Half Year Results 2012

Standard Life plc

Standard Life

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Standard Life plc
Half Year Results 2012
14 August 2012

Delivering value for customers and shareholders

Continuing growth in assets under administration

- Group assets under administration of £204.2bn (FY 2011: £198.4bn)
- Long-term savings new business sales of £10.1bn (H1 2011: £11.2bn)
- Long-term savings net inflows of £1.6bn[1] (H1 2011: £2.9bn[1])
- Standard Life Investments third party net inflows of £0.6bn[1] (H1 2011: £2.9bn[1])
- Standard Life Investments third party assets under management (AUM) of £74.3bn (FY 2011: £71.8bn) with increasing asset class and geographic reach

Operating profit[2] increased by 15%

- Fee based revenue increased to £620m (H1 2011: £611m)
- Lower unit and absolute costs with acquisition expenses of 146bps (FY 2011: 169bps) and maintenance expenses of 43bps (FY 2011: 46bps)
- Operating profit before tax up 15% to £302m (H1 2011: £262m) helped by a significant improvement in UK performance
- IFRS profit after tax attributable to equity holders up 28% to £254m (H1 2011: £199m)

Capital and cash generation up 53%, dividend up 6.5% and strong balance sheet

- EEV operating capital and cash generation 53% higher at £295m (H1 2011: £193m)
- Interim dividend up 6.5% to 4.90p
- IGD surplus of £3.0bn (FY 2011: £3.1bn) remained relatively insensitive to market movements

Delivering for our customers

- Now have 205,000 customers on platforms with £12.8bn in assets under administration
- Continued growth in SIPP, helping to increase assets to £18bn
- MyFolio has attracted assets of £1.5bn since launch in October 2010 and GARS AUM exceeds £17bn

David Nish, Chief Executive, commented:

"These results show that Standard Life is performing well. We have delivered increased profits, cash flow and dividends and we are achieving ongoing improvements in operational and financial performance. The UK results, where profits benefited from higher income and significantly lower costs, demonstrate the strength and scalability of our propositions and our brand.

"The industry is undergoing a period of significant change and we believe that this brings opportunity. We are well prepared for the regulatory and market changes on the horizon, and have invested to make sure we are even better placed to meet the needs of our customers and their advisers.

"The market environment is challenging and those conditions look set to continue, however, our business model, leading market positions and strong balance sheet, will allow us to continue to deliver ongoing improvements in value for customers and shareholders."

Unless otherwise stated, all comparisons are in Sterling and are for the six months ended 30 June 2011.

IFRS results

	H1 2012 £m	H1 2011 £m
By source		
Fee based revenue	**620**	611
Spread/risk margin	**180**	207
Total income	**800**	818
Acquisition expenses	**(144)**	(175)
Maintenance expenses	**(389)**	(393)
Group corporate centre costs	**(20)**	(25)
Capital management	**47**	37
India and China JV businesses	**8**	-
Operating profit before tax	**302**	262
By segment		
UK	**141**	87
Global investment management	**68**	67
Canada	**72**	103
International	**28**	19
Other	**(7)**	(14)
Operating profit before tax	**302**	262
Tax on operating profit	**8**	(52)
Share of joint ventures' and associates' tax expense	**(5)**	-
Operating profit after tax	**305**	210
Diluted operating EPS	**13.0p**	9.2p
IFRS profit attributable to equity holders after tax	**254**	199
Diluted EPS	**10.8p**	8.7p

EEV results

	H1 2012 £m	H1 2011 £m
Covered business by source		
New business contribution	**178**	166
Contribution from in-force business	**419**	233
Other covered	**(32)**	(33)
Covered business EEV operating profit	**565**	366
Non-covered business		
Global investment management	**34**	27
Other non-covered and corporate costs	**5**	(17)
Non-covered business EEV operating profit	**39**	10
EEV operating profit before tax	**604**	376
Tax on EEV operating profit	**(119)**	(96)
EEV operating profit after tax	**485**	280
Diluted EEV operating EPS	**20.7p**	12.3p
EEV profit after tax	**625**	321

For more information please read Section 1.6 – Basis of preparation and the reconciliation of consolidated operating profit for the period in Section 2 of the Half Year Results 2012

Review of key financial performance indicators

Operating profit increased by 15%

Operating profit before tax was 15% higher at £302m (H1 2011: £262m) reflecting a significant increase in the UK partly offset by lower profit in Canada due to timing of management actions and the low interest rate environment. Revenues from fee business increased to £620m and now make up 78% of total income (H1 2011: 75%). The remaining 22% (H1 2011: 25%) of total income is a margin on spread/risk business, which increased in our UK business as a result of higher sales of annuities, but was lower in Canada mainly due to lower interest rates and the reduced impact of specific management actions to enhance investment yields on assets. In total these resulted in the spread/risk margin being 13% lower at £180m (H1 2011: £207m).

Acquisition expenses, the costs we incur in writing new business, have fallen by 18% to £144m largely as a result of efficiency savings in UK and the scalability of our business. As a proportion of sales, acquisition expenses fell to 146bps (FY 2011: 169bps) for Group, and to 119bps (FY 2011: 144bps) in the UK. Maintenance expenses, the ongoing costs we incur in servicing and administering customer policies of £389m were in line with last year (H1 2011: £393m) while we continued to grow our business. Maintenance expenses expressed as a proportion of average AUA were down to 43bps (FY 2011: 46bps) at Group level and 30bps (FY 2011: 34bps) in the UK. This continues the positive trend and demonstrates the scalability of our business.

IFRS profit after tax attributable to equity holders of £254m (H1 2011: £199m) included restructuring expenses of £42m (H1 2011: £23m), a loss on short-term fluctuations in investment return and economic assumption changes of £43m (H1 2011: profit £27m) which was largely driven by financial market levels as at 30 June 2012, and the release of prior year tax provisions.

EEV operating profit increased by 61%

Total EEV operating profit (EVOP) increased by 61% to £604m (H1 2011: £376m). Within this, core EVOP was 3% higher at £370m (H1 2011: £359m), due to higher new business contribution (NBC) of £178m (H1 2011: £166m), higher profits from global investment management and lower corporate costs. These were partly offset by lower expected return on existing business of £200m (H1 2011: £222m) as a result of lower opening risk discount rates.

The new business contribution of £178m generated an NBC margin of 1.8% (H1 2011: 1.5%) and an IRR of 16% (H1 2011: 16%), primarily reflecting higher margins in our UK and International businesses, partly offset by lower margins in our Canadian business which was impacted by the lower interest rate environment.

Efficiency operating profit of £4m (H1 2011: £40m) reflects the impact of management actions in 2011 within the UK business to reduce current and future investment expenses.

Back book management EEV operating profit of £230m (H1 2011: loss £23m) includes the benefit of a number of management actions in the UK and Canada to manage the existing book of business and reduce burnthrough costs. These actions included asset strategy changes and improved actuarial modelling primarily in the UK and Canada.

EEV operating capital and cash generation up 53%

Gross EEV operating capital and cash generation increased by 29% to £402m (H1 2011: £312m) driven by higher contributions from our covered businesses in UK and Canada as well as increased profits from global investment management. The increase was driven by an additional £72m from back book management, which included a benefit from the improved funding position of UK pension scheme and increased tax variances in the UK.

EEV operating capital and cash generation increased by 53% to £295m (H1 2011: £193m), reflecting the increase in gross capital and cash generation which has been used to fund lower new business strain of £107m (H1 2011: £119m).

Continuing growth in assets under administration

Assets under administration	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Fee business (£bn)	163.3	13.3	(12.2)	1.1	3.7	168.1
Spread/risk business (£bn)	24.7	0.7	(1.2)	(0.5)	0.7	24.9
Other[3] (£bn)	10.4	0.2	(0.1)	0.1	0.7	11.2
Group AUA (£bn)	**198.4**	**14.2**	**(13.5)**	**0.7**	**5.1**	**204.2**

Group assets under administration increased from £198.4bn to £204.2bn. This increase was driven by resilient, though lower, flows into our newer fee based propositions and positive market movements. Notably, Standard Life Investments had a strong start to the year with net inflows of £0.6bn, or £2.4bn excluding £1.8bn of previously announced expected outflows from a low revenue yield mandate, representing an annualised 7% of opening third party AUM.

Strong balance sheet

The strong capital position of the Group is evidenced by our balance sheet which continues to be robust on both an embedded value and IFRS basis despite the recent volatility in financial markets. Our IGD surplus was £3.0bn (FY 2011: £3.1bn) reflecting the payment of the final dividend of £216m in May 2012. Direct shareholder exposure to debt issued by governments and banks in Greece, Ireland, Italy, Portugal and Spain equates to less than £50m. Our capital and cash generation continues to be strong.

Our embedded value increased to £7,802m (FY 2011: £7,428m) representing embedded value per share of 331p (FY 2011: 317p). IFRS equity excluding intangible assets and non-controlling interests was £3,789m (FY 2011: £3,761m), representing 161p per share (FY 2011: 160p). The change in IFRS equity, excluding intangible assets and non-controlling interests, relates primarily to profit for the period attributable to equity holders of £254m offset by the impact of the dividend.

Increase in dividend and commitment to progressive policy

The Board have declared an interim dividend of 4.90p per share (H1 2011: 4.60p), an increase of 6.5% (H1 2011: 5.7%). The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Outlook

Our industry in the UK is undergoing a period of significant change. Over the past few years we have built a scalable business that is capitalising on the opportunities that exist in our chosen markets. Combined with its leading market positions, we expect the UK business to continue to perform well.

Standard Life Investments has opportunities to continue to expand its capabilities and reach, both in the UK and internationally. While the low interest rate environment in Canada presents some challenges, the outlook for the Canadian economy remains steady. Following the appointment of a new CEO in Canada during February, we expect this business to drive improved operating performance as we concentrate our expertise on opportunities in long-term savings and investments. Our international business is focused on executing our overseas strategy following the creation of an Asia and Emerging Markets business.

Overall, whilst the market environment is challenging and those conditions look set to continue, our business model, leading market positions and strong balance sheet, will allow us to continue to deliver ongoing improvements in value for customers and shareholders.

UK

Operational highlights

- Operating profit before tax up 62% to £141m, reflecting increased profit contribution[4] across our UK business
- Demand for investment solutions driving flows into higher margin MyFolio and Standard Life Wealth propositions
- Our platforms have over 205,000 customers with AUA up 19% to £12.8bn
- Total SIPP customers up 22% to 147,000 and AUA up to £18.0bn
- Secured 71 new corporate schemes and now providing corporate pensions to almost 1.2m employees

Continuing to build on our advantage in our chosen markets

	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Retail fee business (£bn)	55.8	3.2	(3.1)	0.1	1.4	57.3
Corporate fee business (£bn)	22.0	1.6	(0.8)	0.8	0.3	23.1
UK fee business (£bn)	**77.8**	**4.8**	**(3.9)**	**0.9**	**1.7**	**80.4**
Institutional pensions (£bn)	17.5	2.1	(1.2)	0.9	0.8	19.2
Conventional with profits (excl. annuities) (£bn)	5.3	-	(0.7)	(0.7)	0.1	4.7
UK fee business total AUA (£bn)	**100.6**	**6.9**	**(5.8)**	**1.1**	**2.6**	**104.3**
Spread/risk business AUA (£bn)	14.4	0.3	(0.6)	(0.3)	0.6	14.7
Total AUA backing products (£bn)	**115.0**	**7.2**	**(6.4)**	**0.8**	**3.2**	**119.0**
Fee business revenue (bps)	73					73

UK fee business AUA grew by 4% to £104.3bn, reflecting a continuation of net inflows and positive market movements. Fee business net inflows of £0.9bn into our core retail (£0.1bn) and corporate pension propositions (£0.8bn) were in line with the second half of prior year but were lower than the strong flows in the first half of last year (H1 2011: £1.9bn). The average revenue yield across our UK fee business remained stable at 73bps.

Retail business with scale, momentum and market leading propositions

	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Retail fee business – new (£bn)	23.7	2.7	(1.2)	1.5	0.7	25.9
Retail fee business – old (£bn)	32.1	0.5	(1.9)	(1.4)	0.7	31.4
Retail fee business (£bn)	**55.8**	**3.2**	**(3.1)**	**0.1**	**1.4**	**57.3**

Net inflows into our core retail propositions of £0.1bn (H1 2011: £0.6bn) reflect robust gross inflows of £3.2bn (H1 2011: £3.6bn).

Retail fee business - new

Gross flows into our new style propositions were £2.7bn (H1 2011: £3.1bn), against a backdrop of subdued consumer sentiment, ongoing economic uncertainty and increased commission-based competition ahead of the Retail Distribution Review (RDR). Standard Life Wealth continued to build a strong presence in the IFA market with net flows into its higher margin propositions more than doubling to £390m (2011: £193m).

We have maintained good momentum in our platform propositions which continue to attract customers, advisers and assets as we continue to enhance the features and usability of our proposition. Our platform propositions are also a beneficial distribution channel for our investment solutions and Standard Life Investments funds, giving the Group access to the wider value chain.

- Collectively, our platforms account for over 205,000 customers with total assets under administration up 19% to £12.8bn (H1 2011: £10.8bn)
- The number of adviser firms on our Wrap platform increased by 17% to 1,087 (H1 2011: 926). We continue to embed our Wrap platform with existing adviser firms resulting in the average AUA per firm rising to £8.8m (H1 2011: £8.2m)
- Total SIPP customers increased to 147,000, an increase of 22% year-on-year. Our SIPP proposition continues to perform well helping to increase AUA to £18.0bn (H1 2011: £16.4bn)

With RDR just 139 days away, our retail business is very well positioned for growth by providing both IFAs and direct customers with valued long-term savings and investment solutions. In particular, we are focused on meeting the needs of 'new model' advisers (both independent and restricted) who are best placed to prosper in the new market environment. Developing solutions for both advisers and their clients has allowed us to grow our market share without incurring the cost of commission on new business. Focus Solutions and threesixty Services provide Standard Life with an ability to support advisers in developing business models compliant with RDR, and beyond, deepening our relationships with these firms.

Retail fee business - old

Retention in our older style business has been encouraging with net outflows of £1.4bn in line with the same period last year (H1 2011: £1.4bn). We continue to look at ways of engaging with customers with maturing policies who may wish to continue to save or annuitise with Standard Life.

Retail – spread/risk

UK spread/risk business AUA increased to £14.7bn, as the positive impact on the value of debt securities from falling yields was partially offset by net annuity outflows driven by scheduled payments. Gross annuity inflows were 29% higher at £281m (H1 2011: £217m) reflecting improved conversion and retention activity which has increased the number of customers who choose to annuitise with us.

Corporate business positioned for growth from market and regulatory trends

We continued to build on our momentum, winning 71 new schemes (H1 2011: 82 schemes) and 62,200 new employees joined our pension schemes since the start of the year (H1 2011: 98,400 employees). The total number of members in our schemes increased to 1.2m (H1 2011: 1.1m). Wins in the first six months of the year included our first major Master Trust scheme which will result in an additional 24,000 members.

Corporate pension net inflows, excluding Trustee Investment Plan (TIP) business of Standard Life Investments, of £0.8bn (H1 2011: £1.3bn) demonstrate the strength of our corporate business at a time when employers are delaying decision-making ahead of the phased introduction of auto enrolment starting in less than two months.

We continue to build on our strong relationships with employers and corporate benefit consultants and have recently announced our comprehensive auto enrolment benefit solution. We have further enhanced our offering by building on the success of MyFolio risk-based funds in the retail space, launching a suite of investment solutions, including MyFolio, tailored for the corporate market.

The overall quality of our propositions and the high levels of customer service we offer means we are well positioned to benefit from pension reform and RDR. We expect the introduction of auto enrolment to increase levels of employee participation in the 35,000 schemes we administer for our clients, resulting in 400,000 potential additional savers. More importantly, the introduction of auto enrolment is leading many corporates to review their overall pension provision giving rise to higher levels of enquiries from employers in our target market, which will drive further growth in our business towards the end of this year and in 2013.

Operating profit up 62% driven by fee business revenue and operational leverage

	H1 2012 £m	H1 2011 £m
Fee based revenue	**325**	309
Spread/risk margin	**56**	52
Total income	**381**	361
Acquisition expenses	**(84)**	(107)
Maintenance expenses	**(169)**	(171)
Capital management	**13**	4
UK operating profit before tax	**141**	87

Operating profit before tax in the UK business increased by 62% to £141m (H1 2011: £87m). This was driven by improved performance across our business combined with the benefits of operational efficiency and scalability.

Fee based revenue grew 5% to £325m driven by higher AUA as new style propositions continue to attract inflows while older style propositions benefit from ongoing increments, market movements and retention activity.

Spread/risk margin increased by 8% to £56m due to increased annuity volumes reflecting our successful ongoing customer engagement programme combined with strong margins.

Acquisition expenses fell by £23m to £84m. Maintenance expenses were also lower at £169m (H1 2011: £171m).

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

Lowering unit costs of our operations

Our technology is a key enabler in delivering lower unit costs. Over the past few years we have driven initiatives to manage the acquisition and maintenance expenses of our business and these are now showing results.

Acquisition expenses expressed as a proportion of PVNBP fell by 17% to 119bps (FY 2011: 144bps) as improvements in efficiency and absolute reductions in costs more than offset the impact of lower sales caused by the subdued economic conditions. Maintenance expenses expressed as a proportion of average AUA fell to 30bps (FY 2011: 34bps) reflecting the scalability of our operations and the improving efficiency of our processes.

Increasing profit contribution across the UK business

Positive contributions from across our business, combined with our success in reducing indirect expenses, have driven a 62% increase in operating profit to £141m.

The UK business reported a 31% increase in profit contribution from fee business to £155m with both our retail and corporate fee businesses demonstrating good profit growth.

Retail fee based business profit contribution increased by 24% to £115m. Newer style propositions saw continued momentum and the benefits of the scalability of our business model, delivering a contribution of £25m, with Standard Life Wealth breaking even for the first time. The profit contribution from our older style retail propositions remained broadly steady reflecting the value of our back book contributions.

	H1 2012 £m	H2 2011 £m	H1 2011 £m
Retail fee business – new	**25**	10	-
Retail fee business – old	**90**	93	93
Retail fee business contribution	**115**	**103**	**93**
Corporate	40	24	25
Fee business contribution	**155**	**127**	**118**
Spread/risk	50	18	48
Total profit contribution	**205**	**145**	**166**
Indirect expenses, capital management and other	(64)	(76)[5]	(79)
UK operating profit before tax	**141**	**69**	**87**

Our corporate business saw a 60% increase in profit contribution to £40m, reflecting the success of our proposition and potential for further operational leverage.

In addition, contribution from spread/risk products increased by 4% to £50m, with higher annuity sales reflecting the success of our ongoing customer engagement programme.

Global investment management

Operational highlights

- Standard Life Investments operating profit before tax up to £68m and EBIT margin[6] of 35%
- Third party net inflows of £0.6bn, or £2.4bn, excluding £1.8bn previously announced outflow from a low revenue yield mandate
- Demand for higher margin products driving increase in average revenue yield to 39bps
- Continue to build a well diversified book of third party business by both asset class and geography
- Expanding international distribution capability with over £1bn of net flows from outside of UK
- Continuing to deliver robust investment performance

Continuing to attract net inflows into higher margin products

Third party assets	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Fee business (£bn)	71.8	7.9	(7.3)	0.6	1.9	74.3
Fee business revenue (bps)	37					39

AUM in our third party business increased to £74.3bn (31 December 2011: £71.8bn) and accounts for 47% of total AUM. Total third party net inflows were £0.6bn (H1 2011: £2.9bn) despite a significant, and an expected outflow of £1.8bn from a single low revenue yield mandate following a change in a client's pension scheme strategy. Excluding this outflow, third party net inflows were £2.4bn (H1 2011: £2.9bn). We have increased the number of institutional clients in UK and Europe by 7% despite a substantial slowdown in the number of institutional mandates across the market as a whole. We continued to attract inflows into higher margin propositions which has helped to increase overall average revenue yield on third party business to 39bps (FY 2011: 37bps).

We continue to build a strong and diversified book of third party business by both asset class and geography. Our wholesale business in the UK continues to grow. Demand for our MyFolio risk-based funds has driven MyFolio assets to approximately £1.5bn and we have recently expanded the range to include two new suites of Multi Manager Income and Managed Income funds. UK mutual funds net inflows of £966m (H1 2011: £1,457m) were robust despite volatile market conditions while our share of the wholesale market in the UK continues to grow, with UK mutual funds third party AUM now exceeding £12bn.

We also continued to make progress in increasing our global presence. European segregated business grew over fivefold with net sales of £590m while our US business, which has benefited from a distribution agreement with John Hancock Mutual Funds, continues to gain traction with sales up to £600m from £12m for the same period last year. We have also entered into an agreement with Swedish banking group Länsförsäkringar to distribute our GARS fund to investors in Sweden and our SICAV range of funds is now available to investors in Switzerland.

The pipeline for institutional business remains strong with fixed income, real estate and multi-asset products attracting a lot of interest, increasingly from outside the UK. There is also positive demand for our mutual funds in the UK and for our SICAV funds in continental Europe.

Continuing to deliver robust investment performance

The fund management industry benefited from strong financial markets in early 2012 but the effects of the European sovereign debt crisis returned during the latter part of H1 2012 and market sentiment deteriorated again with a substantial increase in market volatility, however, investor preferences to reduce exposure to higher risk assets benefitted our fixed income and GARS products. Investment performance continues to be robust, with the money weighted average for third party assets well above median over one, three, five and ten years. Our GARS funds have outperformed their cash benchmarks over all key time periods since inception and our mutual fund strength is shown by the proportion of eligible and actively managed funds (24 out of 32) rated A or above by Standard & Poor's in the UK.

Sustained growth in EBIT margin and third party AUA

	H1 2012 £m	H1 2011 £m
Fee based revenue	203	193
Maintenance expenses	(135)	(126)
Global investment management operating profit before tax	68	67
EBIT margin[6]	35%	33%

Operating profit before tax, excluding the fee received in H1 2011 for the transfer of the money market funds, increased by 13% to £68m. Revenue, excluding this fee, rose by 9% as we continued to attract inflows into our higher margin products. The share of profit of HDFC Asset Management is included on a pre-tax basis for the first time. This change has contributed £3m to the increase in revenue. Overall, the average revenue yield on third party AUM increased to 39bps (2011: 37bps).

The increase in expenses to £135m reflects the accelerated expansion of our business as we took advantage of opportunities in our chosen markets to grow our capability and extend our geographic reach. Maintenance expenses expressed as a proportion of total average AUM remained flat at 17bps (FY 2011: 17bps). Growth in revenue and continued control of our costs have helped to drive EBIT margin 2% points higher to 35% (H1 2011: 33%).

Canada

Operational highlights

- Operating profit before tax of £72m 30% lower reflecting timing of management actions and low interest rate environment
- New CEO to drive improved performance as we focus on our expertise and opportunities in long-term savings and investments
- Fee business AUA up 4%[7] to £14.7bn with individual savings and retirement fee business net flows nearly doubling to £184m
- Launch of group savings and retirement target date funds, a unique solution in the Canadian marketplace
- Expanded our mutual funds range launching two new fixed income funds

Continued growth in fee business

	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Fee business AUA (£bn)	14.3	1.4	(1.1)	0.3	0.1	14.7
Spread/risk business AUA (£bn)	10.3	0.4	(0.6)	(0.2)	0.1	10.2
Total AUA backing products (£bn)	**24.6**	**1.8**	**(1.7)**	**0.1**	**0.2**	**24.9**
Fee business revenue (bps)	117					115

Fee business AUA in Canada increased by 4%[7] to £14.7bn driven by net inflows of £268m, which were in line with last year, as well as positive market movements. Individual savings and retirement fee business net flows nearly doubled to £184m (H1 2011: £93m) while mutual funds net outflows improved to £7m (H1 2011: £68m). Net inflows into group savings and retirement fee business were lower at £91m (H1 2011: £247m) reflecting the uneven pattern of this business. However, sales on a PVNBP basis increased by 56%[7] to £772m (H1 2011: £501m) reflecting our success in securing regular premium group business and also lower discount rates. The average revenue yield on fee business decreased to 115bps (FY 2011: 117bps) reflecting market pricing conditions and also business mix.

Spread/risk business AUA decreased slightly to £10.2bn as scheduled outflows from our annuity back book were partly offset by lower annuity and term fund inflows and positive market movements. The Group insurance and disability management business continues to perform well but with lower PVNBP sales of £301m (H1 2011: £486m) reflecting particularly large mandate wins in the first half of last year.

We continue to enhance our propositions for both corporate and retail customers. During the first half of the year we launched our group savings and retirement target date funds which offer a unique range of solutions in the Canadian marketplace. We have also launched a new online health claim solution to improve our customers' experience and improve operational efficiency.

Operating profit impacted by timing of management actions and low interest rate environment

	H1 2012 £m	H1 2011 £m
Fee based revenue	**83**	84
Spread/risk margin	**124**	155
Total income	**207**	239
Acquisition expenses	**(41)**	(48)
Maintenance expenses	**(114)**	(106)
Capital management	**20**	18
Canada operating profit before tax	**72**	103

Operating profit before tax in our Canadian business was £72m.

