these specified limits
Market The risk that arises from the Group's exposure to market movements which could result in the value of income, or value of financial assets and liabilities, or cash flows relating to these, fluctuating by differing amounts.	• Equity and property risk • Interest rate risk • Foreign currency risk	• Investment benchmarks, and risk tolerances around these benchmarks, set regularly for each major liability based on the nature of that liability to ensure that risk remains within Group's appetite • Regular monitoring of asset mixes and the exposure of Group companies to market risk to ensure that they remain within the above tolerances • Limits for foreign currency set by the Group Board
Liquidity 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 costs.	• Diversification of funding sources • Quality of funding sources • Depth and liquidity of particular markets	• Businesses maintain contingency funding plans which operate on a continuous basis and are fully documented • Regular monitoring against forecast data, accompanied by cash flow scenarios • Regular monitoring of exposure to liquidity risk to ensure they remain within agreed tolerances
Operational 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.	• Fraud or irregularities • Regulatory or legal • Customer treatment • Business interruption • Supplier failure • Planning • Process execution • People, e.g. loss of key people	• Regular risk assessment to identify the potential cause of the risk • The transfer, acceptance, reduction or transfer of risk within risk appetite

1.9 Basis of preparation

Overview

Our Business review for the period to 30 June 2009 has been prepared in line with the Disclosure and Transparency Rules (DTR) issued by the Financial Services Authority (FSA). The DTR incorporates the requirement of the EU Transparency Directive for all UK listed companies to report their half yearly results in accordance with IAS 34. Under DTR 4.2.7 the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal uncertainties are detailed in Section 1.1 Group overview and principal risks are detailed in Section 1.8 Risk management and Note 39 of the Group's 2008 *Annual Report and Accounts*. Under DTR 4.2.8 we are also required to make certain related party disclosures. These are contained in Note 4.13 to the IFRS financial information. To give our shareholders 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 we have 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 European Embedded Value (EEV) information and IFRS underlying profit.

All non-GAAP measures should be read together with the Group's IFRS income statement, statement of financial position and statement of cash flows which are presented in Section 4.

EEV and IFRS reporting

The financial results are prepared on both an EEV basis and an IFRS basis. All EU listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board 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 pension policies and is designed to give a more accurate reflection of the performance of long-term savings business. 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 plc. EEV methodology has been applied to 'covered' business, which mainly comprises the Group's life and pension business. Non-covered business is reported on an IFRS basis. The EEV financial results in Section 1.3, of the Business review, and in Section 3 have been prepared in accordance with the EEV methodology applied by the Group in Note 3.16 for H1 2009, and in the relevant EEV methodology notes included in the 2008 *Interim results* and 2008 *Annual Report and Accounts* in respect of the comparative periods. The IFRS financial results in Section 1.4, of the Business review, and in Section 4 have been prepared on the basis of the IFRS accounting policies applied by the Group in the IFRS financial statements section of the 2008 *Annual Report and Accounts* as amended for new standards effective from 1 January 2009, as described in Note 4.1.

EEV operating and IFRS underlying profit

The segmental analysis of IFRS underlying profit before tax presents profit before tax attributable to equity holders adjusted for non-operating items. The H1 2009 EEV consolidated income statement presents EEV profit showing both operating and non-operating items. In doing so, the Directors believe they are presenting a more meaningful indication of the underlying business performance of the Group. The H1 2009 EEV consolidated income statement is presented in Section 3 and the H1 2009 IFRS reconciliation of Group underlying profit to profit before tax is presented in Section 4.

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2 Statement of Directors' responsibilities

Statement of Directors' responsibilities

We confirm to the best of our knowledge that:

1. the condensed set of financial statements which has been prepared in accordance with IAS 34 as adopted by the European Union gives a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation taken as a whole; and
2. the consolidated income statement, the earnings per share statement, the consolidated statement of comprehensive income and the consolidated balance sheet and associated notes have been prepared on the European Embedded Value basis as set out in Note 3.1; and
3. the business review includes a fair review of the information required by DTR 4.2.7, namely important events that have occurred during the period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
4. the business review and the notes to the condensed set of financial statements include a fair review of the information required by DTR 4.2.8, namely material related party transactions and any material changes in the related party transactions described in the last annual report.

By order of the Board

Gerry Grimstone
Chairman
5 August 2009

David Nish
Group Finance Director
5 August 2009

3 European Embedded Value (EEV)

EEV consolidated income statement

For the six months ended 30 June 2009

	Notes	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Covered business				
UK		**178**	402	658
Canada		**89**	79	215
Europe		**15**	27	68
Asia		**(25)**	(16)	(35)
HWPF TVOG		**89**	8	11
Covered business operating profit	3.2(a)	**346**	500	917
Global investment management[1]	3.6(b)	**10**	31	48
UK		**9**	3	5
Group Corporate Centre costs		**(25)**	(25)	(50)
Other	3.6(c)	**8**	25	13
Non-covered business operating profit		**2**	34	16
Operating profit before tax		**348**	534	933
Non-operating items				
Long-term investment return and tax variances		**(477)**	(516)	(849)
Effect of economic assumption changes		**33**	40	48
Restructuring expenses[2]		**(29)**	(44)	(72)
Volatility arising on different asset and liability valuation bases		**26**	28	(109)
Other non-operating items		**(6)**	(27)	(51)
Consolidation adjustment for different accounting bases[3]		**61**	-	(58)
(Loss)/profit before tax		**(44)**	15	(158)
Attributed tax		**(4)**	(8)	24
(Loss)/profit after tax		**(48)**	7	(134)

[1] Global investment management operating profit before tax is stated after excluding profits of £17m (six months ended 30 June 2008: £21m; 12 months ended 31 December 2008: £45m) which have been generated by life and pensions business.

[2] Refer to IFRS financial information Note 4.3 – Administrative expenses.

[3] This adjustment reflects the removal of accounting differences for the Canadian subordinated liability as explained in Note 3.16 – Methodology.

EEV earnings per share (EPS)

For the six months ended 30 June 2009

	6 months 2009	6 months 2008	Full year 2008
EEV operating profit after tax attributable to equity holders of Standard Life plc (£m)[1]	**243**	377	649
Basic EPS (pence)	**11.1**	17.3	29.8
Weighted average number of ordinary shares in issue (millions)	**2,184**	2,175	2,176
Diluted EPS (pence)	**11.1**	17.3	29.8
Weighted average number of ordinary shares on a diluted basis (millions)[2]	**2,185**	2,175	2,180

[1] EEV operating profit before tax of £348m (six months ended 30 June 2008: £534m; 12 months ended 31 December 2008: £933m) less attributed tax on operating profit of £105m (six months ended 30 June 2008: £157m; 12 months ended 31 December 2008: £284m).

[2] Includes the full dilutive effect of bonus shares committed to at the time of the demutualisation of The Standard Life Assurance Company (SLAC) and the flotation of Standard Life plc and share awards and share options.

EEV consolidated statement of comprehensive income

For the six months ended 30 June 2009

	Notes	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
(Loss)/profit after tax		**(48)**	7	(134)
Fair value gains/(losses) on cash flow hedges[1]		**5**	15	(38)
Actuarial (losses)/gains on defined benefit pension schemes[1]		**(80)**	(8)	161
Exchange differences on translating foreign operations[2]		**(174)**	(11)	323
Aggregate tax effect of items not recognised in income statement[1]		**24**	(3)	(42)
Net investment hedge[1]		**15**	-	(17)
Other		**(14)**	(2)	(3)
Other comprehensive (expense)/income for the period		**(224)**	(9)	384
Total comprehensive (expense)/income for the period attributable to equity holders	3.7	**(272)**	(2)	250

[1] Consistent with the IFRS consolidated statement of comprehensive income for the period ended 30 June 2009.

[2] Exchange differences primarily relate to Canada: (£104m) and Europe: (£54m).

EEV consolidated balance sheet

As at 30 June 2009

	Notes	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Covered business				
Free surplus		**1,020**	907	1,235
Required capital		**806**	709	844
Net worth		**1,826**	1,616	2,079
Present value of in-force		**3,187**	3,490	3,345
Cost of required capital		**(324)**	(326)	(292)
Total embedded value of covered business	3.2(c)	**4,689**	4,780	5,132
Non-covered business				
Global investment management		**156**	129	143
UK		**314**	350	340
Group Corporate Centre		**438**	762	417
Other		**260**	20	255
Total net assets of non-covered business	3.6(a)	**1,168**	1,261	1,155
Consolidation adjustment for different accounting bases[2]		**2**	-	(42)
Total Group embedded value	3.7	**5,859**	6,041	6,245
Equity				
Share capital		**221**	218	218
Share premium reserve		**847**	792	792
Other reserves		**1,501**	1,480	1,623
Retained earnings on an IFRS basis		**537**	766	774
Additional retained earnings on an EEV basis		**2,753**	2,785	2,838
Total equity[1]		**5,859**	6,041	6,245

[1] Embedded value equity per share is 265p as at 30 June 2009 compared to 277p as at 30 June 2008 and 286p as at 31 December 2008 based on diluted share totals of 2,212m as at 30 June 2009 and 2,177m as at 30 June 2008 and 2,180m as at 31 December 2008.

[2] This adjustment reflects the removal of accounting differences for the Canadian subordinated liability as explained in Note 3.16 – Methodology.

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 3.16. 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 within the EEV methodology in Note 3.16.

Covered business in the published results for the 12 months to 31 December 2008 was expanded to include all Sigma UKFS mutual funds, previously sold and administered by our global investment management business.

The inclusion of Sigma UKFS mutual funds business within covered business for the first time is reflected in the EEV results for the 12 months to 31 December 2008 with an opening adjustment of £32m (£32m for covered business and £nil for non-covered business), capturing the PVIF as at 1 January 2008 within covered business and removing any related intangibles, e.g. deferred acquisition costs, from the opening net assets of non-covered business. The movement in the EEV of those mutual funds is reflected in the covered business EEV movement with changes in net worth transferred back to non-covered business for inclusion in their closing net asset position. The EEV results for the six months to 30 June 2008 have not been restated.

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 for the first time. 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).

Within the IFRS segmental analysis, UK operations comprise primarily life and pensions business, and also the banking and healthcare business. We distinguish between covered and non-covered business within our EEV results. UK and Canada non-covered businesses are analysed separately within Note 3.6.

The Europe segment within the IFRS financial statements includes the Germany and Ireland life and pensions businesses which are treated as covered business under EEV. The Ireland operations include the offshore bond business, which is sold by Standard Life International Limited (SLIL). Prior to the implementation of IFRS 8 the results for SLIL were included within the UK covered business under EEV. Comparative results for the periods six months to June 2008 and 12 months to December 2008 have been restated for UK and Europe to reflect this change.

3.1 Basis of preparation *continued*

Assumptions

Economic assumptions derived from market data are updated using market observed values at the current reporting period end. In general, other assumptions, including most expense and other non-economic assumptions, are reviewed on an annual basis.

Continuous Improvement Programme (CIP)

In March 2007 we announced our aim to reduce underlying costs by a further £100m by 2009. This cost efficiency target was achieved one year early. In March 2009 we announced the next phase of efficiency savings with a target of achieving a further £75m of annualised efficiency savings by the end of 2010. In the six months to 30 June 2009 £25m of costs have been incurred in progressing this initiative (six months to 30 June 2008: £19m; 12 months to 31 December 2008: £45m).

3.2 Segmental analysis – covered business

(a) Segmental EEV income statement

This note provides an analysis of EEV covered business as defined by the EEV Methodology within Note 3.16.

6 months to 30 June 2009	Notes	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Contribution from new business	3.3	92	18	4	-	-	**114**
Contribution from in-force business:							
Expected return on existing business		105	67	17	-	-	**189**
Experience variances	3.4	4	4	(4)	-	89	**93**
Operating assumption changes	3.5	-	-	-	-	-	**-**
Development expenses		(10)	(1)	(4)	-	-	**(15)**
Expected return on free surplus		(13)	1	2	(25)	-	**(35)**
Operating profit/(loss) before tax		**178**	**89**	**15**	**(25)**	**89**	**346**
Investment return and tax variances		(298)	(53)	(1)	-	(125)	**(477)**
Effect of economic assumption changes		96	(269)	5	-	201	**33**
Restructuring expenses		(21)	-	(4)	-	-	**(25)**
(Loss)/profit before tax		**(45)**	**(233)**	**15**	**(25)**	**165**	**(123)**
Attributed tax		12	63	(5)	-	(46)	**24**
(Loss)/profit after tax		**(33)**	**(170)**	**10**	**(25)**	**119**	**(99)**

6 months to 30 June 2008	Notes	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Contribution from new business	3.3	132	18	7	-	-	**157**
Contribution from in-force business:							
Expected return on existing business		147	55	16	-	-	**218**
Experience variances	3.4	28	4	(7)	-	(3)	**22**
Operating assumption changes	3.5	96	-	13	-	11	**120**
Development expenses		(13)	(1)	(2)	-	-	**(16)**
Expected return on free surplus		12	3	-	(16)	-	**(1)**
Operating profit/(loss) before tax		**402**	**79**	**27**	**(16)**	**8**	**500**
Investment return and tax variances		(397)	(1)	(26)	-	(92)	**(516)**
Effect of economic assumption changes		(58)	22	(6)	-	82	**40**
Restructuring expenses		(15)	(1)	-	-	-	**(16)**
Profit/(loss) before tax		**(68)**	**99**	**(5)**	**(16)**	**(2)**	**8**
Attributed tax		19	(28)	1	-	1	**(7)**
Profit/(loss) after tax		**(49)**	**71**	**(4)**	**(16)**	**(1)**	**1**

12 months to 31 December 2008	Notes	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Contribution from new business	3.3	199	34	31	-	-	**264**
Contribution from in-force business:							
Expected return on existing business		289	109	33	-	-	**431**
Experience variances	3.4	16	47	1	-	-	**64**
Operating assumption changes	3.5	151	24	9	-	11	**195**
Development expenses		(30)	(3)	(9)	-	-	**(42)**
Expected return on free surplus		33	4	3	(35)	-	**5**
Operating profit/(loss) before tax		**658**	**215**	**68**	**(35)**	**11**	**917**
Investment return and tax variances		(484)	(173)	(62)	-	(130)	**(849)**
Effect of economic assumption changes		(69)	236	11	-	(130)	**48**
Restructuring expenses		(34)	(1)	(3)	-	-	**(38)**
Profit/(loss) before tax		**71**	**277**	**14**	**(35)**	**(249)**	**78**
Attributed tax		(20)	(75)	(5)	1	70	**(29)**
Profit/(loss) after tax		**51**	**202**	**9**	**(34)**	**(179)**	**49**

An analysis of profit after tax by territory is provided in Note 3.9.

Operating profit before tax for covered business is calculated using the expected long-term investment return. 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.

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 39 Risk management to the Group's *Annual Report and Accounts* for the year ended 31 December 2008. The results for Canada include the cost of the Canadian TVOG, and the results for Europe include the cost of TVOG arising on business written outside of the HWPF in Germany.

3.2 Segmental analysis – covered business *continued*

(a) Segmental EEV income statement *continued*

The principal effect of determining the pre-tax results using the long-term rate of tax compared to the actual effective rate is to increase the effect of economic movements by £23m - UK: £22m, Europe: £1m (six months to 30 June 2008: £53m decrease - UK: £52m, Europe: £1m), arising from the impact of investment related changes in the value of the tax effects that have been assumed to arise as a result of funding HWPF transfers out of unallocated surplus.

The reduction in the expected return on existing business in the UK is primarily due to lower opening PVIF and lower opening risk discount rates.

The lower expected return on free surplus in the UK reflects lower expected returns on cash assets within free surplus, along with a higher expected increase in the value of subordinated liabilities relative to the expected return on the assets backing subordinated liabilities. The increased loss within Asia reflects the higher IFRS losses resulting from the continued investment in developing this business.

Losses within investment return and tax variances reflect the impact of investment returns being lower than the long-term assumptions. Within the UK loss of £298m is a £53m loss from the contract between UK life and pensions and Standard Life Investments arising from the restructuring of a sub-fund of Standard Life Investments (Global Liquidity Funds) plc.

Effect of economic assumption changes include the effect of changes to risk discount rates of (£134m) (six months to 30 June 2008: (£161m); 12 months to 31 December 2008: £277m), which are explained in Note 3.12. The total Canadian loss of £269m includes (£146m) from the change in risk discount rates and (£60m) from the change in subordinated debt liability. The total UK profit of £96m includes £19m from the change in risk discount rates and £63m from improved modelling of our index-linked deferred annuities.

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 Notes 3.4 and 3.10.

Restructuring expenses primarily represent the covered business costs associated with the CIP as described in Note 3.1.

(b) Segmental analysis of movements in EEV

6 months to 30 June 2009	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Opening EEV	**3,129**	**1,597**	**506**	**120**	**(220)**	**5,132**
Opening adjustments	-	-	-	-	-	-
Opening adjusted EEV	**3,129**	**1,597**	**506**	**120**	**(220)**	**5,132**
(Loss)/profit after tax	(33)	(170)	10	(25)	119	**(99)**
Internal capital transfers	(130)	(2)	(36)	8	-	**(160)**
Transfer back of surplus to Standard Life Investments	(10)	(2)	-	-	-	**(12)**
Transfer back of mutual funds net worth	10	(1)	-	-	-	**9**
Actuarial losses on defined benefit pension schemes	-	(19)	-	-	-	**(19)**
Foreign exchange differences	-	(105)	(56)	(14)	-	**(175)**
Aggregate tax effect of items not recognised in income statement	-	6	-	-	-	**6**
Other	5	-	2	-	-	**7**
Closing EEV	**2,971**	**1,304**	**426**	**89**	**(101)**	**4,689**

6 months to 30 June 2008	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Opening EEV	**3,574**	**1,276**	**349**	**86**	**(41)**	**5,244**
Opening adjustments	-	-	-	-	-	**-**
Opening adjusted EEV	**3,574**	**1,276**	**349**	**86**	**(41)**	**5,244**
Profit/(loss) after tax	(49)	71	(4)	(16)	(1)	**1**
Internal capital transfers	(464)	(39)	39	17	-	**(447)**
Transfer back of surplus to Standard Life Investments	(14)	(1)	-	-	-	**(15)**
Transfer back of mutual funds net worth	7	(1)	-	-	-	**6**
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	**-**
Foreign exchange differences	-	(35)	26	-	-	**(9)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	-	**-**
Other	-	-	-	-	-	**-**
Closing EEV	**3,054**	**1,271**	**410**	**87**	**(42)**	**4,780**

12 months to 31 December 2008	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Opening EEV	**3,574**	**1,276**	**349**	**86**	**(41)**	**5,244**
Opening adjustments	32	-	-	-	-	**32**
Opening adjusted EEV	**3,606**	**1,276**	**349**	**86**	**(41)**	**5,276**
Profit/(loss) after tax	51	202	9	(34)	(179)	**49**
Internal capital transfers	(506)	(40)	49	20	-	**(477)**
Transfer back of surplus to Standard Life Investments	(28)	(3)	(2)	-	-	**(33)**
Transfer back of mutual funds net worth	17	(1)	-	-	-	**16**
Actuarial gains/(losses) on defined benefit pension schemes	-	12	(10)	-	-	**2**
Foreign exchange differences	-	154	110	36	-	**300**
Aggregate tax effect of items not recognised in income statement	-	(3)	-	-	-	**(3)**
Other	(11)	-	1	12	-	**2**
Closing EEV	**3,129**	**1,597**	**506**	**120**	**(220)**	**5,132**

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

Opening adjustments in the UK, for the 12 months to 31 December 2008, reflect the inclusion of Sigma UKFS mutual funds in covered business for the first time. This adjustment is explained in more detail in Note 3.1 – Basis of preparation. The results for the six months to 30 June 2008 have not been restated.