Spread/risk margin was impacted by the low interest rate environment, partly offset by management actions enhancing the investment yields on assets of £9m (H1 2011: gain £31m). One-off reserving changes decreased policyholder liabilities by £8m (H1 2011: decrease £6m). As a result of the low interest rate environment and as part of continued management of capital around the Group we are holding an additional £124m of capital in our Canadian business.

Higher maintenance expenses mainly reflect higher renewal commission and an increase in product and technology development spend. Maintenance expenses are in line with H2 2011 levels and remained stable compared to the average AUA at 92bps. The decrease in acquisition costs was primarily due to lower sales commissions. The capital management result benefited from higher investment returns on shareholder assets.

International

Operational highlights

- Operating profit before tax up 47% to £28m, including India and China JV business operating profit of £8m (H1 2011: £nil)
- Launched a new unit linked proposition in Germany which has helped to increase our market share
- Launched a new regular savings product as well as MyFolio funds in Ireland
- Increased distribution capability in China and achieved 16% private individual market share in India joint venture

Continued growth in sales with improved performance from joint venture businesses

	1 Jan 2012	Gross flows	Redemptions	Net flows	Market and other movements	30 Jun 2012
Wholly owned fee business AUA (£bn)	12.3	1.1	(0.4)	0.7	0.2	13.2
India and China JV businesses AUA (£bn)	1.2	0.2	(0.1)	0.1	-	1.3
Fee business revenue (bps)	186					173

Fee business AUA across our wholly owned operations increased by 7% to £13.2bn driven by net inflows and favourable market movements. Net inflows of £0.7bn (H1 2011: £0.9bn) reflected the effect of economic uncertainty and lower consumer confidence on volumes, redemptions and maturities and surrenders, as well as our notable success in the first half of 2011 in securing a number of large cases in our market leading offshore bond business.

The average revenue yield across International wholly owned businesses was lower at 173bps (FY 2011: 186bps), reflecting the change in asset mix across the International territories and the charging structure of legacy business.

We have continued to develop our offering across our International territories. Our MyFolio risk based fund range, which has proved very popular in the UK, is now available in Ireland where we have also launched a regular premium savings product. We continue to expand our unit linked proposition in Germany, including the successful launch of Maxxcellence Invest, which has helped to drive a 17%[7] increase in sales and increase our share of the unit linked market from 3% to 5%. We also continue to explore opportunities to leverage our offshore capability in our chosen markets.

Net flows into the India and China joint venture businesses were maintained at £140m (H1 2011: £140m), with HDFC Life performing strongly, increasing our share of the private individual market by 2% to 16%[8], and Heng An Standard Life continuing to expand its distribution capability.

Increase in operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**103**	108
Acquisition expenses	**(19)**	(20)
Maintenance expenses	**(65)**	(70)
Capital management	**1**	1
Total wholly owned	**20**	19
India and China JV businesses	**8**	-
International operating profit before tax	**28**	19

International operating profit before tax increased by 47% to £28m reflecting strong growth in our joint venture businesses and a good performance from the wholly owned businesses.

Operating profit of the wholly owned businesses increased by 12%[7] driven by underlying growth in revenue and efficiency savings with maintenance expenses expressed as a proportion of average AUA falling to 103bps (FY 2011: 117bps). These were offset by the negative impact of strength of sterling against the Euro.

Our joint venture businesses generated profit of £8m after breaking even in the first half of last year. Increasing profitability was driven by ongoing growth and our investment to support their continuing development.

Supplementary information - analysis of operating profit by segment

Six months ended 30 June 2012	UK £m	Global investment management[9] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	325	203	83	103	-	(94)	**620**
Spread/risk margin	56	-	124	-	-	-	**180**
Total income	**381**	**203**	**207**	**103**	-	**(94)**	**800**
Acquisition expenses	(84)	-	(41)	(19)	-	-	**(144)**
Maintenance expenses	(169)	(135)	(114)	(65)	-	94	**(389)**
Group corporate centre costs	-	-	-	-	(20)	-	**(20)**
Capital management	13	-	20	1	13	-	**47**
India and China JV businesses	-	-	-	8	-	-	**8**
Operating profit/(loss) before tax	**141**	**68**	**72**	**28**	**(7)**	-	**302**

Six months ended 30 June 2011	UK £m	Global investment management[9] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	309	193	84	108	-	(83)	**611**
Spread/risk margin	52	-	155	-	-	-	**207**
Total income	**361**	**193**	**239**	**108**	**-**	**(83)**	**818**
Acquisition expenses	(107)	-	(48)	(20)	-	-	**(175)**
Maintenance expenses	(171)	(126)	(106)	(70)	(3)	83	**(393)**
Group corporate centre costs	-	-	-	-	(25)	-	**(25)**
Capital management	4	-	18	1	14	-	**37**
India and China JV businesses	-	-	-	-	-	-	**-**
Operating profit/(loss) before tax	**87**	**67**	**103**	**19**	**(14)**	**-**	**262**

12 months ended 31 December 2011	UK £m	Global investment management[9] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	625	383	166	221	-	(172)	**1,223**
Spread/risk margin	75	-	281	-	-	-	**356**
Total income	**700**	**383**	**447**	**221**	**-**	**(172)**	**1,579**
Acquisition expenses	(202)	-	(78)	(45)	-	-	**(325)**
Maintenance expenses	(352)	(258)	(220)	(139)	(3)	172	**(800)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	10	-	38	1	25	-	**74**
India and China JV businesses	-	-	-	2	-	-	**2**
Other	64	-	-	-	-	-	**64**
Operating profit/(loss) before tax	**220**	**125**	**187**	**40**	**(28)**	**-**	**544**

For further information please contact:

Institutional Equity Investors		Retail Equity Investors	
Lorraine Rees	0207 872 4124 / 07738 300 878	Capita Registrars	0845 113 0045
Jakub Rosochowski	0131 245 8028 / 07515 298 608		
Craig Cameron	0131 245 3848 / 07515 298 330		
Media		**Debt Investors**	
Nicola McGowan	0131 245 4016 / 07872 191 341	Scott Forrest	0131 245 6045
Barry Cameron	0131 245 6165 / 07712 486 463	Nick Mardon	0131 245 6371
Susanna Voyle (Tulchan Communications)	020 7353 4200 / 07980 894 557		

Newswires and online publications

We will hold a conference call for newswires and online publications at 07:30 (UK time) and a second media call at 11:30 (UK time). Participants should dial +44 (0)20 3059 8125 and quote Standard Life 2012 Half Year Results. A replay facility will be available for seven days. To access the replay please dial +44 (0)121 2604 861. The pass code is 4657438#.

Investors and Analysts

A presentation for investors and analysts will take place at 09:30 (UK time) at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. There will also be a live webcast and teleconference at 09:30 (UK Time). Participants should dial +44 (0)20 3059 8125 and quote Standard Life 2012 Half Year Results. At the end of the formal presentation, there will be an opportunity for you to ask questions via the webcast and conference call.

Notes to Editors:

1 In order to be consistent with the presentation of new business information, certain products are included in both long-term savings and investments AUA and net flows. Refer to Supplementary information 6.3 – Group assets under administration and net flows for further information.

2 Operating profit is IFRS profit before tax adjusted to remove the impact of market driven short-term fluctuations in investment return and economic assumptions, restructuring costs (including RDR and Solvency 2 restructuring programme), impairments of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the disposal of a subsidiary, joint venture or associate and other significant one-off items outside the control of management.

3 Other assets included within AUA of £11.2bn (31 December 2011: £10.4bn) comprise assets not backing products, joint ventures, non-life assets and consolidation/elimination adjustments.

4 Profit contribution is defined as revenue less directly attributable expenses.

5 Excludes £64m gain on UK staff pension scheme.

6 Adjusted to exclude the impact of the transfer of Standard Life Investments Global Liquidity Funds plc.

7 On a constant currency basis.

8 Share of individual private market for three months to June.

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

1 Business review

1.1 Chief Executive's overview

"These results show that Standard Life is performing well. We have delivered increased profits, cash flow and dividends and we are achieving ongoing improvements in operational and financial performance. The UK results, where profits benefited from higher income and significantly lower costs, demonstrate the strength and scalability of our propositions and our brand. The industry is undergoing a period of significant change and we believe that this brings opportunity. We are well prepared for the regulatory and market changes on the horizon, and have invested to make sure we are even better placed to meet the needs of our customers and their advisers."

David Nish, Chief Executive

Delivering value for customers and shareholders

We have made significant progress in enabling us to deliver sustainable growth and to meet the changing needs of our customers and their advisers. Against the backdrop of challenging market conditions and the difficult macro-economic environment, we have continued to innovate and develop our propositions and platforms, setting us up to capitalise on the many opportunities that exist in our chosen markets.

We have aligned our business with the markets in which we wish to operate and remain very confident that we have the capabilities and skills required to deliver on our strategy.

The first half of 2012 has seen us achieve improvements in performance and deliver value for our customers and shareholders. Some highlights include:

Responding to the changing needs of our customers and their advisers

- Scale and momentum in the retail business and well positioned for the Retail Distribution Review
- GARS and Standard Life Wealth continue to meet the demands of customers for investment solutions
- Launched a range of investment solutions for employers following success of MyFolio
- Expanded corporate offering with ISAs and an extended corporate investment proposition for employees
- Group savings and retirement target date funds launched in Canada, offering a range of solutions that are unique in the Canadian marketplace
- We have launched a new regular savings product in Ireland and continue to develop our offering

Increasing assets

- The MyFolio range of funds has attracted assets of approximately £1.5bn since launch in October 2010 and GARS assets exceed £17bn
- SIPP proposition continues to perform well with assets increasing to £18bn
- Number of adviser firms on our Wrap platform up 17% to 1,087 with an average of £8.8m AUA per firm
- Our momentum in UK corporate sales has continued with 71 new schemes secured and now providing corporate pensions to almost 1.2m employees

Reducing our unit costs

- Reductions in unit and absolute costs reflect the scalability of our business and improvements in efficiency
- Achieved our target of £100m annual margin improvement with ongoing efforts to reduce costs and improve efficiency

Expanding our global reach

- New product launched in Germany and MyFolio range of funds now available in Ireland
- Standard Life Investments continues to expand its distribution and investment capability, particularly in the United States
- Increased market share for the joint venture businesses in India and China

Outlook

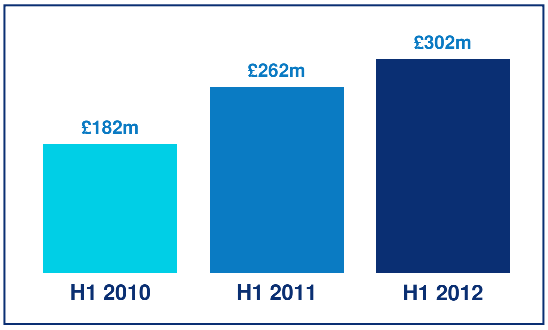
Our industry in the UK is undergoing a period of significant change. Over the past few years we have built a scalable business that is capitalising on the opportunities that exist in our chosen markets. Combined with its leading market positions, we expect the UK business to continue to perform well.

Standard Life Investments has opportunities to continue to expand its capabilities and reach, both in the UK and internationally. While the low interest rate environment in Canada presents some challenges, the outlook for the Canadian economy remains steady. Following the appointment of a new CEO in Canada during February, we expect this business to drive improved operating performance as we concentrate our expertise on opportunities in long-term savings and investments. Our international business is focused on executing our overseas strategy following the creation of an Asia and Emerging Markets business.

Overall, whilst the market environment is challenging and those conditions look set to continue, our business model, leading market positions and strong balance sheet, will allow us to continue to deliver ongoing improvements in value for customers and shareholders.

1.2 Group performance
Key financial performance indicators

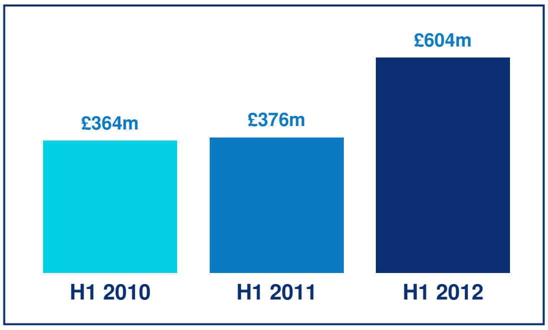
Group operating profit before tax



Group operating profit demonstrates our ability to deliver returns for our shareholders and provides an indication of our long-term dividend paying capability.

- Group operating profit before tax increased by 15% to £302m
- Fee based revenue increased to £620m
- Acquisition expenses expressed as a proportion of sales, and maintenance expenses as a proportion of average AUA improved to 146bps and 43bps respectively, demonstrating the scalability of our business

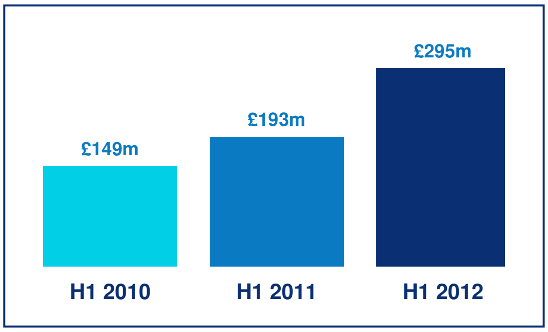
EEV operating profit before tax



European Embedded Value (EEV) operating profit measures our ability to effectively manage our existing book of business and to write profitable new business.

- EEV operating profit before tax rose by 61% to £604m
- Back book operating profit increased by £253m from management actions to enhance the value of the existing book of business
- Core EEV operating profit of £370m is 3% higher than H1 2011, with higher new business contribution and increased non-covered business profits, partly offset by lower expected return from existing business
- New business contribution increased by 7% to £178m due mainly to higher margins in the UK

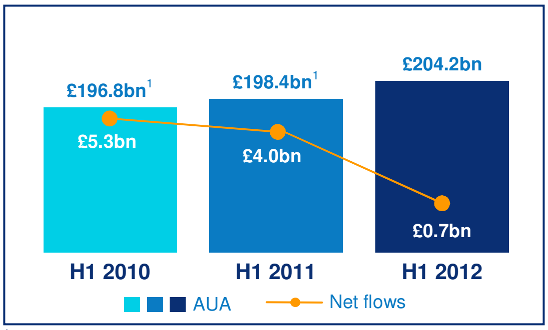
EEV operating capital and cash generation



EEV operating capital and cash generation reflects our ability to generate capital and cash from our business. This enables further investment in the business and the payment of dividends to our shareholders.

- EEV operating capital and cash generation increased by 53% to £295m
- The increase in H1 2012 was mainly due to a £72m rise in capital and cash from activities to manage our existing book, particularly in the UK and Canada businesses
- Core operating capital and cash generation increased by 12% to £193m

Assets under administration and net flows



[1] AUA as at 31 December.

As a long-term savings and investments business, assets under administration (AUA) and net flows are key drivers of shareholder value. We aim to grow AUA by focusing on our customers and meeting their needs with innovative propositions.

- Total Group AUA increased by 3% to £204.2bn driven by resilient, although lower, flows into our newer fee based products and favourable market movements
- Net flows were resilient against a backdrop of subdued consumer sentiment and ongoing economic uncertainty. They were also impacted by a significant expected outflow of £1.8bn from a low revenue yield mandate.
- Our GARS product range continues to grow strongly with assets exceeding £17bn. Our MyFolio fund range, launched in October 2010, has assets of approximately £1.5bn at 30 June 2012.

Find out more about these measures in Section 1.3 – Chief Financial Officer's overview and also Section 1.6 – Basis of preparation

1.3 Chief Financial Officer's overview

"Our operating profitability significantly increased in the first half of 2012. We remain focused on our drive for efficiency, with the use of technology a key enabler in lowering unit costs. Revenues from our fee based products have increased due to net flows into our new style products in the UK and strong demand for higher margin propositions in our global investment management business. There are significant opportunities for further growth in the business and we remain committed to delivering ongoing improvements in our financial performance."
Jackie Hunt, Chief Financial Officer

IFRS – Group

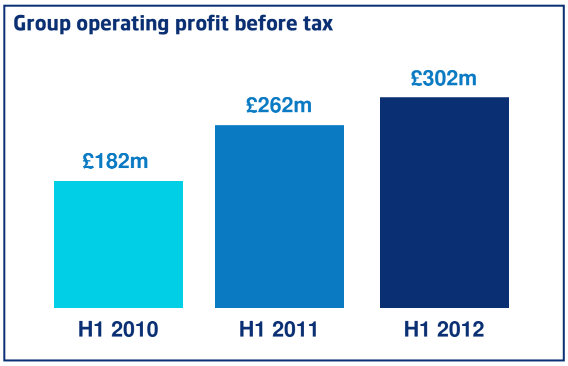
	H1 2012	H1 2011	Movement
Group operating profit before tax[1]	**£302m**	£262m	15%
IFRS profit after tax attributable to equity holders of Standard Life plc	**£254m**	£199m	28%
Group operating return on equity	**15.9%**	10.9%	5.0% points

IFRS profit

IFRS profit for the period was £262m (H1 2011: £234m). This comprised profit after tax attributable to equity holders of £254m (H1 2011: £199m) and profit attributable to non-controlling interests of £8m (H1 2011: £35m). Operating profit before tax increased by 15% from £262m to £302m and non-operating losses before tax were £82m (H1 2011: loss £5m).

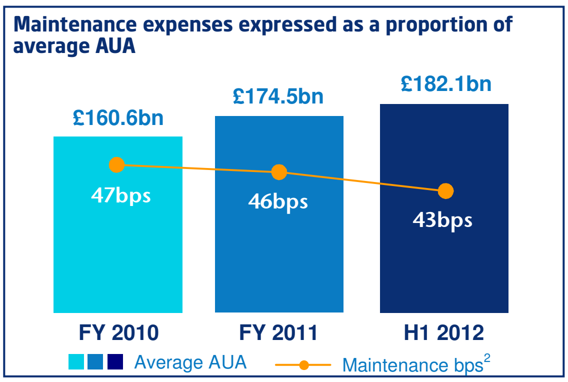
Group operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**620**	611
Spread/risk margin	**180**	207
Total income	**800**	818
Acquisition expenses[2]	**(144)**	(175)
Maintenance expenses[2]	**(389)**	(393)
Group corporate centre costs[2]	**(20)**	(25)
Capital management	**47**	37
India and China JV businesses	**8**	-
Group operating profit before tax	**302**	262



Group operating profit before tax increased to £302m. The key highlights are:

- **Fee based revenue**, which mainly relates to asset management charges, increased to £620m. This was driven by higher average asset values and the continued shift towards higher margin products in our global investment management business.
- **Spread/risk margin** mainly relates to the margin on our UK annuity business and the annuity and universal life business in Canada. Overall spread/risk margin reduced by £27m in H1 2012. This was due to the low interest rate environment in Canada and the higher level of gains in H1 2011 from Canadian management actions designed to enhance the investment yields on assets.
- **Acquisition expenses**[2] are the costs we incur in writing new business. Acquisition expenses decreased to £144m due to lower sales volumes and efficiency improvements. Expressed as a proportion of sales, acquisition expenses improved to 146bps (FY 2011: 169bps).
- **Maintenance expenses**[2] mainly relate to the ongoing costs that we incur to service and administer customer policies. Maintenance expenses were broadly flat despite an increase in AUA. We have continued to see the benefit of our scalable business model with maintenance expenses expressed as a proportion of average AUA improving to 43bps (FY 2011: 46bps).



[1] Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumptions, restructuring costs (including the Solvency 2 programme), impairment of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the disposal of a subsidiary, joint venture or associate and other significant one-off items outside the control of management.

[2] Investment for transformation and growth has been allocated between acquisition expenses, maintenance expenses and group corporate centre costs. Comparatives have been restated.

1.3 Chief Financial Officer's overview *continued*

- **Group corporate centre costs**[1] decreased to £20m (H1 2011: £25m) and included investment for transformation and growth of £nil (H1 2011: £5m)
- **Capital management** increased to £47m due to higher investment returns on shareholders' funds and the improved funding position of our UK staff pension scheme
- The **joint ventures** in Asia recorded an operating profit before tax of £8m (H1 2011: £nil), which reflects further growth and also management of the cost base of these businesses

The improvement in both acquisition and maintenance expense trends demonstrates the scalability of our business. Further reductions in unit costs have been achieved by growing assets and by improving existing propositions and processes to make better use of automation and self-service.

Levels of investment expenditure have reduced in 2012 and costs relating to investment for transformation and growth are now included in acquisition expenses, maintenance expenses or group corporate centre costs. Investment spend included in Group operating profit before tax decreased to £56m (H1 2011: £80m). The total amount invested in H1 2012 was £84m (H1 2011: £119m). This includes additional investment in the joint venture business in China and capitalised investment spend that does not impact profitability in 2012.

We have now achieved our target of £100m annual margin improvement. We had achieved £79m of this target by the end of 2011 and there was a further £22m of cost efficiencies in H1 2012. Further efforts to reduce costs and improve efficiency continue to be implemented. Fee based revenue has also increased with net flows into our new style products in the UK and strong demand for higher margin propositions in our global investment management business.

Group operating return on equity

A key component of our business model is to optimise the use of our balance sheet. Return on equity measures our success in generating profit relative to our shareholder capital. Group operating return on equity increased to 15.9% (H1 2011: 10.9%), benefiting from the growth in operating profit and a release of prior year tax provisions. We will continue to manage our capital position to ensure that we generate sustainable returns for our shareholders.

Group non-operating loss before tax

Group non-operating loss was £82m compared with a loss of £5m in H1 2011. Short-term fluctuations in investment return and economic assumption changes produced non-operating losses of £43m in H1 2012 compared with gains of £27m in H1 2011. Losses in H1 2012 of £43m were mainly due to the impact of the low interest rate environment in the UK and Canada businesses. Lower yields have impacted investment returns in the UK business, while in Canada profitability has been affected by adverse movements in the yield curve. Non-operating restructuring and corporate transaction expenses of £42m (H1 2011: £23m) relate to a number of restructuring programmes including Solvency 2 and the Retail Distribution Review (RDR).

Find out more about the IFRS results in Section 1.4 – Business segment performance and Section 1.6 – Basis of preparation

Group non-operating loss before tax

	H1 2012 £m	H1 2011 £m
Short-term fluctuations in investment return and economic assumption changes	**(43)**	27
Restructuring and corporate transaction expenses	**(42)**	(23)
Other operating profit adjustments	**3**	(9)
Group non-operating loss before tax	**(82)**	(5)

[1] Investment for transformation and growth has been allocated between acquisition expenses, maintenance expenses and group corporate centre costs. Comparatives have been restated.

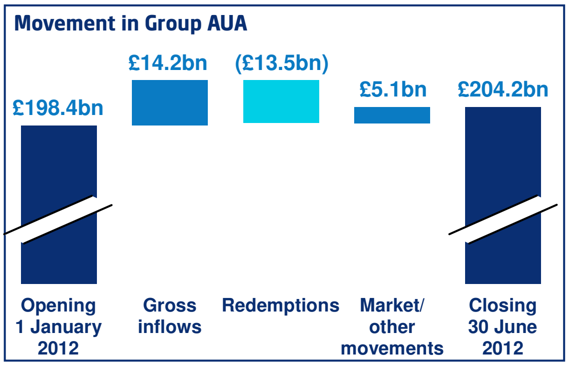
Assets under administration and new business – Group	H1 2012	H1 2011	Movement
Assets under administration	**£204.2bn**	£198.4bn[1]	3%
Net flows	**£0.7bn**	£4.0bn	(83%)
Present value of new business premiums	**£10.1bn**	£11.2bn	(10%)
New business contribution	**£178m**	£166m	7%

1 Comparative as at 31 December 2011.

Assets under administration and net flows

AUA increased by 3% to £204.2bn due to net flows in our fee based propositions and positive market movements:

- Net flows of £0.7bn were resilient, particularly into our newer fee based propositions. This was against a backdrop of subdued consumer sentiment and ongoing economic uncertainty.
- Net flows in the period were also impacted by a significant expected outflow of £1.8bn from a low revenue yield mandate in our third party global investment management business
- Fee business AUA increased to £168.1bn (31 December 2011: £163.3bn) with 82% of total AUA related to fee business
- Spread/risk business AUA was maintained at £24.9bn (31 December 2011: £24.7bn) due to positive market movements partially offset by £0.5bn of net outflows



New business

	PVNBP		New business contribution		PVNBP margin		IRR		Undiscounted payback	
	H1 2012	H1 2011	**H1 2012**	H1 2011	**H1 2012**	H1 2011	**H1 2012**	H1 2011	**H1 2012**	H1 2011
	£m	£m	**£m**	£m	**%**	%	**%**	%	**years**	years
UK	**7,034**	8,146	**126**	113	**1.8**	1.4	**22**	20	**5**	5
Canada	**1,780**	1,579	**26**	30	**1.5**	1.9	**8**	14	**11**	7
International	**1,263**	1,436	**26**	23	**2.0**	1.6	**16**	12	**6**	7
Total	**10,077**	11,161	**178**	166	**1.8**	1.5	**16**	16	**6**	6

- Improved new business profitability was due to higher margins in our UK and International businesses, partly offset by lower margins in Canada
- Present value of new business premiums (PVNBP) for the Group totalled £10,077m and was 10% lower than H1 2011 due to challenging market conditions
- Total internal rate of return (IRR) for the Group remained at 16% despite the impact of a low interest rate environment impacting our returns on business written in Canada

Find out more about AUA and new business for each of our businesses in Section 1.4 – Business segment performance

EEV – Group	H1 2012	H1 2011	Movement
EEV per share	**331p**	317p[1]	4%
EEV operating profit before tax	**£604m**	£376m	61%
EEV profit before tax	**£782m**	£431m	81%
Return on embedded value	**13.8%**	8.0%	5.8% points

1 Comparative as at 31 December 2011.

Group embedded value

Group embedded value increased to £7,802m (31 December 2011: £7,428m) representing an EEV per share of 331p. EEV per share has increased by 23p before dividend distributions, including EEV operating profit after tax of £485m (21p per share). This resulted in a return on embedded value (RoEV) of 13.8%. EEV non-operating profit after tax was £140m (6p per share). The 4p reduction in EEV per share from other and non-trading items is mainly due to negative foreign exchange movements.