3.2 Segmental analysis – covered business *continued*

(c) Segmental analysis of opening and closing EEV

6 months to 30 June 2009	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Analysis of EEV						
Free surplus	899	154	62	120	-	**1,235**
PVIF	2,173	939	453	-	(220)	**3,345**
Required capital	95	737	12	-	-	**844**
Cost of capital	(38)	(233)	(21)	-	-	**(292)**
Opening adjusted EEV	**3,129**	**1,597**	**506**	**120**	**(220)**	**5,132**
Analysis of EEV						
Free surplus	805	98	28	89	-	**1,020**
PVIF	2,091	792	405	-	(101)	**3,187**
Required capital	111	682	13	-	-	**806**
Cost of capital	(36)	(268)	(20)	-	-	**(324)**
Closing EEV	**2,971**	**1,304**	**426**	**89**	**(101)**	**4,689**

6 months to 30 June 2008	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Analysis of EEV						
Free surplus	966	168	17	86	-	**1,237**
PVIF	2,579	765	336	-	(41)	**3,639**
Required capital	63	611	6	-	-	**680**
Cost of capital	(34)	(268)	(10)	-	-	**(312)**
Opening adjusted EEV	**3,574**	**1,276**	**349**	**86**	**(41)**	**5,244**
Analysis of EEV						
Free surplus	594	183	43	87	-	**907**
PVIF	2,415	745	372	-	(42)	**3,490**
Required capital	98	602	9	-	-	**709**
Cost of capital	(53)	(259)	(14)	-	-	**(326)**
Closing EEV	**3,054**	**1,271**	**410**	**87**	**(42)**	**4,780**

12 months to 31 December 2008	UK £m	Canada £m	Europe £m	Asia £m	HWPF TVOG £m	Total £m
Analysis of EEV						
Free surplus	966	168	17	86	-	**1,237**
PVIF	2,611	765	336	-	(41)	**3,671**
Required capital	63	611	6	-	-	**680**
Cost of capital	(34)	(268)	(10)	-	-	**(312)**
Opening adjusted EEV	**3,606**	**1,276**	**349**	**86**	**(41)**	**5,276**
Analysis of EEV						
Free surplus	899	154	62	120	-	**1,235**
PVIF	2,173	939	453	-	(220)	**3,345**
Required capital	95	737	12	-	-	**844**
Cost of capital	(38)	(233)	(21)	-	-	**(292)**
Closing EEV	**3,129**	**1,597**	**506**	**120**	**(220)**	**5,132**

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 3.16.

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

6 months to 30 June 2009	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	14	1,637	47	1,819	3.9	0.7
Group pensions	29	404	287	1,527	3.9	1.9
Institutional pensions	7	907	18	944	2.1	0.8
Savings and investments[3]	(4)	577	15	696	7.9	(0.6)
Annuities	46	258	-	258	-	17.8
Protection	-	-	1	2	2.0	16.5
UK	**92**	**3,783**	**368**	**5,246**	**4.0**	**1.8**
Canada	18	537	53	1,352	15.4	1.3
Europe[3]	4	360	19	557	10.4	0.8
Asia	-	36	52	296	5.0	-
Total covered business	**114**	**4,716**	**492**	**7,451**	**5.6**	**1.6**

[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 value of new business to the present value of new business premiums and are based on the underlying unrounded numbers.

[3] The offshore bonds business, previously included within UK savings and investments, is now included within Europe. Results for the six months to 30 June 2008 and the 12 months to 31 December 2008 have been reclassified to reflect this change.

3.3 Analysis of new business contribution *continued*

6 months to 30 June 2008	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	36	2,227	59	2,509	4.8	1.4
Group pensions	44	665	268	1,803	4.2	2.4
Institutional pensions	10	820	60	964	2.4	1.1
Savings and investments[3, 4]	2	1,357	5	1,389	6.4	0.2
Annuities	40	252	-	252	-	15.9
Protection	-	-	1	4	4.0	6.2
UK	**132**	**5,321**	**393**	**6,921**	**4.1**	**1.9**
Canada	18	738	43	1,201	11.0	1.5
Europe[4]	7	416	30	689	9.1	1.0
Asia[5]	-	49	51	240	3.7	-
Total covered business	**157**	**6,524**	**517**	**9,051**	**4.9**	**1.7**

12 months to 31 December 2008	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP[6] £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	56	3,939	103	4,334	3.8	1.3
Group pensions	55	992	437	2,600	3.7	2.1
Institutional pensions	20	1,667	67	1,826	2.4	1.1
Savings and investments[3, 4]	(7)	1,958	10	2,029	7.1	(0.3)
Annuities	74	471	-	471	-	15.8
Protection	1	-	2	7	3.5	8.2
UK	**199**	**9,027**	**619**	**11,267**	**3.6**	**1.8**
Canada	34	1,154	79	2,240	13.7	1.5
Europe[4]	31	1,046	67	1,677	9.4	1.9
Asia[5]	-	90	110	495	3.7	-
Total covered business	**264**	**11,317**	**875**	**15,679**	**5.0**	**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 value of new business to the present value of new business premiums and are based on the underlying unrounded numbers.

3 Single premiums and PVNBP for UK savings and investments have been restated to include Sigma UKFS mutual funds (six months to 30 June 2008: £40m; 12 months to 31 December 2008: £88m).

4 The offshore bonds business, previously included within UK savings and investments, is now included within Europe. Results for the six months to 30 June 2008 and the 12 months to 31 December 2008 have been reclassified to reflect this change.

5 Regular premiums in China of £2m for Group protection business have been reclassified to single premiums for the six months to 30 June 2008 (12 months to 31 December 2008: £3m). PVNBP includes revisions to opening assumptions in India for the six months to 30 June 2008 (reduction of £53m).

6 The PVNBP new business sales are different from those in the full year new business press release issued on 28 January 2009 as they incorporate year end non-economic assumption changes.

3.4 Experience variances

6 months to 30 June 2009	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	-	-	(8)	-	**(8)**
Maintenance expenses	(2)	(5)	2	-	**(5)**
Mortality and morbidity	3	9	1	-	**13**
Tax	11	2	8	-	**21**
Other	(8)	(2)	(7)	89	**72**
Total	**4**	**4**	**(4)**	**89**	**93**

Lapse variances in Europe result from a reaction to falling markets and reduced economic activity, and were most pronounced within Germany.

Mortality variances in Canada arise from a review of the status of the in-force annuity policies.

Tax variances in the UK reflect favourable experience, whilst the £8m profit in Europe mainly reflects the successful agreement of prior year tax affairs in Ireland.

'Other' HWPF TVOG variances largely reflect improvements in modelling and the impact of changes in asset allocations and hedging arrangements.

6 months to 30 June 2008	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	-	-	2	-	**2**
Maintenance expenses	-	(3)	-	-	**(3)**
Mortality and morbidity	-	-	(1)	-	**(1)**
Tax	18	9	(3)	-	**24**
Other	10	(2)	(5)	(3)	**-**
Total	**28**	**4**	**(7)**	**(3)**	**22**

12 months to 31 December 2008	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	18	-	4	-	**22**
Maintenance expenses	(8)	3	(2)	-	**(7)**
Mortality and morbidity	2	-	-	-	**2**
Tax	40	38	(4)	-	**74**
Other	(36)	6	3	-	**(27)**
Total	**16**	**47**	**1**	**-**	**64**

3.5 Operating assumption changes

6 months to 30 June 2009	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	-	-	-	-	-
Maintenance expenses	-	-	-	-	-
Mortality and morbidity	-	-	-	-	-
Tax	-	-	-	-	-
Other	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**

In general, operating assumptions for the main classes of business, including most expense and other non-economic assumptions, are reviewed on an annual basis. The impact of this review will be reflected in the full year results.

For the six months to 30 June 2008 and 12 months to 31 December 2008, £119m of the 'Other' operating assumption changes arose from the impact of the UK annuity reassurance transaction.

6 months to 30 June 2008	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	-	-	-	-	-
Maintenance expenses	-	-	-	-	-
Mortality and morbidity	-	-	-	-	-
Tax	-	-	-	-	-
Other	96	-	13	11	120
Total	**96**	**-**	**13**	**11**	**120**

12 months to 31 December 2008	UK £m	Canada £m	Europe £m	HWPF TVOG £m	Total £m
Lapses	(35)	(25)	(1)	-	(61)
Maintenance expenses	45	28	(2)	-	71
Mortality and morbidity	46	4	3	-	53
Tax	2	-	-	-	2
Other	93	17	9	11	130
Total	**151**	**24**	**9**	**11**	**195**

3.6 Non-covered business

Non-covered business EEV operating profit is represented by IFRS normalised underlying 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.

UK operations comprise primarily life and pensions business, and also the banking and healthcare business. UK non-covered business is shown within this note and includes banking, healthcare and UK mutual fund businesses, and also the non-covered UK pension scheme.

(a) Segmental analysis – non-covered business

6 months to 30 June 2009	Global investment management £m	UK £m	Other including Group Corporate Centre £m	Total non-covered business £m
Opening EEV net assets	**143**	**340**	**672**	**1,155**
Profit/(loss) after tax	2	19	(14)	**7**
Transfer back of net worth from covered business	12	(10)	1	**3**
Foreign exchange differences	(1)	-	2	**1**
Internal capital transfers	-	2	158	**160**
Distributions to equity holders	-	-	(168)	**(168)**
Other	-	(37)	47	**10**
Closing EEV net assets	**156**	**314**	**698**	**1,168**

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 six months ended 30 June 2009 dividends paid under the Scrip scheme were £58m (six months to 30 June 2008 and 12 months to 31 December 2008: £nil), in addition to £110m paid in cash (six months to 30 June 2008: £168m and 12 months to 31 December 2008: £257m).

'Other' movements in the UK EEV net assets predominantly relate to the actuarial loss of £60m and aggregate tax effect of positive £19m relating to the UK non-covered pension scheme.

'Other' movements in Other including Group corporate centre predominantly relate to the £58m issue of share capital other than in cash in relation to the Scrip dividend paid by Standard Life plc.

6 months to 30 June 2008	Global investment management £m	UK £m	Other including Group Corporate Centre £m	Total non-covered business £m
Opening EEV net assets	**142**	**295**	**530**	**967**
Profit/(loss) after tax	(27)	34	(1)	**6**
Transfer back of net worth from covered business	15	(7)	1	**9**
Foreign exchange differences	-	-	(2)	**(2)**
Internal capital transfers	-	24	423	**447**
Distributions to equity holders	-	-	(168)	**(168)**
Other	(1)	4	(1)	**2**
Closing EEV net assets	**129**	**350**	**782**	**1,261**

* The only difference between IFRS normalised underlying profit and IFRS underlying profit arises within global investment management, as described in Note 3.6(b).

3.6 Non-covered business *continued*

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

12 months to 31 December 2008	Global investment management £m	UK £m	Other including Group Corporate Centre £m	Total non-covered business £m
Opening EEV net assets	**142**	**295**	**530**	**967**
Loss after tax	(35)	(75)	(31)	**(141)**
Transfer back of net worth from covered business	33	(17)	1	**17**
Foreign exchange differences	2	-	21	**23**
Internal capital transfers	-	54	423	**477**
Distributions to equity holders	-	-	(257)	**(257)**
Other	1	83	(15)	**69**
Closing EEV net assets	**143**	**340**	**672**	**1,155**

(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 pension profits include £6m (six months to 30 June 2008: £9m; 12 months to 31 December 2008: £20m) 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 £16m (six months to 30 June 2008: £40m; 12 months to 31 December 2008: £68m) of third party related profits for global investment management.

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Life and pensions look through profits before tax[1]	**17**	21	45
Third party related life and pensions losses before tax	**(6)**	(9)	(20)
Life and pensions look through profits before tax excluding third party profits	**11**	12	25
Third party related life and pensions profits before tax	**6**	9	20
Third party related profits before tax	**10**	31	48
Total third party related profits before tax	**16**	40	68
Total EEV operating profit before tax	**27**	52	93
Non-operating items[2]	**(8)**	(67)	(93)
Total EEV profit/(loss) before tax	**19**	(15)	-

[1] Included within life and pensions look through profits before tax is £7m of profits (12 months to 31 December 2008: £14m) in relation to some Sigma UKFS mutual funds business, which is sold and administered through our UKFS Standard Life Savings business and was included for the first time as covered business within the full year 2008 UK life and pensions EEV. Previously, this Sigma UKFS mutual funds business was non-covered business and was sold and administered through our global investment management business. The results for the six months to 30 June 2008 have not been restated and the profits relating to this Sigma mutual funds business was included within global investment management third party related profits for that period.

[2] The non-operating loss items for the six months to 30 June 2009 include £6m 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 which limited this liability for Standard Life Investments. The non-operating items for the six months to 30 June 2008 include total losses of £66m (12 months to 31 December 2008: £90m) from the restructuring of the Global Liquidity Funds. Of these total restructuring losses, £27m for the six months to 30 June 2008 (12 months to 31 December 2008: £51m), relate to losses arising from the fair value movements of assets brought directly on to the balance sheet. The losses for all periods relating to the non-life net negative fair value movement and the fair value movement of assets brought directly to the balance sheet are included within IFRS underlying profit but excluded from IFRS normalised underlying profit. Also included within non-operating items for the six months to 30 June 2009 are £2m of costs relating to the CIP programme and other restructuring costs (six months to 30 June 2008: £1m; 12 months to 31 December 2008: £3m).

(c) Other EEV operating profits before tax

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Canada non-life subsidiaries	(2)	2	2
Mutual funds transferred to covered business	(2)	(1)	(2)
Canada non-life subsidiaries excluding transfers to covered business	(4)	1	-
Standard Life plc income	1	21	8
Other	11	3	5
Other non-covered business EEV operating profit before tax	8	25	13

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

3.7 EEV – reconciliation of movements in consolidated balance sheet

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Opening EEV	6,245	6,211	6,211
Opening adjustments	-	-	32
Opening adjusted EEV	6,245	6,211	6,243
Total comprehensive (expense)/income for the period	(272)	(2)	250
Distributions to equity holders	(168)	(168)	(257)
Issue of share capital other than in cash	58	1	1
Reserves credit for employee share-based payment schemes	(4)	4	10
Vested employee share-based payment schemes	-	(5)	(2)
Closing EEV	5,859	6,041	6,245

Opening adjustments in the full year 2008 relate to the transfer of Sigma UKFS mutual funds from non-covered to covered business. These adjustments impacted the opening PVIF in covered business by £32m and the opening net assets in non-covered business by £nil. The EEV results for the six months to 30 June 2008 have not been restated.

3.8 Reconciliation of EEV net assets to IFRS net assets

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Net assets on an EEV basis	5,859	6,041	6,245
Present value of in-force life and pensions business net of cost of capital	(2,863)	(3,164)	(3,053)
EEV net worth	2,996	2,877	3,192
Adjustment of long-term debt to market value	(403)	(137)	(434)
Canadian marked-to-market	20	100	58
Deferred acquisition costs net of deferred income reserve	331	281	354
Deferred tax differences	150	148	180
Other	14	(13)	15
Consolidation adjustment for different accounting bases[1]	(2)	-	42
Net assets attributable to equity holders on an IFRS basis	3,106	3,256	3,407

[1] This adjustment reflects the removal of accounting differences for the Canadian subordinated liability as explained in Note 3.16 – 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

6 months to 30 June 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**
Contribution from new business	(96)	24	(72)	155	**83**
Contribution from in-force business:					
Expected return on existing business	(1)	19	18	118	**136**
Expected return transfer to net worth	290	(30)	260	(261)	**(1)**
Experience variances	20	3	23	43	**66**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(11)	-	(11)	-	**(11)**
Expected return on free surplus	(32)	-	(32)	-	**(32)**
Operating profit after tax	**170**	**16**	**186**	**55**	**241**
Investment return and tax variances	(217)	29	(188)	(155)	**(343)**
Effect of economic assumption changes	47	(28)	19	3	**22**
Restructuring expenses	(19)	-	(19)	-	**(19)**
(Loss)/profit after tax	**(19)**	**17**	**(2)**	**(97)**	**(99)**
Internal capital transfers	(160)	-	(160)	-	**(160)**
Transfer back of surplus to Standard Life Investments	(12)	-	(12)	-	**(12)**
Transfer back of mutual funds net worth	9	-	9	-	**9**
Actuarial losses on defined benefit pension schemes	(19)	-	(19)	-	**(19)**
Foreign exchange differences	(27)	(55)	(82)	(93)	**(175)**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Other	7	-	7	-	**7**
Closing EEV	**1,020**	**806**	**1,826**	**2,863**	**4,689**

Asia is included within covered business on an IFRS basis, with the IFRS opening and closing net assets for this business included within the opening and closing EEV free surplus, and the IFRS underlying loss after tax included within Expected return on free surplus.

6 months to 30 June 2008	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	1,237	680	1,917	3,327	**5,244**
Contribution from new business	(152)	21	(131)	244	**113**
Contribution from in-force business:					
Expected return on existing business	-	17	17	140	**157**
Expected return transfer to net worth	268	(17)	251	(251)	**-**
Experience variances	13	5	18	(2)	**16**
Operating assumption changes	74	16	90	(4)	**86**
Development expenses	(12)	-	(12)	-	**(12)**
Expected return on free surplus	(5)	-	(5)	-	**(5)**
Operating profit after tax	186	42	228	127	**355**
Investment return and tax variances	(101)	5	(96)	(276)	**(372)**
Effect of economic assumption changes	56	(2)	54	(25)	**29**
Restructuring expenses	(11)	-	(11)	-	**(11)**
Profit/(loss) after tax	130	45	175	(174)	**1**
Internal capital transfers	(447)	-	(447)	-	**(477)**
Transfer back of surplus to Standard Life Investments	(15)	-	(15)	-	**(15)**
Transfer back of mutual funds net worth	6	-	6	-	**6**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	(4)	(16)	(20)	11	**(9)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	-	-	-	-	**-**
Closing EEV	907	709	1,616	3,164	**4,780**

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

(b) UK and HWPF TVOG

6 months to 30 June 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**
Contribution from new business	(54)	11	(43)	109	**66**
Contribution from in-force business:					
Expected return on existing business	(1)	2	1	74	**75**
Expected return transfer to net worth	188	(2)	186	(186)	**-**
Experience variances	18	8	26	40	**66**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(7)	-	(7)	-	**(7)**
Expected return on free surplus	(9)	-	(9)	-	**(9)**
Operating profit after tax	**135**	**19**	**154**	**37**	**191**
Investment return and tax variances	(175)	-	(175)	(130)	**(305)**
Effect of economic assumption changes	86	(3)	83	132	**215**
Restructuring expenses	(15)	-	(15)	-	**(15)**
Profit after tax	**31**	**16**	**47**	**39**	**86**
Internal capital transfers	(130)	-	(130)	-	**(130)**
Transfer back of surplus to Standard Life Investments	(10)	-	(10)	-	**(10)**
Transfer back of mutual funds net worth	10	-	10	-	**10**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	**-**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	5	-	5	-	**5**
Closing EEV	**805**	**111**	**916**	**1,954**	**2,870**

6 months to 30 June 2008	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**966**	**63**	**1,029**	**2,504**	**3,533**
Contribution from new business	(107)	13	(94)	189	**95**
Contribution from in-force business:					
Expected return on existing business	-	2	2	103	**105**
Expected return transfer to net worth	183	(1)	182	(182)	**-**
Experience variances	20	3	23	(5)	**18**
Operating assumption changes	73	16	89	(12)	**77**
Development expenses	(8)	-	(8)	-	**(8)**
Expected return on free surplus	9	-	9	-	**9**
Operating profit after tax	**170**	**33**	**203**	**93**	**296**
Investment return and tax variances	(89)	5	(84)	(269)	**(353)**
Effect of economic assumption changes	28	(3)	25	(7)	**18**
Restructuring expenses	(11)	-	(11)	-	**(11)**
(Loss)/profit after tax	**98**	**35**	**133**	**(183)**	**(50)**
Internal capital transfers	(464)	-	(464)	-	**(464)**
Transfer back of surplus to Standard Life Investments	(14)	-	(14)	-	**(14)**
Transfer back of mutual funds net worth	7	-	7	-	**7**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	-	-	-	-	**-**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	1	-	1	(1)	**-**
Closing EEV	**594**	**98**	**692**	**2,320**	**3,012**

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

(c) Canada

6 months to 30 June 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**
Contribution from new business	(13)	12	(1)	14	**13**
Contribution from in-force business:					
Expected return on existing business	-	17	17	32	**49**
Expected return transfer to net worth	64	(29)	35	(35)	**-**
Experience variances	7	(5)	2	1	**3**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(1)	-	(1)	-	**(1)**
Expected return on free surplus	1	-	1	-	**1**
Operating profit/(loss) after tax	**58**	**(5)**	**53**	**12**	**65**
Investment return and tax variances	(47)	29	(18)	(20)	**(38)**
Effect of economic assumption changes	(42)	(25)	(67)	(130)	**(197)**
Restructuring expenses	-	-	-	-	**-**
Loss after tax	**(31)**	**(1)**	**(32)**	**(138)**	**(170)**
Internal capital transfers	(2)	-	(2)	-	**(2)**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Actuarial losses on defined benefit pension schemes	(19)	-	(19)	-	**(19)**
Foreign exchange differences	(7)	(54)	(61)	(44)	**(105)**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Other	-	-	-	-	**-**
Closing EEV	**98**	**682**	**780**	**524**	**1,304**

6 months to 30 June 2008	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**168**	**611**	**779**	**497**	**1,276**
Contribution from new business	(6)	6	-	13	**13**
Contribution from in-force business:					
Expected return on existing business	(1)	15	14	26	**40**
Expected return transfer to net worth	48	(16)	32	(32)	**-**
Experience variances	1	2	3	-	**3**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(1)	-	(1)	-	**(1)**
Expected return on free surplus	2	-	2	-	**2**
Operating profit after tax	**43**	**7**	**50**	**7**	**57**
Investment return and tax variances	(9)	-	(9)	7	**(2)**
Effect of economic assumption changes	27	1	28	(12)	**16**
Restructuring expenses	-	-	-	-	**-**
Profit after tax	**61**	**8**	**69**	**2**	**71**
Internal capital transfers	(39)	-	(39)	-	**(39)**
Transfer back of surplus to Standard Life Investments	(1)	-	(1)	-	**(1)**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	(5)	(17)	(22)	(13)	**(35)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	-	-	-	-	**-**
Closing EEV	**183**	**602**	**785**	**486**	**1,271**

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

(d) Europe and Asia

6 months to 30 June 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**
Contribution from new business	(29)	1	(28)	32	**4**
Contribution from in-force business:					
Expected return on existing business	-	-	-	12	**12**
Expected return transfer to net worth	38	1	39	(40)	**(1)**
Experience variances	(5)	-	(5)	2	**(3)**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(3)	-	(3)	-	**(3)**
Expected return on free surplus	(24)	-	(24)	-	**(24)**
Operating (loss)/profit after tax	**(23)**	**2**	**(21)**	**6**	**(15)**
Investment return and tax variances	5	-	5	(5)	**-**
Effect of economic assumption changes	3	-	3	1	**4**
Restructuring expenses	(4)	-	(4)	-	**(4)**
(Loss)/profit after tax	**(19)**	**2**	**(17)**	**2**	**(15)**
Internal capital transfers	(28)	-	(28)	-	**(28)**
Transfer back of surplus to Standard Life Investments	-	-	-	-	**-**
Transfer back of mutual funds net worth	-	-	-	-	**-**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	(20)	(1)	(21)	(49)	**(70)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	2	-	2	-	**2**
Closing EEV	**117**	**13**	**130**	**385**	**515**

Asia is included within covered business on an IFRS basis, with the IFRS opening and closing net assets for this business included within the opening and closing EEV free surplus, and the IFRS underlying loss after tax included within Expected return on free surplus.