1.3 Chief Financial Officer's overview *continued*

The closing EEV of £7,802m consists of:

- £3,572m of net worth or shareholder net assets
- £4,230m from the present value of in-force business (PVIF) net of the cost of required capital

The increase in total EEV of £374m consists of:

- Movement in net worth of negative £16m
- Movement in the PVIF of positive £390m

EEV profit before tax

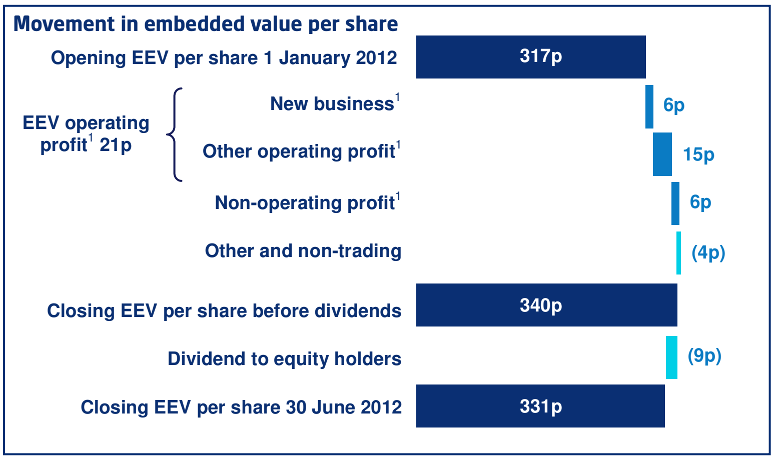
EEV profit before tax of £782m (H1 2011: £431m) includes:

- EEV operating profit of £604m (H1 2011: £376m)
- EEV non-operating profit of £178m (H1 2011: £55m)

EEV operating profit before tax

EEV operating profit increased by 61%:

- Core profits increased by 3% to £370m due to the new business we sold, partly offset by lower expected return from existing business. This drove an increase in our core RoEV from 7.6% to 7.9%. New business contribution increased by 7% to £178m (H1 2011: £166m). Expected return on our existing business decreased by 10% to £200m (H1 2011: £222m) due mainly to lower opening risk discount rates.
- Core non-covered business produced an EEV operating profit of £19m (H1 2011: loss £1m). This increase was mainly due to higher third party profits from global investment management and lower corporate costs.
- Profit from efficiency gains in H1 2011 benefited from £50m of management actions to reduce current and future investment expenses in the UK
- EEV operating profit from back book management of £230m (H1 2011: loss £23m) included a number of management actions to manage the existing book of business and reduce burnthrough costs. These actions included asset strategy changes and improved actuarial modelling primarily in the UK and Canada.



1 Profits are shown net of tax.

	EEV operating profit before tax H1 2012 £m	EEV operating profit before tax H1 2011 £m	RoEV H1 2012 %	RoEV H1 2011 %
Core	**370**	359	**7.9**	7.6
Efficiency	**4**	40	**0.1**	0.9
Back book management	**230**	(23)	**5.8**	(0.5)
Total	**604**	376	**13.8**	8.0

EEV non-operating profit before tax

Total EEV non-operating profit before tax of £178m (H1 2011: £55m) included positive long-term investment return and tax variances of £161m (H1 2011: loss £11m), which increased largely due to higher than expected investment returns. The gain from economic assumption changes of £136m (H1 2011: £108m) was mainly due to lower discount rates resulting from reductions in risk-free rates and changes in UK tax rates, partly offset by losses from the use of lower projected investment returns.

Restructuring costs of £43m (H1 2011: £23m) primarily represent costs incurred relating to a number of restructuring programmes, including Solvency 2 and the Retail Distribution Review. Volatility arising from adjustments for different accounting bases relating to the valuation of inter-Group subordinated debt resulted in a loss of £70m (H1 2011: loss £8m).

Capital and cash generation – Group

	H1 2012	FY 2011	Movement
EEV operating capital and cash generation	**£295m**	£193m[1]	53%
Group capital surplus[2]	**£3.0bn**	£3.1bn	(3%)
EEV	**£7,802m**	£7,428m	5%
IFRS equity attributable to equity holders of Standard Life plc	**£3,993m**	£3,961m	1%

1 Comparative as at 30 June 2011.
2 H1 2012 based on estimated regulatory returns. FY 2011 based on final regulatory returns.

Group EEV capital and cash generation

Capital and cash generation enables the Group to invest in new business and profitable growth opportunities. Gross EEV operating capital and cash generation before investment in new business was £402m (H1 2011: £312m).

	H1 2012 £m	H1 2011[1] £m
UK	**208**	183
Canada	**86**	63
International	**54**	61
Non-covered	**54**	5
Gross EEV operating capital and cash generation	**402**	312
New business strain	**(107)**	(119)
EEV operating capital and cash generation	**295**	193
Coverage of gross EEV operating capital and cash to new business strain	**3.76**	2.62

	H1 2012 Free surplus movement £m	H1 2012 Required capital movement £m	H1 2012 Net worth movement £m	H1 2011 Free surplus movement £m	H1 2011 Required capital movement £m	H1 2011 Net worth movement £m
Capital and cash generation from existing business	**322**	**(13)**	**309**	340	(24)	316
New business strain	**(153)**	**46**	**(107)**	(149)	30	(119)
Covered business capital and cash generation from new business and expected return	**169**	**33**	**202**	191	6	197
Covered business development expenses	**(21)**	**-**	**(21)**	(22)	-	(22)
Non-covered business core capital and cash generation	**12**	**-**	**12**	(2)	-	(2)
Core	**160**	**33**	**193**	167	6	173
Efficiency	**1**	**-**	**1**	(9)	-	(9)
Back book management	**66**	**35**	**101**	42	(13)	29
EEV operating capital and cash generation	**227**	**68**	**295**	200	(7)	193
Capital and cash generation from non-operating items	**(179)**	**87**	**(92)**	(108)	121	13
Total EEV capital and cash generation	**48**	**155**	**203**	92	114	206

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

Total EEV capital and cash generation was £203m (H1 2011: £206m). EEV operating capital and cash generation increased to £295m from £193m, an increase of 53%:

- Capital and cash generation from new business and expected return increased by £5m, reflecting reduced new business strain partly offset by lower investment returns on the opening in-force business
- Non-covered business core capital and cash generation was £14m higher compared to H1 2011 mainly due to higher profits from non-life businesses, including third party profits for global investment management
- Back book management contributed an additional £72m in H1 2012, including the benefits from higher post tax profits on the UK pension scheme and management of UK tax assets

1 Investment for transformation and growth has been allocated between acquisition expenses, maintenance expenses and group corporate centre costs. Comparatives have been restated.

1.3 Chief Financial Officer's overview *continued*

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

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

- £7m negative impact from the difference in the treatment of assets and actuarial reserves
- £3m negative impact from the difference in the treatment of deferred acquisition costs (DAC)/deferred income reserve (DIR), intangibles, tax and other. Other includes the impact of different methodologies in respect of expected income. In EEV operating profit this income is included on an expected return basis but the actual fees are included in Group operating profit.

Reconciliation of Group operating profit to EEV operating capital and cash generation for the period ended 30 June 2012

Holding company capital and cash flows

In addition to the movement in capital and cash on an EEV basis, the following summary provides an analysis of holding company cash flows and capital in relation to the Group's ultimate holding company, Standard Life plc, and its overseas holding company, Standard Life Oversea Holdings Limited. The capital position is based on these companies' net assets, excluding equity investments in operating subsidiaries. Included within closing capital is £250m (31 December 2011: £253m) of internal subordinated liabilities.

Holding company capital and cash flows	**H1 2012 £m**	H1 2011 £m	FY 2011 £m
Opening capital 1 January	**872**	665	665
Dividends received from subsidiaries	**221**	338	498
Additional investments in subsidiaries	**(124)**	(72)	(91)
Group corporate centre costs	**(20)**	(25)	(50)
Cash dividends paid to shareholders	**(216)**	(105)	(162)
Other	**6**	(17)	12
Closing capital	**739**	784	872

Dividends

During the period, we paid the final dividend for 2011 of 9.20p per share, amounting to £216m. We propose an interim dividend of 4.90p per share (H1 2011: 4.60p). This represents an increase of 6.5%, reflecting the solid progress made during the period. The scrip dividend option has now been removed and replaced with a dividend reinvestment plan (DRIP). We will continue to apply our existing progressive dividend policy taking account of market conditions and our financial performance.

Capital management

Capital management is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Group and ensuring capital is deployed so that the risk/return is optimised in a manner consistent with the expectations of our stakeholders. This requires a clear understanding of the drivers of capital requirements and therefore capital management is a critical component in the strategic planning process and the ongoing running of the business.

There are two primary objectives of capital management within the Group. The first objective is to ensure that capital is, and will continue to be, adequate to maintain the required level of safety and stability of the Group and therefore provide an appropriate degree of security to our key stakeholders. This aspect is measured by the Group's regulatory solvency position. The second objective is to create equity holder value by driving profit attributable to equity holders.

Capital is measured and managed on both regulatory capital metrics and on internal economic capital metrics. Risk appetites are set on an economic basis and the potential impact of business decisions on positions versus these appetites forms a key part of the decision making process.

Credit ratings

External credit rating agencies perform independent assessments of the financial strength of companies. The current insurer financial strength ratings for Standard Life Assurance Limited (SLAL) are A1/Stable and A+/Stable from Moody's and Standard & Poor's respectively. There were no changes to these ratings in 2012. The Standard Life Assurance Company of Canada has a separate rating from Standard & Poor's which is A+/Stable.

Group capital surplus

In H1 2012, our capital surplus remained strong at £3.0bn (31 December 2011: £3.1bn). Our capital surplus has remained robust despite the volatility in equity and debt markets. The quality of our capital resources remains strong with £6.9bn (31 December 2011: £7.0bn) of core tier 1 capital.

Group capital surplus and solvency cover	**H1 2012 £bn**	H1 2011 £bn	FY 2011 £bn
Shareholders' capital resources	**3.2**	3.0	3.1
Capital resources arising from subordinated debt	**1.1**	1.9	1.1
SLAL long-term business funds	**2.9**	3.0	3.1
Group capital resources	**7.2**	7.9	7.3
Group capital resource requirement	**(4.2)**	(4.0)	(4.2)
Group capital surplus	**3.0**	3.9	3.1
Group solvency cover	**174%**	196%	173%

H1 2012 and H1 2011 figures above based on estimated regulatory returns. FY 2011 based on final regulatory returns.

Group capital resources include the capital resources within the long-term business funds but the Insurance Groups Directive (IGD) limits the amount that can be recognised to the level of the capital resources requirement for that fund. This resulted in a restriction of £1.2bn (31 December 2011: £1.0bn) and a net zero contribution to the Group capital surplus from the long-term business funds.

The IGD surplus remains largely insensitive to a further 30% fall in equities from the 30 June 2012 position, with the surplus estimated to reduce by approximately £0.1bn (31 December 2011: £0.2bn reduction). Following a 100bps rise in yields, the surplus is expected to remain unchanged (31 December 2011: £0.2bn reduction), while a 100bps fall in yields is expected to reduce the surplus by approximately £0.3bn (31 December 2011: £0.2bn reduction).

Liquidity management

Liquidity management is the ongoing process of determining the correct asset mix for each business through balancing the interconnected needs of matching the liability profile with appropriate assets, maintaining sufficient cash resources to meet unexpected demands and achieving an appropriate yield on assets.

The Group's liquidity and capital management policy governs the level of liquidity that each business unit holds and the objective is to ensure that sufficient liquidity exists across the business to withstand extreme stresses.

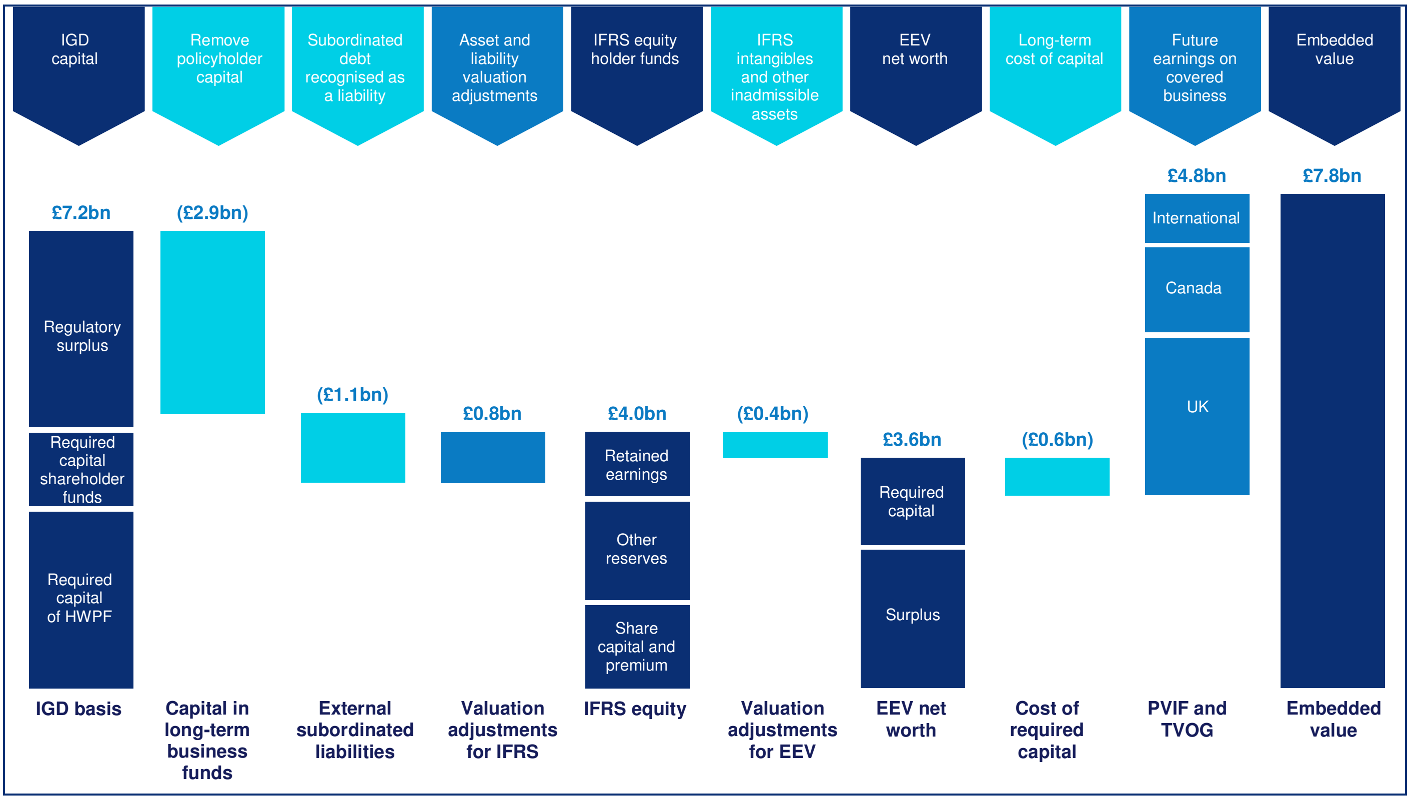
In addition to the substantial cash and readily realisable resources held within each business unit, the ultimate holding company, Standard Life plc, held £0.4bn of cash and short-term debt securities as at 30 June 2012. The stress testing undertaken during H1 2012 shows that Standard Life maintains a strong liquidity position.

We undertake specific liquidity stress testing to ensure that we can withstand a scenario of significant falls in asset values combined with unprecedented levels of surrenders and claims. The stress testing methodology has been updated for recent events in the Eurozone.

We also maintain contingency funding plans across the business to ensure that each business unit is prepared for a liquidity issue. As part of this contingency planning, Standard Life plc has a £0.5bn revolving credit facility with a maturity date of 31 December 2013, which was undrawn as at 30 June 2012.

Reconciliation of key capital measures

The following diagram illustrates the key differences between regulatory, IFRS and EEV capital measures at 30 June 2012:



1.4 Business segment performance

Business segment overview

Our performance across the Group demonstrates our commitment to meeting our corporate objectives and delivering on our strategy. A summary of our business segment performance is included below.

Strategy

UK

We believe that the UK is an exciting market with great potential for our business. Our strong market position provides significant opportunities for us to drive profitable growth within long-term savings and investments.

Global investment management

We will continue to expand our capability in order to deliver a wide range of solutions for clients that help diversify our revenue and profitability. Changes in the market environment will continue to provide many new opportunities.

Operating profit

UK

	H1 2012 £m	H1 2011 £m
Fee based revenue	325	309
Spread/risk margin	56	52
Total income	**381**	361
Acquisition expenses[1]	(84)	(107)
Maintenance expenses[1]	(169)	(171)
Capital management	13	4
Operating profit before tax	**141**	87

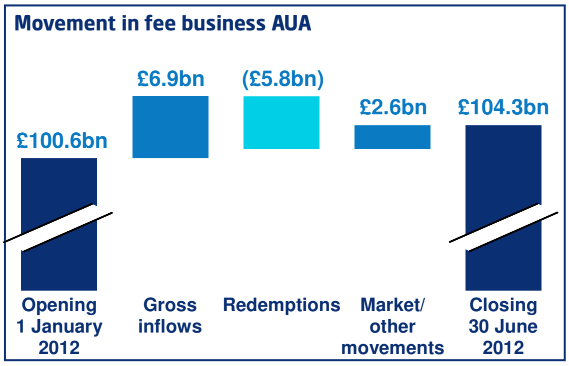
- Operating profit up 62% due to increase in fee revenue and improved cost management
- All our core business lines now contributing strongly to growing profits. The new style retail business demonstrated continued momentum with profit contribution of £25m after breaking even for the first time last year.
- Further reductions in unit costs with acquisition expenses falling to 119bps (FY 2011: 144bps) and maintenance expenses reducing to 30bps (FY 2011: 34bps)

Global investment management

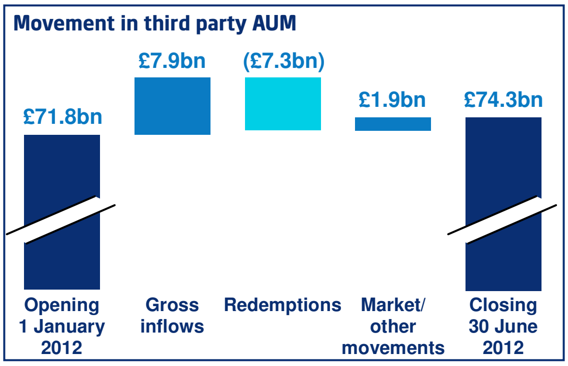
	H1 2012 £m	H1 2011 £m
Fee based revenue[2]	203	193
Maintenance expenses[1]	(135)	(126)
Operating profit before tax	**68**	67
Interest and exchange rate movements	-	(1)
Earnings before interest and tax (EBIT)	**68**	66

- Operating profit before tax, excluding the fee received in H1 2011 for the transfer of the money market funds, increased by 13% to £68m
- Average fee revenue yield from third party business increased to 39bps (FY 2011: 37bps)
- Increased costs reflect the expansion of our investment capability, distribution and geographic reach in our chosen markets but remains in line with growth in AUM at 17bps (FY 2011: 17bps)

AUA and flows



- Total AUA grew by £4.5bn to £126.5bn in H1 2012
- Maintained leading positions in the retail and corporate markets
- Grew annuity volumes 36% on H1 2011



- Third party net inflows of £2.4bn in H1 2012, after excluding the outflow of £1.8bn of assets relating to the expected loss of a single, low revenue yield mandate
- A significant number of new institutional clients were won in the UK and Europe during the period
- Assets in our GARS offering now exceed £17bn, our Fixed Income business is over £24bn and our UK Wholesale business now exceeds £12bn

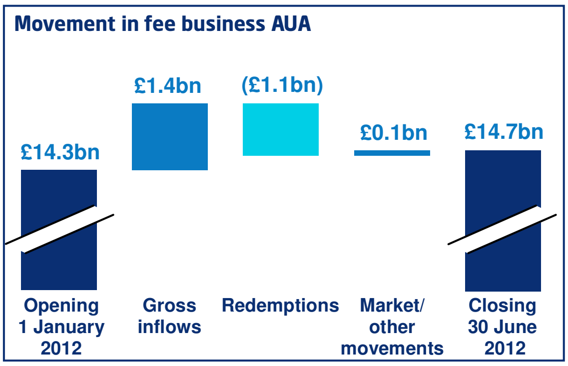
[1] Investment for transformation and growth has been allocated between acquisition expenses, maintenance expenses and group corporate centre costs. Comparatives have been restated.
[2] The share of profit of HDFC Asset Management is included on a pre tax basis for the first time. This change has contributed £3m to the increase in revenue.

Canada

We continue to differentiate our business by providing innovative retirement and investment solutions combined with a world-class customer experience. We continue to actively promote ourselves as a long-term savings and investments business in our chosen markets.

	H1 2012 £m	H1 2011 £m
Fee based revenue	**83**	84
Spread/risk margin	**124**	155
Total income	**207**	239
Acquisition expenses[1]	**(41)**	(48)
Maintenance expenses[1]	**(114)**	(106)
Capital management	**20**	18
Operating profit before tax	**72**	103

- Fee based revenue was stable in constant currency, with an increase due to higher assets offset by lower management charges on AUA
- Spread/risk margin decreased to £124m mainly due to lower gains in H1 2012 from management actions to enhance the investment yields on assets
- Stable total expenses of £155m (H1 2011: £154m) with higher development spend and lower sales commissions
- Stable overall maintenance costs compared to average AUA at 92bps (FY 2011: 92bps)



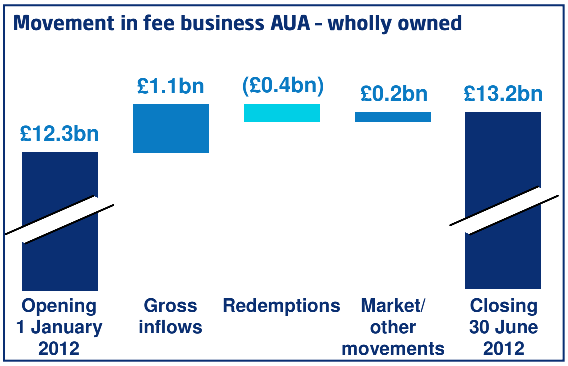
- Fee based AUA increased by £0.4bn due to net inflows in key product lines and positive market movements
- Strong recovery in mutual funds with gross inflows increasing by 21% in constant currency
- Retail segregated funds sustain sales momentum with increased market share

International

In June, we announced our intention to create an Asia and Emerging Markets business which will focus on leveraging our offshore business, our wholly owned business in Hong Kong and our joint venture businesses in Asia. The Germany and Ireland domestic businesses will be combined with the UK to create UK and Europe.

	H1 2012 £m	H1 2011 £m
Fee based revenue	**103**	108
Acquisition expenses[1]	**(19)**	(20)
Maintenance expenses[1]	**(65)**	(70)
Capital management	**1**	1
Total wholly owned	**20**	19
India and China JV businesses	**8**	-
Operating profit before tax	**28**	19

- Operating profit before tax for the wholly owned business increased by 12% in constant currency to £20m
- Fee based revenue increased by 1% in constant currency primarily due to higher revenues from a growing asset base
- Total expenses decreased, including benefits from operational cost savings and currency movements
- Joint ventures performance improved, reflecting continued sales growth and effective management of the cost base



- AUA in the wholly owned businesses grew by £0.9bn to £13.2bn
- AUA driven by positive net inflows and favourable market movements in Germany and Hong Kong
- Our position in the market segments we operate has either improved or been maintained

1.4 Business segment performance *continued*

1.4.1 UK

"We are a major provider of long-term savings and investments solutions in the UK market. Our H1 2012 performance shows continued momentum in all our chosen markets and a clear demonstration of the scalability and efficiency of our business. The enhancements to our market-leading platforms, propositions and investment solutions, combined with the forthcoming Pensions Reform and Retail Distribution Review, bring unprecedented opportunities for us to grow our business further. This will strengthen our relationships with customers and advisers, whilst also driving efficiency."
Paul Matthews, UK Chief Executive

Financial highlights

	H1 2012	H1 2011	Movement
Operating profit before tax	**£141m**	£87m	62%
Operating return on equity	**29.1%**	11.5%	17.6% points
Assets under administration	**£126.5bn**	£122.0bn[1]	4%
Net flows	**£0.8bn**	£1.8bn	(56%)
EEV covered business operating profit before tax	**£311m**	£218m	43%
EEV non-covered business operating profit before tax	**£19m**	£4m	375%

[1] Comparative as at 31 December 2011.

Market update

The UK market continues to be impacted by regulatory and market changes, including RDR, Pensions Reform and Solvency 2, as well as ongoing economic uncertainty. This environment has resulted in a more cautious sentiment among our customers, which in turn creates both exciting opportunities and specific challenges.

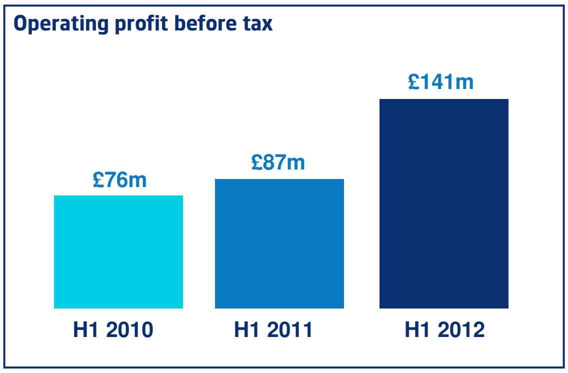
Together with the Government and the media, we have been driving consumer and employer awareness of the need for pensions as well as other forms of long-term and retirement savings.

We continue to demonstrate our momentum and resilience by maintaining our strong market position as customers, advisers and employers rely on a brand that they can trust. Our suite of investment solutions, flexible retirement solutions and market-leading platform propositions means we are well placed to support our retail and corporate customers, advisers and intermediaries through this industry transition.

Profitability

Operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**325**	309
Spread/risk margin	**56**	52
Total income	**381**	361
Acquisition expenses	**(84)**	(107)
Maintenance expenses	**(169)**	(171)
Capital management	**13**	4
UK operating profit before tax	**141**	87



UK operating profit before tax was £141m. The key movements from H1 2011 are:

- **Fee based revenue** increased by 5% predominantly driven by higher AUA, as new style propositions continue to attract net inflows while older style propositions benefit from ongoing increments, market movements and retention activity. The average revenue yield on fee based business remained stable at 73bps (FY 2011: 73bps).
- **Spread/risk margin** increased to £56m due to increased annuity volumes, accompanied by strong margins, as annuities remain a part of our decumulation range of products, offering an attractive alternative to our market-leading drawdown proposition
- **Acquisition expenses** of £84m are 21% lower than H1 2011 and, as a percentage of PVNBP, acquisition expenses improved significantly to 119bps (FY 2011: 144bps)
- **Maintenance expenses** reduced by 1% as we continue to see the benefits of our scalable business model and focus on cost control. Maintenance expenses expressed as a proportion of average AUA improved to 30bps (FY 2011: 34bps)
- **Capital management** improved to a profit of £13m due to the investment of shareholders' funds in higher-yielding assets and the improved funding position of our UK staff pension scheme

Profit contribution[1]

Profit contribution from fee based business increased by 31% to £155m (H1 2011: £118m) with both our retail and corporate areas demonstrating good growth.

Profit contribution from retail fee based business increased by 24% to £115m (H1 2011: £93m). Within this, newer style retail propositions benefited from continued momentum and the scalability of our business model, delivering a contribution of £25m and including Standard Life Wealth breaking even for the first time in H1 2012. The profit contribution from our older style retail propositions remained broadly stable reflecting the value of our back book.

The success of our propositions and potential for further operational leverage was also evident in our corporate business which saw a 60% increase in profit contribution to £40m (H1 2011: £25m).

Profit contribution	H1 2012 £m	H2 2011 £m	H1 2011 £m
Retail – new	25	10	-
Retail – old	90	93	93
Retail fee based business contribution	**115**	103	93
Corporate	40	24	25
Fee based business contribution	**155**	127	118
Spread/risk	50	18	48
Total profit contribution	**205**	**145**	**166**
Indirect expenses, capital management and other	(64)	(76)[2]	(79)
UK operating profit before tax	**141**	69	87

2 Excludes £64m gain on UK staff pension scheme.

Profit contribution from spread/risk products increased by 4% to £50m (H1 2011: £48m), with higher annuity sales reflecting the success of our ongoing customer engagement programme. Total profit contribution, combined with our focus on reducing indirect expenses, have helped to drive an increase in operating profit of 62% to £141m.

EEV operating profit

UK EEV operating profit, including HWPF time value of options and guarantees and non-covered business, increased by 49% to £330m (H1 2011: £222m) as a result of beneficial management actions taken to reduce the risk exposures of the UK business. These management actions include asset strategy changes and modelling improvements, which have resulted in lower burnthrough costs. The increase in non-covered business operating profit to £19m (H1 2011: £4m) has been driven by the improved funding position of our UK staff pension scheme.

Operating return on equity

UK operating return on equity increased to 29.1% (H1 2011: 11.5%) reflecting a 127% increase in operating profit after tax to £175m (H1 2011: £77m). In addition to the increase in operating profit before tax, the operating return on equity benefited from a release of deferred taxation on a number of items.

Assets under administration and net flows

UK fee based business AUA grew by 4% to £104.3bn, reflecting a continuation of net inflows and positive market movements.

Retail and corporate fee based business net inflows of £0.9bn (H1 2011: £1.9bn) into our core retail and corporate pension propositions were in line with the second half of 2011.

Net inflows into our new style retail propositions were £1.5bn (H1 2011: £2.1bn), reflecting robust gross flows of £2.7bn (H1 2011: £3.1bn), against a backdrop of subdued consumer sentiment, ongoing economic uncertainty and increased commission-based competition ahead of the RDR.

Retention in our older style retail business has been encouraging with net outflows of £1.4bn (H1 2011: £1.4bn), in line with the same period last year. We continue to engage with customers with maturing policies who wish to continue to save or annuitise with us.

	Net flows		AUA	
	H1 2012 £m	H1 2011 £m	30 Jun 2012 £bn	31 Dec 2011 £bn
Retail – new	1,542	2,075	25.9	23.7
Retail – old	(1,430)	(1,419)	31.4	32.1
Retail fee based business	**112**	656	**57.3**	55.8
Corporate	763	1,265	23.1	22.0
Retail and corporate fee based business	**875**	1,921	**80.4**	77.8
Institutional pensions	880	812	19.2	17.5
Conventional with profits	(635)	(581)	4.7	5.3
Total fee based business	**1,120**	2,152	**104.3**	100.6
Spread/risk	(295)	(334)	14.7	14.4
Assets not backing products	-	-	7.5	7.0
UK total	**825**	1,818	**126.5**	122.0

Corporate pension net inflows, excluding trustee investment plan business of Standard Life Investments, of £0.8bn (H1 2011: £1.3bn) demonstrate the strength of our corporate business at a time when employers are delaying decision-making ahead of the phased introduction of auto enrolment starting in less than two months.

UK spread/risk business AUA increased to £14.7bn, as the positive impact of falling yields on debt securities was partially offset by overall net outflows driven by scheduled annuity payments. Gross inflows into annuities were 29% higher at £281m (H1 2011: £217m) reflecting improved conversion and retention activity which has increased the number of customers who choose to annuitise with us.

1 Profit contribution reflects the income and expenses directly attributable to each of the UK lines of business. It differs from operating profit due to the exclusion of indirect expenses, such as overheads, and capital management.

1.4 Business segment performance *continued*

1.4.1 UK *continued*

New business performance

PVNBP sales of £7,034m (H1 2011: £8,146m) were resilient against a backdrop of subdued consumer sentiment and ongoing economic uncertainty. In the corporate pensions sector sales have also been impacted by employers delaying decision-making ahead of the phased introduction of auto enrolment and competitors securing schemes on a commission basis ahead of the implementation of RDR. Against this backdrop, PVNBP sales for annuity business were strong, increasing by 36% to £200m (H1 2011: £147m).

Delivering on our strategy

Our ability to maintain our leading position in each of our chosen markets is a testament to the significant effort and investment we have made to position ourselves more fully across the value chain to provide market-leading solutions that benefit our customers and their advisers. This places us in a unique position to support retail and corporate markets, for both advised and non-advised customers, from the start of their investment journey to the end.

Our business is well positioned to benefit from the market and regulatory changes ahead. Technology, including our market-leading platform propositions, remains a key enabler for delivering lower unit costs which will allow us to realise the full potential of our scalable business model.

Our business model

Maximising revenue

The Group is focused on increasing its share of the value chain. The UK business is therefore concerned not just with increasing volumes on our platforms, but also embedding our wider investment solutions across our customer base. This can be seen through the support we give IFAs on software and compliance through Focus Solutions and threesixty; right through to the business that flows into Standard Life Investments, via funds such as MyFolio, or to our discretionary fund manager, Standard Life Wealth:

- Our MyFolio risk-based funds range has attracted £1.5bn of assets in just 20 months since launch, attracting increasing funds that are actively managed by Standard Life Investments, securing additional margin for the Group
- Standard Life Wealth continued to build a strong presence in the IFA market with net flows into its higher margin propositions more than doubling to £390m (H1 2011: £193m) and AUA growing 91% over the last 12 months to £1.4bn
- We capitalised on the success of MyFolio funds in the retail market by launching a suite of investment solutions for employers
- Our Passive Plus corporate investment solution has been chosen by the Independent Trustees as the default fund option for our newly launched Master Trust

Increasing assets

Our retail business continues to grow, strengthening relationships with both new-model advisers and our direct customers:

- Collectively, our platforms account for over 205,000 customers with total AUA up 19% to £12.8bn (H1 2011: £10.8bn) demonstrating the industrial strength and scalability of our propositions and processes
- The number of adviser firms on our Wrap platform increased by 17% to 1,087 (H1 2011: 926). We continue to embed our Wrap platform with existing adviser firms, resulting in the average AUA per firm rising to £8.8m (H1 2011: £8.2m).
- Total SIPP customers increased by 22% to 147,000 (H1 2011: 120,800). Our SIPP proposition continues to perform well, helping to increase AUA to £18.0bn (H1 2011: £16.4bn).

Our corporate pension business continues to build momentum through its leading workplace savings solutions and by strengthening strong links and existing relationships with corporate benefit consultants and employers:

- We won 71 new schemes (H1 2011: 82 schemes) and 62,200 new employees joined our pension schemes since the start of the year (H1 2011: 98,400 employees). Total members in our schemes increased to almost 1.2m (H1 2011: 1.1m).
- Wins in the first six months of the year included our first major Master Trust scheme which will result in an additional 24,000 members
- The introduction of auto enrolment is leading many employers to review their overall pension provision giving rise to higher levels of enquiries from employers in our target market, which will support future growth in our target segments. We expect the introduction of auto enrolment to increase levels of employee participation in the 35,000 schemes we administer for our clients, resulting in 400,000 potential additional savers.

Lowering costs

The inherent scalability of our business and extensive use of technology continue to be the key enablers in delivering lower unit costs. Initiatives undertaken to manage the acquisition and maintenance expenses of our business are now showing results:

- Acquisition expenses expressed as a proportion of PVNBP fell to 119bps (FY 2011: 144bps) as improvements in efficiency and absolute reductions in costs more than offset the impact of lower sales caused by the subdued economic conditions
- Maintenance expenses expressed as a proportion of average AUA reduced to 30bps (FY 2011: 34bps), reflecting the scalability of our operations, the improving efficiency of our processes and our continued focus on cost control
- The general trend of migration of customer interaction towards online and self-service is ongoing and has helped to reduce our customer service full-time equivalent employees by approximately 20% since the start of 2010

1.4.2 Global investment management

"Standard Life Investments is a premier asset manager with an expanding global reach. Our wide range of investment solutions is backed by our distinctive 'focus on change' investment philosophy, disciplined risk management and shared commitment to a culture of investment excellence. This has proved itself to be robust and repeatable in both good and bad market conditions. We have an unbroken record of positive annual net flows since inception and have delivered a strong track record of profitable organic growth. Earnings before interest and tax have a compound annual growth rate over the last five years of 12%."
Keith Skeoch, Standard Life Investments Chief Executive Officer

Financial highlights

	H1 2012	H1 2011	Movement
Operating profit before tax	**£68m**	£67m	1%
Operating return on equity	**46.0%**	43.5%	2.5% points
Earnings before interest and tax (EBIT)[1]	**£68m**	£66m	3%
EBIT margin[1,2]	**35%**	33%	2% points
Third party assets under management (AUM)	**£74.3bn**	£71.8bn[3]	3%
Total assets under management	**£157.6bn**	£154.9bn[3]	2%
Third party net inflows	**£0.6bn**	£2.9bn	(79%)

1 EBIT and EBIT margin are key performance metrics for the investment management industry.
2 Excludes the fee received following the transfer of the money market funds.
3 Comparative as at 31 December 2011.

Standard Life Investments had a positive first half of the year, continuing to deliver robust long-term investment performance, despite volatile and uncertain markets. Third party AUM increased to £74.3bn (31 December 2011: £71.8bn). Total third party net inflows were £0.6bn (H1 2011: £2.9bn) despite a significant, and expected, outflow of £1.8bn from a single low revenue yield mandate following a change in the client's pension scheme strategy. Excluding this outflow, third party net inflows of institutional and wholesale business were £2.4bn (H1 2011: £2.9bn) in what have been challenging market conditions. These net flows underpinned solid revenue growth of 9%, driving a 15% increase in EBIT, to £68m and an EBIT margin of 35%, after excluding the fee received in H1 2011 for the transfer of the money market funds. HDFC Asset Management, our associate in India, contributed £10m (H1 2011: £7m) to EBIT and is included on a pre-tax basis for the first time. We continue to focus on serving existing clients and winning new clients through strong investment performance, product innovation, global distribution and high levels of customer service.

Standard Life Investments takes its responsibility as a long-term investor seriously. We believe that strong corporate governance coupled with responsible stewardship of the business' assets, employees, customers and environment have a fundamental impact on long-term investment returns and these issues are embedded into our underlying investment process. In addition, as responsible long-term investors, we engage regularly with investee companies to hold them to account and to promote high standards.

Market update

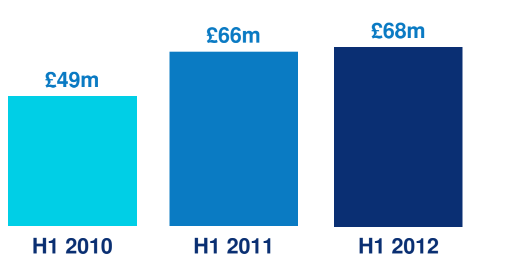
The fund management industry benefited from strong financial markets in early 2012 but the effects of the European sovereign debt crisis returned during the latter part of H1 2012 and market sentiment deteriorated again. As a result, the average daily FTSE All-Share Index fell by 4% between H1 2011 and H1 2012 and there was a substantial increase in market volatility. This, in turn, had a marked impact on investor sentiment with further pressure to reduce exposure to higher risk assets and a substantial fall in the overall turnover of institutional mandates. The beneficiaries of this were fund managers that could provide robust solutions to this changing risk appetite and this included Standard Life Investments with its suite of fixed income and GARS products.

Profitability

Operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**203**	193
Maintenance expenses	**(135)**	(126)
Global investment management operating profit before tax	**68**	67
Interest and exchange rate movements	**-**	(1)
Earnings before interest and tax (EBIT)	**68**	66

Earnings before interest and tax



Operating profit before tax, excluding the fee received in H1 2011 for the transfer of the money market funds, increased by 13% to £68m. Revenue rose by 9% on the same basis, mainly due to third party new business flows into higher margin products including UK mutual funds and the GARS asset class. The share of profit of HDFC Asset Management is included on a pre-tax basis for the first time. This change has contributed £3m to the increase in revenue. Overall, the average revenue yield on third party AUM increased to 39bps (FY 2011: 37bps).

1.4 Business segment performance *continued*

1.4.2 Global investment management *continued*

Costs increased by 7%, as we took advantage of opportunities in the market to accelerate the expansion of our business in our chosen markets, but remained in line with the growth in AUM. Compared to total average AUM, our maintenance expenses remained well controlled at 17bps (FY 2011: 17bps). Excluding the fee received in H1 2011 for the transfer of the money market funds, EBIT increased by 15% to £68m (H1 2011: £66m) driving EBIT margin higher to 35% (H1 2011: 33%). Again, £3m of the increase in EBIT can be attributed to including HDFC Asset Management on a pre-tax basis for the first time.

Operating return on equity

Operating return on equity increased to 46.0% (H1 2011: 43.5%), reflecting the shift in sales towards higher margin products.

Investment performance

We continued to deliver robust investment performance over the longer term with the money weighted average for third party assets well above median over three, five and ten years. Our GARS funds have outperformed their cash benchmarks over all key time periods since inception and our mutual fund strength is shown by the proportion of eligible and actively managed funds (24 out of 32) rated A or above by Standard & Poor's in the UK.

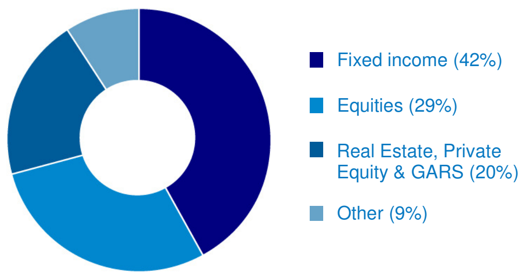
Assets under management and net flows

We achieved third party net inflows of £2.4bn during the period (H1 2011: £2.9bn), after excluding the outflow of £1.8bn of assets relating to the expected loss of a single low revenue yield mandate. This represents 7% of opening third party AUM on an annualised basis and continued Standard Life Investments' unbroken record of positive annual net flows since inception. UK mutual funds net inflows of £1.0bn (H1 2011: £1.5bn) were robust despite volatile market conditions. A significant number of new institutional clients were won in the UK and Europe during the period, increasing the institutional client base in these markets by 7% despite a substantial slow down in the number of institutional mandates across the market as a whole. Our high overall retention rates are reflected in low redemptions, excluding the large expected outflow referred to previously, being only 14% of opening AUM, which is in the top quartile in the industry. Inflows throughout the period have reflected the increasingly diverse nature of our product offering and the increasingly international character of our clients and distribution channels.

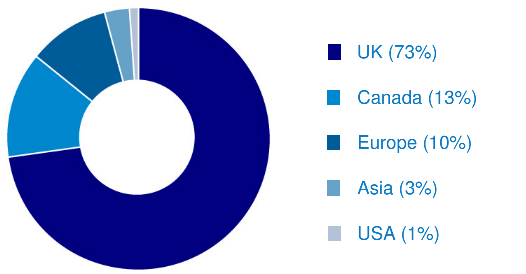
Third party AUM increased to £74.3bn (31 December 2011: £71.8bn) representing 47% of total AUM (31 December 2011: 46%). In-house AUM increased to £83.3bn (31 December 2011: £83.1bn) with favourable market movements offsetting expected outflows from the with profits business. As a result, total assets managed by Standard Life Investments were £157.6bn (31 December 2011: £154.9bn).

At an asset class level, we have a diverse offering in terms of AUM with our alternatives offering becoming more prominent. We are broadening the geographical diversity of our AUM with £1.0bn of third party net inflows generated from outside the UK, representing 42% of total third party net inflows of £2.4bn.

Total AUM by capability



Total AUM by geographical region



The pipeline for institutional business remains strong with fixed income, real estate and multi-asset products attracting a lot of interest, increasingly from outside the UK. There is also positive demand for our mutual funds in the UK and for our SICAV funds in continental Europe, despite the difficult market conditions in all these territories.

Delivering on our strategy

Standard Life Investments are now starting to see the benefits following the successful launch of the refreshed visual identity and brand positioning in 2011. This built on our commitment to increase the international reach of our business, as well as broaden the asset classes in which we excel, and helps to ensure that we present ourselves in a way that reflects our ambition, strengths and increasingly diversified business.

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

Our business remains underpinned by our strong investment performance, delivered through the rigorous application of our 'focus on change' investment philosophy, and by our continuing commitment to very high levels of client service. High quality support by our client service teams, combined with strong investment performance from our fund management teams, has been recognised with many awards in H1 2012, including:

- A 5 Star Award in the Investment category at the FTAdviser Online Service Awards, as voted for by IFAs, for the best website
- Financial Adviser's special 'Best Investment Service Provider 1993-2011' award in recognition of its long-term commitment to the IFA community over the last 19 years
- Standard Life Investments' Global Index Linked Bond Fund achieved 'highly commended' status in the global bond category of the Money Observer Fund Awards 2012
- Our UK Smaller Companies Fund and the Corporate Bond Fund have both made it on to S&P Capital IQ's winners list of the best funds with a decade-long track record

Our business model

Maximising revenue

- The majority of H1 2012 sales were into high margin products, including UK wholesale and the GARS asset class. The revenue yield on gross sales was 51bps (H1 2011: 42bps).
- We continue to diversify our sources of revenue both geographically and by asset class. We have increased the proportion of third party net inflows coming from Europe and the US in H1 2012. The diversity of our asset class offering is evidenced by net inflows in GARS, overseas equities and real estate. We have expanded our distribution capability in the US and extended our expertise in global emerging markets by creating an emerging markets bond team.
- EBIT has grown strongly with a compound annual growth rate over the last five years of 12%

Increasing assets

- Excluding the expected outflow from the low revenue yield mandate, third party net inflows of £2.4bn have been achieved, increasing third party assets under management to £74.3bn
- Our share of the wholesale market in the UK continues to grow, with UK mutual funds AUM now exceeding £12bn, 16% of third party assets
- We continue to develop our GARS product range, with assets now over £17bn, 23% of third party assets, and are strengthening our alternative capabilities in areas such as private equity and real estate
- MyFolio has proved successful since its launch, providing new higher margin business flows into Standard Life Investments' actively managed funds and now has assets of approximately £1.5bn
- Our pipeline of new investment initiatives is strong and we are confident that we will continue to meet the ever-changing demands of our clients through new and innovative solutions

Lowering costs

- Expansion of our investment capability, distribution and geographic reach has resulted in an increase in absolute costs while continued growth in our business has ensured that maintenance expenses compared to total average AUM remained flat at 17bps

1.4 Business segment performance *continued*

1.4.3 Canada

"Industry and macro-economic headwinds have made it a challenging half year, throughout which we continued to enhance our corporate and retail propositions to address the needs of our customers. We are poised to take advantage of opportunities in the group pension market, encouraged by the pipeline of new business. Along with the sustained growth in our retail investment fund offering, this highlights our continued shift towards being a leading provider of long-term savings and investments solutions."
Charles Guay, Canada Chief Executive

Financial highlights

	H1 2012	H1 2011	Movement
Operating profit before tax	**£72m**	£103m	(30%)
Operating return on equity	**10.5%**	15.3%	(4.8% points)
Assets under administration	**£26.6bn**	£26.1bn[1]	2%
Net flows	**£56m**	£99m	(43%)
EEV operating profit before tax	**£211m**	£113m	87%

[1] Comparative as at 31 December 2011.

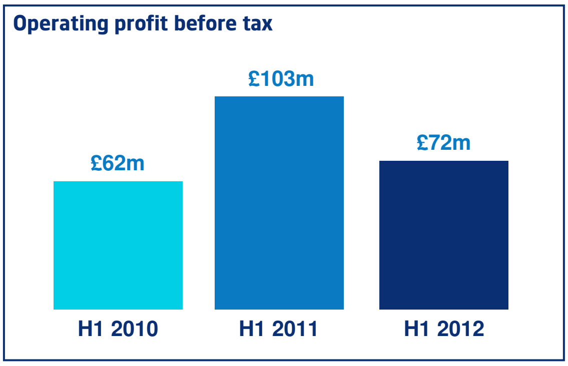
Market update

Changing demographics including an ageing population, extensive personal debt and falling birth rates, emphasises the need for individuals to ensure they have adequate pension provision and guaranteed income. We are one of the largest defined contribution pension providers in Canada and are developing our plans for the new market that will be created by Pooled Registered Pension Plans (PRPP). As a result of the low interest rates and increasing capital requirements, insurers have been revisiting the product features and pricing of guaranteed income products and life insurance and we expect to see further innovation in these products as consumer demand for guaranteed solutions remains high.

Profitability

Operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**83**	84
Spread/risk margin	**124**	155
Total income	**207**	239
Acquisition expenses	**(41)**	(48)
Maintenance expenses	**(114)**	(106)
Capital management	**20**	18
Canada operating profit before tax	**72**	103



Operating profit before tax decreased to £72m (H1 2011: £103m). The key highlights are:

- **Fee based revenue** is stable in constant currency, with the increase from higher assets offset by lower management charges on AUA
- **Spread/risk margin** was impacted by the low interest rate environment, and while management actions enhancing the investment yields on assets mitigated this impact, at £9m (H1 2011: £31m), the benefits of these actions were much lower than in H1 2011. One-off reserving changes decreased policyholder liabilities by £8m (H1 2011: decrease £6m).
- **Acquisition expenses** decreased due to lower sales commissions
- **Maintenance expenses** increased by £8m mainly due to higher renewal commissions and also increases in product and technology development spend. Maintenance expenses are in line with H2 2011 levels and remained stable compared to average AUA at 92bps (FY 2011: 92bps).
- The increase in **capital management** of £2m was driven by higher investment returns on shareholder assets

EEV operating profit

EEV operating profit before tax increased by 88% in constant currency to £211m (H1 2011: £113m). The increase was mainly due to modelling improvements, which was reflected in higher back book results.