6 months to 30 June 2008	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**103**	**6**	**109**	**326**	**435**
Contribution from new business	(39)	2	(37)	42	**5**
Contribution from in-force business:					
Expected return on existing business	1	-	1	11	**12**
Expected return transfer to net worth	37	-	37	(37)	**-**
Experience variances	(8)	-	(8)	3	**(5)**
Operating assumption changes	1	-	1	8	**9**
Development expenses	(3)	-	(3)	-	**(3)**
Expected return on free surplus	(16)	-	(16)	-	**(16)**
Operating profit/(loss) after tax	**(27)**	**2**	**(25)**	**27**	**2**
Investment return and tax variances	(3)	-	(3)	(14)	**(17)**
Effect of economic assumption changes	1	-	1	(6)	**(5)**
Restructuring expenses	-	-	-	-	**-**
(Loss)/profit after tax	**(29)**	**2**	**(27)**	**7**	**(20)**
Internal capital transfers	56	-	56	-	**56**
Transfer back of surplus to Standard Life Investments	-	-	-	-	**-**
Transfer back of mutual funds net worth	-	-	-	-	**-**
Actuarial gains on defined benefit pension schemes	-	-	-	-	**-**
Foreign exchange differences	1	1	2	24	**26**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	**-**
Other	(1)	-	(1)	1	**-**
Closing EEV	**130**	**9**	**139**	**358**	**497**

3.10 Time value of options and guarantees (TVOG)

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
UK and Europe HWPF	**(101)**	(42)	(220)
Canada	**(31)**	(19)	(30)
Europe – other	**-**	(1)	(7)
Total	**(132)**	(62)	(257)

The UK and Europe HWPF TVOG reflects the value of shareholder exposure to the policyholder guarantees within the HWPF. This has reduced significantly during 2009 due to the impact of improvements in modelling and changes in asset allocations, as described in Note 3.4, and the overall favourable non-operating profit of £76m as shown in Note 3.2(a), where the impact of adverse investment returns was offset by the benefits from higher risk free yields and lower implied volatilities. Similar improvements resulted in a decrease in the TVOG in Europe.

3.11 Market value of subordinated liabilities within covered business

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
UK	**(1,245)**	(1,546)	(1,375)
Canada	**(211)**	(198)	(183)
Total	**(1,456)**	(1,744)	(1,558)

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

The market value of the subordinated liabilities in Canada has increased over 2009 as a result of reductions in credit spreads, offset in part from foreign exchange movements. This has produced a pre-tax loss of £60m within the 2009 effect of economic assumption changes for Canada shown in Note 3.2(a). This has been offset by the Group EEV consolidation adjustment in respect of Canadian subordinated liability, as shown in the EEV consolidated income statement.

3.12 Principal economic assumptions – deterministic calculations – covered business

(a) Gross investment returns and expense inflation

At 30 June 2009	UK %	Canada %	Europe %
Gross investment returns			
Risk free	3.72	3.63	3.39
Corporate bonds	4.90 ***	*	n/a
Equities	6.72	8.60	6.39
Property	5.72	8.60	5.39
Other			
Expense inflation:	3.33	**	
Germany			1.89
Ireland			2.80

* 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.

** 1.71% in 2009. The rate in subsequent years is based on a moving 30 year bond yield less a variable deduction.

*** Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 6.78% for annuities that are level or subject to fixed escalations and 3.72% for annuities where escalations are linked to a price index.

At 30 June 2008	UK %	Canada %	Europe %
Gross investment returns			
Risk free	5.28	3.92	4.62
Corporate bonds	6.47 ***	*	n/a
Equities	8.28	8.60	7.62
Property	7.28	8.60	6.62
Other			
Expense inflation:	4.80	**	
Germany			2.96
Ireland			4.07

* 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.

** 1.61% in 2008. The rate in subsequent years is based on a moving 30 year bond yield less a variable deduction.

*** Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 6.44% for annuities that are level or subject to fixed escalations and 5.28% for annuities where escalations are linked to a price index.

At 31 December 2008	UK %	Canada %	Europe %
Gross investment returns			
Risk free	3.42	3.07	2.95
Corporate bonds	5.09 ***	*	n/a
Equities	6.42	8.60	5.95
Property	5.42	8.60	4.95
Other			
Expense inflation:	2.57	**	
Germany			1.27
Ireland			2.18

* 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.

** 0.94% in 2008. The rate in subsequent years is based on a moving 30 year bond yield less a variable deduction.

*** Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 6.44% for annuities that are level or subject to fixed escalations and 3.42% for annuities where escalations are linked to a price index.

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

(b) Risk discount rates – in-force business

At 30 June 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	2.70	1.80	1.50
Non-market risk	1.60	1.50	2.40	1.60	1.50
Total	**3.40**	**3.00**	**5.10**	**3.40**	**3.00**
Cost of capital adjustment	-	(0.40)	(1.40)	-	(0.40)
Risk margin after cost of capital adjustment	**3.40**	**2.60**	**3.70**	**3.40**	**2.60**
Risk discount rates – in-force business					
Risk free	3.72	3.72	3.63	3.39	3.39
Risk margin	3.40	2.60	3.70	3.40	2.60
Risk discount rate[1]	**7.12**	**6.32**	**7.33**	**6.79**	**5.99**

[1] Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.83% and 6.36% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

At 30 June 2008	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	2.00	2.00	2.30	2.00	2.00
Non-market risk	0.90	1.20	2.20	0.90	1.20
Total	**2.90**	**3.20**	**4.50**	**2.90**	**3.20**
Cost of capital adjustment	-	(0.30)	(1.40)	-	(0.30)
Risk margin after cost of capital adjustment	**2.90**	**2.90**	**3.10**	**2.90**	**2.90**
Risk discount rates – in-force business					
Risk free	5.28	5.28	3.92	4.62	4.62
Risk margin	2.90	2.90	3.10	2.90	2.90
Risk discount rate[1]	**8.18**	**8.18**	**7.02**	**7.52**	**7.52**

[1] Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 8.18% and 7.55% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

At 31 December 2008	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	2.00	1.70	2.80	2.00	1.70
Non-market risk	1.60	1.50	2.40	1.60	1.50
Total	**3.60**	**3.20**	**5.20**	**3.60**	**3.20**
Cost of capital adjustment	-	(0.30)	(1.70)	-	(0.30)
Risk margin after cost of capital adjustment	**3.60**	**2.90**	**3.50**	**3.60**	**2.90**
Risk discount rates – in-force business					
Risk free	3.42	3.42	3.07	2.95	2.95
Risk margin	3.60	2.90	3.50	3.60	2.90
Risk discount rate[1]	**7.02**	**6.32**	**6.57**	**6.55**	**5.85**

[1] Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.78% and 6.20% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

At June 2009 market risk margins and cost of capital adjustments have been updated to reflect changes in the mix of business and asset allocation. Non market risk margins are updated once a year, and any changes will be reflected in the full year results.

The impact of the changes in risk discount rates has been included in the effect of economic assumption changes shown in Note 3.2(a). The amounts within these totals that relate to the changes in risk discount rates are for UK: profit £19m, for Europe: loss £7m and for Canada: loss £146m.

(c) Risk discount rates – new business

6 months to 30 June 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	2.10	1.80	1.70	2.10	1.80
Non-market risk	0.40	1.50	1.90	0.40	1.50
Total	**2.50**	**3.30**	**3.60**	**2.50**	**3.30**
Cost of capital adjustment	-	(0.40)	(0.40)	-	(0.40)
Risk margin after cost of capital adjustment	**2.50**	**2.90**	**3.20**	**2.50**	**2.90**
Risk discount rates – new business					
Risk free[1]	3.42	3.42	3.07	2.95	2.95
Risk margin	2.50	2.90	3.20	2.50	2.90
Risk discount rate[2]	**5.92**	**6.32**	**6.27**	**5.45**	**5.85**

[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 business as weights, the average risk discount rates for UK and Europe were 6.25% and 5.93% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

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

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

6 months to 30 June 2008	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	2.10	2.00	1.80	2.10	2.00
Non-market risk	0.40	1.20	2.20	0.40	1.20
Total	**2.50**	**3.20**	**4.00**	**2.50**	**3.20**
Cost of capital adjustment	-	(0.30)	(1.10)	-	(0.30)
Risk margin after cost of capital adjustment	**2.50**	**2.90**	**2.90**	**2.50**	**2.90**
Risk discount rates – new business					
Risk free[1]	4.58	4.58	4.04	4.33	4.33
Risk margin	2.50	2.90	2.90	2.50	2.90
Risk discount rate[2]	**7.08**	**7.48**	**6.94**	**6.83**	**7.23**

[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 2007.

[2] Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 7.40% and 7.27% 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 2008	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	2.10	1.80	1.50	2.10	1.80
Non-market risk	0.40	1.50	1.90	0.40	1.50
Total	**2.50**	**3.30**	**3.40**	**2.50**	**3.30**
Cost of capital adjustment	-	(0.40)	(0.50)	-	(0.40)
Risk margin after cost of capital adjustment	**2.50**	**2.90**	**2.90**	**2.50**	**2.90**
Risk discount rates – new business					
Risk free[1]	4.58	4.58	4.04	4.33	4.33
Risk margin	2.50	2.90	2.90	2.50	2.90
Risk discount rate[2]	**7.08**	**7.48**	**6.94**	**6.83**	**7.23**

[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 2007.

[2] Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 7.41% and 7.29% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

3.13 Principal economic assumptions – stochastic calculations

The level of the TVOG is generally calculated by 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 3.16.

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 returns
- Bond returns
- Inflation
- Equity returns
- Property returns
- £/€ exchange rate
- Dividend yields
- Rental yields

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 following instruments:

- Conventional government bond yields adjusted to allow for any 'convenience premium' associated with government bond prices
- A range of swaption prices

Inflation
This variable is calibrated using the yields obtained on inflation swaps.

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
As market consistent estimates for dividend and rental yields cannot be derived from liquid market instruments, best estimates are used.

Correlations

The principal correlations in the ESG are between equity, bond and property returns. These correlations are targeted to be of the following order:

- Equity/property = 0.2
- Equity/bonds = 0.2
- Property/bonds = 0.1

3.14 Foreign exchange

A description of the approach to the currency translation for foreign entities is provided in Note 3.16.

The principal exchange rates applied are:

Local currency: £	**Closing 30 June 2009**	**Average to 30 June 2009**	Closing 30 June 2008	Average to 30 June 2008	Closing 31 December 2008	Average to 31 December 2008
Canada	**1.913**	**1.802**	2.019	1.991	1.775	1.957
Ireland	**1.174**	**1.113**	1.263	1.297	1.034	1.259
Germany	**1.174**	**1.113**	1.263	1.297	1.034	1.259
India	**78.891**	**73.592**	85.627	80.835	70.049	80.063
China	**11.249**	**10.226**	13.641	14.014	9.810	12.896
Hong Kong	**12.763**	**11.604**	15.518	15.478	11.143	14.418

3.15 Sensitivity analysis – economic and non-economic assumptions

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

3.16 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, Europe (Germany including Austria, and Ireland) and Asia, 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. As Asia is not material in the context of both the Group embedded value and the Group EEV operating profit, EEV Principles and Guidance do not require them to be reported on an embedded value basis. They have therefore been included at their IFRS value which is consistent with the IFRS primary statements. This IFRS value should not be interpreted as a proxy for their embedded value.

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 UK financial services business

Canada covered business also includes mutual funds.

Europe covered business consists of:

- The Group's German branch of Standard Life Assurance Limited (SLAL)
- The Group's Ireland branch of SLAL
- The Group's offshore business, which is sold by Standard Life International Limited (SLIL)

Asia covered business consists of:

- The Group's share of results in the joint venture, HDFC Standard Life Insurance Company Limited at 26% for the six months to 30 June 2009 (during the six months to 30 June 2008: 26%; during the 12 months to 31 December 2008: 26%)
- The Group's share of results in the joint venture, Heng An Standard Life Insurance Company Limited at 50% for the six months to 30 June 2009 (during the six months to 30 June 2008: 50%; during the 12 months to 31 December 2008: 50%)
- The results of the Group's business in Hong Kong (Standard Life Asia Limited), along with an allocation of costs attributable to the Asia Development head office

Cash flows emerging in the period on covered business that do not reside within a life and pensions company on a statutory basis are transferred back to the relevant non-covered entity for disclosure within their closing net assets. This treatment is applied to both the return from global investment management and the return on certain mutual funds included in covered business.

The Group's non-covered business mainly includes the business of Standard Life Bank, Standard Life Healthcare, Standard Life plc, the third party global investment management business of Standard Life Investments, the non-covered business of Standard Life Savings and other non-life and pensions entities.

Non-covered business EEV operating profit is represented by IFRS normalised underlying 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. The only difference between IFRS normalised underlying profit and IFRS underlying profit arises within global investment management as described in Note 3.6(b).

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 below.

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 below.

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.

3.16 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 3.12.

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 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' fund. 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)

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 European 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.

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

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 Standard Life International Limited (SLIL) is included within Europe results but has the same economic assumptions as UK covered business.

Details of the assumptions used for this reporting period are provided in Note 3.12.

Non-economic assumption changes

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

Expense assumptions

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

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

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

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

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

Restructuring expenses for covered and non-covered business include the current year cost of the Continuous Improvement Programme (CIP) and any additional restructuring expenses consistent with those identified in the IFRS underlying profit adjustments. The total restructuring expenses are included together with the cost of any corporate activity in restructuring and corporate transaction expenses.

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. The interpretation has been taken into consideration in determining the treatment of the surplus arising in respect of the UK defined benefit plan.

3.16 EEV methodology *continued*

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 comprises:

- New contracts written during the period
- New premiums on recurrent single premium contracts
- 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.

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.

Transfers to equity holders from the HWPF will, in the first instance, be funded from unallocated surplus. The profit after tax result is stated after allowing for this and takes into account the risk of markets moving adversely in the future which would reduce the amount that can be transferred to equity holders from the unallocated surplus. These transfers can be made without equity holder tax arising for a number of years. Over time the actual effective tax rate on these transfers 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 the Canadian companies form part of covered business and have been deducted at market value within the EEV. The Canadian 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 balance sheet items denominated in foreign currencies have been translated to sterling using the appropriate closing exchange rates. NBC and other profit and loss account items have been translated using average exchange rates. Gains and losses arising from foreign exchange differences on consolidation are presented separately within the EEV consolidated statement of recognised income and expense.

Details of the exchange rates applied are provided in Note 3.14.