Operating return on equity

Operating return on equity decreased to 10.5% (H1 2011: 15.3%) in line with lower operating profit. As a result of the low interest rate environment we are holding an additional £124m of capital in the business. This also contributed to the lower return on equity. We continue to manage our capital position to generate sustainable returns for our shareholders and to maintain appropriate levels of regulatory capital.

Assets under administration and net flows

AUA increased by £0.5bn to £26.6bn. Fee business AUA increased by 4% in constant currency to £14.7bn. This was driven by net inflows and positive market movements. Spread/risk AUA decreased slightly to £10.2bn.

Net inflows decreased by 41% in constant currency to £56m (H1 2011: £99m). In fee business, individual savings and retirement net flows nearly doubled to £184m (H1 2011: £93m), as a result of gross inflows in our retail segregated funds. Mutual funds net outflows improved to £7m (H1 2011: £68m). Sales in retail segregated funds, which increased by 31% in constant currency, were accompanied by mutual fund sales rising by 21% in constant currency. Group savings and retirement net flows decreased by 63% in constant currency to £91m and reflected the uneven pattern of this business. Total redemptions increased despite an improvement in mutual funds and retail segregated funds. In our spread/risk business, retail net outflows increased to £143m, mainly due to lower sales of term funds and annuities. Retail spread/risk business gross inflows decreased by 31% in constant currency.

New business performance

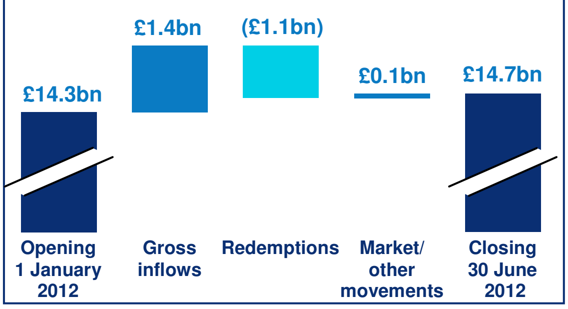
PVNBP sales increased by 14% in constant currency to £1,780m (H1 2011: £1,579m). This was led by group savings and retirement sales, which increased by 63% in constant currency due to our success in securing regular premium group business and also the impact of lower discount rates.

Excluding discontinued life insurance sales, retail sales increased by 11% in constant currency. In April 2012, we temporarily suspended new sales of the Ideal Income Series, our Guaranteed Lifetime Withdrawal Benefit product, in order to re-evaluate the product, in light of capital requirements and the low interest rate environment.

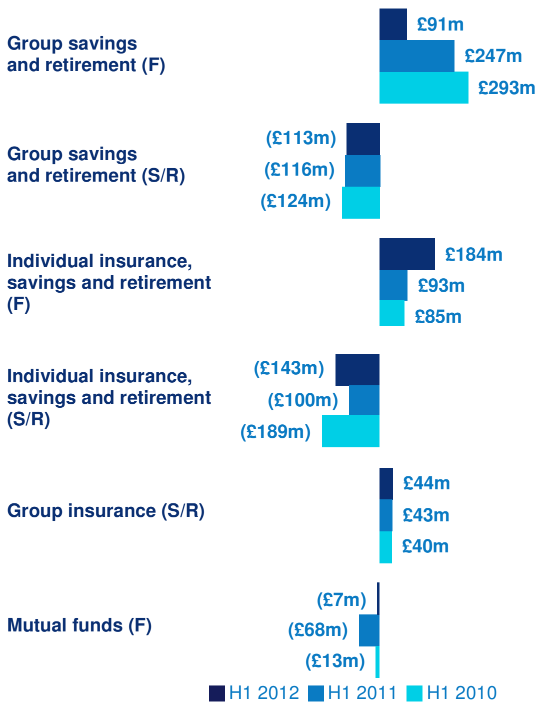
Delivering on our strategy

Our strategy is to differentiate our business by providing innovative retirement and investment solutions combined with a world-class customer experience. We have increased our new business market share in our retail investment products, where we still benefit from strong adviser relationships, including our partnership with Qtrade Financial Group, and expect a positive impact in group savings and retirement. In group insurance, we have launched a new online health claim solution which will improve our customers' experience while allowing us to increase our operational efficiency.

Movement in fee business AUA



Net flows £56m (H1 2011: £99m, H1 2010: £92m)



Our business model

Maximising revenue

- The average revenue yield on our fee business decreased to 115bps (FY 2011: 117bps), reflecting pricing conditions prevailing in our markets and also business mix
- Our spread/risk margin reflects actions taken during the past year to maximise cash flows on assets and enhance investment yields, however the impact of these was less significant in H1 2012 than in H1 2011

Increasing assets

- We launched our group savings and retirement target date funds, offering a range of solutions that are unique in the Canadian marketplace. We are developing a product for the emerging PRPP market, and along with enhancements to our SL Express product aimed at small businesses, we look to increase our presence with advisers and end-customers in the small case segment. We will also develop a retirement transition programme for plan members nearing retirement, with the aim of retaining and increasing AUA by providing customers with comprehensive tools and solutions to meet their financial needs upon retirement.
- In our retail mutual funds line, we launched two new fixed income mutual funds, aimed at customers wanting to avoid low interest rates and high market volatility
- Our retail sales force and investment fund offering led to improved sales and increased market share based on assets under management in our retail segregated funds

Lowering costs

- Despite increases in product and technology development and higher renewal commissions, higher AUA led to stable overall maintenance costs compared to average AUA at 92bps (FY 2011: 92bps)

1.4 Business segment performance *continued*

1.4.4 International

"Our International business operates in markets and market segments with significant growth potential, offering propositions centred on flexible investment solutions, innovative life assurance wrappers and digital capabilities. The volatile market environment in the first half of 2012 led to a slow down in growth and adversely impacted our results due to currency movements. Despite this, we maintained our market position, placing us well for future growth."
Nathan Parnaby, International Chief Executive

Financial highlights – wholly owned

	H1 2012	H1 2011	Movement
Operating profit before tax	**£20m**	£19m	5%
Operating return on equity	**10.6%**	5.0%	5.6% points
Assets under administration	**£13.2bn**	£12.3bn[1]	7%
Net flows	**£0.7bn**	£0.9bn	(22%)
EEV covered business operating profit before tax	**£35m**	£31m	13%
EEV non-covered business operating loss before tax	**(£7m)**	(£5m)	(40%)

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

	H1 2012	H1 2011	Movement
Operating profit before tax	**£8m**	£nil	-
Operating return on equity	**14.5%**	1.1%	13.4% points
Assets under administration	**£1.3bn**	£1.2bn[1]	8%
Net flows	**£0.1bn**	£0.1bn	-
EEV covered business operating profit before tax	**£8m**	£4m	100%

[1] Comparative as at 31 December 2011.

Market update

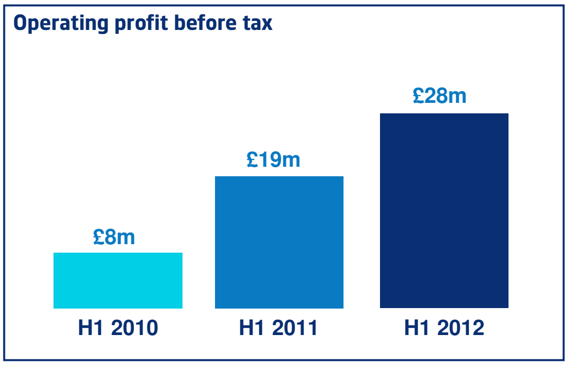
Overall customer sentiment was impacted by market uncertainties caused by the Eurozone crisis and volatile global investment markets. International operates in a number of territories and these are subject to different market dynamics:

- In Germany, the economy continued to grow in H1 2012 and our successful repositioning saw us increasing our market share in the unit linked segment
- The domestic market in Ireland was dominated by customers' reactions to the difficult economic conditions and austerity measures. Our businesses in Ireland performed well in these difficult conditions, broadly maintaining our market share in our chosen market segments.
- Economies in Asia continued to grow at the start of 2012 but are now showing signs of slowing. In our Hong Kong business, we maintained market position. Changes to product regulation in India impacted sales levels. However, HDFC Life performed well despite the challenging regulatory environment and improved both positioning in the market and market share.

Profitability

Operating profit before tax

	H1 2012 £m	H1 2011 £m
Fee based revenue	**103**	108
Acquisition expenses	**(19)**	(20)
Maintenance expenses	**(65)**	(70)
Capital management	**1**	1
Total wholly owned	**20**	19
India and China JV businesses	**8**	-
International operating profit before tax	**28**	19



Operating profit before tax increased to £28m driven by further progress of the joint venture businesses and higher profitability in the wholly owned businesses, offsetting adverse currency movements due to the strength of the Sterling against the Euro. The key highlights are:

- **Operating profit before tax of the wholly owned businesses** increased from £19m to £20m, 12% in constant currency, with higher revenues and expense improvements offset by currency movements

- **Fee based revenue** increased by 1% in constant currency with higher revenues from a growing asset base offsetting a reduction in revenue from German pre-demutualisation business
- **Acquisition expenses** decreased to £19m due to reduced sales and currency movements
- **Maintenance expenses** of £65m, which were 3% lower than H1 2011 in constant currency, include cost savings which financed higher investment for growth to expand our proposition mix
- The **joint venture businesses** recorded an operating profit before tax of £8m (H1 2011: £nil) with both businesses improving their performance compared to H1 2011. This reflects their continued progression with higher revenue generation from the growing businesses and our ongoing investment to support their development.

EEV operating profit

Total EEV operating profit increased to £36m from £30m. EEV operating profit before tax for the wholly owned businesses, including non-covered business, increased by 14% in constant currency to £28m (H1 2011: £26m) due to higher unit linked margins in Germany. EEV covered business operating profit before tax for the joint ventures was 165% higher in constant currency at £8m (H1 2011: £4m) due to improved expense management and new business profitability.

Operating return on equity

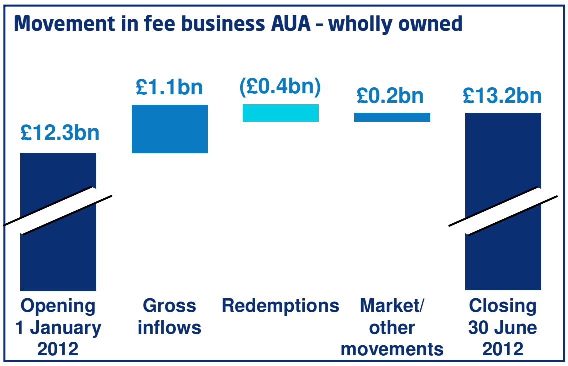
Operating return on equity for our total International operations increased to 11.5% (H1 2011: 4.1%) driven by higher results in the JV businesses. The total International operating return on equity consists of 10.6% for the wholly owned businesses and 14.5% for the joint ventures.

Assets under administration and net flows

AUA in the wholly owned businesses grew by £0.9bn to £13.2bn (31 December 2011: £12.3bn), driven by net flows and favourable market and other movements.

Net flows of the wholly owned businesses decreased by 26% in constant currency to £0.7bn (H1 2011: £0.9bn). This was primarily due to reduced gross inflows in both businesses in Ireland, reflecting economic uncertainty and consumer sentiment. There were also increased levels of redemptions in Germany and our offshore business in Ireland due to increasing maturities and surrenders.

AUA in the joint ventures increased by £0.1bn to £1.3bn (31 December 2011: £1.2bn) due to net inflows of £0.1bn (H1 2011: £0.1bn). In constant currency, net inflows increased by 11%.



New business performance

PVNBP sales in the wholly owned businesses decreased by 15% in constant currency to £979m (H1 2011: £1,175m), with a 17% constant currency increase in sales in Germany being offset by a fall in all other regions. In India, sales were up 25% in constant currency to £233m (H1 2011: £212m) due to effective management of the recent market changes. In China, sales remained stable at £51m (H1 2011: £49m) despite a slowdown of the market. Our position in the markets and segments in which we operate either improved or was maintained giving us an excellent position for future success.

Delivering on our strategy

Our strategy is to deliver profitable growth through expanding our businesses in attractive international and offshore wealth management markets, where we are well placed to leverage our offshore capability. We will also deliver profitable growth through developing the joint ventures and maximising the value of our existing domestic businesses.

Our business model

Maximising revenue

- The average revenue yield on fee based business decreased to 173bps (FY 2011: 186bps) reflecting the change in asset mix across the International territories and the charging structure of legacy business
- Our market development activity remains focused on driving growth in our chosen markets, offering high value propositions to our customers and promoting high value Standard Life Investments' offerings such as GARS and MyFolio

Increasing assets

- Our focus in 2012 is to offer propositions to help our customers to invest in volatile times. We launched a regular savings product in Ireland and in Germany a new proposition was launched to refresh our market presence and emphasise our expertise in the unit linked market. In the offshore business in Ireland we continue to develop our offering for the UK offshore market while also focusing on new developments for other market segments and offshore markets.
- We are actively working on the customer journey to offer our customers and their IFAs propositions which fully address our customers' needs

Lowering costs

- Maintenance expenses expressed as a proportion of average AUA further fell to 103bps (FY 2011: 117bps) with continued efforts to drive efficiencies across all territories, demonstrating the scalability of our business model

1.5 Risk management

"We are focused on delivering a strong framework that enables the risks of the Group to be identified, assessed, controlled and monitored consistently, objectively and holistically. This helps provide resilience and financial strength in the face of extreme conditions and a strong support for future growth and development."
Colin Ledlie, Chief Risk Officer

	Market risk	Credit risk
Definition	The risk that arises from the Group's exposure to market movements which could result in the value of income, or the value of financial assets and liabilities, or the cash flows relating to these, fluctuating by differing amounts.	The risk of exposure to loss if a counterparty fails to perform its financial obligation, including failure to perform those obligations in a timely manner. It also includes the risk of a reduction in the value of assets due to a widening of mortgage, bond and swap spreads.
Appetite	The Group has no appetite for market risk exposures except where they arise as a consequence of core strategic activity. Business units are expected to limit market risk exposures by matching the features of liabilities to features of assets. Exposures may be incurred where there is an overriding business need and specific appetites will be established as necessary.	The Group has an appetite for credit risk to the extent that acceptance of this risk optimises the Group risk-adjusted return. However, the Group has limited appetite for significant losses arising from counterparty failures and maintains robust risk limits which Group companies must adhere to.
Main sources of risk	**Equity and property risk** • Changes in the value of future profits earned on unit linked funds and collective investment schemes where the funds are invested in equities and property • Burnthrough from the Heritage With Profits Fund (HWPF) and German With Profits Fund • Guarantees on segregated fund business in Canada **Fixed interest risk** • Changes in the value of future profits earned on unit linked funds and collective investment schemes where the underlying funds are invested in fixed interest assets • Burnthrough from the HWPF and German With Profits Fund • Insufficient long-dated fixed income assets to match the longest dated liabilities in Canada **Currency risk** • Exchange rate movements that reduce the value of overseas operations and profits generated by them • Changes in the value of future profits on unit linked funds and collective investment schemes where the underlying funds are invested in overseas assets	The Group is exposed to credit risk through: • Changes in the value of future profits earned on unit linked funds and collective investment schemes where the underlying funds are invested in corporate bonds • Burnthrough from the HWPF Credit risk also results from holding the following assets: • Corporate bonds held to back annuities written by SLAL post-demutualisation • Assets held to back the subordinated debt in SLAL, a proportion of which are asset backed securities that are held for historical reasons • Corporate bonds and commercial mortgages held in Canada to back annuities Other holdings of cash and cash equivalents, debt securities and the reinsurance of certain insurance liabilities to reinsurance counterparties also results in credit risk.
H1 2012 summary	Market concerns regarding the Eurozone have resulted in continued volatility in the equity and bond markets with UK, German and Canadian fixed interest yields remaining low. In managing our market risks we have: • Undertaken further hedging to reduce our exposure to falling Euro yields • Kept our investment portfolios under review to consider both the direct and indirect consequences that could arise from one or more countries ceasing to use the Euro • Continued the dynamic hedging of guarantees provided for Canadian Segregated Funds • Monitored and managed the equity backing ratio of assets held within the HWPF • Maintained hedging arrangements in respect of the currency risk arising from our overseas operations	Credit concerns regarding debt issued by certain European sovereign states and banks have continued during the first half of 2012. We have responded to these concerns by: • Maintaining benchmarks for our fixed interest portfolios which exclude holdings in peripheral sovereign debt • Restricting holdings of cash and cash equivalents to banking counterparties that we assess to be of appropriate credit standing, taking into consideration both direct and indirect factors such as the potential impact of contagion risk on these banks We have introduced changes in our internal model for assessing the financial strength of banking counterparties to ensure we are aligned with the market's reduced expectations of state support.

Demographic and expense risk	Liquidity risk	Operational and strategic risks
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. This includes liabilities of insurance and investment contracts.	The risk that the Group is unable to realise investments and other assets in order to settle its financial obligations when they fall due, or can do so only at excessive cost.	Operational risk is the risk of adverse consequences for the Group's business, resulting from inadequate or failed internal processes, people or systems, or external events. Strategic risk is the risk associated with the robustness of the planning process and threats to achieving our strategy.
The Group has an appetite for such risks since we expect acceptance of the risk to be value additive. Appetites will be established to reflect planned business activities in line with the Group's overall strategic objectives.	The Group has no appetite to fail to meet its liabilities as they fall due.	The Group has an appetite for operational risks where exposures arise due to core strategic activity. However, the Group will seek to put effective controls in place to reduce operational risk exposures, except where the costs of such controls exceed the expected benefits.
Persistency • Changes in the value of future profits earned on unit linked funds and collective investment schemes in the UK and future recourse cash flow payments from the HWPF • Changes in the value of future profits earned in respect of Standard Life Investment's third party AUM and segregated fund business **Longevity** • Annuity contracts written by the UK and Canada where the current experience differs from that expected, more volatility of experience than expected, or the rate of improvement in mortality is greater than anticipated **Expense** • Changes in the value of future expected expenses • Shareholder is directly exposed to risk of expenses being above expectation	The Group is exposed to liquidity risk from the following sources: • The type of business that is written, the assets and liabilities arising from that business and how the assets are managed to meet those liabilities • Operational aspects of the business, for example the management of cash as it flows into our business as premiums and out of our business as claims and the payment of corporate cash flows including dividends, coupons and debt repayment • Potential liquidity issues in unit linked funds due to the underlying asset classes • The collateralisation of derivatives which results in cash volatility as the value of the derivative changes	The key operational and strategic themes affecting the Group are: • Ability to deliver the strategic plan • The significance of adverse global economic volatility • The impact of regulatory activity and change (e.g. RDR, Solvency 2) • Inadequate control environment internally and in relation to third parties • Eurozone break up • Poor management of existing core processes • Potential loss of clients from adverse customer experiences • Ineffective arrangements with service providers and business partners • Ineffective management of information security • Insufficient capacity and capability to deliver change programmes and projects • Failure to attract, retain and develop talent
We are actively engaging with advisers in the market to minimise the potential adverse impacts resulting from advisers seeking to move schemes in advance of RDR being implemented in 2013. We remain focused on developing propositions to increase the retention of funds when insurance and savings contracts reach maturity. We have continued to monitor emerging research into longevity, for example from the Office for National Statistics and the industry-wide Continuous Mortality Investigation, in order to inform our in-house view of likely future improvements in life expectancy.	We have continued to monitor the liquidity for various asset classes particularly in the context of developments in the Eurozone. We have also continued to: • Centrally co-ordinate strategic planning and funding requirements. This helped support our decision in July to call the outstanding amount of our Euro-denominated 6.375% Fixed/Floating Rate Subordinated Guaranteed Bonds • Maintain a portfolio of (currently undrawn) committed bank facilities • Maintain our Euro Medium Term Note Programme	We have continued to work on implementing appropriate processes and controls to prepare for regulatory changes. Concerns regarding the Eurozone have continued to present various pressures and challenges for various operating processes and systems during the year. The controls embedded within the Group, however, have ensured we have been able to avoid any serious losses or adverse consequences. We have additionally developed our operational plans to ensure we are well-placed to respond, if required, to an exit from the Eurozone of one or more sovereigns.

1.6 Basis of preparation

Overview

Our Business review for the period to 30 June 2012 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 European Union (EU) Transparency Directive for all UK listed companies to report their half year results in accordance with IAS 34 *Interim Financial Reporting*. Under DTR 4.2.7R, the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal risks are detailed in Section 1.5 – Risk management and Note 42 of the Group's Annual Report and Accounts 2011. Under DTR 4.2.8R we are also required to make certain related party disclosures. These are contained in Note 3.14 of the IFRS financial information. To provide clear and helpful information, we have also considered the voluntary best practice principles of the Reporting statement: Operating and Financial Review (OFR) issued by the Accounting Standards Board (ASB).

The Group's condensed half year financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the EU. However, our Board believes that non-Generally Accepted Accounting Principles (GAAP) measures, which have been used in the Business review, 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 operating profit, EEV operating profit and EEV operating capital and cash generation. All non-GAAP measures should be read together with the Group's International Financial Reporting Standards (IFRS) condensed consolidated income statement, statement of condensed consolidated financial position and statement of condensed consolidated cash flows, which are presented in the IFRS financial information in Section 3 of this report.

Going concern statement

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

IFRS and EEV reporting

The financial results, which are unaudited at the half year, are prepared on both an IFRS basis and an EEV basis. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. EEV measures the net assets of the business plus the present value of future profits expected to arise from in-force long-term life assurance and pensions policies. The IFRS financial results in the Business review and in Section 3 have been prepared on the basis of the IFRS accounting policies applied by the Group in the IFRS financial statements section of the Annual Report and Accounts 2011 as amended for new standards effective from 1 January 2012, as described in Note 3.1. The EEV basis has been determined in accordance with the EEV Principles and Guidance issued in May 2004 and October 2005 by the Chief Financial Officers (CFO) Forum. The CFO Forum represents the chief financial officers of major European insurers, including Standard Life. EEV methodology has been applied to covered business, which mainly comprises the Group's long-term savings business. Non-covered business is reported on an IFRS basis. The EEV financial results in the Business review, and in Section 4 have been prepared in accordance with the EEV methodology applied by the Group in Note 4.17 for H1 2012, and in the relevant EEV methodology notes included in the Annual Report and Accounts 2011 in respect of the comparative period.

Group operating profit and EEV operating profit

The H1 2012 reconciliation of consolidated Group operating profit to IFRS profit for the period, presented in Section 3, presents profit before tax attributable to equity holders adjusted for non-operating items. Further details on the calculation of Group operating profit is presented in accounting policy (jj) – Operating profit in the Annual Report and Accounts 2011. The H1 2012 EEV consolidated income statement in Section 4, presents EEV profit showing both operating and non-operating items. By presenting our results in this way, the Directors believe they are presenting a more meaningful indication of the underlying business performance of the Group.

Forward-looking statements

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

2 Statement of Directors' responsibilities

We confirm to the best of our knowledge that:

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

As announced in the Annual Report and Accounts 2011, Lynne Peacock was appointed to the Board on 1 April 2012 as a non-executive Director, and at our Annual General Meeting in May 2012, Lord Blackwell and Baroness McDonagh retired from the Board as non-executive Directors. In May 2012, John Paynter was appointed Senior Independent Director. Noel Harwerth was appointed as a non-executive Director on 20 July 2012. At the same time, she was appointed Chairman of the Risk and Capital Committee.

The current Directors of Standard Life plc are listed on the Standard Life plc website, **www.standardlife.com**

By order of the Board

Gerry Grimstone
Chairman
14 August 2012

Jackie Hunt
Chief Financial Officer
14 August 2012

IFRS condensed consolidated income statement
For the six months ended 30 June 2012

	Notes	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Revenue				
Gross earned premium		**2,144**	1,684	3,343
Premium ceded to reinsurers		**(46)**	(45)	(98)
Net earned premium		**2,098**	1,639	3,245
Net investment return		**5,297**	3,124	4,911
Fee and commission income		**447**	434	855
Other income		**38**	46	75
Total net revenue		**7,880**	5,243	9,086
Expenses				
Claims and benefits paid		**3,117**	3,000	6,245
Claim recoveries from reinsurers		**(299)**	(312)	(620)
Net insurance benefits and claims		**2,818**	2,688	5,625
Change in policyholder liabilities		**3,185**	888	136
Change in reinsurance assets and liabilities		**122**	166	383
Expenses under arrangements with reinsurers		**249**	185	516
Administrative expenses	3.3	**855**	869	1,663
Change in liability for third party interest in consolidated funds		**324**	58	103
Finance costs	3.3	**37**	57	116
Total expenses		**7,590**	4,911	8,542
Share of profit from associates and joint ventures		**27**	31	51
Profit before tax		**317**	363	595
Tax expense attributable to policyholders' returns	3.4	**94**	71	217
Profit before tax attributable to equity holders' profits		**223**	292	378
Total tax expense	3.4	**55**	129	249
Less: Tax attributable to policyholders' returns	3.4	**(94)**	(71)	(217)
Tax (credit)/expense attributable to equity holders' profits	3.4	**(39)**	58	32
Profit for the period		**262**	234	346
Attributable to:				
Equity holders of Standard Life plc	3.2	**254**	199	298
Non-controlling interests		**8**	35	48
		262	234	346
Earnings per share				
Basic (pence per share)	3.5(a)	**10.8**	8.7	13.0
Diluted (pence per share)	3.5(b)	**10.8**	8.7	12.9

The Notes on pages 45 to 59 are an integral part of this consolidated financial information.