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4 International Financial Reporting Standards (IFRS)

IFRS condensed consolidated income statement

For the six months ended 30 June 2009

	Notes	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Revenue				
Gross earned premium		**1,806**	1,802	3,564
Premiums ceded to reinsurers		**(45)**	(6,344)	(6,338)
Net earned premium		**1,761**	(4,542)	(2,774)
Net investment return		**222**	(6,096)	(13,531)
Fee and commission income		**316**	325	622
Other income		**41**	36	93
Total net revenue		**2,340**	(10,277)	(15,590)
Expenses				
Claims and benefits paid		**3,143**	3,635	7,142
Claim recoveries from reinsurers		**(317)**	(255)	(571)
Net insurance benefits and claims		**2,826**	3,380	6,571
Change in reinsurance assets		**(44)**	(5,947)	(5,559)
Change in policyholder liabilities		**(1,558)**	(8,608)	(18,112)
Expenses/(income) under arrangements with reinsurers		**60**	(79)	92
Administrative expenses	4.3	**989**	1,203	2,464
Change in liability for third party interests in consolidated funds		**(9)**	(116)	(598)
Finance costs		**62**	63	129
Total expenses		**2,326**	(10,104)	(15,013)
Share of (losses)/profits from associates and joint ventures		**(35)**	61	101
Loss before tax		**(21)**	(112)	(476)
Tax expense/(credit) attributable to policyholders' returns	4.6	**10**	(313)	(334)
(Loss)/profit before tax attributable to equity holders' profits		**(31)**	201	(142)
Total tax expense/(credit)	4.6	**28**	(270)	(493)
Less: Tax (expense)/credit attributable to policyholders' returns	4.6	**(10)**	313	334
Tax expense/(credit) attributable to equity holders' profits	4.6	**18**	43	(159)
(Loss)/profit for the period		**(49)**	158	17
Attributable to:				
Equity holders of Standard Life plc		**(20)**	161	100
Non-controlling interests		**(29)**	(3)	(83)
		(49)	158	17
Earnings per share				
Basic (pence per share)	4.4	**(0.9)**	7.4	4.6
Diluted (pence per share)	4.4	**(0.9)**	7.4	4.6

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

IFRS consolidated statement of comprehensive income

For the six months ended 30 June 2009

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
(Loss)/profit for the period	**(49)**	158	17
Fair value gains/(losses) on cash flow hedges	**5**	15	(38)
Actuarial (losses)/gains on defined benefit pension schemes	**(80)**	(8)	161
Revaluation of land and buildings	**(17)**	(20)	(58)
Net investment hedge	**15**	(5)	(17)
Exchange differences on translating foreign operations	**(239)**	23	479
Equity movements transferred to unallocated divisible surplus	**125**	(19)	(236)
Equity movements attributable to third party interests in consolidated funds	**-**	-	22
Share of other recognised income from associates and joint ventures	**-**	-	2
Aggregate policyholder tax effect of items not recognised in income statement	**-**	(1)	-
Aggregate equity holder tax effect of items not recognised in income statement	**24**	(4)	(42)
Other comprehensive (expense)/income for the period	**(167)**	(19)	273
Total comprehensive (expense)/income for the period	**(216)**	139	290
Attributable to:			
Equity holders of Standard Life plc	**(187)**	142	373
Non-controlling interests	**(29)**	(3)	(83)
	(216)	139	290

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

IFRS pro forma reconciliation of Group underlying profit to profit for the period

For the six months ended 30 June 2009

	Notes	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Underlying profit before tax attributable to equity holders of Standard Life plc				
United Kingdom	4.2	**56**	249	238
Canada	4.2	**(10)**	66	(102)
Europe	4.2	**21**	16	48
Asia	4.2	**(25)**	(16)	(35)
Global investment management	4.2	**21**	25	42
Other	4.2	**(16)**	5	(37)
Underlying profit before tax attributable to equity holders of Standard Life plc and adjusted items		**47**	345	154
Loss attributable to non-controlling interests		**(29)**	(3)	(83)
Underlying profit before tax attributable to equity holders and adjusted items		**18**	342	71
Adjusted for the following items:				
Volatility arising on different asset and liability valuation bases	4.7	**(20)**	(97)	(141)
Restructuring expenses	4.3	**(29)**	(44)	(72)
(Loss)/profit before tax attributable to equity holders' profits		**(31)**	201	(142)
Tax (expense)/credit attributable to:				
Underlying profit		**(22)**	(45)	100
Adjusted items		**4**	2	59
Total tax (expense)/credit attributable to equity holders' profits		**(18)**	(43)	159
(Loss)/profit for the period		**(49)**	158	17

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

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of financial position

As at 30 June 2009

	Notes	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Assets				
Intangible assets		**111**	71	112
Deferred acquisition costs		**855**	793	892
Investments in associates and joint ventures		**1,699**	3,392	3,098
Investment property		**6,937**	9,109	7,738
Property, plant and equipment		**150**	808	740
Reinsurance assets		**6,085**	6,419	6,076
Loans and receivables		**11,027**	12,426	12,069
Investment securities		**91,078**	98,985	90,716
Derivative financial assets		**1,474**	828	2,800
Other assets		**2,577**	2,440	2,687
Cash and cash equivalents		**10,644**	8,818	10,052
Total assets		**132,637**	144,089	136,980
Equity				
Share capital	4.8	**221**	218	218
Share premium reserve		**847**	792	792
Retained earnings		**537**	766	774
Other reserves		**1,501**	1,480	1,623
Equity attributable to equity holders of Standard Life plc		**3,106**	3,256	3,407
Non-controlling interests		**290**	406	334
Total equity	4.9	**3,396**	3,662	3,741
Liabilities				
Non-participating contract liabilities	4.10	**71,814**	76,896	71,908
Participating contract liabilities	4.10	**31,152**	34,400	34,163
Deposits received from reinsurers		**5,827**	6,043	5,968
Third party interests in consolidated funds		**1,666**	2,206	1,603
Borrowings	4.11	**3,393**	5,935	3,227
Subordinated liabilities		**2,083**	1,981	2,204
Deferred income		**380**	373	382
Income tax liabilities		**83**	222	267
Customer accounts related to banking activities and deposits by banks		**6,771**	6,056	6,991
Derivative financial liabilities		**987**	921	1,348
Other liabilities		**5,085**	5,394	5,178
Total liabilities		**129,241**	140,427	133,239
Total equity and liabilities		**132,637**	144,089	136,980

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of changes in equity

For the six months ended 30 June 2009

	Notes	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2009	4.9	**3,407**	**334**	**3,741**
Loss for the period		(20)	(29)	(49)
Other comprehensive expense for the period		(167)	-	(167)
Total comprehensive expense for the period		**(187)**	**(29)**	**(216)**
Distributions to equity holders	4.5	(168)	-	(168)
Issue of share capital other than in cash	4.5, 4.8	58	-	58
Reserves credit for employee share-based payment schemes		(4)	-	(4)
Other movements in non-controlling interests in the period		-	(15)	(15)
Equity at 30 June 2009	4.9	**3,106**	**290**	**3,396**

	Notes	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2008	4.9	**3,282**	**391**	**3,673**
Profit/(loss) for the period		161	(3)	158
Other comprehensive expense for the period		(19)	-	(19)
Total comprehensive income/(expense) for the period		**142**	**(3)**	**139**
Distributions to equity holders	4.5	(168)	-	(168)
Issue of share capital other than in cash	4.8	1	-	1
Reserves credit for employee share-based payment schemes		4	-	4
Vested employee share-based payment schemes		(5)	-	(5)
Other movements in non-controlling interests in the period		-	18	18
Equity at 30 June 2008	4.9	**3,256**	**406**	**3,662**

	Notes	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2008	4.9	**3,282**	**391**	**3,673**
Profit/(loss) for the year		100	(83)	17
Other comprehensive income for the year		273	-	273
Total comprehensive income/(expense) for the year		**373**	**(83)**	**290**
Distributions to equity holders	4.5	(257)	-	(257)
Issue of share capital other than in cash	4.8	1	-	1
Reserves credit for employee share-based payment schemes		10	-	10
Vested employee share-based payment schemes		(2)	-	(2)
Other movements in non-controlling interests in the year		-	26	26
Equity at 31 December 2008	4.9	**3,407**	**334**	**3,741**

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of cash flows

For the six months ended 30 June 2009

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Cash flows from operating activities			
Loss before tax	**(21)**	(112)	(476)
Non-cash movements from operating activities	**120**	20	377
Net decrease in operational assets	**2,108**	1,463	14,386
Net decrease in operational liabilities	**(1,393)**	(762)	(11,604)
Taxation paid	**(147)**	(301)	(379)
Net cash flows from operating activities	**667**	308	2,304
Cash flows from investing activities			
Net disposal/(acquisition) of property, plant and equipment	**48**	11	(138)
Acquisition of subsidiaries, net of cash acquired	**-**	-	(24)
Net investments in associates and joint ventures	**(6)**	(9)	(16)
Other	**(4)**	(6)	(23)
Net cash flows from investing activities	**38**	(4)	(201)
Cash flows from financing activities			
Proceeds from other borrowings	**13**	12	64
Repayment of other borrowings	**(13)**	(5)	(6)
Capital flows from non-controlling interests and third party interests in consolidated funds	**159**	(750)	(1,047)
Distributions paid to non-controlling interests	**(12)**	(18)	(33)
Interest paid	**(49)**	(57)	(138)
Ordinary dividends paid	**(110)**	(168)	(257)
Net cash flows from financing activities	**(12)**	(986)	(1,417)
Net increase/(decrease) in cash and cash equivalents	**693**	(682)	686
Cash and cash equivalents at the beginning of the period	**9,951**	9,120	9,120
Effects of exchange rate changes on cash and cash equivalents	**(86)**	16	145
Cash and cash equivalents at the end of the period	**10,558**	8,454	9,951
Supplemental disclosures on cash flow from operating activities			
Interest paid	**182**	333	628
Interest received	**1,503**	1,869	3,666
Dividends received	**749**	889	1,649
Rental income received on investment properties	**325**	302	625

The Notes on pages 94 to 111 are an integral part of this consolidated financial information.

Notes to the IFRS financial information

4.1 Accounting policies

(a) Basis of preparation

The condensed interim financial information has been prepared in accordance with the listing rules of the Financial Services Authority (FSA) and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU).

Except as described below, the accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's *Annual Report and Accounts* for the year ended 31 December 2008 have been applied in the preparation of the condensed interim financial information.

(i) From 1 January 2009, the Group has adopted the requirements of IFRS 8 *Operating Segments*, which supersedes the disclosure requirements of IAS 14 *Segment Reporting*. In accordance with the provisions of the standard, comparatives have been restated. The standard has no financial impact but adoption has resulted in changes to the Group's segmental disclosures, including the reportable segments themselves. In compliance with the requirements of IFRS 8, the Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed.

(ii) From 1 January 2009, the Group has adopted the amendments to IAS 40 *Investment Property* and IAS 16 *Property, Plant and Equipment* with respect to property being constructed or developed for future use as investment property. Under the previous versions of these standards such property was accounted for as property, plant and equipment with fair value gains (and losses not exceeding gains on the same assets previously recognised in the revaluation reserve) recognised directly in the revaluation of land and buildings reserve in equity. Under the amended requirements such properties are accounted for as investment properties with fair value gains and losses recognised in the income statement. The changes to the Group's accounting policy, as a result of adoption of these amendments, have been applied prospectively. The balance reclassified from property, plant and equipment on 1 January 2009 to investment property amounted to £515m. The amount recognised in the income statement relating to fair value gains or losses on investment property under construction during the six months to 30 June 2009, which under the previous standards would have been recognised directly in the revaluation of land and buildings reserve, amounted to a loss of £50m.

IAS 1 (revised) *Presentation of Financial Statements* has been adopted by the Group from 1 January 2009. The revised standard includes an option to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present both statements. The condensed interim financial information has been prepared under the revised disclosure requirements and adoption has not had any financial impact thereon.

The Group has adopted a number of amendments and interpretations which are effective from 1 January 2009. Management considers that the implementation of the amendments and interpretations which are not listed above, has no significant impact on the Group's financial information.

(b) Condensed interim financial information

The condensed interim financial information for the six months ended 30 June 2009 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results for the six months ended 30 June 2009 and 2008 are unaudited, but have been reviewed by PricewaterhouseCoopers LLP whose review report is set out on page 114. PricewaterhouseCoopers LLP have audited the *Annual Report and Accounts* of the Group for the year ended 31 December 2008 and their report was unqualified and did not contain a statement under sections 237(2) or (3) of the UK Companies Act 1985. The Group's consolidated statutory accounts for the year ended 31 December 2008 have been filed with the Registrar of Companies.

4.2 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:

United Kingdom
UK operations comprise primarily life and pensions business and banking business. The life and pensions business provides a broad range of pensions, protection, savings and investment products to individual and corporate customers. The banking business provides a range of retail mortgage and deposit products via online and telephone operations. UK operations also include healthcare business.

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

Europe
The operations in Ireland, Germany and Austria provide life and pension products.

Asia
The Group has investments in joint ventures in India and China and a wholly owned subsidiary in Hong Kong. These businesses offer a range of life and pension products.

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 includes primarily the Group corporate centre and the shared service centre.

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 below 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 major customers.

The Group utilises additional measures to assess the performance of each of the reportable segments, presented in the European Embedded Value information.

4.2 Segmental analysis *continued*

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

30 June 2009	United Kingdom £m	Canada £m	Europe £m	Asia £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue								
Net earned premium	1,004	322	423	10	2	-	-	**1,761**
Net investment return	(753)	895	86	5	(1)	(4)	(6)	**222**
Other segment income	217	52	14	-	70	7	(3)	**357**
Inter-segment revenue	15	1	-	-	53	275	(344)	**-**
Total net revenue	**483**	**1,270**	**523**	**15**	**124**	**278**	**(353)**	**2,340**
Expenses								
Segment expenses	413	1,258	510	23	107	294	(341)	**2,264**
Finance costs	66	6	-	-	2	-	(12)	**62**
Total expenses	**479**	**1,264**	**510**	**23**	**109**	**294**	**(353)**	**2,326**
Share of (losses)/profits from associates and joint ventures	(6)	(16)	-	(17)	4	-	-	**(35)**
(Loss)/profit before tax	**(2)**	**(10)**	**13**	**(25)**	**19**	**(16)**	**-**	**(21)**
Tax attributable to policyholders' returns	14	-	(4)	-	-	-	-	**10**
Tax attributable to equity holders' profits	11	12	(6)	-	5	(4)	-	**18**
(Loss)/profit for the period	**(27)**	**(22)**	**23**	**(25)**	**14**	**(12)**	**-**	**(49)**
Loss attributable to non-controlling interests	29	-	-	-	-	-	-	**29**
Profit/(loss) attributable to equity holders of Standard Life plc	**2**	**(22)**	**23**	**(25)**	**14**	**(12)**	**-**	**(20)**
Reconciliation to Group underlying profit:								
Tax attributable to equity holders' profits	11	12	(6)	-	5	(4)	-	**18**
Adjustments to reconcile the Group underlying profit to profit for the period	43	-	4	-	2	-	-	**49**
Underlying profit/(loss) before tax attributable to equity holders of Standard Life plc and adjusted items	**56**	**(10)**	**21**	**(25)**	**21**	**(16)**	**-**	**47**
Other income included in the income statement is as follows:								
Interest income	277	71	19	-	1	3	-	**371**
Other expenses included in the income statement include:								
Impairment losses recognised	7	2	-	-	-	-	-	**9**
Amortisation of intangible assets	3	-	1	-	-	2	-	**6**
Amortisation of deferred acquisition costs	59	6	23	-	-	-	-	**88**
Depreciation of property, plant and equipment	-	1	1	-	-	3	-	**5**
Interest expense[1]	212	10	1	-	2	57	(70)	**212**
Assets								
Segment assets	105,180	17,144	7,986	40	570	846	(828)	**130,938**
Investments in associates and joint ventures	1,446	106	-	83	16	48	-	**1,699**
Total assets	**106,626**	**17,250**	**7,986**	**123**	**586**	**894**	**(828)**	**132,637**
Additions during the period								
Intangible assets	3	-	3	-	-	-	-	**6**
Deferred acquisition costs	40	7	37	-	-	-	-	**84**
Property, plant and equipment	-	1	-	-	1	3	-	**5**
Investment properties	83	3	11	-	-	-	-	**97**
	126	**11**	**51**	**-**	**1**	**3**	**-**	**192**

[1] Refer to Note 4.3.

30 June 2008	United Kingdom £m	Canada £m	Europe £m	Asia £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue								
Net earned premium	(5,229)	302	374	9	2	-	-	**(4,542)**
Net investment return	(5,703)	241	(609)	(4)	6	15	(42)	**(6,096)**
Other segment income	227	58	10	-	84	3	(21)	**361**
Inter-segment revenue	5	1	21	4	58	279	(368)	**-**
Total net revenue	**(10,700)**	**602**	**(204)**	**9**	**150**	**297**	**(431)**	**(10,277)**
Expenses								
Segment expenses	(10,543)	532	(210)	14	168	296	(424)	**(10,167)**
Finance costs	64	6	-	-	-	-	(7)	**63**
Total expenses	**(10,479)**	**538**	**(210)**	**14**	**168**	**296**	**(431)**	**(10,104)**
Share of profits/(losses) from associates and joint ventures	59	2	4	(11)	3	4	-	**61**
(Loss)/profit before tax	**(162)**	**66**	**10**	**(16)**	**(15)**	**5**	**-**	**(112)**
Tax attributable to policyholders' returns	(307)	-	(6)	-	-	-	-	**(313)**
Tax attributable to equity holders' profits	34	10	3	-	(4)	-	-	**43**
Profit/(loss) for the period	**111**	**56**	**13**	**(16)**	**(11)**	**5**	**-**	**158**
Loss attributable to non-controlling interests	3	-	-	-	-	-	-	**3**
Profit/(loss) attributable to equity holders of Standard Life plc	**114**	**56**	**13**	**(16)**	**(11)**	**5**	**-**	**161**
Reconciliation to Group underlying profit:								
Tax attributable to equity holders' profits	34	10	3	-	(4)	-	-	**43**
Adjustments to reconcile the Group underlying profit to profit for the period	101	-	-	-	40	-	-	**141**
Underlying profit/(loss) before tax attributable to equity holders of Standard Life plc and adjusted items	**249**	**66**	**16**	**(16)**	**25**	**5**	**-**	**345**
Other income included in the income statement is as follows:								
Interest income	641	70	10	-	5	6	-	**732**
Other expenses included in the income statement are as follows:								
Impairment losses recognised	21	-	-	-	-	-	-	**21**
Impairment losses reversed	1	-	-	-	-	-	-	**1**
Amortisation of intangible assets	3	-	1	-	-	-	-	**4**
Amortisation of deferred acquisition costs	53	6	21	-	1	-	-	**81**
Depreciation of property, plant and equipment	-	1	1	-	-	4	-	**6**
Interest expense[1]	410	9	1	-	-	53	(60)	**413**
Assets								
Segment assets	116,698	16,850	6,814	35	363	656	(719)	**140,697**
Investments in associates and joint ventures	2,585	111	274	80	22	320	-	**3,392**
Total assets	**119,283**	**16,961**	**7,088**	**115**	**385**	**976**	**(719)**	**144,089**
Additions during the period								
Intangible assets	4	-	2	-	-	-	-	**6**
Deferred acquisition costs	115	11	47	-	-	-	-	**173**
Property, plant and equipment	83	1	1	-	-	8	-	**93**
Investment properties	51	12	2	-	-	-	-	**65**
	253	**24**	**52**	**-**	**-**	**8**	**-**	**337**

[1] Refer to Note 4.3.

4.2 Segmental analysis *continued*

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

31 December 2008	United Kingdom £m	Canada £m	Europe £m	Asia £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue								
Net earned premium	(4,289)	649	846	16	4	-	-	**(2,774)**
Net investment return	(11,106)	(1,260)	(1,070)	(15)	12	1	(93)	**(13,531)**
Other segment income	448	109	24	-	162	6	(34)	**715**
Inter-segment revenue	21	1	-	3	105	560	(690)	**-**
Total net revenue	**(14,926)**	**(501)**	**(200)**	**4**	**283**	**567**	**(817)**	**(15,590)**
Expenses								
Segment expenses	(14,617)	(406)	(221)	14	277	617	(806)	**(15,142)**
Finance costs	130	12	-	-	2	(4)	(11)	**129**
Total expenses	**(14,487)**	**(394)**	**(221)**	**14**	**279**	**613**	**(817)**	**(15,013)**
Share of profits/(losses) from associates and joint ventures	112	4	7	(25)	(4)	7	-	**101**
(Loss)/profit before tax	**(327)**	**(103)**	**28**	**(35)**	**-**	**(39)**	**-**	**(476)**
Tax attributable to policyholders' returns	(317)	-	(17)	-	-	-	-	**(334)**
Tax attributable to equity holders' profits	(90)	(64)	5	-	3	(13)	-	**(159)**
Profit/(loss) for the year	**80**	**(39)**	**40**	**(35)**	**(3)**	**(26)**	**-**	**17**
Loss attributable to non-controlling interests	83	-	-	-	-	-	-	**83**
Profit/(loss) attributable to equity holders of Standard Life plc	**163**	**(39)**	**40**	**(35)**	**(3)**	**(26)**	**-**	**100**
Reconciliation to Group underlying profit:								
Tax attributable to equity holders' profits	(90)	(64)	5	-	3	(13)	-	**(159)**
Adjustments to reconcile the Group underlying profit to profit for the year	165	1	3	-	42	2	-	**213**
Underlying profit/(loss) before tax attributable to equity holders of Standard Life plc and adjusted items	**238**	**(102)**	**48**	**(35)**	**42**	**(37)**	**-**	**154**
Other income included in the income statement is as follows:								
Interest income	1,191	142	25	-	9	11	-	**1,378**
Other expenses included in the income statement include:								
Impairment losses recognised	141	1	-	-	-	-	-	**142**
Amortisation of intangible assets	7	-	2	-	-	1	-	**10**
Amortisation of deferred acquisition costs	110	11	42	-	2	-	-	**165**
Depreciation of property, plant and equipment	-	2	1	-	-	7	-	**10**
Interest expense[1]	759	18	3	-	2	112	(126)	**768**
Assets								
Segment assets	107,611	17,458	8,383	41	509	804	(924)	**133,882**
Investments in associates and joint ventures	2,569	127	202	107	15	78	-	**3,098**
Total assets	**110,180**	**17,585**	**8,585**	**148**	**524**	**882**	**(924)**	**136,980**
Additions during the year								
Intangible assets	13	-	4	-	-	9	-	**26**
Deferred acquisition costs	190	16	100	-	-	-	-	**306**
Property, plant and equipment	267	2	1	-	2	1	-	**273**
Investment properties	78	30	6	-	-	-	-	**114**
	548	**48**	**111**	**-**	**2**	**10**	**-**	**719**

[1] Refer to Note 4.3.

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

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
United Kingdom	**6,193**	8,948	7,400
Continental Europe	**56**	42	48
Canada	**949**	997	1,141
Asia	**-**	1	1
Total	**7,198**	9,988	8,590

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).