IFRS consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Notes	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Profit for the period		**262**	234	346
Actuarial (losses)/gains on defined benefit pension schemes		**(168)**	(37)	121
Effect of limit on defined benefit pension schemes' surpluses		**65**	(29)	(209)
Revaluation of land and buildings		**2**	(4)	(5)
Net investment hedge		**6**	(6)	13
Exchange differences on translating foreign operations		**(34)**	18	(53)
Equity movements transferred to unallocated divisible surplus		**7**	2	11
Aggregate equity holder tax effect of items recognised in comprehensive income	3.4	**102**	20	27
Other comprehensive expense for the period		**(20)**	(36)	(95)
Total comprehensive income for the period		**242**	198	251
Attributable to:				
Equity holders of Standard Life plc		**234**	163	203
Non-controlling interests		**8**	35	48
		242	198	251

The Notes on pages 45 to 59 are an integral part of this consolidated financial information.

Pro forma reconciliation of consolidated Group operating profit to IFRS profit for the period

For the six months ended 30 June 2012

	Notes	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Operating profit before tax				
UK		**141**	87	220
Global investment management		**68**	67	125
Canada		**72**	103	187
International		**28**	19	40
Other		**(7)**	(14)	(28)
Operating profit before tax	3.2	**302**	262	544
Adjusted for the following items:				
Short-term fluctuations in investment return and economic assumption changes	3.6	**(43)**	27	(139)
Restructuring and corporate transaction expenses	3.3	**(42)**	(23)	(70)
Impairment of intangible assets		**-**	(7)	(5)
Other operating profit adjustments		**3**	(2)	-
Non-operating loss before tax	3.2	**(82)**	(5)	(214)
Share of joint ventures' and associates' tax expense[1]	3.4	**(5)**	-	-
Profit attributable to non-controlling interests		**8**	35	48
Profit before tax attributable to equity holders' profits		**223**	292	378
Tax credit/(expense) attributable to:				
Operating profit	3.2	**8**	(52)	(87)
Adjusted items	3.2	**31**	(6)	55
Total tax credit/(expense) attributable to equity holders' profits	3.4	**39**	(58)	(32)
Profit for the period		**262**	234	346

[1] In prior periods the tax included in the share of profits or losses from joint ventures and associates was charged to operating profit before tax (six months ended 30 June 2011: £5m; 12 months ended 31 December 2011: £11m).

The Group's chosen supplementary measure of performance is operating profit. The Directors believe that operating profit provides a more meaningful indication of the long-term operating performance of the Group. To align the measure of the Group's performance with the long-term nature of its business, operating profit excludes items which create short-term volatility. Operating profit includes the impact of significant actions taken by management during the year.

IFRS condensed consolidated statement of financial position
As at 30 June 2012

	Notes	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Assets				
Intangible assets		**204**	186	200
Deferred acquisition costs		**900**	916	920
Investments in associates and joint ventures		**351**	350	326
Investment property		**8,646**	8,669	8,743
Property, plant and equipment		**155**	161	160
Reinsurance assets		**6,811**	6,803	6,818
Loans		**3,237**	3,182	3,219
Derivative financial assets		**2,625**	1,273	2,212
Investment securities		**129,710**	127,895	125,707
Other assets		**3,387**	3,840	2,631
Cash and cash equivalents		**9,775**	8,752	9,187
Total assets		**165,801**	162,027	160,123
Equity				
Share capital	3.8(a)	**236**	233	235
Shares held by trusts		**(5)**	(16)	(19)
Share premium reserve		**1,110**	1,063	1,110
Retained earnings		**1,074**	1,051	1,030
Other reserves		**1,578**	1,636	1,605
Equity attributable to equity holders of Standard Life plc		**3,993**	3,967	3,961
Non-controlling interests		**348**	370	358
Total equity		**4,341**	4,337	4,319
Liabilities				
Non-participating contract liabilities	3.9	**106,473**	103,083	102,558
Participating contract liabilities	3.9	**31,973**	33,095	32,553
Reinsurance liabilities		**360**	-	245
Deposits received from reinsurers		**6,022**	5,892	6,036
Third party interest in consolidated funds		**9,472**	7,626	8,428
Borrowings		**142**	258	170
Subordinated liabilities		**1,176**	1,873	1,186
Deferred income		**359**	391	388
Income and deferred tax liabilities		**141**	343	294
Derivative financial liabilities		**1,637**	1,019	1,102
Other liabilities		**3,705**	4,110	2,844
Total liabilities		**161,460**	157,690	155,804
Total equity and liabilities		**165,801**	162,027	160,123

The Notes on pages 45 to 59 are an integral part of this consolidated financial information.

IFRS consolidated statement of changes in equity
For the six months ended 30 June 2012

2012	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**235**	**(19)**	**1,110**	**1,030**	**1,605**	**3,961**	**358**	**4,319**
Profit for the period		-	-	-	254	-	254	8	**262**
Other comprehensive income for the period		-	-	-	(1)	(19)	(20)	-	**(20)**
Total comprehensive income for the period		**-**	**-**	**-**	**253**	**(19)**	**234**	**8**	**242**
Distributions to equity holders	3.7	-	-	-	(216)	-	(216)	-	**(216)**
Issue of share capital other than in cash		1	-	-	-	-	1	-	**1**
Reserves credit for employee share-based payment schemes		-	-	-	-	12	12	-	**12**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	22	(22)	-	-	**-**
Shares acquired by employee trusts		-	(2)	-	-	-	(2)	-	**(2)**
Shares distributed by employee trusts		-	16	-	(15)	-	1	-	**1**
Other movements in non-controlling interests in the period		-	-	-	-	-	-	(18)	**(18)**
Aggregate tax effect of items recognised directly in equity	3.4	-	-	-	-	2	2	-	**2**
30 June		**236**	**(5)**	**1,110**	**1,074**	**1,578**	**3,993**	**348**	**4,341**

2011	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**228**	**(21)**	**976**	**1,094**	**1,626**	**3,903**	**335**	**4,238**
Profit for the period		-	-	-	199	-	199	35	**234**
Other comprehensive income for the period		-	-	-	(46)	10	(36)	-	**(36)**
Total comprehensive income for the period		**-**	**-**	**-**	**153**	**10**	**163**	**35**	**198**
Distributions to equity holders	3.7	-	-	-	(197)	-	(197)	-	**(197)**
Issue of share capital other than in cash		5	-	87	-	-	92	-	**92**
Reserves credit for employee share-based payment schemes		-	-	-	-	11	11	-	**11**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	11	(11)	-	-	**-**
Shares acquired by employee trusts		-	(4)	-	-	-	(4)	-	**(4)**
Shares distributed by employee trusts		-	9	-	(10)	-	(1)	-	**(1)**
30 June		**233**	**(16)**	**1,063**	**1,051**	**1,636**	**3,967**	**370**	**4,337**

2011	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**228**	**(21)**	**976**	**1,094**	**1,626**	**3,903**	**335**	**4,238**
Profit for the year		-	-	-	298	-	298	48	**346**
Other comprehensive income for the year		-	-	-	(61)	(34)	(95)	-	**(95)**
Total comprehensive income for the year		**-**	**-**	**-**	**237**	**(34)**	**203**	**48**	**251**
Distributions to equity holders	3.7	-	-	-	(303)	-	(303)	-	**(303)**
Issue of share capital other than in cash		7	-	134	-	-	141	-	**141**
Reserves credit for employee share-based payment schemes		-	-	-	-	24	24	-	**24**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	11	(11)	-	-	**-**
Shares acquired by employee trusts		-	(7)	-	-	-	(7)	-	**(7)**
Shares distributed by employee trusts		-	9	-	(9)	-	-	-	**-**
Other movements in non-controlling interests in the year		-	-	-	-	-	-	(25)	**(25)**
31 December		**235**	**(19)**	**1,110**	**1,030**	**1,605**	**3,961**	**358**	**4,319**

The Notes on pages 45 to 59 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of cash flows
For the six months ended 30 June 2012

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Cash flows from operating activities			
Profit before tax	**317**	363	595
Change in operating assets	**(5,337)**	(3,654)	(2,056)
Change in operating liabilities	**5,309**	4,929	4,026
Non-cash and other items	**42**	23	122
Taxation paid	**(192)**	(156)	(297)
Net cash flows from operating activities	**139**	1,505	2,390
Cash flows from investing activities			
Net acquisition of property, plant and equipment	**(5)**	(5)	(15)
Acquisition of subsidiaries net of cash acquired	**-**	(40)	(41)
Disposal of subsidiaries net of cash disposed[1]	**5**	-	-
Acquisition of investments in associates and joint ventures	**(16)**	(23)	(23)
Net acquisition of intangible assets	**(13)**	(17)	(39)
Net cash flows from investing activities	**(29)**	(85)	(118)
Cash flows from financing activities			
Proceeds from other borrowings	**-**	4	5
Repayment of other borrowings	**(17)**	(11)	(35)
Repayment of subordinated liabilities	**-**	-	(591)
Capital flows from non-controlling interests and third party interest in consolidated funds	**845**	1,642	2,177
Distributions paid to non-controlling interests	**(34)**	(27)	(65)
Shares acquired by trusts	**(2)**	(4)	(7)
Interest paid on financing activities	**(39)**	(39)	(125)
Ordinary dividends paid	**(216)**	(105)	(162)
Net cash flows from financing activities	**537**	1,460	1,197
Net increase in cash and cash equivalents	**647**	2,880	3,469
Cash and cash equivalents at the beginning of the period	**9,125**	5,701	5,701
Effects of exchange rate changes on cash and cash equivalents	**(49)**	46	(45)
Cash and cash equivalents at the end of the period[2]	**9,723**	8,627	9,125
Supplemental disclosures on cash flows from operating activities			
Interest paid	**5**	5	11
Interest received	**1,354**	1,345	2,832
Dividends received	**947**	816	1,575
Rental income received on investment properties	**306**	309	634

1 This represents additional consideration received with respect to the disposal in 2010 of Standard Life Bank plc to Barclays Bank plc as provided for in the disposal agreement.

2 Comprises £9,775m (six months ended 30 June 2011: £8,752m; 12 months ended 31 December 2011: £9,187m) of cash and cash equivalents and (£52m) (six months ended 30 June 2011: (£125m); 12 months ended 31 December 2011: (£62m)) of overdrafts which are reported in borrowings in the statement of financial position.

The Notes on pages 45 to 59 are an integral part of this consolidated financial information.

Notes to the IFRS financial information

3.1 Accounting policies

(a) Basis of preparation

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

The accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's Annual Report and Accounts 2011 have been applied in the preparation of the condensed half year financial information.

The Group has adopted the following amendments to International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and interpretations which are effective from 1 January 2012 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Group's financial statements:

- Amendment to IFRS 7 *Financial Instruments: Disclosures – Transfer of financial assets*

The following amendments to IFRSs, IASs, and interpretations are effective from 1 January 2012, or earlier, but have not been adopted by the Group as they have not yet been endorsed by the EU:

- Amendment to IAS 12 *Income Taxes – Deferred Tax: Recovery of underlying assets*
- Amendment to IFRS 1 *First time adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

(b) Condensed half year financial information

This condensed consolidated half year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 13 March 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. This condensed consolidated half year financial information has been reviewed, not audited.

3.2 Segmental analysis

(a) Basis of segmentation

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

UK
UK operations provide a broad range of pensions, protection, savings and investment products to individual and corporate customers.

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.

Canada
Canadian operations provide long-term savings, investment and insurance solutions to individuals, and group benefit and retirement plan members.

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

Other
This reportable segment primarily includes the group corporate centre and related activities.

3.2 Segmental analysis *continued*

(b) Reportable segments – Group operating profit, revenue and asset information

IFRS 8 *Operating Segments* requires that the information presented in the financial statements is based on information provided to the 'Chief Operating Decision Maker'. The Chief Operating Decision Maker for the Group is the Executive Team.

The information used by the Executive Team to manage the business of the Group has evolved in recent years and the segmental analysis has been updated to reflect the financial information now reviewed by the Executive Team. The key performance metrics of the Group include operating profit and assets under administration (AUA), which are analysed below by reportable segment.

In June 2012, changes were announced in the way the Group will manage its businesses. German and Irish domestic businesses, currently reported in the International segment, will be combined with the UK to create UK and Europe. The other components of International will form Asia and Emerging Markets. These changes will provide stronger focus and will help drive further value in each of the markets in which the Group operates. The results for the six months to 30 June 2012 have been presented in the existing reportable segments since the businesses of the Group have been managed on this basis. The reportable segments will be changed for the year ended 31 December 2012.

All comparative amounts have also been prepared on the same basis to allow more meaningful comparison with the prior year.

(b)(i) Analysis of Group operating profit by segment

As described beneath the pro forma reconciliation of consolidated Group operating profit to IFRS profit for the period, operating profit is considered to present an indication of the long-term operating business performance of the Group. Operating profit is one of the key measures utilised by the Executive Team in their evaluation of segmental performance and is therefore presented by reportable segment.

30 June 2012	UK £m	Global investment management[1] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	325	203	83	103	-	(94)	**620**
Spread/risk margin	56	-	124	-	-	-	**180**
Total income	**381**	**203**	**207**	**103**	-	**(94)**	**800**
Acquisition expenses	(84)	-	(41)	(19)	-	-	**(144)**
Maintenance expenses	(169)	(135)	(114)	(65)	-	94	**(389)**
Group corporate centre costs	-	-	-	-	(20)	-	**(20)**
Capital management	13	-	20	1	13	-	**47**
India and China JV businesses	-	-	-	8	-	-	**8**
Operating profit/(loss) before tax	**141**	**68**	**72**	**28**	**(7)**	**-**	**302**
Tax on operating profit	34	(15)	(11)	(2)	2	-	**8**
Share of joint ventures' and associates' tax expense	-	(3)	(2)	-	-	-	**(5)**
Operating profit/(loss) after tax	**175**	**50**	**59**	**26**	**(5)**	**-**	**305**
Adjusted for the following items:							
Short-term fluctuations in investment return and economic assumption changes	(32)	-	(18)	8	(1)	-	**(43)**
Restructuring and corporate transaction expenses	(33)	(2)	(1)	(2)	(4)	-	**(42)**
Impairment of intangible assets	-	-	-	-	-	-	**-**
Other operating profit adjustments	3	-	-	-	-	-	**3**
Total non-operating items	**(62)**	**(2)**	**(19)**	**6**	**(5)**	**-**	**(82)**
Tax on non-operating items	21	1	10	(1)	-	-	**31**
Profit for the period attributable to equity holders of Standard Life plc	**134**	**49**	**50**	**31**	**(10)**	**-**	**254**
Profit attributable to non-controlling interests							**8**
Profit for the period							**262**

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

Each operating segment reports in its analysis of operating profit total income as its measure of revenue. Fee based revenue consists of income generated primarily from asset management charges, premium based charges and transactional charges. Spread/risk margin is derived from the difference between guaranteed returns paid to customers and the actual return on assets received. This differs from net revenue reported in the consolidated income statement primarily due to amounts attributable to policyholders.

Eliminations relate to inter-segment transactions, which are entered into under normal commercial terms and conditions that would be available to unrelated third parties.

The allocation of total operating profit presented above is based on customer location and this basis is not materially different to geographical origin. The Group has a widely diversified policyholder base and is therefore not reliant on any individual customers.

30 June 2011	UK £m	Global investment management[1] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	309	193	84	108	-	(83)	**611**
Spread/risk margin	52	-	155	-	-	-	**207**
Total income	**361**	**193**	**239**	**108**	**-**	**(83)**	**818**
Acquisition expenses	(107)	-	(48)	(20)	-	-	**(175)**
Maintenance expenses	(171)	(126)	(106)	(70)	(3)	83	**(393)**
Group corporate centre costs	-	-	-	-	(25)	-	**(25)**
Capital management	4	-	18	1	14	-	**37**
India and China JV businesses	-	-	-	-	-	-	**-**
Other	-	-	-	-	-	-	**-**
Operating profit/(loss) before tax	**87**	**67**	**103**	**19**	**(14)**	**-**	**262**
Tax on operating profit	(10)	(17)	(19)	(12)	6	-	**(52)**
Operating profit/(loss) after tax	**77**	**50**	**84**	**7**	**(8)**	**-**	**210**
Adjusted for the following items:							
Short-term fluctuations in investment return and economic assumption changes	(47)	-	74	2	(2)	-	**27**
Restructuring and corporate transaction expenses	(15)	-	(1)	(2)	(5)	-	**(23)**
Impairment of intangible assets	-	-	-	-	(7)	-	**(7)**
Other operating profit adjustments	(2)	-	-	-	-	-	**(2)**
Total non-operating items	**(64)**	**-**	**73**	**-**	**(14)**	**-**	**(5)**
Tax on non-operating items	6	1	(15)	-	2	-	**(6)**
Profit for the period attributable to equity holders of Standard Life plc	**19**	**51**	**142**	**7**	**(20)**	**-**	**199**
Profit attributable to non-controlling interests							**35**
Profit for the period							**234**

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

31 December 2011	UK £m	Global investment management[1] £m	Canada £m	International £m	Other £m	Elimination £m	Total £m
Fee based revenue	625	383	166	221	-	(172)	**1,223**
Spread/risk margin	75	-	281	-	-	-	**356**
Total income	**700**	**383**	**447**	**221**	**-**	**(172)**	**1,579**
Acquisition expenses	(202)	-	(78)	(45)	-	-	**(325)**
Maintenance expenses	(352)	(258)	(220)	(139)	(3)	172	**(800)**
Group corporate centre costs	-	-	-	-	(50)	-	**(50)**
Capital management	10	-	38	1	25	-	**74**
India and China JV businesses	-	-	-	2	-	-	**2**
Other	64	-	-	-	-	-	**64**
Operating profit/(loss) before tax	**220**	**125**	**187**	**40**	**(28)**	**-**	**544**
Tax on operating profit	(16)	(30)	(31)	(8)	(2)	-	**(87)**
Operating profit/(loss) after tax	**204**	**95**	**156**	**32**	**(30)**	**-**	**457**
Adjusted for the following items:							
Short-term fluctuations in investment return and economic assumption changes	(47)	1	(72)	(12)	(9)	-	**(139)**
Restructuring and corporate transaction expenses	(48)	(5)	(2)	(4)	(11)	-	**(70)**
Impairment of intangible assets	-	-	-	-	(5)	-	**(5)**
Other operating profit adjustments	-	-	-	-	-	-	-
Total non-operating items	**(95)**	**(4)**	**(74)**	**(16)**	**(25)**	**-**	**(214)**
Tax on non-operating items	26	1	19	3	6	-	**55**
Profit for the period attributable to equity holders of Standard Life plc	**135**	**92**	**101**	**19**	**(49)**	**-**	**298**
Profit attributable to non-controlling interests							**48**
Profit for the period							**346**

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

3.2 Segmental analysis *continued*

(b)(ii) Analysis of assets under administration by segment

Group assets under administration (AUA) presents a measure of the total assets that the Group administers on behalf of customers and institutional clients. AUA represents the IFRS gross assets of the Group adjusted to include third party AUA, which is not included in the condensed consolidated statement of financial position. In addition, certain assets are excluded from the definition, including deferred acquisition costs, intangible assets and reinsurance assets.

As a long-term savings and investments business, AUA is a key driver of shareholder value and is consequently one of the key measures utilised by the Executive Team in their evaluation of segmental performance. AUA is therefore presented by reportable segment (in billions).

30 June 2012	UK £bn	Global investment management £bn	Canada £bn	International £bn	Other £bn	Elimination[1] £bn	Total £bn
Assets under administration							
Fee based	104	74	15	13	-	(38)	**168**
Spread/risk	15	-	10	-	-	-	**25**
Assets not backing products in long-term savings business	7	-	2	-	-	-	**9**
Joint ventures	-	-	-	1	-	-	**1**
Other corporate assets	-	-	-	-	2	(1)	**1**
Total assets under administration	**126**	**74**	**27**	**14**	**2**	**(39)**	**204**

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

30 June 2011	UK £bn	Global investment management £bn	Canada £bn	International £bn	Other £bn	Elimination[1] £bn	Total £bn
Assets under administration							
Fee based	102	72	15	12	-	(35)	**166**
Spread/risk	13	-	10	-	-	-	**23**
Assets not backing products in long-term savings business	7	-	2	-	-	-	**9**
Joint ventures	-	-	-	1	-	-	**1**
Other corporate assets	-	-	-	-	2	(1)	**1**
Total assets under administration	**122**	**72**	**27**	**13**	**2**	**(36)**	**200**

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

31 December 2011	UK £bn	Global investment management £bn	Canada £bn	International £bn	Other £bn	Elimination[1] £bn	Total £bn
Assets under administration							
Fee based	101	72	14	12	-	(36)	**163**
Spread/risk	15	-	10	-	-	-	**25**
Assets not backing products in long-term savings business	6	-	2	-	-	-	**8**
Joint ventures	-	-	-	1	-	-	**1**
Other corporate assets	-	-	-	-	2	(1)	**1**
Total assets under administration	**122**	**72**	**26**	**13**	**2**	**(37)**	**198**

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

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

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
UK	**7,480**	7,575	7,647
Continental Europe	**42**	44	43
Canada	**1,483**	1,397	1,413
Total	**9,005**	9,016	9,103

Non-current non-financial assets for this purpose consist of investment property, property, plant and equipment and intangible assets.

3.3 Administrative expenses

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Restructuring and corporate transaction expenses	**43**	23	72
Commission expense	**194**	197	393
Interest expense	**8**	8	19
Staff costs and other employee-related costs	**301**	308	569
Impairment of intangible assets	**-**	7	5
Other administrative expenses	**298**	350	651
	844	893	1,709
Acquisition costs deferred during the period	**(117)**	(98)	(178)
Amortisation of deferred acquisition costs	**106**	74	132
Release of deferred acquisition costs	**22**	-	-
Total administrative expenses	**855**	869	1,663

During the period to 30 June 2012, a portfolio of non-participating investment contracts were reclassified as non-participating insurance contracts due to a change in the benefits available under the contracts. As a result of the reclassification deferred income of £26m has been released and recognised in the condensed consolidated income statement in fee and commission income. Deferred acquisition costs of £22m that were considered recovered by the fees that had previously been deferred have also been released, resulting in a net increase of £4m in profit before tax.

In addition to interest expense above of £8m (six months ended 30 June 2011: £8m; 12 months ended 31 December 2011: £19m), interest expense of £37m (six months ended 30 June 2011: £57m; 12 months ended 31 December 2011: £116m) was incurred in respect of subordinated liabilities and £18m (six months ended 30 June 2011: £22m; 12 months ended 31 December 2011: £42m) in respect of deposits from reinsurers. For the six months ended 30 June 2012, total interest expense is £63m (six months ended 30 June 2011: £87m; 12 months ended 31 December 2011: £177m).

Restructuring expenses relate primarily to the Solvency 2 and Retail Distribution Review programmes and a number of local business unit transformation programmes. Of the total restructuring costs, £42m (six months ended 30 June 2011: £23m; 12 months ended 31 December 2011: £70m) is adjusted when determining operating profit before tax for the period and the remaining £1m (six months ended 30 June 2011: £nil; 12 months ended 31 December 2011: £2m) incurred by the Heritage With Profits Fund in relation to Solvency 2.

3.4 Tax expense

The tax expense is attributed as follows:

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Tax expense attributable to policyholders' returns	**94**	71	217
Tax (credit)/expense attributable to equity holders' profits	**(39)**	58	32
Total tax expense	**55**	129	249

3.4 Tax expense *continued*

From 1 April 2012, the UK corporation tax rate reduced from 26% to 24%. This rate change has been included in the calculation of UK current and deferred tax. In addition, the Finance Act 2012 (the Act) reduced the tax rate to 23% from 1 April 2013. As the Act was not substantively enacted by 30 June 2012, this rate change has not been applied in calculating the UK deferred tax position as at 30 June 2012. The rate change will be included in the calculation of UK tax for subsequent reporting periods. The 2012 Budget statement also announced the Government's intention to make a further reduction in the rate of UK corporation tax in 2014. This reduction has not been included in the calculation of deferred tax as it is subject to legislation being enacted in a future year.

The Act introduces a new UK life tax insurance regime, effective from 1 January 2013. The new regime moves the tax basis from the FSA regulatory return to the statutory accounts. Insurers are required to calculate a transitional amount as at 31 December 2012 to make the step change to the accounts basis. As the legislation was not substantively enacted by 30 June 2012, the deferred tax position of Standard Life Assurance Limited (SLAL) does not reflect the new tax regime or the application of the transitional rules. The new tax regime will be applied in the calculation of SLAL's tax position for subsequent reporting periods. Based on SLAL's tax position at 30 June 2012, we do not anticipate that applying the new regime would have a material impact on existing deferred tax assets and liabilities.