4.3 Administrative expenses

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Commission expenses	**166**	248	452
Interest expense	**150**	350	639
Staff costs and other employee related costs	**302**	313	606
Restructuring expenses	**30**	44	73
Acquisition costs deferred during the period	**(103)**	(188)	(307)
Amortisation of deferred acquisition costs	**88**	81	165
Impairment losses on deferred acquisition costs	**19**	15	1
Other administrative expenses	**337**	340	835
Total administrative expenses	**989**	1,203	2,464

Interest expense includes interest payable on customer accounts and other funding instruments within the banking operations of the Group. Interest expense of £62m (six months ended 30 June 2008: £63m; 12 months ended 31 December 2008: £129m) in respect of subordinated liabilities is included within finance costs. For the six months ended 30 June 2009 total interest expense is therefore £212m (six months ended 30 June 2008: £413m; 12 months ended 31 December 2008: £768m).

Restructuring costs during the period include £25m of expenses in relation to the Group's Continuous Improvement Programme (CIP), mainly in relation to consultancy costs and process improvement projects (six months ended 30 June 2008: £19m; 12 months ended 31 December 2008: £46m) and other restructuring costs of £5m (six months ended 30 June 2008: £25m; 12 months ended 31 December 2008: £27m).

Of the total restructuring costs £29m (six months ended 30 June 2008: £44m; 12 months ended 31 December 2008: £72m) is adjusted when determining underlying profit for the period, with the remaining £1m (six months ended 30 June 2008: £nil; 12 months ended 31 December 2008: £1m) relating to CIP expenses incurred by the Heritage With Profits Fund.

Other administrative expenses in the 12 months ended 31 December 2008 include £102m related to an expense incurred in respect of a unit linked fund, the Pension Sterling Fund. In January 2009 the value of units in that fund was reduced to reflect reductions in the market value of certain instruments held by the fund. In February 2009, in order to put customers invested in that fund back into the position they would have been before the valuation adjustment, the Group injected cash into the fund. The cost of the cash injection was accrued within other administrative expenses for the year ended 31 December 2008.

4.4 Earnings per share

(a) Basic earnings per share

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

	6 months 2009	6 months 2008	Full year 2008
(Loss)/profit attributable to equity holders of Standard Life plc (£m)	**(20)**	161	100
Weighted average number of ordinary shares in issue (millions)	**2,184**	2,175	2,176
Basic earnings per share (pence per share)	**(0.9)**	7.4	4.6

(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 market share price of the Company's shares for the period) 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 assuming the exercise of the share options.

	6 months 2009	6 months 2008	Full year 2008
(Loss)/profit attributable to equity holders of Standard Life plc (£m)	**(20)**	161	100
Weighted average number of ordinary shares for diluted earnings per share (millions)	**2,185**	2,175	2,180
Diluted earnings per share (pence per share)	**(0.9)**	7.4	4.6

The dilutive effect of share awards and options included in the weighted average number of ordinary shares above was 1m (six months ended 30 June 2008: 0.2m; 12 months ended 31 December 2008: 4m). The effect of these dilutive potential ordinary shares did not impact the profit attributable to equity holders of the Company.

(c) Alternative earnings per share

Earnings per share is also calculated based on the underlying profit before tax and certain non-operating items as well as on the profit attributable to equity holders of Standard Life plc. The Directors believe that earnings per share based on underlying profit provides a better indication of operating performance.

	6 months 2009 £m	6 months 2009 Per share p	6 months 2008 £m	6 months 2008 Per share p	Full year 2008 £m	Full year 2008 Per share p
Underlying profit before tax attributable to equity holders	**18**	**0.8**	342	15.7	71	3.3
Volatility arising on different asset and liability valuation bases	**(20)**	**(0.9)**	(97)	(4.5)	(141)	(6.5)
Restructuring expenses	**(29)**	**(1.3)**	(44)	(2.0)	(72)	(3.3)
(Loss)/profit before tax attributable to equity holders	**(31)**	**(1.4)**	201	9.2	(142)	(6.5)
Tax (expense)/credit attributable to:						
Underlying profit	**(22)**	**(1.0)**	(45)	(2.1)	100	4.6
Adjusted items	**4**	**0.2**	2	0.1	59	2.7
Loss attributable to non-controlling interests	**29**	**1.3**	3	0.2	83	3.8
(Loss)/profit attributable to equity holders of Standard Life plc	**(20)**	**(0.9)**	161	7.4	100	4.6

4.5 Dividends

Subsequent to 30 June 2009, the Directors have proposed an interim dividend for 2009 of 4.15 pence per ordinary share (interim 2008: 4.07 pence), an estimated £92m in total (interim 2008: £89m). The dividend will be paid on 16 November 2009. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2009. During the six months to 30 June 2009 the Directors declared a final dividend for the year ended 31 December 2008 of 7.70 pence per ordinary share (final 2007: 7.70 pence) totalling £168m (final 2007: £168m).

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 shares rather than cash. The distribution under Scrip is recorded as an appropriation of retained earnings. Dividends paid in the six months ended 30 June 2009 comprise £58m settled by the issue of shares under the Scrip scheme and £110m paid in cash.

4.6 Tax expense/(credit)

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

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Income tax expense/(credit) attributable to policyholders' returns	**10**	(313)	(334)
Income tax expense/(credit) attributable to equity holders' profits	**18**	43	(159)
Total tax expense/(credit)	**28**	(270)	(493)

The share of tax of associates and joint ventures is £5m (six months ended 30 June 2008: £4m; 12 months ended 31 December 2008: £3m) and is included above the line 'Loss before tax' in the condensed consolidated income statement in 'Share of (loss)/profits from associates and joint ventures'.

The total income tax expense/(credit) is spilt as follows:

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Current tax:			
United Kingdom	**57**	75	253
Double tax relief	**(1)**	(16)	(1)
Overseas	**9**	10	19
Adjustment to tax expense in respect of prior years	**(15)**	6	(21)
Total current tax	**50**	75	250
Deferred tax:			
Deferred tax credit arising from the current period	**(22)**	(345)	(743)
Total deferred tax	**(22)**	(345)	(743)
Total income tax expense/(credit)	**28**	(270)	(493)
Attributable to equity holders' profits	**18**	43	(159)

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

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Tax on fair value gains/(losses) on cash flow hedges	**1**	4	(11)
Tax on actuarial losses/(gains) on defined benefit pension schemes	**(24)**	-	50
Revaluation of land and buildings	**(1)**	-	-
Other	**-**	2	3
Aggregate tax effect of items debited directly to equity	**(24)**	6	42

All of the amounts presented above are in respect of equity holders of Standard Life plc.

4.7 Volatility arising on different asset and liability valuation bases

Group underlying profit has been adjusted in respect of volatility that arises from different IFRS measurement bases for liabilities and backing assets. The adjustment is analysed as follows:

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Measurement of subordinated liabilities and backing assets	**46**	140	47
Derivative volatility	**(26)**	(43)	94
	20	97	141

Derivative volatility comprises amounts in respect of volatility arising from derivatives that are part of economic hedges but do not qualify as hedge relationships under IAS 39 *Financial Instruments: Recognition and Measurement*. These derivatives are used to manage interest rate risk within Standard Life Bank plc.

4.8 Issued share capital

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

	6 months 2009 Number	**6 months 2009 £m**	6 months 2008 Number	6 months 2008 £m	Full year 2008 Number	Full year 2008 £m
At start of period	**2,177,799,354**	**218**	2,174,077,106	217	2,174,077,106	217
Shares issued in respect of employee share plans	**305,327**	**-**	255,820	-	559,061	-
Shares issued in respect of share options	**2,842,293**	**-**	3,142,947	1	3,142,947	1
Shares issued in lieu of cash dividends	**32,080,285**	**3**	-	-	-	-
Shares issued in respect of bonus issue	**1,802**	**-**	16,004	-	20,240	-
At end of period	**2,213,029,061**	**221**	2,177,491,877	218	2,177,799,354	218

As part of the offer on the demutualisation of The Standard Life Assurance Company (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. Shareholders who are entitled to bonus shares but were not allocated shares on 10 July 2007 have three years from 10 July 2007 to claim their entitlements. During the six months to 30 June 2009, a further 1,802 bonus shares were issued to shareholders entitled to receive bonus shares (six months ended 30 June 2008: 16,004; 12 months ended 31 December 2008: 20,240).

During the six months ended 30 June 2009 the Group introduced a Scrip dividend scheme and 32,080,285 shares were issued in respect of dividends declared in that period (see Note 4.5).

The Group operates a long-term incentive plan for its executives and senior management. Under the terms of the plan, share options are awarded to the executives and senior management based on performance results of the Group over a three year period. During the six months to 30 June 2009, the 2006 plan vested and as a result, the Company allotted 2,842,293 ordinary shares (six months ended 30 June 2008: 3,142,947; 12 months ended 31 December 2008: 3,142,947).

The Group operates share incentive plans, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any one year is £1,500. The Group offers to match the first £25 of shares bought each month. During the six months to 30 June 2009, the Company allotted 305,327 (six months ended 30 June 2008: 255,820; 12 months ended 31 December 2008: 559,061) ordinary shares to its employees under the share incentive plans.

4.9 Equity

	Notes	Share capital £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2009		**218**	**792**	**774**	**1,623**	**3,407**	**334**	**3,741**
Loss for the period		-	-	(20)	-	(20)	(29)	**(49)**
Other comprehensive expense for the period		-	-	(56)	(111)	(167)	-	**(167)**
Distributions to equity holders	4.5	-	-	(168)	-	(168)	-	**(168)**
Issue of share capital other than in cash	4.8	3	55	-	-	58	-	**58**
Reserves credit for employee share-based payment schemes		-	-	-	(4)	(4)	-	**(4)**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	7	(7)	-	-	-
Other movements in non-controlling interests in the period		-	-	-	-	-	(15)	**(15)**
Equity at 30 June 2009		**221**	**847**	**537**	**1,501**	**3,106**	**290**	**3,396**

	Notes	Share capital £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2008		**217**	**792**	**776**	**1,497**	**3,282**	**391**	**3,673**
Profit/(loss) for the period		-	-	161	-	161	(3)	**158**
Other comprehensive expense for the period		-	-	(10)	(9)	(19)	-	**(19)**
Distributions to equity holders	4.5	-	-	(168)	-	(168)	-	**(168)**
Issue of share capital other than in cash	4.8	1	-	-	-	1	-	**1**
Reserves credit for employee share-based payment schemes		-	-	-	4	4	-	**4**
Vested employee share-based payment schemes		-	-	-	(5)	(5)	-	**(5)**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	7	(7)	-	-	-
Other movements in non-controlling interests in the period		-	-	-	-	-	18	**18**
Equity at 30 June 2008		**218**	**792**	**766**	**1,480**	**3,256**	**406**	**3,662**

	Notes	Share capital £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
Equity at 1 January 2008		**217**	**792**	**776**	**1,497**	**3,282**	**391**	**3,673**
Profit/(loss) for the year		-	-	100	-	100	(83)	**17**
Other comprehensive income for the year		-	-	110	163	273	-	**273**
Distributions to equity holders	4.5	-	-	(220)	(37)	(257)	-	**(257)**
Issue of share capital other than in cash	4.8	1	-	-	-	1	-	**1**
Reserves credit for employee share-based payment schemes		-	-	-	10	10	-	**10**
Vested employee share-based payment schemes		-	-	-	(2)	(2)	-	**(2)**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	8	(8)	-	-	-
Other movements in non-controlling interests in the year		-	-	-	-	-	26	**26**
Equity at 31 December 2008		**218**	**792**	**774**	**1,623**	**3,407**	**334**	**3,741**

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

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Non-participating contract liabilities			
Non-participating insurance contracts	**19,241**	19,692	19,635
Non-participating investment contracts	**52,573**	57,204	52,273
	71,814	76,896	71,908
Participating contract liabilities			
Participating insurance contracts	**15,663**	17,618	17,625
Participating investment contracts	**14,697**	15,934	15,674
Unallocated divisible surplus	**792**	848	864
	31,152	34,400	34,163

Non-participating insurance contracts include £172m (30 June 2008: £177m; 31 December 2008: £160m) relating to Standard Life Healthcare Limited and £4m (30 June 2008: £5m; 31 December 2008: £3m) relating to general insurance.

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

The movements in participating and non-participating insurance and investment contracts and reinsurers' share of liabilities during the six months ended 30 June 2009 arising from changes in estimates are set out below:

	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contract liabilities £m	Reinsurers' share of liabilities (reinsurance asset) £m	Net £m
Changes in:						
Methodology/modelling changes	(42)	53	4	-	(94)	**(79)**
Non-economic assumptions	(1)	-	(4)	-	-	**(5)**
Economic assumptions	(190)	(164)	67	-	(47)	**(334)**

The movements in participating and non-participating insurance and investment contracts and reinsurers' share of liabilities during the six months ended 30 June 2008 arising from changes in estimates are set out below:

	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contract liabilities £m	Reinsurers' share of liabilities (reinsurance asset) £m	Net £m
Impact of annuity reinsurance transaction	49	(1)	64	-	(6,573)	**(6,461)**
Changes in:						
Methodology/modelling changes	(66)	45	21	-	-	**-**
Non-economic assumptions	(13)	-	(18)	-	-	**(31)**
Economic assumptions	44	(1,072)	(9)	-	509	**(528)**

Standard Life Assurance Limited (SLAL) entered into a reinsurance arrangement with Canada Life International Re on 14 February 2008 in respect of certain annuity contracts. For the gross participating insurance and investment liabilities the impact of the annuity reinsurance transaction shown reflects the change in the residual estate which therefore impacts the value of the planned enhancements (on an FSA realistic basis) included within these liabilities as covered by the Scheme of Demutualisation. The increase in the reinsurance asset associated with the transaction represents the increase in the value of the reinsurance assets with external reinsurers due to this new arrangement.

Economic assumptions reflect the reduction in non-participating insurance contracts due to an increase in the valuation interest rates.

The total movements in participating insurance and investments contract liabilities, non-participating insurance contract liabilities and reinsurers share during the year to 31 December 2008 are set out below. This includes the movements arising from changes in estimates.

	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 2008 £m
At 1 January 2008	**19,446**	**20,980**	**17,491**	**57,917**	**(476)**	**57,441**
Annuity reinsurance impact	49	(1)	64	112	(6,573)	(6,461)
Expected change	(1,078)	(341)	(1,047)	(2,466)	234	(2,232)
Methodology/modelling changes	93	(73)	(117)	(97)	51	(46)
Effect of changes in:						
Economic assumptions	402	(1,357)	455	(500)	757	257
Non-economic assumptions	(61)	8	(9)	(62)	(44)	(106)
Effect of:						
Economic experience	(2,314)	(728)	(1,591)	(4,633)	15	(4,618)
Non-economic experience	33	(308)	149	(126)	2	(124)
New business	45	706	-	751	(1)	750
Total change in contract liabilities	**(2,831)**	**(2,094)**	**(2,096)**	**(7,021)**	**(5,559)**	**(12,580)**
Foreign exchange adjustment	1,010	749	279	2,038	(41)	1,997
At 31 December 2008	**17,625**	**19,635**	**15,674**	**52,934**	**(6,076)**	**46,858**

The change in non-participating investment contract liabilities during the year ended 31 December 2008 is set out below:

	£m
At 1 January 2008	**58,762**
Contributions	10,170
Initial charges and reduced allocations	(50)
Account balances paid on surrender and other terminations in the year	(6,584)
Investment return credited and related benefits	(10,907)
Foreign exchange adjustment	1,314
Recurring management charges	(333)
Other	(99)
At 31 December 2008	**52,273**

Reinsurance contracts are generally structured to match liabilities on a class of business basis. This has a mixture of terms. The reinsurance assets are therefore broadly expected to be realised in line with the settlement of liabilities (as per the terms of the particular treaty) within a reinsured class of business.

4.11 Borrowings

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Certificates of deposit, commercial paper and medium term notes	**1,034**	1,659	573
Securitisations – mortgage backed floating rate notes	**2,126**	3,827	2,411
Bank overdrafts	**86**	364	101
Other	**147**	85	142
Total borrowings	**3,393**	5,935	3,227

(a) Certificates of deposit, commercial paper and medium term notes

The Group has issued certificates of deposit through its subsidiary Standard Life Bank plc (Standard Life Bank). The Group has also issued commercial paper and medium term notes through Standard Life Funding B.V., a wholly owned subsidiary of Standard Life Bank. Standard Life Bank has guaranteed the liabilities of its subsidiary in relation to the issuance of this debt. The guarantee is in respect of notes issued and is for a maximum of US$2bn and €4bn in relation to the US commercial paper and Euro commercial paper programmes respectively, and €4bn in respect of the medium term note programme. This guarantee is considered a financial guarantee contract under IAS 39 *Financial Instruments: Recognition and Measurement.*

On 11 February 2009 Standard Life Bank launched its Euro Medium Term Note programme under which it can issue debt, including debt covered by the Credit Guarantee Scheme (CGS). Under the terms of the CGS, HM Treasury guarantees specific bank and building society debt instruments issued during the period beginning from the announcement of the CGS (13 October 2008) and ending on 31 December 2009. On 18 February 2009 Standard Life Bank issued £500m of debt under the CGS.

	Average interest rates			Carrying amount		
	30 June 2009 %	30 June 2008 %	31 December 2008 %	**30 June 2009 £m**	30 June 2008 £m	31 December 2008 £m
Due within 1 year						
Standard Life Bank certificates of deposit – GBP	**1.41%**	5.73%	4.13%	**150**	766	228
Standard Life Bank certificates of deposit – USD	**1.20%**	-	-	**31**	-	-
Standard Life Funding B.V. Commercial paper – GBP	**2.22%**	5.91%	6.20%	**248**	228	144
Standard Life Funding B.V. Commercial paper – USD	**-**	3.40%	-	**-**	134	-
Standard Life Funding B.V. Commercial paper – EUR	**-**	4.77%	5.26%	**-**	422	84
Standard Life Funding B.V. Medium Term Notes – GBP	**-**	6.56%	-	**-**	9	-
				429	1,559	456
Due between 1 and 5 years						
Standard Life Funding B.V. Medium Term Notes – GBP	**-**	6.38%	-	**-**	4	-
Standard Life Bank Medium Term Notes – GBP	**2.38%**	-	-	**502**	-	-
				502	4	-
Due after 5 years						
Standard Life Funding B.V. Medium Term Notes – EUR	**1.52%**	5.03%	4.10%	**103**	96	117
				103	96	117
Total certificates of deposit, commercial paper and medium term loan notes				**1,034**	1,659	573

The carrying amounts disclosed above reasonably approximate the fair values as at the period end.

(b) Securitisations – mortgage backed floating rate notes

Loans are issued by the Group, which are subject to securitisations. Under this arrangement, the beneficial interest in these mortgages is transferred to special purpose entities (SPEs). The issue of mortgage backed floating rate notes by the SPEs funded the purchase of the mortgages.

Although the Group does not directly or indirectly own any of the share capital of the SPEs, the nature of these entities, which are in substance controlled by the Group, means that the Group retains substantially all of the risks and rewards of the securitised mortgages. The Group is not obliged to support any losses suffered by the note holders and does not intend to provide such support. The notes were issued on the basis that note holders are only entitled to obtain payment, of both principal and interest, to the extent that the available resources of the respective SPEs, including funds due from customers in respect of the securitised mortgages, are sufficient and that note holders have no recourse whatsoever to the Group. This has been clearly stated in the legal agreements with note holders.