The share of tax of associates and joint ventures is £5m (six months ended 30 June 2011: £5m; 12 months ended 31 December 2011: £11m) and is included in Share of profit from associates and joint ventures in the condensed consolidated income statement.

The total tax expense is split as follows:

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Income tax:			
UK	**93**	76	269
Double tax relief	**(1)**	(1)	(2)
Canada and international	**16**	17	31
Adjustment to tax expense in respect of prior periods	**(30)**	(2)	12
Total income tax	**78**	90	310
Deferred tax:			
Deferred tax (credit)/expense arising from the current periods	**(23)**	39	(61)
Total deferred tax	**(23)**	39	(61)
Total tax expense	**55**	129	249
Attributable to equity holders' profits	**(39)**	58	32

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

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Tax credit relating to defined benefit pension schemes	**(102)**	(20)	(27)
Tax relating to each component of other comprehensive income	**(102)**	(20)	(27)

Tax relating to items taken directly to equity is as follows:

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Deferred tax on reserves for employee share based payment shares	**(2)**	-	-
Tax relating to items taken directly to equity	**(2)**	-	-

3.5 Earnings per share

(a) Basic earnings per share

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

	6 months 2012	6 months 2011	Full year 2011
Profit attributable to equity holders of Standard Life plc (£m)	**254**	199	298
Weighted average number of ordinary shares in issue (millions)	**2,344**	2,279	2,301
Basic earnings per share (pence per share)	**10.8**	8.7	13.0

(b) Diluted earnings per share

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

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

	6 months 2012	6 months 2011	Full year 2011
Profit attributable to equity holders of Standard Life plc (£m)	**254**	199	298
Weighted average number of ordinary shares for diluted earnings per share (millions)	**2,346**	2,282	2,304
Diluted earnings per share (pence per share)	**10.8**	8.7	12.9

The dilutive effect of share awards and options included in the weighted average number of ordinary shares above was 2,361,976 (six months ended 30 June 2011: 2,096,448; 12 months ended 31 December 2011: 2,345,334).

(c) Alternative earnings per share

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

(c)(i) Basic alternative earnings per share

	6 months 2012 £m	6 months 2012 p per share	6 months 2011 £m	6 months 2011 p per share	Full year 2011 £m	Full year 2011 p per share
Operating profit before tax	**302**	**12.9**	262	11.5	544	23.6
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	**(43)**	**(1.8)**	27	1.2	(139)	(6.0)
Restructuring and corporate transaction expenses	**(42)**	**(1.8)**	(23)	(1.0)	(70)	(3.1)
Impairment of intangible assets	**-**	**-**	(7)	(0.3)	(5)	(0.2)
Other operating profit adjustments	**3**	**0.1**	(2)	(0.1)	-	-
Non-operating loss before tax	**(82)**	**(3.5)**	(5)	(0.2)	(214)	(9.3)
Share of joint ventures' and associates' tax expense	**(5)**	**(0.2)**	-	-	-	-
Profit attributable to non-controlling interests	**8**	**0.3**	35	1.5	48	2.1
Profit before tax	**223**	**9.5**	292	12.8	378	16.4
Tax credit/(expense) attributable to:						
Operating profit	**8**	**0.3**	(52)	(2.3)	(87)	(3.7)
Adjusted items	**31**	**1.3**	(6)	(0.3)	55	2.4
Profit attributable to non-controlling interests	**(8)**	**(0.3)**	(35)	(1.5)	(48)	(2.1)
Profit attributable to equity holders of Standard Life plc	**254**	**10.8**	199	8.7	298	13.0

3.5 Earnings per share *continued*

(c)(ii) Diluted alternative earnings per share

	6 months 2012 £m	6 months 2012 p per share	6 months 2011 £m	6 months 2011 p per share	Full year 2011 £m	Full year 2011 p per share
Operating profit before tax	**302**	**12.9**	262	11.5	544	23.6
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	**(43)**	**(1.8)**	27	1.2	(139)	(6.0)
Restructuring and corporate transaction expenses	**(42)**	**(1.8)**	(23)	(1.0)	(70)	(3.1)
Impairment of intangible assets	**-**	**-**	(7)	(0.3)	(5)	(0.2)
Other operating profit adjustments	**3**	**0.1**	(2)	(0.1)	-	-
Non-operating loss before tax	**(82)**	**(3.5)**	(5)	(0.2)	(214)	(9.2)
Share of joint ventures' and associates' tax expense	**(5)**	**(0.2)**	-	-	-	-
Profit attributable to non-controlling interests	**8**	**0.3**	35	1.5	48	2.1
Profit before tax	**223**	**9.5**	292	12.8	378	16.4
Tax credit/(expense) attributable to:						
Operating profit	**8**	**0.3**	(52)	(2.3)	(87)	(3.8)
Adjusted items	**31**	**1.3**	(6)	(0.3)	55	2.4
Profit attributable to non-controlling interests	**(8)**	**(0.3)**	(35)	(1.5)	(48)	(2.1)
Profit attributable to equity holders of Standard Life plc	**254**	**10.8**	199	8.7	298	12.9

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

The Group focuses on operating profit as a measure of its performance which incorporates expected returns on investments backing equity holder funds with a consistent allowance for corresponding expected movements in equity holder liabilities. The methodology used in operating profit is outlined below.

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

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

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

	6 months 2012		6 months 2011		Full year 2011	
	UK %	**Canada %**	UK %	Canada %	UK %	Canada %
Equity securities	**4.93**	**8.60**	6.49	8.60	6.49	8.60
Property	**3.93**	**8.60**	5.49	8.60	5.49	8.60

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

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

Short-term fluctuations in investment return and economic assumption changes for the six months ended 30 June 2012 were losses of £43m (six months ended 30 June 2011: gains of £27m; 12 months ended 31 December 2011: losses of £139m). Short-term fluctuations in investment return relate principally to the investment volatility in Canada non-segregated funds, UK annuities and in respect of the Group's subordinated liabilities and assets backing those liabilities.

3.7 Dividends

Subsequent to 30 June 2012, the Directors have proposed an interim dividend for 2012 of 4.90 pence per ordinary share (interim 2011: 4.60 pence), an estimated £115m in total (interim 2011: £106m). The dividend will be paid on 14 November 2012. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2012. During the six months ended 30 June 2012 a final dividend for the year ended 31 December 2011 of 9.20 pence per ordinary share (final 2010: 8.65 pence) totalling £216m (final 2010: £197m) was paid.

Commencing with the final dividend for 2011 the option to receive dividend entitlement under the Scrip scheme was removed and has been replaced with a dividend reinvestment plan. Investors who took part in the Scrip scheme received their dividend entitlement in the form of shares rather than cash and the distribution under the Scrip scheme was recorded as an appropriation of retained earnings. Dividends paid in the six months ended 30 June 2012 comprise £216m (six months ended 30 June 2011: £105m; 12 months ended 31 December 2011: £162m) paid in cash and £nil (six months ended 30 June 2011: £92m; 12 months ended 31 December 2011: £141m) settled by the issue of shares under the Scrip scheme.

3.8 Issued share capital and shares held by trusts

(a) Issued share capital

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

	6 months 2012 Number	**6 months 2012 £m**	6 months 2011 Number	6 months 2011 £m	Full year 2011 Number	Full year 2011 £m
At start of period	**2,353,665,822**	**235**	2,283,019,841	228	2,283,019,841	228
Shares issued in lieu of cash dividends	**-**	**-**	44,791,814	5	70,138,459	7
Shares issued in respect of share incentive plans	**271,215**	**-**	267,605	-	507,364	-
Shares issued in respect of share options	**3,840,453**	**1**	-	-	158	-
At end of period	**2,357,777,490**	**236**	2,328,079,260	233	2,353,665,822	235

As discussed in Note 3.7 – Dividends, no shares have been issued in respect of dividends during the six months ended 30 June 2012 since the Scrip dividend scheme has been removed. For the six months ended 30 June 2011 and the 12 months ended 31 December 2011, 44,791,814 and 70,138,459 shares respectively were issued under the scheme.

The Group operates share incentive plans, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any one year is £1,500. The Group offers to match the first £25 of shares bought each month. During the six months ended 30 June 2012, the Company allotted 271,215 ordinary shares to Group employees under the share incentive plans (six months ended 30 June 2011: 267,605; 12 months ended 31 December 2011: 507,364).

The Group also operates a Long-Term Incentive Plan (LTIP) for executives and senior management and a Sharesave (Save-as-you-earn) scheme for all eligible employees. During the six months ended 30 June 2012, 3,832,753 ordinary shares were issued on exercise of share options in respect of the LTIP (six months ended 30 June 2011: none; 12 months ended 31 December 2011: none) and 7,700 ordinary shares (six months ended 30 June 2011: none; 12 months ended 31 December 2011: 158) were issued on exercise of share options in respect of the Sharesave scheme.

All ordinary shares in issue in the Company rank pari passu and carry the same voting rights and the same rights to receive dividends and other distributions declared or paid by the Company.

(b) Shares held by trusts

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

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

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

At 30 June 2012, the number of shares held by trusts which were not offset by a corresponding obligation to deliver a fixed number of equity instruments was 4,416,801 (30 June 2011: 9,665,802; 31 December 2011: 10,879,286).

3.9 Insurance contracts, investment contracts and reinsurance contracts

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Non-participating insurance contract liabilities	**27,946**	23,797	25,048
Non-participating investment contract liabilities	**78,527**	79,286	77,510
Non-participating contract liabilities	**106,473**	103,083	102,558
Participating insurance contract liabilities	**15,988**	17,098	16,509
Participating investment contract liabilities	**15,313**	15,230	15,319
Unallocated divisible surplus	**672**	767	725
Participating contract liabilities	**31,973**	33,095	32,553

Due to a change in the benefits available under certain contracts, £2,182m of non-participating investment contracts have been reclassified as non-participating insurance contracts during the six months ended 30 June 2012.

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

The movements in insurance contracts, investment contracts and reinsurance contracts during the six months ended 30 June 2012, and the six months ended 30 June 2011 arising from changes in estimates are set out below:

30 June 2012	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contract liabilities £m	Reinsurance contracts £m	Net £m
Changes in:						
Methodology/modelling changes	**(62)**	**(118)**	**76**	**-**	**110**	**6**
Non-economic assumptions	**-**	**(6)**	**-**	**-**	**-**	**(6)**
Economic assumptions	**(28)**	**358**	**22**	**-**	**(133)**	**219**
30 June 2011						
Changes in:						
Methodology/modelling changes	(34)	(6)	33	-	-	(7)
Non-economic assumptions	-	-	-	-	-	-
Economic assumptions	(134)	91	54	-	(9)	2

The movement in insurance contract liabilities, participating investment contracts and reinsurance contracts during the year ended 31 December 2011 was as follows:

2011	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurance contracts £m	Net £m
At 1 January	**17,357**	**23,564**	**15,329**	**56,250**	**(6,962)**	**49,288**
Expected change	(1,014)	(523)	(658)	(2,195)	301	(1,894)
Methodology/modelling changes	(11)	(7)	14	(4)	-	(4)
Effect of changes in:						
Economic assumptions	(37)	1,309	176	1,448	(292)	1,156
Non-economic assumptions	4	(245)	15	(226)	385	159
Effect of:						
Economic experience	325	595	438	1,358	(23)	1,335
Non-economic experience	38	(507)	(51)	(520)	18	(502)
New business	30	1,013	76	1,119	(6)	1,113
Total change in contract liabilities	**(665)**	**1,635**	**10**	**980**	**383**	**1,363**
Foreign exchange adjustment	(183)	(151)	(20)	(354)	6	(348)
At 31 December	**16,509**	**25,048**	**15,319**	**56,876**	**(6,573)**	**50,303**
Reinsurance assets					(6,818)	
Reinsurance liabilities					245	
					(6,573)	

The change in non-participating investment contract liabilities during the year ended 31 December 2011 was as follows:

	2011 £m
At 1 January	**75,600**
Contributions	11,904
Initial charges and reduced allocations	(7)
Account balances paid on surrender and other terminations in the year	(8,525)
Investment return credited and related benefits	(757)
Foreign exchange adjustment	(305)
Recurring management charges	(400)
At 31 December	**77,510**

3.10 Defined benefit and defined contribution pension plans

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

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

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Current service cost	**(35)**	(30)	(60)
Interest cost on benefit obligation	**(53)**	(53)	(107)
Expected return on plan assets	**76**	69	136
Past service cost	**(1)**	1	64
(Expense)/credit recognised in the summary consolidated income statement	**(13)**	(13)	33

For the 12 months to 31 December 2011, a credit from past service costs of £64m was recognised as a result of a change in the basis of future pension increases in the UK staff pension scheme.

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

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

	30 June 2012				30 June 2011				31 December 2011			
	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m
Present value of funded obligation	**(2,122)**	**(224)**	**(52)**	**(2,398)**	(1,734)	(182)	(54)	(1,970)	(1,972)	(215)	(54)	(2,241)
Present value of unfunded obligation	**-**	**(71)**	**-**	**(71)**	-	(59)	-	(59)	-	(68)	-	(68)
Fair value of plan assets	**2,533**	**179**	**57**	**2,769**	2,006	177	51	2,234	2,519	179	58	2,756
Adjustment for unrecognised past service costs	**-**	**(5)**	**-**	**(5)**	-	(6)	-	(6)	-	(5)	-	(5)
Effect of limit on plan surpluses	**(144)**	**-**	**-**	**(144)**	(29)	-	-	(29)	(209)	-	-	(209)
Net asset/(liability)	**267**	**(121)**	**5**	**151**	243	(70)	(3)	170	338	(109)	4	233

Under the guidance contained in IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction,* the UK scheme surplus is considered to be recoverable as a right to a refund exists. In measuring the economic benefit available as a refund at 30 June 2012, the surplus has been reduced by £144m to reflect the authorised surplus payments charge of 35% that would arise on a refund. When measuring the defined benefit asset in prior periods, a component of the surplus was not considered recoverable and therefore the unrecoverable amount was not recognised (six months ended 30 June 2011: £29m; 12 months ended 31 December 2011: £209m).

3.10 Defined benefit and defined contribution plans *continued*

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

The Group also recognises a net liability of £6m (30 June 2011: £6m; 31 December 2011: £6m) arising from a scheme with a total defined benefit obligation of £6m (30 June 2011: £6m; 31 December 2011: £6m) administered for the benefit of employees in Germany, resulting in a net asset of £145m (30 June 2011: £164m; 31 December 2011: £227m). The condensed consolidated statement of financial position presents any net scheme assets within other assets and any net scheme liabilities within other liabilities.

(c) Principal assumptions

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

	30 June 2012			30 June 2011			31 December 2011		
	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %
Rate of increase in salaries	**5.30**	**3.50**	**3.50**	4.75-5.75	3.50	3.50	4.45-5.45	3.50	3.50
Rate of increase in pensions	**2.70**	**1.33**	**1.00**	3.15-3.75	1.33	1.00	2.85	1.33	1.00
Discount rate	**4.40**	**4.30**	**5.10**	5.45	5.50	5.25	4.60	4.50	5.10
Inflation assumption	**2.70-3.30**	**2.00**	**2.00**	3.15-3.75	2.00	2.00	2.85-3.45	2.00	2.00
Expected return on plan assets	**5.45**	**5.75**	**4.00**	6.15	7.00	5.00	5.45	5.75	4.00

3.11 Risk management

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

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

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

The Group's Half Year Results do not include all financial risk management information and disclosures required in the Group's Annual Report and Accounts. This note should therefore be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2011.

There have been no significant changes to the Group's enterprise risk management framework since year end however it continues to evolve as the Group prepares for the Solvency 2 Directive. No changes have been made to qualitative risk appetites or key metrics used to set quantitative risk appetites.

During the six months ended 30 June 2012 credit concerns have continued regarding debt issued by certain European sovereign states and banks. In response, the Group has continued to exclude holdings in peripheral European sovereign debt from its benchmarks for fixed interest portfolios other than those held in unit linked funds. The Group has also continued to restrict holdings of cash and cash equivalents to banking counterparties that are assessed to be of appropriate credit standing, taking into consideration both direct and indirect factors such as the potential impact of contagion risk.

Fair value of financial assets and liabilities

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

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

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

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

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

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

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

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

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

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m
Equity securities	**58,555**	61,976	57,286	**-**	-	-	**1,213**	1,276	1,245	**59,768**	63,252	58,531
Debt securities	**26,629**	24,012	27,699	**41,948**	39,038	38,095	**1,365**	1,593	1,382	**69,942**	64,643	67,176
Derivative financial assets	**838**	407	577	**1,787**	866	1,635	**-**	-	-	**2,625**	1,273	2,212
Financial assets at fair value	**86,022**	86,395	85,562	**43,735**	39,904	39,730	**2,578**	2,869	2,627	**132,335**	129,168	127,919

There were no significant transfers of financial assets between the levels of the fair value hierarchy during the six months ended 30 June 2012 (six months ended 30 June 2011: none; 12 months ended 31 December 2011: none).

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

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

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m
Non-participating investment contract liabilities	**-**	-	-	**75,723**	76,338	74,673	**-**	-	-	**75,723**	76,338	74,673
Third party interest in consolidated funds	**-**	-	-	**9,468**	7,612	8,421	**4**	14	7	**9,472**	7,626	8,428
Derivative financial liabilities	**497**	235	434	**1,140**	784	668	**-**	-	-	**1,637**	1,019	1,102
Financial liabilities at fair value	**497**	235	434	**86,331**	84,734	83,762	**4**	14	7	**86,832**	84,983	84,203

There were no significant transfers of financial liabilities between the levels of the fair value hierarchy during the six months ended 30 June 2012 (six months ended 30 June 2011: none; 12 months ended 31 December 2011: none).

3.12 Provisions and contingent liabilities

(a) Legal proceedings and regulations

In January 2009 the value of units in the Standard Life Pension Fund was reduced to reflect reductions in the market value of certain instruments held by the fund. In February 2009 to reinstate customers invested in that fund to the position they would have been before the valuation adjustment, Standard Life Assurance Limited (SLAL) injected cash into the fund. An expense of £102m was recognised in administrative expenses in the consolidated income statement for the year ended 31 December 2008 in respect of the injection into the fund.

SLAL subsequently claimed reimbursement for the cash injection under its 2008/2009 Professional Indemnity policy. This claim was contested by the insurers of the policy. A judgment handed down on 1 February 2012 in the Commercial Court in London found in favour of SLAL and SLAL have received a cash receipt of £95m including interest and reimbursement of legal fees.

The insurers are currently appealing the judgment and the appeal is due to be heard in October 2012. Given the judgment is under appeal the risk exists that SLAL will be required to return the cash received or a portion of the cash received to the insurer and therefore, a provision has been recognised in respect of the cash received.

Additionally, 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 other pending or threatened legal proceedings, the Directors do not believe that such proceedings (including litigation) will have a material effect on the results and financial position of the Group.

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

3.12 Contingent liabilities, indemnities and guarantees *continued*

(b) Issued share capital

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

(c) Other

In the ordinary course of business, Standard Life Trust Company (SLTC) enters into agreements which contain guarantee provisions for clearing system arrangements related to investment activities. Under such arrangements, SLTC, 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 Group cannot estimate the amount, if any, that may be payable upon default. To facilitate its participation in the clearing system, SLTC has provided as security a bank credit facility up to a maximum of CA$84m.

3.13 Commitments

(a) Capital commitments

As at 30 June 2012, £241m (30 June 2011: £245m; 31 December 2011: £275m) was contractually committed to the acquisition of investment properties. Of this amount, £202m (30 June 2011: £203m; 31 December 2011: £248m) and £39m (30 June 2011: £42m; 31 December 2011: £27m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Commitments to extend credit:			
Original term to maturity of one year or less	**67**	41	109
Original term to maturity of more than one year	**2**	4	3
Other commitments	**285**	277	273

Included in other commitments is £245m (30 June 2011: £260m; 31 December 2011: £257m) committed by certain subsidiaries which are not fully owned by the Group. These commitments are funded through contractually agreed additional investments in the subsidiary by the Group and the non-controlling interests. The levels of funding are not necessarily in line with the relevant percentage holdings.

(c) Operating lease commitments

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

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

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Not later than one year	**33**	22	29
Later than one year and no later than five years	**92**	53	93
Later than five years	**115**	125	120
Total operating lease commitments	**240**	200	242

3.14 Related party transactions

(a) Transactions with/from related parties

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

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Sale to:			
Associates	**7**	8,270	8,397
Joint ventures	**21**	25	51
	28	8,295	8,448
Purchase from:			
Associates	**-**	8,877	8,993
Joint ventures	**21**	34	24
	21	8,911	9,017

Transactions with associates presented for the six months to 30 June 2011 and 12 months to 31 December 2011 relate primarily to purchases and sales of holdings in two sub-funds of the Standard Life (Global Liquidity Funds) plc (GLF). During the year ended 31 December 2011, these funds were restructured with the majority of the external holding in these funds transferred to a third party. The remaining assets were transferred into two new GLF sub-funds, which are subsidiaries of the Group. As a result of the restructure, the GLF sub-funds are no longer associates of the Group.

In addition to the amounts presented above, the Group's defined benefit pension schemes have assets of £819m (30 June 2011: £682m; 31 December 2011: £739m) invested in investment vehicles managed by the Group.

(b) Transactions with key management personnel and their close family members

All transactions between key management personnel and their close family members 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 2012, key management personnel and their close family members contributed £0.5m (30 June 2011: £0.2m; 31 December 2011: £4.4m) to products sold by the Group.

3.15 Events after the reporting period

On 12 July 2012, the Company redeemed in full the outstanding principal of €62,780,000 on its 6.375% Euro fixed/floating rate subordinated guaranteed bonds.

EEV consolidated income statement
For the six months ended 30 June 2012

	Notes	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Covered business				
UK		**204**	229	450
Canada		**211**	113	324
International		**43**	35	104
HWPF TVOG		**107**	(11)	11
Covered business EEV operating profit	4.2(a)	**565**	366	889
UK		**19**	4	67
Global investment management[1]	4.6(b)	**34**	27	69
Group corporate centre costs		**(20)**	(25)	(50)
Other	4.6(c)	**6**	4	14
Non-covered business EEV operating profit		**39**	10	100
EEV operating profit before tax		**604**	376	989
EEV non-operating items				
Long-term investment return and tax variances		**161**	(11)	70
Effect of economic assumption changes		**136**	108	(500)
Impairment of intangible assets		**-**	(7)	(5)
Restructuring costs[2]		**(43)**	(23)	(73)
Other EEV non-operating items		**(6)**	(4)	(13)
Consolidation adjustment for different accounting bases[3]		**(70)**	(8)	58
EEV non-operating profit/(loss) before tax		**178**	55	(463)
EEV profit before tax		**782**	431	526
Tax attributable to:				
EEV operating profit		**(119)**	(96)	(265)
EEV non-operating items		**(38)**	(14)	108
Total EEV profit after tax		**625**	321	369

1 Global investment management non-covered EEV operating profit of £34m (six months ended 30 June 2011: £27m; 12 months ended 31 December 2011: £69m) represents operating profit of £68m (six months ended 30 June 2011: £67m; 12 months ended 31 December 2011: £125m) after excluding profits of £34m (six months ended 30 June 2011: £40m; 12 months ended 31 December 2011: £56m) which have been generated by life and pensions covered business. Global investment management EEV operating profit therefore represents third party non-covered EEV operating profit. Refer to Note 4.6(b) – Global investment management EEV operating profit before tax and Note 4.17 – EEV methodology.

2 Refer to IFRS financial information Note 3.3 – Administrative expenses. The £73m of restructuring costs in 2011 also include additional impacts to required capital and PVIF following the termination of an internal reinsurance agreement.

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

EEV earnings per share (EPS)
For the six months ended 30 June 2012

	6 months 2012	6 months 2011	Full year 2011
EEV operating profit after tax (£m)[1]	**485**	280	724
Basic EPS (pence)	**20.7**	12.3	31.5
Weighted average number of ordinary shares in issue (millions)	**2,344**	2,279	2,301
Diluted EPS (pence)	**20.7**	12.3	31.4
Weighted average number of ordinary shares on a diluted basis (millions)	**2,346**	2,282	2,304

1 EEV operating profit before tax of £604m (six months ended 30 June 2011: £376m; 12 months ended 31 December 2011: £989m) less attributed tax on EEV operating profit of £119m (six months ended 30 June 2011: £96m; 12 months ended 31 December 2011: £265m).

EEV consolidated statement of comprehensive income
For the six months ended 30 June 2012

	Notes	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
EEV profit after tax		**625**	321	369
Actuarial (losses)/gains on defined benefit pension schemes[1]		**(168)**	(37)	121
Effect of limit on defined benefit pension schemes' surpluses[1]		**65**	(29)	(209)
Exchange differences on translating foreign operations[2]		**(54)**	26	(69)
Net investment hedge[1]		**6**	(6)	13
Aggregate equity holder tax effect of items recognised in comprehensive income[1]		**102**	20	27
Other		**-**	1	-
Other comprehensive expense for the period		**(49)**	(25)	(117)
Total comprehensive income for the period attributable to equity holders	4.7	**576**	296	252

1 Consistent with the IFRS consolidated statement of comprehensive income.
2 Exchange differences primarily relate to Canada (negative £23m), Europe (negative £17m) and India (negative £11m).