The mortgage backed floating rate notes at the period end are as follows:

	Average interest rates			Carrying amount		
	30 June 2009 %	30 June 2008 %	31 December 2008 %	**30 June 2009 £m**	30 June 2008 £m	31 December 2008 £m
Lothian Mortgages No. 1 plc – USD – Maturity 2017	**-**	3.25%	-	**-**	57	-
Lothian Mortgages No. 1 plc – GBP – Maturity 2035	**-**	6.43%	-	**-**	571	-
Lothian Mortgages No. 2 plc – GBP – Maturity 2038	**-**	6.28%	-	**-**	192	-
Lothian Mortgages No. 2 plc – USD – Maturity 2038	**-**	3.70%	-	**-**	8	-
Lothian Mortgages No. 2 plc – EUR – Maturity 2038	**-**	5.30%	-	**-**	578	-
Lothian Mortgages No. 3 plc – GBP – Maturity 2039	**1.79%**	6.30%	6.47%	**669**	778	730
Lothian Mortgages No. 4 plc – EUR – Maturity 2040	**1.50%**	5.00%	5.12%	**87**	210	175
Lothian Mortgages No. 4 plc – GBP – Maturity 2040	**1.63%**	6.15%	6.25%	**564**	571	571
Lothian Mortgages Master Issuer plc – USD – Maturity 2028	**-**	2.66%	0.61%	**-**	81	59
Lothian Mortgages Master Issuer plc – USD – Maturity 2050	**1.22%**	3.07%	3.71%	**30**	25	35
Lothian Mortgages Master Issuer plc – EUR – Maturity 2050	**1.54%**	5.04%	5.16%	**398**	375	460
Lothian Mortgages Master Issuer plc – GBP – Maturity 2050	**1.65%**	6.17%	6.25%	**378**	381	381
Total mortgage backed floating rate notes				**2,126**	3,827	2,411

4.12 Defined benefit and defined contribution plans

(a) Analysis of amounts recognised in the income statement

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

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Current service cost	**(27)**	(30)	(64)
Interest cost on benefit obligation	**(47)**	(46)	(91)
Expected return on plan assets	**46**	44	88
Past service cost	**(1)**	-	-
Expense recognised in the income statement	**(29)**	(32)	(67)

4.12 Defined benefit and defined contribution plans *continued*

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

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

	30 June 2009				30 June 2008				31 December 2008			
	United Kingdom £m	Canada £m	Ireland £m	Total £m	United Kingdom £m	Canada £m	Ireland £m	Total £m	United Kingdom £m	Canada £m	Ireland £m	Total £m
Present value of funded obligation	(1,451)	(117)	(54)	(1,622)	(1,386)	(124)	(48)	(1,558)	(1,309)	(105)	(62)	(1,476)
Present value of unfunded obligation	-	(35)	-	(35)	-	(35)	-	(35)	-	(32)	-	(32)
Fair value of plan assets	1,398	120	40	1,558	1,216	129	42	1,387	1,462	123	44	1,629
Adjustment for unrecognised past service costs	-	(5)	-	(5)	-	-	-	-	-	(5)	-	(5)
Surplus not recognised	-	-	-	-	-	-	-	-	(153)	-	-	(153)
Net liability on the condensed consolidated statement of financial position	(53)	(37)	(14)	(104)	(170)	(30)	(6)	(206)	-	(19)	(18)	(37)

The net liability is included in 'Other liabilities' in the condensed consolidated statement of financial position. The Group also recognises a net liability of £4m (30 June 2008: £4m; 31 December 2008: £5m) arising from a scheme with a total defined benefit obligation of £4m (30 June 2008: £4m; 31 December 2008: £5m) administered for the benefit of employees in Germany, resulting in a net liability on the condensed consolidated statement of financial position of £108m (30 June 2008: £210m; 31 December 2008: £42m).

The surplus which arose in respect of the UK scheme as at 31 December 2008 was not recognised as the Group did not consider that it had an unconditional right to a refund of contributions from the UK scheme, nor did the Group consider that it had the ability, under the guidance contained in IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, to anticipate a reduction in the level of future contributions that would enable the Group to recover this surplus.

(c) Principal assumptions

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

	30 June 2009			30 June 2008			31 December 2008		
	United Kingdom %	Canada %	Ireland %	United Kingdom %	Canada %	Ireland %	United Kingdom %	Canada %	Ireland %
Rate of increase in salaries	4.85-5.85	3.50	4.83	5.00-6.00	3.50	4.55	4.35-5.35	3.50	4.83
Rate of increase in pensions	3.85	1.33	2.00	4.00	1.33	2.81	3.35	1.33	2.00
Discount rate	6.20	6.25	5.75	6.40	5.50	5.50	6.10	7.25	5.70
Inflation assumption	3.85	2.00	2.00	4.00	2.00	2.81	3.35	2.00	2.00
Rate of return on plan assets	5.50	7.00	5.93	6.20	7.50	6.20	6.20	7.00	5.90

4.13 Related party transactions

(a) Transactions with/from related parties

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

	6 months 2009 £m	6 months 2008 £m	Full year 2008 £m
Sale to:			
Associates	**8,186**	8,444	17,022
Joint ventures	**-**	8	3
	8,186	8,452	17,025
Purchase from:			
Associates	**6,928**	8,955	17,095
Joint ventures	**70**	26	62
	6,998	8,981	17,157

Transactions with associates shown 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 £384m (30 June 2008: £317m; 31 December 2008: £340m) invested in investment vehicles managed by the Group.

(b) Transactions with key management personnel

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

During the six months ended 30 June 2009, the key management personnel contributed £10.5m (30 June 2008: £0.4m; 31 December 2008: £0.5m) to products sold by the Group.

4.14 Contingencies

(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 litigations) 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 with all the local solvency regulations. Therefore, there are no contingencies in respect of these regulations.

(b) Joint ventures and associates

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

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

(c) 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 entitlement. As future issues of these shares are dependent upon the actions of eligible members, it is not practical to estimate the financial effect of this potential obligation.

4.14 Contingencies *continued*

(d) Guarantees

During the year ended 31 December 2007 the Company issued a guarantee to Standard Life Investments (Global Liquidity Funds) plc to cover the difference between amortised cost and marked to market value of the underlying assets of a sub-fund, should there be a need for Standard Life Investments (Global Liquidity Funds) plc to sell the assets of the sub-fund at an amount below amortised cost to meet investor withdrawals. The guarantee was for a maximum of £5m and was released during the six months ended 30 June 2009 as it was no longer required.

(e) Other

(i) In the ordinary course of business, Standard Life Trust Company 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 Standard Life Trust Company has provided as security a bank credit facility to a maximum of Canadian $84m.

(ii) Under the Financial Services Compensation Scheme (FSCS), which covers business conducted by firms authorised by the Financial Services Authority (FSA), consumers can claim compensation where a firm is unable to pay claims against it. These costs are levied on the industry by the FSCS with each firm's contribution calculated based on the tariff base of the relevant sub class of financial activities it undertakes. Each sub class meets the claims in their class up to an annual threshold. During 2008, FSCS involvement was triggered to protect deposits in several firms and maintain market confidence. At 30 June 2009 and 31 December 2008, a provision is recognised, under 'Other liabilities' in respect of Standard Life Bank in relation to potential compensation levies due under the FSCS based on FSA guidance issued to the British Bankers Association on 31 December 2008 and subsequently updated on 4 February 2009. This provision is intended to cover the management expense levies for 2008/09, 2009/10 and 2010/11 in relation to interest and other costs incurred on the loans taken out by the FSCS to recompense savers with banks which defaulted during 2008 (the provision recognised as at 31 December 2008 intended to cover the management expense levies for 2008/09 and 2009/10). Uncertainty exists over the total market FSCS levies and therefore the Standard Life Bank proportion to provide for, which will be dependent on the period of recovery, FSCS funding costs and potential capital write-offs.

A contingent liability also exists in relation to future FSCS levies, including the actual compensation costs due in relation to the banks which defaulted during 2008. As this liability cannot be reliably calculated and is dependent on a determination at some point in the future, the Group has not attempted to quantify this amount. The Group will continue to monitor this position and a provision will be made if and when a determinable outflow becomes probable in relation to this liability.

4.15 Commitments

(a) Capital commitments

The Group's capital commitments as at the period end are:

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Authorised and contracted for but not provided and incurred:			
Investment properties[1]	**364**	93	127
Property, plant and equipment[1]	**-**	383	357
Funding of associates	**-**	-	1

[1] Improvements to IFRS effective from 1 January 2009 have resulted in the recategorisation of property under development from Property, plant and equipment accounted for under IAS 16 *Property, plant and equipment* to Investment properties accounted for under IAS 40 *Investment property*. These changes have been applied prospectively. Refer to Note 4.1(a) (ii).

Of the amounts above, £351m (30 June 2008: £74m; 31 December 2008: £115m) and £13m (30 June 2008: £19m; 31 December 2008: £12m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised instruments

The following indicates the contractual amounts of the Group's unrecognised financial instruments that commit it to customers and third parties, as at the period end:

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Guarantees and standby letters of credit	**3**	4	4
Commitments to extend credit:			
Original term to maturity of less than one year	**9**	108	83
Original term to maturity of more than one year	**2,041**	2,209	2,165
Other commitments	**737**	860	964

Guarantees and standby letters of credit include guarantees in relation to the Group's Canadian operations. The application of the requirements of IAS 39 *Financial Instruments: Recognition and Measurement* results in these guarantees being considered to be financial guarantee contracts.

Included in 'Other commitments' is £718m (30 June 2008: £835m; 31 December 2008: £942m) 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 committed funding are not necessarily in line with the relevant percentage holdings.

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5 Independent auditors' review report

Independent auditors' review report to Standard Life plc

Introduction

We have been engaged by Standard Life plc (the Company) to review the financial information in the Interim Results for the six months ended 30 June 2009, which comprises:

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

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the financial information in the Interim Results.

Directors' responsibilities

The Interim Results, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority. As disclosed in Note 4.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The IFRS financial information included in the Interim Results has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union. The Directors are responsible for preparing the EEV financial information in accordance with the EEV basis set out in Note 3.1.

Our responsibility

Our responsibility is to express to the Company a conclusion on the financial information included in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

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

- the IFRS financial information in the Interim Results for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and
- the EEV financial information in the Interim Results for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the EEV basis set out in Note 3.1.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
5 August 2009

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

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

6 Supplementary information

Supplementary information

6.1 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.

Analysis of Group AUA
For the six months ended 30 June 2009

	Opening at 1 January 2009 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing at 30 June 2009 £bn
UK						
Individual SIPP [(a)]	8.7	1.5	(0.5)	1.0	-	9.7
Individual pensions	20.7	0.5	(1.2)	(0.7)	-	20.0
Group pensions [(a)]	14.4	1.2	(0.5)	0.7	(0.4)	14.7
Institutional pensions	8.6	1.0	(0.4)	0.6	0.1	9.3
Pensions	52.4	4.2	(2.6)	1.6	(0.3)	53.7
Investment bonds	8.9	0.2	(1.0)	(0.8)	(0.1)	8.0
Mutual funds [(b)]	2.4	0.4	(0.1)	0.3	-	2.7
Savings and investments	11.3	0.6	(1.1)	(0.5)	(0.1)	10.7
Annuities [(c)]	11.9	0.4	(0.6)	(0.2)	0.2	11.9
Legacy life	10.2	0.2	(1.0)	(0.8)	(0.2)	9.2
Assets not backing products	9.0	-	-	-	(1.6)	7.4
UK life and pensions [(d)]	**94.8**	**5.4**	**(5.3)**	**0.1**	**(2.0)**	**92.9**
Europe						
Ireland [(d)]	4.7	0.4	(0.3)	0.1	(0.5)	4.3
Germany	3.6	0.4	(0.1)	0.3	(0.5)	3.4
Europe life and pensions	**8.3**	**0.8**	**(0.4)**	**0.4**	**(1.0)**	**7.7**
Canada						
Group savings and retirement	9.8	0.6	(0.5)	0.1	(0.2)	9.7
Individual insurance, savings and retirement	5.9	0.3	(0.3)	-	(0.1)	5.8
Group insurance	0.4	0.2	(0.1)	0.1	-	0.5
Mutual funds [(b)]	1.2	0.1	(0.1)	-	-	1.2
Assets not backing products	0.7	-	-	-	(0.2)	0.5
Canada life and pensions	**18.0**	**1.2**	**(1.0)**	**0.2**	**(0.5)**	**17.7**
Asia life and pensions	**0.5**	**-**	**-**	**-**	**-**	**0.5**
Total worldwide life and pensions	**121.6**	**7.4**	**(6.7)**	**0.7**	**(3.5)**	**118.8**
Non-life businesses	**13.0**	**0.1**	**(1.0)**	**(0.9)**	**0.2**	**12.3**
Standard Life Investments third party assets under management [(a)]	**45.5**	**5.2**	**(2.1)**	**3.1**	**(1.3)**	**47.3**
Consolidation and elimination adjustments [(e)]	(23.3)	(1.7)	0.9	(0.8)	2.2	(21.9)
Group assets under administration	**156.8**	**11.0**	**(8.9)**	**2.1**	**(2.4)**	**156.5**
Group assets under administration managed by:						
Standard Life Group entities	138.5					135.9
Other third party managers	18.3					20.6
Total	**156.8**					**156.5**

(a) 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.

(b) The mutual funds net flows are also included within mutual funds net flows in the third party Investment operations figures.

(c) Annuities include assets deposited back with the Group as a result of the reinsurance of certain annuity contracts.

(d) The offshore bond business is shown within Ireland AUA in 2009. This was previously included within UK life and pensions. Opening balances for UK and Ireland have been restated by £1.0bn to reflect this.

(e) 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.

Insurance operations net flows (regulatory basis)
6 months ended 30 June 2009

	Gross inflows 6 months to 30 June 2009 £m	Redemptions 6 months to 30 June 2009 £m	Net inflows 6 months to 30 June 2009 £m	Gross inflows 6 months to 30 June 2008 £m	Redemptions 6 months to 30 June 2008 £m	Net inflows 6 months to 30 June 2008 £m
UK						
Individual SIPP [(a)]	1,464	(505)	959	1,853	(418)	1,435
Individual pensions	529	(1,127)	(598)	665	(1,595)	(930)
Group pensions [(a)]	1,222	(551)	671	1,445	(560)	885
Institutional pensions	953	(393)	560	881	(656)	225
Pensions	4,168	(2,576)	1,592	4,844	(3,229)	1,615
Investment bonds	183	(1,008)	(825)	1,073	(800)	273
Mutual funds [(b)] [(c)]	438	(102)	336	332	(172)	160
Savings and investments	621	(1,110)	(489)	1,405	(972)	433
Annuities	353	(578)	(225)	320	(559)	(239)
Protection	49	(31)	18	56	(39)	17
Legacy life	206	(967)	(761)	240	(1,025)	(785)
UK life and pensions [(d)] [(e)]	5,397	(5,262)	135	6,865	(5,824)	1,041
Europe						
Ireland [(d)]	391	(329)	62	467	(281)	186
Germany	395	(69)	326	343	(32)	311
Europe life and pensions	786	(398)	388	810	(313)	497
Canada						
Group savings and retirement	676	(513)	163	878	(572)	306
Individual insurance, savings and retirement	277	(347)	(70)	222	(326)	(104)
Group insurance	173	(142)	31	151	(90)	61
Mutual funds [(b)]	102	(87)	15	131	(90)	41
Canada life and pensions	1,228	(1,089)	139	1,382	(1,078)	304
Total worldwide life and pensions excluding Asia	7,411	(6,749)	662	9,057	(7,215)	1,842

(a) 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.

(b) The mutual funds net flows are also included within mutual fund net flows in the third party Investment operations figures.

(c) UK figures include Sigma UKFS mutual funds. 2008 figures have been restated to reflect inclusion of these mutual funds. The total net outflow for the period was £9m (2008: £122m outflow).

(d) The offshore business is shown within the total Ireland result. This was previously included within UK life and pensions. The total net inflow for the period was £77m (2008: £265m inflow).

(e) UK life and pensions include a total net outflow of £1,159m in relation to conventional with profits business (2008: £1,184m outflow).

6.1 Group assets under administration and net flows *continued*

Insurance operations net flows (regulatory basis)
3 months ended 30 June 2009

	Gross inflows 3 months to 30 June 2009 £m	Redemptions 3 months to 30 June 2009 £m	Net inflows 3 months to 30 June 2009 £m	Gross inflows 3 months to 30 June 2008 £m	Redemptions 3 months to 30 June 2008 £m	Net inflows 3 months to 30 June 2008 £m
UK						
Individual SIPP [(a)]	772	(254)	518	911	(219)	692
Individual pensions	309	(537)	(228)	379	(789)	(410)
Group pensions [(a)]	653	(275)	378	672	(285)	387
Institutional pensions	502	(223)	279	491	(291)	200
Pensions	2,236	(1,289)	947	2,453	(1,584)	869
Investment bonds	78	(387)	(309)	371	(351)	20
Mutual funds [(b) (c)]	228	(56)	172	181	(99)	82
Savings and investments	306	(443)	(137)	552	(450)	102
Annuities	154	(290)	(136)	164	(285)	(121)
Protection	24	(13)	11	28	(20)	8
Legacy life	101	(393)	(292)	117	(568)	(451)
UK life and pensions [(d) (e)]	2,821	(2,428)	393	3,314	(2,907)	407
Europe						
Ireland [(d)]	217	(164)	53	226	(165)	61
Germany	187	(25)	162	169	(17)	152
Europe life and pensions	404	(189)	215	395	(182)	213
Canada						
Group savings and retirement	320	(237)	83	569	(257)	312
Individual insurance, savings and retirement	147	(174)	(27)	95	(165)	(70)
Group insurance	87	(72)	15	76	(46)	30
Mutual funds [(b)]	49	(38)	11	56	(37)	19
Canada life and pensions	603	(521)	82	796	(505)	291
Total worldwide life and pensions excluding Asia	3,828	(3,138)	690	4,505	(3,594)	911

(a) 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.

(b) The mutual funds net flows are also included within mutual fund net flows in the third party Investment operations figures.

(c) UK figures include Sigma UKFS mutual funds. 2008 figures have been restated to reflect inclusion of these mutual funds. The total net outflow for the period was £5m (2008: £67m outflow).

(d) The offshore business is shown within the total Ireland result. This was previously included within UK life and pensions. The total net inflow for the period was £54m (2008: £128m inflow).

(e) UK life and pensions include a total net outflow of £503m in relation to conventional with profits business (2008: £646m outflow).

6.2 Analysis of new business

Insurance operations new business
6 months ended 30 June 2009

	Single Premiums		New Regular Premiums		PVNBP			
	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	6 months to 30 June 2009 £m	6 months to 30 June 2008 £m	Change [g] %	Change in constant currency [g] [h] %
UK								
Individual SIPP [a]	1,389	1,873	33	40	1,537	2,074	(26%)	(26%)
Individual pensions [b]	248	354	14	19	282	435	(35%)	(35%)
Group pensions [a] [b]	404	665	287	268	1,527	1,803	(15%)	(15%)
Institutional pensions	907	820	18	60	944	964	(2%)	(2%)
Pensions	2,948	3,712	352	387	4,290	5,276	(19%)	(19%)
Investment bonds	154	1,025	-	-	154	1,025	(85%)	(85%)
Mutual funds [c]	423	332	15	5	542	364	49%	49%
Savings and investments	577	1,357	15	5	696	1,389	(50%)	(50%)
Annuities	258	252	-	-	258	252	2%	2%
Protection	-	-	1	1	2	4	(50%)	(50%)
UK life and pensions [d]	3,783	5,321	368	393	5,246	6,921	(24%)	(24%)
Europe								
Ireland [d]	350	396	5	7	372	427	(13%)	(18%)
Germany	10	20	14	23	185	262	(29%)	(39%)
Europe life and pensions	360	416	19	30	557	689	(19%)	(27%)
Canada								
Group savings and retirement	208	438	37	25	750	767	(2%)	(11%)
Individual insurance, savings and retirement	226	169	1	1	240	180	33%	21%
Group insurance [e]	1	-	15	17	260	123	111%	92%
Mutual funds	102	131	-	-	102	131	(22%)	(30%)
Canada life and pensions	537	738	53	43	1,352	1,201	13%	2%
Asia								
India [f]	6	10	40	47	203	180	13%	2%
China [f]	29	33 [i]	6	1 [i]	56	42	33%	(1%)
Hong Kong	1	6	6	3	37	18	106%	56%
Asia life and pensions	36	49	52	51	296	240	23%	6%
Total worldwide life and pensions	4,716	6,524	492	517	7,451	9,051	(18%)	(20%)

(a) 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.
(b) Single premiums include Department of Work and Pensions rebate premiums of £171m (2008: £179m), comprising Individual pension rebates of £93m (2008: £99m) and Group pensions rebates of £78m (2008: £80m).
(c) UK figures include Sigma UKFS mutual funds. 2008 figures have been restated to reflect inclusion of these mutual funds. The 2009 impact in PVNBP is £78m (2008: £40m).
(d) The offshore business is shown within the total Ireland result, comprising single premiums of £173m (2008: £270m), new regular premiums of £nil (2008: £nil) and PVNBP of £173m (2008: £270m). This was previously included within UK life and pensions.
(e) Canada Group insurance includes £1.0m (2008 £2.4m) of regular premiums in respect of Consultaction policies, representing the comparable full premium of £0.1m (2008: £0.3m) of new annualised fee income.
(f) Standard Life's share of the Joint Venture Company's new business.
(g) % change is calculated on the figures rounded to millions.
(h) Calculated using constant rates of exchange.
(i) Regular premiums in China of £2m for Group protection business have been reclassified to single premiums for the six months to 30 June 2008.
(j) New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2009 were £1: C$1.80 (2008: £1: C$1.99) and £1: €1.11 (2008: £1: €1.30).

6.2 Analysis of new business *continued*

Investment operations
6 months ended 30 June 2009

		Opening FUM 1 Jan 2009 £m	Gross inflows £m		Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in FUM £m	Closing FUM 30 June 2009 £m
UK	Mutual funds [(a)]	4,237	744	[(b)]	(431)	313	155	468	4,705
	Private equity	3,859	52		(2)	50	(495)	(445)	3,414
	Segregated funds	11,312	482		(800)	(318)	1	(317)	10,995
	Pooled property funds	917	48		-	48	(133)	(85)	832
Total UK		**20,325**	**1,326**		**(1,233)**	**93**	**(472)**	**(379)**	**19,946**
Canada	Mutual funds [(a)]	1,295	99	[(c)]	(85)	14	(42)	(28)	1,267
	Separate mandates [(d)]	1,375	312		(61)	251	29	280	1,655
Total Canada		**2,670**	**411**		**(146)**	**265**	**(13)**	**252**	**2,922**
International	Europe	840	753		(10)	743	(83)	660	1,500
	Asia (excluding India)	79	3		(4)	(1)	9	8	87
	India	2,717	855	[(e)]	-	855	4	859	3,576
Total International		**3,636**	**1,611**		**(14)**	**1,597**	**(70)**	**1,527**	**5,163**
Total worldwide investment products excluding money market funds		**26,631**	**3,348**		**(1,393)**	**1,955**	**(555)**	**1,400**	**28,031**
	Money market funds [(f)]	4,977	434		-	434	(641)	(207)	4,770
Total worldwide investment products		**31,608**	**3,782**		**(1,393)**	**2,389**	**(1,196)**	**1,193**	**32,801**

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 funds under management is shown below.

	Opening FUM 1 Jan 2009 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in FUM £m	Closing FUM 30 June 2009 £m
Third party investment products	31,608	3,782	(1,393)	2,389	(1,196)	1,193	32,801
Third party insurance contracts (new business classified as insurance products)	13,861	1,428	(704)	724	(62)	662	14,523
Total third party assets under management	**45,469**	**5,210**	**(2,097)**	**3,113**	**(1,258)**	**1,855**	**47,324**
Standard Life Investments – total assets under management	**123,835**						**121,552**

(a) Included within mutual funds are cash inflows which have also been reflected in UK and Canada mutual fund new business sales.

(b) In the six months to 30 June 2008 UK mutual funds gross inflows were £573m and net inflows were £4m.

(c) In the six months to 30 June 2008 Canadian mutual funds gross inflows were £130m and net inflows were £40m.

(d) Separate mandates refers to investment funds products sold in Canada exclusively to institutional customers. These products contain no insurance risk and consist primarily of defined benefit pension plan assets for which Standard Life Investments exclusively provides portfolio advisory services.

(e) 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.

(f) Due to the nature of the Money market funds the flows shown 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.

(g) Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2009. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2009 were £1: C$1.91 (31 December 2008: £1: C$1.77) and £1: €1.17 (31 December 2008: £1: €1.03). The principal average exchange rates for the six months to 30 June 2009 were £1: C$1.80 (2008: £1: C$1.99) and £1: €1.11 (2008: £1: €1.30).

Insurance operations new business
3 months ended 30 June 2009

	Single Premiums		New Regular Premiums		PVNBP			
	3 months to 30 June 2009 £m	3 months to 30 June 2008 £m	3 months to 30 June 2009 £m	3 months to 30 June 2008 £m	3 months to 30 June 2009 £m	3 months to 30 June 2008 £m	Change [g] %	Change in constant currency [g] [h] %
UK								
Individual SIPP [a]	695	918	2	18	696	1,015	(31%)	(31%)
Individual pensions [b]	173	227	8	10	191	276	(31%)	(31%)
Group pensions [a] [b]	235	281	175	126	911	907	-	-
Institutional pensions	503	460	12	60	525	604	(13%)	(13%)
Pensions	1,606	1,886	197	214	2,323	2,802	(17%)	(17%)
Investment bonds	70	373	-	-	70	373	(81%)	(81%)
Mutual funds [c]	223	181	5	3	266	202	32%	32%
Savings and investments	293	554	5	3	336	575	(42%)	(42%)
Annuities	110	132	-	-	110	132	(17%)	(17%)
Protection	-	-	1	-	1	-	-	-
UK life and pensions [d]	2,009	2,572	203	217	2,770	3,509	(21%)	(21%)
Europe								
Ireland [d]	199	204	2	3	208	215	(3%)	(7%)
Germany	3	8	7	12	86	141	(39%)	(45%)
Europe life and pensions	202	212	9	15	294	356	(17%)	(23%)
Canada								
Group savings and retirement	105	361	20	7	393	455	(14%)	(22%)
Individual insurance, savings and retirement	122	69	-	1	130	75	73%	58%
Group insurance [e]	1	-	9	8	145	59	146%	125%
Mutual funds	49	56	-	-	49	56	(13%)	(21%)
Canada life and pensions	277	486	29	16	717	645	11%	1%
Asia								
India [f]	1	2	11	14	58	51	14%	5%
China [f]	8	17 [i]	4	1 [i]	23	23	-	(19%)
Hong Kong	1	2	4	3	23	13	77%	33%
Asia life and pensions	10	21	19	18	104	87	20%	3%
Total worldwide life and pensions	2,498	3,291	260	266	3,885	4,597	(15%)	(17%)

(a) 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.

(b) Single premiums include Department of Work and Pensions rebate premiums of £167m (2008: £170m), comprising Individual pension rebates of £91m (2008: £94m) and Group pensions rebates of £76m (2008: £76m).

(c) UK figures include Sigma UKFS mutual funds. 2008 figures have been restated to reflect inclusion of these mutual funds. The 2009 impact in PVNBP is £41m (2008: £26m).

(d) The offshore business is shown within the total Ireland result, comprising single premiums of £90m (2008: £152m), new regular premiums of £nil (2008: £nil) and PVNBP of £90m (2008: £152m). This was previously included within UK life and pensions.

(e) Canada Group insurance includes £1.0m (2008: £2.4m) of regular premiums in respect of Consultaction policies, representing the comparable full premium of £0.1m (2008: £0.3m) of new annualised fee income.

(f) Standard Life's share of the Joint Venture Company's new business.

(g) % change is calculated on the figures rounded to millions.

(h) Calculated using constant rates of exchange.

(i) Regular premiums in China of £1m for Group protection business have been reclassified to single premiums for the three months to 30 June 2008.

(j) New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2009 were £1: C$1.80 (2008: £1: C$1.99) and £1: €1.11 (2008: £1: €1.30).

6.2 Analysis of new business *continued*

Investment operations
3 months ended 30 June 2009

		Opening FUM 1 April 2009 £m	Gross inflows £m		Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in FUM £m	Closing FUM 30 June 2009 £m
UK	Mutual funds [(a)]	4,158	359	(b)	(230)	129	418	547	4,705
	Private equity	3,695	30		-	30	(311)	(281)	3,414
	Segregated funds	10,207	340		(429)	(89)	877	788	10,995
	Pooled property funds	866	48		-	48	(82)	(34)	832
Total UK		**18,926**	**777**		**(659)**	**118**	**902**	**1,020**	**19,946**
Canada	Mutual funds [(a)]	1,187	45	(c)	(35)	10	70	80	1,267
	Separate mandates [(d)]	1,391	273		(35)	238	26	264	1,655
Total Canada		**2,578**	**318**		**(70)**	**248**	**96**	**344**	**2,922**
International	Europe	1,088	477		(10)	467	(55)	412	1,500
	Asia (excluding India)	84	2		(1)	1	2	3	87
	India	2,616	838	(e)	-	838	122	960	3,576
Total International		**3,788**	**1,317**		**(11)**	**1,306**	**69**	**1,375**	**5,163**
Total worldwide investment products excluding money market funds		**25,292**	**2,412**		**(740)**	**1,672**	**1,067**	**2,739**	**28,031**
	Money market funds [(f)]	5,441	138		-	138	(809)	(671)	4,770
Total worldwide investment products		**30,733**	**2,550**		**(740)**	**1,810**	**258**	**2,068**	**32,801**

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 funds under management is shown below.

	Opening FUM 1 April 2009 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in FUM £m	Closing FUM 30 June 2009 £m
Third party investment products	30,733	2,550	(740)	1,810	258	2,068	32,801
Third party insurance contracts (new business classified as insurance products)	13,456	763	(368)	395	672	1,067	14,523
Total third party assets under management	**44,189**	**3,313**	**(1,108)**	**2,205**	**930**	**3,135**	**47,324**
Standard Life Investments – total assets under management	**117,734**						**121,552**

(a) Included within mutual funds are cash inflows which have also been reflected in UK and Canada mutual funds new business sales.

(b) In the three months to 30 June 2008 UK mutual funds gross inflows were £280m and net outflows were £17m.

(c) In the three months to 30 June 2008 Canadian mutual funds gross inflows were £55m and net inflows were £18m.

(d) Separate mandates refers to investment funds products sold in Canada exclusively to institutional customers. These products contain no insurance risk and consist primarily of defined benefit pension plan assets for which Standard Life Investments exclusively provides portfolio advisory services.

(e) 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.

(f) Due to the nature of the Money market funds the flows shown 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.

(g) Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2009. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2009 were £1: C$1.91 (31 March 2009: £1: C$1.80) and £1: €1.17 (31 March 2009: £1: €1.08). The principal average exchange rates for the six months to 30 June 2009 were £1: C$1.80 (2008: £1: C$1.99) and £1: €1.11 (2008: £1: €1.30).

Insurance operations new business
15 months ended 30 June 2009

	Present Value of New Business Premiums (PVNBP)				
	3 months to 30 June 2009 £m	3 months to 31 Mar 2009 £m	3 months to 31 Dec 2008[(d)] £m	3 months to 30 Sep 2008 £m	3 months to 30 June 2008 £m
UK					
Individual SIPP	696	841	870	815	1,015
Individual pensions	191	91	87	136	276
Group pensions	911	616	464	489	907
Institutional pensions	525	419	272	590	604
Pensions	**2,323**	**1,967**	**1,693**	**2,030**	**2,802**
Investment bonds	70	84	112	161	373
Mutual funds [(a)]	266	276	172	195	202
Savings and investments	**336**	**360**	**284**	**356**	**575**
Annuities	**110**	**148**	**110**	**109**	**132**
Protection	**1**	**1**	**1**	**2**	**-**
UK life and pensions [(b)]	**2,770**	**2,476**	**2,088**	**2,497**	**3,509**
Europe					
Ireland [(b)]	208	164	417	234	215
Germany	86	99	178	140	141
Europe life and pensions	**294**	**263**	**595**	**374**	**356**
Canada					
Group savings and retirement	393	357	204	176	455
Individual insurance, savings and retirement	130	110	110	72	75
Group insurance	145	115	62	64	59
Mutual funds	49	53	49	49	56
Canada life and pensions	**717**	**635**	**425**	**361**	**645**
Asia					
India [(c)]	58	145	70	95	51
China [(c)]	23	33	43	24	23
Hong Kong	23	14	9	14	13
Asia life and pensions	**104**	**192**	**122**	**133**	**87**
Total worldwide life and pensions	**3,885**	**3,566**	**3,230**	**3,365**	**4,597**

(a) UK figures include Sigma UKFS mutual funds. 2008 figures have been restated to reflect inclusion of these mutual funds.

(b) 2008 comparatives have been restated to reflect the inclusion of offshore business within the total Ireland result. The impact on the three months to 31 December 2008: £228m; 30 September 2008: £163m; 30 June 2008: £152m. This was previously included within UK life and pensions.

(c) Amounts shown reflect Standard Life's share of the Joint Venture Company's new business.

(d) The three month period to 31 December 2008 excludes the full impact of 2008 year end changes to non-economic assumptions. The effect of changes to year end non-economic assumptions was an increase in total PVNBP of £33m in the final PVNBP results published in the 2008 Preliminary results.

6.3 Exposure to investment property and financial assets

Group exposure to investment property and financial assets

The total Group exposure to investment property and financial assets has been segmented below based on the stakeholder sub-group with which the market and credit risk relating to those assets lies.

	Exposure				
30 June 2009	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI* £m**	**Total £m**
Investment property	713	2,866	2,982	376	**6,937**
Equity securities	433	6,457	31,833	1,077	**39,800**
Debt securities	8,817	29,183	12,902	376	**51,278**
Loans and receivables	10,644	228	155	-	**11,027**
Other financial assets	1,486	6,981	846	97	**9,410**
Cash and cash equivalents	3,297	3,556	3,663	128	**10,644**
Total	**25,390**	**49,271**	**52,381**	**2,054**	**129,096**

	Exposure				
31 December 2008	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI* £m**	**Total £m**
Investment property	856	3,344	3,186	352	**7,738**
Equity securities	413	7,806	30,452	1,078	**39,749**
Debt securities	8,272	28,880	13,442	373	**50,967**
Loans and receivables	11,670	250	149	-	**12,069**
Other financial assets	1,981	7,919	842	86	**10,828**
Cash and cash equivalents	3,518	3,173	3,221	140	**10,052**
Total	**26,710**	**51,372**	**51,292**	**2,029**	**131,403**

* Third party interests in consolidated funds and non-controlling interests.

Shareholder exposure to investment property and financial assets

The total shareholder exposure to investment property and financial assets of £25.4bn includes £8.8bn 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.

	Canada non-segregated funds exposure		Standard Life Bank exposure		Other shareholder exposure		Total shareholder exposure	
	30 June 2009 £m	31 Dec 2008 £m	**30 June 2009 £m**	31 Dec 2008 £m	**30 June 2009 £m**	31 Dec 2008 £m	**30 June 2009 £m**	31 Dec 2008 £m
Investment property	**713**	854	**-**	-	**-**	2	**713**	856
Equity securities	**350**	347	**-**	-	**83**	66	**433**	413
Debt securities	**5,170**	5,420	**662**	60	**2,985**	2,792	**8,817**	8,272
Loans and receivables	**2,018**	2,137	**8,599**	9,517	**27**	16	**10,644**	11,670
Other financial assets	**520**	435	**238**	376	**728**	1,170	**1,486**	1,981
Cash and cash equivalents	**20**	23	**1,071**	1,470	**2,206**	2,025	**3,297**	3,518
Total	**8,791**	9,216	**10,570**	11,423	**6,029**	6,071	**25,390**	26,710

Standard Life Bank exposure to financial assets consists primarily of exposure to a very high quality retail mortgage book as well as highly rated short-term debt securities and cash and cash equivalents.

Shareholder exposure to debt securities excluding Canada non-segregated funds and Standard Life Bank consists primarily of debt securities backing annuity liabilities, subordinated debt liabilities and the stock lending programme. The increase in exposure can be attributed to new annuity business written in the period.

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 61% of debt securities rated AAA (31 December 2008: 65%) and 96% (31 December 2008: 97%) being rated as investment grade.

	Exposure				
30 June 2009	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI* £m	Total £m
Government	3,717	18,845	6,604	225	**29,391**
Corporate – financial institutions	2,735	7,253	3,881	114	**13,983**
Corporate – other	2,110	2,571	1,975	30	**6,686**
Other	255	514	442	7	**1,218**
Total	**8,817**	**29,183**	**12,902**	**376**	**51,278**

	Exposure				
31 December 2008	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI* £m	Total £m
Government	3,682	18,990	6,165	144	**28,981**
Corporate – financial institutions	2,331	6,870	5,432	211	**14,844**
Corporate – other	1,940	2,110	1,397	14	**5,461**
Other	319	910	448	4	**1,681**
Total	**8,272**	**28,880**	**13,442**	**373**	**50,967**

* Third party interests in consolidated funds and non-controlling interests.

Shareholder exposure to debt securities

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

	Credit rating					
30 June 2009	AAA £m	AA £m	A £m	BBB £m	Below BBB or not rated £m	Total £m
Government	1,545	1,149	1,023	-	-	**3,717**
Corporate – financial institutions	934	665	971	96	69	**2,735**
Corporate – other	315	150	1,113	378	154	**2,110**
Other	242	-	4	9	-	**255**
Total	**3,036**	**1,964**	**3,111**	**483**	**223**	**8,817**

	Credit rating					
31 December 2008	AAA £m	AA £m	A £m	BBB £m	Below BBB or not rated £m	Total £m
Government	1,448	1,208	1,023	-	3	**3,682**
Corporate – financial institutions	1,116	431	634	89	61	**2,331**
Corporate – other	400	115	926	305	194	**1,940**
Other	259	-	49	11	-	**319**
Total	**3,223**	**1,754**	**2,632**	**405**	**258**	**8,272**

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.

6.3 Exposure to investment property and financial assets *continued*

Shareholder exposure to loans and receivables

Shareholders are directly exposed to loans and receivables of £10.6bn which comprise the Standard Life Bank retail mortgage book and the Canadian non-segregated funds commercial mortgage book. Both mortgage books are deemed to be of very high quality.

	30 June 2009 £m	31 Dec 2008 £m
Canada non-segregated funds commercial mortgage book	**2,018**	2,137
Standard Life Bank retail mortgage book	**8,599**	9,517
Other	**27**	16
Total	**10,644**	11,670

The Canadian mortgage book has an average loan to value of 44%, has no loans in arrears by three or more months and has experienced no impairments during the first half of 2009.

Standard Life Bank's high quality mortgage portfolio continues to perform well despite the adverse economic conditions, with arrears figures remaining low in comparison to the Council of Mortgage Lenders' (CML) average. Only 0.68% of total mortgages were three or more months in arrears or in repossession at the end of H1 2009, approximately a quarter of the CML industry average of 2.61% (as at Q1 2009). The average indexed loan to value ratio increased slightly to 48% (31 December 2008: 46%). Impairment charges, which reflect market factors including rising unemployment and falling house prices, increased to £8m in H1 2009 (H1 2008: £1m). However, net write-offs for H1 2009 were only £2m (H1 2008: £1m), further demonstrating the high quality of this mortgage portfolio. The reduction in the Standard Life Bank mortgage book is consistent with the strategy of managing the mortgage exposure.

6.4 Fair value hierarchy of financial instruments

To provide further information on the approach used to determine the fair value of financial assets and derivative financial liabilities measured at fair value on the Group's IFRS statement of financial position, the fair value of these financial instruments has been categorised below on an indicative basis, consistent with the basis used in the supplementary information presented in the Preliminary Results 2008, to reflect the following fair value hierarchy.

Level 1: fair values measured using quoted prices in active markets for the same instrument (i.e. without modification or repackaging).
Level 2: fair values measured using quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.
Level 3: fair values measured using valuation techniques for which any significant input is not based on observable market data.

The amendments to IFRS 7 *Financial Instruments: Disclosures* issued in March 2009 which require the presentation of a fair value hierarchy analysis and related disclosures will be incorporated in the Group's financial statements for the year to 31 December 2009. The implementation of the IFRS 7 requirements may result in some reclassifications compared to the indicative fair value hierarchy information provided below.

Total

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m
Equity securities	**38,625**	38,369	**-**	-	**1,175**	1,380	**39,800**	39,749
Debt securities	**30,426**	30,311	**19,695**	19,338	**1,157**	1,318	**51,278**	50,967
Derivative financial assets	**468**	507	**978**	2,283	**28**	10	**1,474**	2,800
Derivative financial liabilities	**(23)**	(44)	**(954)**	(1,304)	**(10)**	-	**(987)**	(1,348)
Total	**69,496**	69,143	**19,719**	20,317	**2,350**	2,708	**91,565**	92,168

Level 1 financial instruments principally include equity instruments listed on a recognised exchange, government and certain supranational institution bonds and exchange traded futures and options.

Level 2 financial instruments principally include listed corporate bonds, commercial paper, certificates of deposit and derivative instruments which are not exchange traded, with the exception of credit default swaps. Corporate bonds have generally been classified as Level 2 as the composite price provided by third party 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 instruments, being predominantly interests in private equity funds, listed corporate bonds for which prices are not available from third party pricing providers or where such prices are considered to be stale (including some asset backed securities), unquoted bonds where credit spreads, being a significant input to the valuation technique, are obtained from a broker or estimated internally and credit default swaps.

Shareholder exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m
Equity securities	423	399	-	-	10	14	433	413
Debt securities	3,838	3,983	4,652	3,969	327	320	8,817	8,272
Derivative financial assets	-	-	439	784	-	-	439	784
Derivative financial liabilities	-	-	(180)	(230)	-	-	(180)	(230)
Total	4,261	4,382	4,911	4,523	337	334	9,509	9,239

Policyholder (participating) exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m
Equity securities	5,853	7,092	-	-	604	714	6,457	7,806
Debt securities	19,340	19,588	9,324	8,880	519	412	29,183	28,880
Derivative financial assets	453	496	320	1,152	-	9	773	1,657
Derivative financial liabilities	(19)	(29)	(538)	(560)	(6)	-	(563)	(589)
Total	25,627	27,147	9,106	9,472	1,117	1,135	35,850	37,754

Policyholder (unit linked) exposure

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m
Equity securities	31,763	30,359	-	-	70	93	31,833	30,452
Debt securities	7,018	6,594	5,597	6,286	287	562	12,902	13,442
Derivative financial assets	13	11	190	324	24	1	227	336
Derivative financial liabilities	(4)	(14)	(213)	(448)	(4)	-	(221)	(462)
Total	38,790	36,950	5,574	6,162	377	656	44,741	43,768

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

	Fair value hierarchy							
	Level 1		Level 2		Level 3		Total	
	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m	30 June 2009 £m	31 Dec 2008 £m
Equity securities	586	519	-	-	491	559	1,077	1,078
Debt securities	230	146	122	203	24	24	376	373
Derivative financial assets	2	-	29	23	4	-	35	23
Derivative financial liabilities	-	(1)	(23)	(66)	-	-	(23)	(67)
Total	818	664	128	160	519	583	1,465	1,407

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7 Glossary

Glossary

Annuity
A periodic payment made for an agreed period of time (usually up to the death of the recipient) in return for a cash sum. The cash sum can be paid as one amount or as a series of premiums. If the annuity commences immediately after the payment of the sum it is termed an immediate annuity. If it commences at some future date it is termed a deferred annuity.

Annual premium equivalent (APE)
An industry measure of new business. The total of new annualised regular premiums plus 10% of single premiums written during the applicable period.

Assumptions
Variables applied to data used to project expected outcomes.

Acquisition costs
Expenses related to the procurement and processing of new business written including a share of overheads.

Back book management
We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Back book management includes all non-expense related operating variances and assumption changes for covered business plus those development costs directly related to back book management initiatives and, for non-covered business, specific costs attributed to back book management.

Board
The board of Directors of the Company.

Capital Resources (CR)
Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital. If the Capital Resources fall to a level that is too close to the Capital Resources Requirement intervention from the FSA can be expected.

Capital Resources Requirement (CRR)
A company must hold Capital Resources in excess of the Capital Resources Requirement. The CRR represents the total of the individual capital resources requirements (ICRR) of each regulated company in the Group.

CFO Forum
A high-level discussion group formed and attended by the Chief Financial Officers of major European listed, and some non-listed, insurance companies.

Company
Standard Life plc.

Core
We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Core includes new business contribution, expected return and development costs for covered business excluding those development costs directly related to back book management initiatives and, for non-covered business, IFRS underlying profit excluding specific costs attributable to back book management.

Cost income ratio
The ratio of total costs to total income for the year expressed as a percentage. This KPI indicates how much of total income is being employed to meet the cost base and measures the strategic driver of cost effectiveness in the banking business within UK financial services (UKFS).

Covered business
The business covered by the EEV methodology. This should include any contracts that are regarded by local insurance supervisors as long-term or life insurance business and may cover other long-term life insurance, short-term life insurance such as group risk business and long-term accident and health business. Where short-term healthcare is regarded as part of or ancillary to a company's long-term life insurance business, then it may be regarded as long-term business. For covered business within the Standard Life Group please refer to the EEV methodology within the EEV supplementary information.

Deferred acquisition costs (DAC)
The method of accounting whereby acquisition costs on long-term business are deferred in the statement of financial position as an asset and amortised over the life of those contracts. This leads to a smoothed recognition of up front expenses instead of the full cost in the year of sale.

Deferred income reserve (DIR)
The method of accounting whereby front end fees that relate to services to be provided in future periods are deferred in the statement of financial position as a liability and amortised over the life of those contracts. This leads to a smoothed recognition of up front income instead of the full income in the year of sale.

Demutualisation

The process by which a mutual organisation owned by its members, such as a building society or insurance company, converts to a public limited company owned by its equity holders. The Standard Life Assurance Company demutualised and shares of Standard Life plc, the new holding company for the Standard Life Group, were listed on the London Stock Exchange on 10 July 2006.

Development costs

Costs that are considered to be non-recurring and are reported separately from other expenses in the EEV movement analysis.

Director

A director of the Company.

Discounted pay back period

A measure of capital efficiency that measures the time at which the value of expected cash flows (after tax) is sufficient to recover the capital invested to support the writing of new business. Cash flows are discounted at the appropriate risk discount rate.

Discounting

The reduction to present value at a given date of a future cash transaction at an assumed rate, using a discount factor reflecting the time value of money. The choice of a discount rate will usually greatly influence the value of insurance provisions, and may give indications on the conservatism of provisioning methods.

Dividend cover

This is a measure of how easily a company can pay its dividend from profit. It is calculated as IFRS underlying profit after tax and minority interest divided by the total dividend for that financial year. The dividend for the financial year is the current year interim dividend plus the proposed final dividend.

Earnings before interest and tax (EBIT)

EBIT is defined as earnings before interest, taxation, foreign exchange gains and losses, profit on partial disposal of investments in associates, divergence on financial guarantee costs, movement on contract for differences and restructuring costs. This KPI measures directly the underlying operating profitability.

EBIT margin

This is an industry measure of performance for investment management companies. It is calculated as EBIT divided by total revenue.

Earnings per share (EPS)

EPS is a commonly used financial metric which can be used to measure the profitability and strength of a company over time. EPS is calculated by dividing profit by the number of ordinary shares. Basic EPS uses the weighted average number of ordinary shares outstanding during the year. Diluted EPS adjusts the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, for example, share awards and share options awarded to employees.

Economic assumptions

Assumptions in relation to future interest rates, investment returns, inflation and tax. These assumptions and variances in relation to these assumptions are treated as non-operating profits/(losses) under EEV.

Efficiency

We choose to analyse our EEV operating profit before tax in the three components which reflect the focus of our business effort – core, efficiency and back book management. Efficiency includes covered business maintenance expense variances and assumption changes.

European Embedded Value (EEV)

The value to equity shareholders of the net assets plus the expected future profits on in-force business from a life assurance and pensions business. Prepared in accordance with the EEV Principles and Guidance issued in May 2004 by the CFO Forum and the Additional Guidance issued in October 2005. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the costs of holding required capital, the value of free surplus and TVOG.

EEV operating profit

Covered business EEV operating profit represents profit generated from new business sales and the in-force book of business, based on closing non-economic and opening economic assumptions. Covered business is defined within this glossary.

Non-covered business EEV operating profit generally represents IFRS normalised underlying profit. Non-covered business is defined within this glossary.

EEV operating profit capital and cash generation

This is a measure of the underlying shareholder capital and cash flow of the Group.

Covered business EEV operating capital and cash generation represents the EEV operating profit net worth (free surplus and required capital) on an after tax basis.

Non-covered business EEV operating capital and cash generation represents EEV operating profit after tax (as defined within this glossary).

Expected return on EEV

Anticipated results based on applying opening assumptions to the opening EEV.

Experience variances

Current period differences between the actual experience incurred over the period and the assumptions used in the calculation of the embedded value excluding new business non-economic experience variances which are captured in new business contribution.

Financial options and guarantees

Terms relating to covered business conferring potentially valuable guarantees underlying, or options to change, the level and nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.

Free surplus

The amount of capital and any surplus allocated to, but not required to support, the in-force business covered by the EEV.

Group assets under administration (AUA)

A measure of the total assets that the Group administers on behalf of customers and institutional clients, it includes those assets for which the Group provides investment management services, as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager. Assets under administration reflect the value of the IFRS gross assets of the Group adjusted, where appropriate, for consolidation adjustments, inter-company assets and intangible assets. In addition, the definition includes third party assets administered by the Group which are not included in the consolidated statement of financial position.

Group capital surplus

This is a regulatory measure of our financial strength and compares the Group's capital resources to its capital resource requirements in accordance with the Financial Groups Directive.

Group, Standard Life Group or Standard Life

Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006, the Company and its subsidiaries.

Heritage With Profits Fund (HWPF)

The Heritage With Profits Fund contains all existing business – both with profits and non profit – written before demutualisation in the UK, Irish or German branches, with the exception of the classes of business which the Scheme of Demutualisation allocated to the Proprietary Business Fund. This HWPF also contains increments to existing business.

Individual Capital Assessment (ICA)

The process by which the Financial Services Authority (FSA) requires insurance companies to make an assessment of the regulated company's own capital requirements, which is then reviewed and agreed by the FSA.

In-force

Long-term business which has been written before the period end and which has not terminated before the period end.

Interest margin

Net interest income for the year as a percentage of average total assets during the year disclosed in basis points (1/100th of 1%). This is a measure of how much margin the Group is making on its banking assets and measures the driver of income generation for this business.

Internal rate of return (IRR)

A measure of rate of return on an investment and so an indicator of capital efficiency. The IRR is equivalent to the discount rate at which the present value of the after tax cash flows expected to be earned over the lifetime of new business written is equal to the capital invested to support the writing of the business.

International Financial Reporting Standards (IFRS)

International Financial Reporting Standards are accounting standards issued by the International Accounting Standards Board (IASB). The Group's consolidated financial statements are required to be prepared in accordance with IFRS.

IFRS tangible equity per share

Total IFRS equity, less non-controlling interests and intangible assets, divided by the diluted number of issued shares at the end of the period.

IFRS underlying profit

An IFRS profit measure the Group uses to provide a more meaningful analysis of the underlying business performance. Underlying profit is calculated by adjusting profit attributable to equity holders before tax for items such as volatility arising from accounting mismatches, impairment of intangibles and certain restructuring expenses.

Investment third party net new business

Represents investment management third party investment and insurance gross inflows less redemptions.

Key performance indicator (KPI)

These are measures by reference to which the development, performance or position of the business can be measured effectively.

Maintenance expenses

Expenses related to the servicing of the in-force book of business (including investment and termination expenses and a share of overheads).

Market Consistent Embedded Value (MCEV)

The European Insurance CFO Forum Market Consistent Embedded Value Principles ©[1] (MCEV Principles) were issued by the CFO Forum on 4 June 2008 to replace the current EEV Principles and Additional Guidance and were designed to improve the transparency and comparability of embedded value reporting. On 19 December 2008, the CFO Forum announced that it would undertake further work to seek to improve the consistency of certain MCEV Principles, particularly in light of volatile economic markets.

In light of these developments, which may result in significant amendments to MCEV, the CFO Forum announced on 22 May 2009 that it believed that it was sensible to defer the mandatory MCEV reporting for all member firms until 2011. A further update on the work of the CFO Forum will be provided later this year.

[1] Copyright © Stichting CFO Forum Foundation 2008

Mutual fund

A collective investment vehicle enabling investors to pool their money, which is then invested in a diverse portfolio of stocks or bonds, enabling investors to achieve a more diversified portfolio than they otherwise might have done by making an individual investment.

Net flows

Life and pensions net flows represents gross inflows less redemptions. Gross inflows are premiums and deposits recognised in the period on a regulatory basis (excluding any switches between funds). Redemptions are claims and annuity payments (excluding any reinsurance transactions and switches between funds).

Net worth

The market value of equity holders' funds and the shareholders' interest in the surplus held in the non profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets per regulatory returns.

New business contribution (NBC)

The expected present value of all future cash flows attributable to the equity holder from new business, as included within EEV operating profit.

New business strain (NBS)

Costs involved in acquiring new business (such as commission payments to intermediaries, expenses, reserves) affecting the insurance company's financial position at that point and where all of the income from that new business (including premiums and investment income) has not yet been received and will not be received until a point in the future. To begin with, therefore, a strain may be created where cash outflows exceed inflows.

NBS margin

New business strain as a percentage of PVNBP sales (see PVNBP below).

Non-covered business

Mainly includes third party Global investment management, banking, healthcare and other businesses not associated with the life assurance and pensions business. Non-covered business excludes the Global investment management look through profits and the return on mutual funds which are recognised in covered business. Non-covered business is excluded from the EEV methodology and is included within the Group EEV on an IFRS basis.

Non-economic assumptions

Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions and variances in relation to these assumptions are treated as operating profits/(losses) under EEV.

Non profit policy

A policy, including a unit linked policy, which is not a with profits policy.

Personal pension plan

An individual pension arrangement with particular tax advantages whereby individuals who are self-employed or those who are not members of employer-sponsored pension scheme arrangements can make provision for retirement or provide benefits for their dependants in a tax efficient manner.

Present value of in-force business (PVIF)

The present value of the projected future distributable profits after tax attributable to equity holders from the covered business in force at the valuation date, adjusted where appropriate, to take account of TVOG.

Present value of new business premiums (PVNBP)

The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

Pro forma profit

Pre-demutualisation IFRS and EEV mutual figures adjusted to calculate a profit figure for the Group as if the holding company, Standard Life plc, had been listed at the beginning of that period. This information, where included, is unaudited and is prepared for illustrative purposes only.

Proprietary Business Fund

The Proprietary Business Fund in SLAL contains, among other things, certain classes of business – pension contribution insurance policies, income protection plan policies and a number of SIPP policies written before demutualisation, as well as most new insurance business written after demutualisation in the UK, Ireland and Germany.

PVNBP margin

PVNBP margin is NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value.

Recourse cash flow (RCF)

Certain cash flows arising in the HWPF on specified blocks of UK and Irish business, which are transferred out of the fund on a monthly basis and accrue to the ultimate benefit of equity holders, as determined by the Scheme of Demutualisation.

Regular premium

A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital

The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to equity holders is restricted.

Return on EEV (RoEV)

The annualised post-tax operating profit on an EEV basis expressed as a percentage of the opening embedded value, adjusted for dividends paid to equity holders.

Return on equity (RoE)

Calculated as IFRS underlying profit after tax divided by opening net assets.

Scheme of Demutualisation (the Scheme)

The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

Single premium

A single premium contract (as opposed to a regular premium contract (see above)), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

SIPP

A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

SLAC

The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

Time value of options and guarantees (TVOG)

Represents the potential additional cost to equity holders where a financial option or guarantee exists which affects policyholder benefits and is exercisable at the option of the policyholder.

Total shareholder return

This is a measure of the overall return to shareholders and includes the movement in the share price and any dividends paid and reinvested.

Underwriting profit

The earned premium remaining after losses have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

Unit linked policy

A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

With profits policy

A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may be payable from relevant surplus. The declaration of such bonuses (usually annually) reflects, amongst other things, the overall investment performance of the fund of which the policy forms part. Also known as a ‘participating policy’.

Wrap platform

An investment platform which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

8 Shareholder information

Shareholder information

Dividends

It is intended that interim dividends will be paid in November and final dividends in May each year.

You can choose to receive your dividends in one of the following ways:

1. Receive new Standard Life plc shares instead of cash

Standard Life has arranged a Scrip dividend scheme. This gives shareholders the opportunity to receive new shares in Standard Life plc – and means you will receive additional shares instead of cash.

2. Receive a cash dividend payment in your bank or building society account

You can have your dividend paid directly into the bank or building society account of your choice. This means the money will usually be available to use more quickly than if you receive your dividends in the form of a cheque. The money will be transferred straight into your bank account on the day the dividend is paid.

3. Receive a cash dividend payment by cheque

If you don't choose to receive your dividends as shares, or paid directly into your bank account, you will be sent a cheque for the relevant amount. You may be charged a fee to present this cheque, particularly if you live outside of the UK.

If you would like to change your dividend payment method, please visit **www.standardlife.com/shareholders** and follow the links to find out how to register or call Capita – the contact details are on the last page.

Receive shareholder communications by email and website

You can choose to receive future shareholder communications by email and website. Registering is easy, secure and free. Please visit **www.standardlife.com/shareholders** and follow the links to find out how to register. The service allows you to:

- Choose to receive an email when the *Annual Report and Accounts* and AGM guide are available on our website. You can then read these online instead of receiving paper copies in the post
- Check your Standard Life shareholding
- Find out information about your dividends
- Work out the value of your shareholdings
- Change your address details
- Set up a new dividend mandate, or change your existing details
- Send your Annual General Meeting voting instructions electronically

When you register you can choose if you'd like us to keep in touch with you by email. Any information you receive electronically will be the same as the paper version. This will help us save your money – and conserve natural resources.

Preventing unsolicited mail

By law, Standard Life has to make its share register publicly available. Because of this, some registered shareholders may receive unsolicited mail. You could also be targeted by fraudulent 'investment specialists' using high-pressure cold calling sales techniques – these are sometimes called 'boiler room scams'. You can find more information at the Office of Fair Trading website **www.oft.gov.uk**

Using a nominee company can help protect your privacy. You can transfer your shares into the company sponsored nominee – the Standard Life Share Account – by contacting Capita, or get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive, please contact:

The Mailing Preference Service (MPS), DMA House, 70 Margaret Street, London W1W 8SS. Or register online at **www.mpsonline.org.uk**

Analysis of registered shareholdings as at 30 June 2009

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1 - 1000	67,637	54.58%	32,502,053	1.47%
1,001 - 5,000	49,852	40.23%	103,409,294	4.67%
5,001 - 10,000	3,674	2.97%	25,328,050	1.15%
10,001 - 100,000	2,256	1.82%	48,067,809	2.17%
* 100,001 +	497	0.40%	2,003,721,855	90.54%
Total	**123,916**	**100.00%**	**2,213,029,061**	**100.00%**

* Standard Life Share Account currently has 1,343,495 participants holding a total of 1,067,421,469 shares

Financial calendar

Ex-dividend date for 2009 interim dividend	12 August 2009
Record date for 2009 interim dividend	14 August 2009
2009 Q3 trading results and interim management statement announcement	29 October 2009
2009 interim dividend payment date	16 November 2009
2009 Q4 trading results announcement	2 February 2010
2009 Preliminary results	10 March 2010
2010 Q1 trading results and interim management statement announcement	29 April 2010
2010 Annual General Meeting	14 May 2010
Analyst and Investor Day	20 May 2010
2010 Interim results and Q2 trading results	11 August 2010
2010 Q3 trading results and interim management statement announcement	3 November 2010

Directors

Gerry Grimstone (Chairman)

Sir Sandy Crombie* (Group Chief Executive)

Kent Atkinson

Lord Blackwell

Colin Buchan

Crawford Gillies

Baroness McDonagh

David Nish*

Keith Skeoch*

* Executive Director

Contact details

We want to make sure you have answers to all your questions.

For questions on dividends and your shareholding, please contact our registrar, Capita:

UK	Web	Mail	Phone
For general enquiries, please contact Standard Life	www.standardlifeshareportal.com	questions@standardlifeshares.com	0845 113 0045 or +44 020 3367 8224

Canada

For general enquiries, please contact Standard Life	www.standardlifeshareportal.com	questions@standardlifeshares.ca	1-866-982-9939

Ireland

For general enquiries, please contact Standard Life	www.standardlifeshareportal.com	questions@standardlifeshares.com	(01) 431 9829

Germany and Austria

For general enquiries, please contact Standard Life	www.standardlifeshareportal.com/de	fragen@standardlifeshares.de	06196 7693130

Registrar	Standard Life plc secretary, registered office and head office:
Capita Registrars 34 Beckenham Road Beckenham Kent BR3 4TU	M J Wood Standard Life plc Standard Life House 30 Lothian Road Edinburgh EH1 2DH Scotland

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Standard Life plc, registered in Scotland (SC286832), Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH. +44 (0)131 225 2552.

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