EEV consolidated statement of financial position
As at 30 June 2012

	Notes	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Covered business				
Free surplus		**646**	965	651
Required capital		**1,436**	1,151	1,296
Net worth		**2,082**	2,116	1,947
Present value of in-force		**4,868**	4,462	4,423
Cost of required capital		**(638)**	(492)	(583)
Total embedded value of covered business	4.2(c)	**6,312**	6,086	5,787
Non-covered business				
UK		**440**	324	393
Global investment management		**255**	268	256
Group corporate centre		**507**	575	650
Other		**251**	226	253
Total net assets of non-covered business	4.6(a)	**1,453**	1,393	1,552
Consolidation adjustment for different accounting bases[1]		**37**	39	89
Total Group embedded value	4.7	**7,802**	7,518	7,428
Equity				
Share capital		**236**	233	235
Shares held by trusts		**(5)**	(16)	(19)
Share premium reserve		**1,110**	1,063	1,110
Retained earnings on an IFRS basis		**1,074**	1,051	1,030
Other reserves		**1,578**	1,636	1,605
Additional retained earnings on an EEV basis		**3,809**	3,551	3,467
Total equity		**7,802**	7,518	7,428

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

EEV per share
As at 30 June 2012

	30 June 2012	30 June 2011	31 December 2011
Total Group embedded value (£m)	**7,802**	7,518	7,428
EEV per share (pence)	**331**	324	317
Diluted closing number of ordinary shares in issue (millions)	**2,354**	2,319	2,344

Notes to the EEV financial information

4.1 Basis of preparation

The European Embedded Value (EEV) basis results have been prepared in accordance with the EEV Principles and Guidance issued in May 2004 by the CFO Forum of European Insurance Companies and the Additional Guidance issued in October 2005 and the Interim Transitional Guidance issued in September 2011. 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 (the Company) plus the present value of future profits expected to arise from in-force long-term insurance policies (PVIF) where these future profits are attributable to equity holders under the Scheme of Demutualisation (the Scheme) or from sales of new business since 10 July 2006.

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

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

The half year EEV supplementary financial statements have been reviewed but not audited. The EEV supplementary financial statements for the year ended 31 December 2011 were approved on 13 March 2012. The report of the auditors on that financial information was unqualified.

Covered business

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

With the exception of UK life insurance tax changes as described below, the regulatory basis for setting actuarial reserves and required capital has been calculated assuming the continuation of current regimes. Therefore, no allowance has been made for the change in reserving or required capital bases anticipated under Solvency 2. This approach is in accordance with the Interim Transitional Guidance for Embedded Value Reporting issued by the CFO Forum in September 2011.

Segmentation

Within the EEV segmental analysis, UK operations primarily comprise life and pensions, UK non-covered mutual funds business and the non-covered UK pension scheme. UK non-covered business is shown within Note 4.6 – Non-covered business.

Impact of UK Budget changes announced on 21 March 2012

The Finance Act 2012, which was enacted on 17 July 2012, reduced the UK corporation tax rate to 24% with effect from 1 April 2012 and to 23% with effect from 1 April 2013. The reduction to 23% has been included within our best estimate assumptions for UK corporation tax as at 30 June 2012.

The 2012 Budget statement also announced the Government's intention to make a further reduction in the rate of UK corporation tax in 2014. However, this reduction is subject to legislation being enacted in future years and, in accordance with our previous approach, has not been included within the best estimate assumptions as at 30 June 2012.

The Finance Act 2012 introduces a new UK life insurance tax regime, effective from 1 January 2013. The new regime moves the tax basis from the FSA regulatory return to the statutory accounts. Insurers are required to calculate a transitional amount as at 31 December 2012 to make the step change to the accounts basis. The new regime requires insurers to use an acceptable commercial method to allocate product cash flows to tax business type. UK EEV after tax results include an estimate of the impact of transition to the new regime, based on the 30 June 2012 position. There is not a material impact on the valuation of existing tax assets and liabilities. There is no change required to the long-term best estimate rate applicable to the UK business as a result of the new life tax regime.

4.2 Segmental analysis – covered business

(a) Segmental EEV income statement

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

6 months to 30 June 2012	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	126	26	26	-	**178**
Contribution from in-force business:						
Expected return on existing business		100	80	22	-	**202**
Experience variances	4.4	(6)	111	5	107	**217**
Operating assumption changes	4.5	-	-	-	-	**-**
Development expenses		(10)	(8)	(12)	-	**(30)**
Expected return on free surplus		(6)	2	2	-	**(2)**
EEV operating profit before tax		**204**	**211**	**43**	**107**	**565**
Investment return and tax variances		69	(2)	32	62	**161**
Effect of economic assumption changes		19	146	3	(32)	**136**
Restructuring costs		(34)	(1)	(2)	-	**(37)**
EEV profit before tax		**258**	**354**	**76**	**137**	**825**
EEV attributed tax		(58)	(88)	(17)	(32)	**(195)**
EEV profit after tax		**200**	**266**	**59**	**105**	**630**

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

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

HWPF TVOG represents the time value of financial options and guarantees (TVOG) arising from the Heritage With Profits Fund (HWPF). Although the HWPF includes business written by the UK, Germany and Ireland, the Group manages the risk at an aggregate level. This is consistent with the Group's IFRS consolidated financial statements as disclosed in Note 42 – Risk management of the Annual Report and Accounts 2011. The results for Canada and International include the cost of the Canada and Asia TVOG and the cost of TVOG arising on business written outside of the HWPF in Germany.

The £12m higher contribution from new business primarily reflects a £13m increase from the UK, where PVNBP margins grew from 1.4% to 1.8%.

The expected return on existing business has fallen by £21m primarily due to lower opening risk discount rates.

Details of experience variances and operating assumption changes are provided in Note 4.4 – Experience variances and Note 4.5 – Operating assumption changes.

The £12m of development expenses in International include £3m that reflect the costs of developing the joint venture businesses to build future growth, and £6m within the Hong Kong and Ireland offshore businesses supporting their strategic growth plans.

The negative £6m expected return on free surplus in the UK reflects the relatively low expected returns currently available on cash assets within free surplus, along with a higher expected increase in the value of subordinated debt liabilities relative to the expected return on the assets backing subordinated debt liabilities.

Investment return and tax variances generated a total profit of £161m. Of this, the UK profit of £69m included a gain of £131m from higher than expected investment returns on annuity and unitised business. This was partly offset by a loss of £38m, in excess of the return that is included in the expected return on free surplus, arising from differences in movements of subordinated debt liabilities and the assets that are backing the subordinated debt. Better than expected investment returns were the main contributors to the £32m profit in International and the £62m profit from HWPF TVOG.

Effect of economic assumption changes was an overall profit of £136m. Changes to the long-term corporation tax rates in the UK and the impact of the new UK life insurance tax regime resulted in an overall profit of £43m. Refer to Note 4.1 – Basis of preparation. Decreases in the market valuation of the Canada subordinated liabilities created a profit within covered business of £70m, but this is offset within the overall Group EEV profit by a consolidation adjustment for different accounting bases. Lower risk free rates were the main driver for both a profit of £224m from lower risk discount rates, which is explained in Note 4.13, and for a loss of £265m from the use of lower future assumed investment returns. In addition, lower inflation assumptions gave a profit of £28m.

Restructuring costs primarily represent the covered business costs associated with a number of restructuring programmes including Solvency 2 and the Retail Distribution Review.

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

12 months to 31 December 2011	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	204	73	58	-	**335**
Contribution from in-force business:						
Expected return on existing business		242	144	54	-	**440**
Experience variances	4.4	12	118	7	11	**148**
Operating assumption changes	4.5	31	(8)	10	-	**33**
Development expenses		(33)	(14)	(27)	-	**(74)**
Expected return on free surplus		(6)	11	2	-	**7**
EEV operating profit before tax		**450**	**324**	**104**	**11**	**889**
Investment return and tax variances		41	41	(19)	7	**70**
Effect of economic assumption changes		(173)	(181)	105	(251)	**(500)**
Restructuring costs		(53)	(3)	(3)	-	**(59)**
EEV profit/(loss) before tax		**265**	**181**	**187**	**(233)**	**400**
EEV attributed tax		(66)	(45)	(56)	58	**(109)**
EEV profit/(loss) after tax		**199**	**136**	**131**	**(175)**	**291**

4.2 Segmental analysis – covered business *continued*

(b) Segmental analysis of movements in EEV

6 months to 30 June 2012	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,459**	**1,712**	**867**	**(251)**	**5,787**
EEV profit after tax	200	266	59	105	**630**
Internal capital transfers	(194)	135	38	-	**(21)**
Transfer back of surplus to Standard Life Investments	(23)	-	(2)	-	**(25)**
Transfer back of mutual funds net worth	(1)	(1)	-	-	**(2)**
Actuarial losses on defined benefit pension schemes	-	(10)	-	-	**(10)**
Foreign exchange differences	-	(21)	(28)	-	**(49)**
Aggregate tax effect of items not recognised in income statement	-	4	-	-	**4**
Other	(1)	(1)	-	-	**(2)**
Closing EEV	**3,440**	**2,084**	**934**	**(146)**	**6,312**

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

12 months to 31 December 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**
EEV profit/(loss) after tax	199	136	131	(175)	**291**
Internal capital transfers	(376)	(116)	34	-	**(458)**
Transfer back of surplus to Standard Life Investments	(36)	(2)	(3)	-	**(41)**
Transfer back of mutual funds net worth	19	(5)	-	-	**14**
Actuarial (losses)/gains on defined benefit pension schemes	-	(42)	8	-	**(34)**
Foreign exchange differences	-	(30)	(36)	-	**(66)**
Aggregate tax effect of items not recognised in income statement	-	12	-	-	**12**
Other	(4)	1	1	-	**(2)**
Closing EEV	**3,459**	**1,712**	**867**	**(251)**	**5,787**

(c) Segmental analysis of opening and closing EEV

6 months to 30 June 2012	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	686	(103)	68	-	**651**
PVIF	2,683	1,229	762	(251)	**4,423**
Required capital	169	1,059	68	-	**1,296**
Cost of capital	(79)	(473)	(31)	-	**(583)**
Opening EEV	**3,459**	**1,712**	**867**	**(251)**	**5,787**
Analysis of EEV					
Free surplus	532	-	114	-	**646**
PVIF	2,802	1,439	773	(146)	**4,868**
Required capital	185	1,173	78	-	**1,436**
Cost of capital	(79)	(528)	(31)	-	**(638)**
Closing EEV	**3,440**	**2,084**	**934**	**(146)**	**6,312**

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

12 months to 31 December 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	930	226	46	-	**1,202**
PVIF	2,637	1,061	655	(76)	**4,277**
Required capital	159	813	59	-	**1,031**
Cost of capital	(69)	(342)	(28)	-	**(439)**
Opening EEV	**3,657**	**1,758**	**732**	**(76)**	**6,071**
Analysis of EEV					
Free surplus	686	(103)	68	-	**651**
PVIF	2,683	1,229	762	(251)	**4,423**
Required capital	169	1,059	68	-	**1,296**
Cost of capital	(79)	(473)	(31)	-	**(583)**
Closing EEV	**3,459**	**1,712**	**867**	**(251)**	**5,787**

4.3 Analysis of new business contribution

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

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

6 months to 30 June 2012	Fee (F) – Spread/risk (S/R)	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	F	10	1,735	45	1,895	3.6	0.6
Savings and investments	F	12	872	15	990	7.9	1.2
Annuities	S/R	36	200	-	200	-	17.8
Protection	S/R	-	-	-	1	-	14.8
Retail		**58**	**2,807**	**60**	**3,086**	**4.7**	**1.9**
Corporate pensions	F	30	566	320	1,995	4.5	1.5
Institutional pensions	F	38	1,953	-	1,953	-	2.0
Corporate		**68**	**2,519**	**320**	**3,948**	**4.5**	**1.7**
UK		**126**	**5,326**	**380**	**7,034**	**4.5**	**1.8**
Fee	F	9	642	33	1,268	19.0	0.7
Spread/risk	S/R	17	103	26	512	15.7	3.3
Canada		**26**	**745**	**59**	**1,780**	**17.5**	**1.5**
Wholly owned	F	19	676	35	979	8.7	1.9
Joint ventures		7	49	52	284	4.5	2.5
International		**26**	**725**	**87**	**1,263**	**6.2**	**2.0**
Total covered business		**178**	**6,796**	**526**	**10,077**	**6.2**	**1.8**

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 NBC to PVNBP and are based on the underlying unrounded numbers.

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

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

12 months to 31 December 2011	Fee (F) – Spread/risk (S/R)	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions	F	12	3,598	99	3,936	3.4	0.3
Savings and investments	F	15	1,973	24	2,151	7.4	0.7
Annuities	S/R	58	312	-	312	-	18.6
Protection	S/R	-	-	-	1	-	5.2
Retail		**85**	**5,883**	**123**	**6,400**	**4.2**	**1.3**
Corporate pensions	F	60	1,889	620	4,607	4.4	1.3
Institutional pensions	F	59	3,027	1	3,028	1.0	2.0
Corporate		**119**	**4,916**	**621**	**7,635**	**4.4**	**1.6**
UK		**204**	**10,799**	**744**	**14,035**	**4.3**	**1.5**
Fee	F	38	1,216	33	1,695	14.5	2.2
Spread/risk	S/R	35	306	61	1,233	15.2	2.9
Canada		**73**	**1,522**	**94**	**2,928**	**15.0**	**2.5**
Wholly owned	F	51	1,567	86	2,275	8.2	2.2
Joint ventures		7	82	100	500	4.2	1.4
International		**58**	**1,649**	**186**	**2,775**	**6.1**	**2.1**
Total covered business		**335**	**13,970**	**1,024**	**19,738**	**5.6**	**1.7**

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

4.4 Experience variances

6 months to 30 June 2012	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	(4)	-	(11)	-	**(15)**
Maintenance expenses	(5)	9	(1)	-	**3**
Mortality and morbidity	4	-	2	-	**6**
Tax	10	2	(4)	-	**8**
Other	(11)	100	19	107	**215**
Total	**(6)**	**111**	**5**	**107**	**217**

The £11m adverse lapse experience within International mainly arises from a £5m loss within the joint venture businesses. The remainder of the variances are spread across the German, Ireland and Hong Kong businesses.

Other UK variances of negative £11m reflect the impact of fund switches and a reduction in our expected fee income in our corporate business.

Canada other variances of £100m includes a gain of £112m from revised modelling of future cash flows primarily for segregated fund business. This amends the projection of future expenses, lapses, premium renewals and fee income.

The other International variance of £19m includes a £15m gain from increased expected fee income in Germany.

The HWPF TVOG other variance of £107m primarily reflects the benefit of asset strategy changes in the HWPF as well as improved modelling of German business.

For the 12 months to 31 December 2011, other UK variances included a profit of £50m (six months ended 30 June 2011: £50m) from the impact of a management action to reduce current and future investment expenses.

4.4 Experience variances *continued*

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

12 months to 31 December 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	(37)	-	(11)	-	**(48)**
Maintenance expenses	(4)	-	-	-	**(4)**
Mortality and morbidity	3	-	1	-	**4**
Tax	32	72	16	(1)	**119**
Other	18	46	1	12	**77**
Total	**12**	**118**	**7**	**11**	**148**

4.5 Operating assumption changes

6 months to 30 June 2012	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	-	-	(1)	-	**(1)**
Maintenance expenses	-	-	1	-	**1**
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. The main exception is India where the joint venture reviews assumptions as part of its 31 March year end. These assumption changes are reflected in the Group's EEV results at 30 June 2012.

For the 12 months to 31 December 2011, most of the £139m loss from mortality assumptions in Canada reflects the impact of revised industry-standard mortality improvement rates. The £57m other assumption changes in Canada includes a £109m profit from various changes in asset allocation strategies, including the benefits of management actions aimed at enhancing the investment yield on assets. This was partly offset by a loss of £62m from a reduction in expected fee income in our group savings and retirement products.

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

12 months to 31 December 2011	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Lapses	31	34	(18)	-	**47**
Maintenance expenses	10	40	(8)	-	**42**
Mortality and morbidity	(11)	(139)	(3)	-	**(153)**
Tax	1	-	-	-	**1**
Other	-	57	39	-	**96**
Total	**31**	**(8)**	**10**	**-**	**33**

4.6 Non-covered business

Non-covered business EEV operating profit is represented by operating profit[1] as adjusted for Standard Life Investments (global investment management) look through profits and the return on mutual funds which are recognised in covered business. Refer to Note 4.17 – EEV methodology.

(a) Segmental analysis – non-covered business

6 months to 30 June 2012	UK £m	Global investment management £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**393**	**256**	**903**	**1,552**
EEV profit/(loss) after tax	39	24	(16)	**47**
Transfer back of net worth from covered business	1	25	1	**27**
Foreign exchange differences	-	(2)	(3)	**(5)**
Internal capital transfers	(2)	(49)	72	**21**
Distributions to equity holders	-	-	(216)	**(216)**
Other	9	1	17	**27**
Closing EEV net assets	**440**	**255**	**758**	**1,453**

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

The Company operated a Scrip dividend scheme for dividends paid until the end of 2011. Investors taking part in the Scrip scheme received their dividend entitlement in the form of new shares issued in lieu of cash dividends. For the six months ended 30 June 2011, dividends paid comprise £92m (12 months ended 31 December 2011: £141m) settled by the issue of shares under the Scrip scheme, and £105m (12 months ended 31 December 2011: £162m) paid in cash.

The other movement in the UK EEV net assets mainly relates to the change in the UK non-covered pension scheme of negative £91m (six months ended 30 June 2011: negative £58m; 12 months ended 31 December 2011: negative £51m) and the associated deferred tax of positive £99m (six months ended 30 June 2011: positive £18m; 12 months ended 31 December 2011: positive £15m).

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

[1] Refer to Accounting policy (jj) in the Annual Report and Accounts 2011.

4.6 Non-covered business *continued*

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

12 months to 31 December 2011	UK £m	Global investment management £m	Other including group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**271**	**256**	**678**	**1,205**
EEV profit/(loss) after tax	37	51	(54)	**34**
Transfer back of net worth from covered business	(19)	41	5	**27**
Foreign exchange differences	-	(6)	3	**(3)**
Internal capital transfers	136	(88)	410	**458**
Distributions to equity holders	-	-	(303)	**(303)**
Other	(32)	2	164	**134**
Closing EEV net assets	**393**	**256**	**903**	**1,552**

(b) Global investment management EEV operating profit before tax

Global investment management non-covered business profits are included in EEV on a look through basis. This means that the profits from global investment management which are generated from life and pensions business are allocated to covered business. Therefore, the difference between third party non-covered business EEV operating profit before tax of £34m (six months ended 30 June 2011: £27m; 12 months ended 31 December 2011: £69m) and operating profit for the global investment management business of £68m (six months ended 30 June 2011: £67m; 12 months ended 31 December 2011: £125m) is the profit allocated to covered business.

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Global investment management third party non-covered business EEV operating profit before tax	**34**	27	69
Third party related covered business EEV operating profit before tax	**20**	18	32
Total third party business EEV operating profit before tax	**54**	45	101
Other covered business EEV operating profit before tax	**14**	22	24
Global investment management operating profit before tax	**68**	67	125

Total global investment management EEV operating profit allocated to covered business of £34m (six months ended 30 June 2011: £40m; 12 months ended 31 December 2011: £56m) consists of third party related covered business EEV operating profit of £20m (six months ended 30 June 2011: £18m; 12 months ended 31 December 2011: £32m) and other covered business EEV operating profit of £14m (six months ended 30 June 2011: £22m; 12 months ended 31 December 2011: £24m).

Third party related covered business EEV operating profits relate to products actively marketed and sold to third parties through global investment management distribution channels. If these profits are added to the global investment management non-covered business EEV operating profits of £34m (six months ended 30 June 2011: £27m; 12 months ended 31 December 2011: £69m), there are £54m (six months ended 30 June 2011: £45m; 12 months ended 31 December 2011: £101m) of total third party related profits for global investment management.

The year-on-year increase in the proportion of global investment management operating profit before tax generated from third parties is due to new business flows into higher margin third party products, outflows from captive products and a refinement of cost allocations.

(c) Other EEV operating profits before tax

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Canada non-life subsidiaries	**1**	-	6
Mutual funds transferred to covered business	**(3)**	(2)	(7)
Canada non-life subsidiaries excluding transfers to covered business	**(2)**	(2)	(1)
Standard Life plc income	**4**	1	6
Other	**4**	5	9
Other non-covered business EEV operating profit before tax	**6**	4	14

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

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

4.7 EEV reconciliation of movements in consolidated statement of financial position

	6 months 2012 £m	6 months 2011 £m	Full year 2011 £m
Opening EEV	**7,428**	7,321	7,321
Total comprehensive income for the period attributable to equity holders	**576**	296	252
Distributions to equity holders	**(216)**	(197)	(303)
Issue of share capital other than in cash	**1**	92	141
Shares acquired by employee trusts	**(2)**	(4)	(7)
Shares distributed by employee trusts	**1**	(1)	-
Reserves credit for employee share-based payment schemes	**12**	11	24
Aggregate tax effect of items recognised directly in equity	**2**	-	-
Closing EEV	**7,802**	7,518	7,428

4.8 Reconciliation of EEV net assets to IFRS net assets

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
Net assets on an EEV basis	**7,802**	7,518	7,428
Present value of in-force life and pensions business net of cost of capital	**(4,230)**	(3,970)	(3,840)
EEV net worth	**3,572**	3,548	3,588
Adjustment of long-term debt to market value	**(57)**	(17)	(44)
Canada marked to market adjustment	**(19)**	(21)	(19)
Deferred acquisition costs net of deferred income reserve	**373**	342	350
Deferred tax differences	**98**	89	123
Adjustment for share of joint ventures	**21**	33	24
Consolidation adjustment for different accounting bases[1]	**(37)**	(39)	(89)
Other	**42**	32	28
Net assets attributable to equity holders on an IFRS basis	**3,993**	3,967	3,961

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

Reconciling items are shown net of tax where appropriate.

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

6 months to 30 June 2012	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**651**	**1,296**	**1,947**	**3,840**	**5,787**
Contribution from new business	(153)	46	(107)	247	**140**
Contribution from in-force business:					
Expected return on existing business	-	21	21	134	**155**
Expected return transfer to net worth	326	(34)	292	(292)	**-**
Experience variances	28	35	63	100	**163**
Operating assumption changes	(1)	-	(1)	1	**-**
Development expenses	(23)	-	(23)	-	**(23)**
Expected return on free surplus	(4)	-	(4)	-	**(4)**
EEV operating profit after tax	**173**	**68**	**241**	**190**	**431**
Investment return and tax variances	(46)	43	(3)	128	**125**
Effect of economic assumption changes	(47)	44	(3)	105	**102**
Restructuring costs	(27)	-	(27)	(1)	**(28)**
EEV profit after tax	**53**	**155**	**208**	**422**	**630**
Internal capital transfers	(21)	-	(21)	-	**(21)**
Transfer back of surplus to Standard Life Investments	(25)	-	(25)	-	**(25)**
Transfer back of mutual funds net worth	(2)	-	(2)	-	**(2)**
Actuarial losses on defined benefit pension schemes	(10)	-	(10)	-	**(10)**
Foreign exchange differences	(3)	(15)	(18)	(31)	**(49)**
Aggregate tax effect of items not recognised in income statement	4	-	4	-	**4**
Other	(1)	-	(1)	(1)	**(2)**
Closing EEV	**646**	**1,436**	**2,082**	**4,230**	**6,312**

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

(b) UK and HWPF TVOG

6 months to 30 June 2012	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**686**	**169**	**855**	**2,353**	**3,208**
Contribution from new business	(65)	10	(55)	152	**97**
Contribution from in-force business:					
Expected return on existing business	-	2	2	76	**78**
Expected return transfer to net worth	189	(2)	187	(187)	**-**
Experience variances	30	2	32	46	**78**
Development expenses	(7)	-	(7)	-	**(7)**
Expected return on free surplus	(6)	-	(6)	-	**(6)**
EEV operating profit after tax	**141**	**12**	**153**	**87**	**240**
Investment return and tax variances	6	-	6	95	**101**
Effect of economic assumption changes	(57)	4	(53)	43	**(10)**
Restructuring costs	(25)	-	(25)	(1)	**(26)**
EEV profit after tax	**65**	**16**	**81**	**224**	**305**
Internal capital transfers	(194)	-	(194)	-	**(194)**
Transfer back of surplus to Standard Life Investments	(23)	-	(23)	-	**(23)**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Other	(1)	-	(1)	-	**(1)**
Closing EEV	**532**	**185**	**717**	**2,577**	**3,294**

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

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

(c) Canada

6 months to 30 June 2012	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**(103)**	**1,059**	**956**	**756**	**1,712**
Contribution from new business	(42)	27	(15)	35	**20**
Contribution from in-force business:					
Expected return on existing business	-	18	18	42	**60**
Expected return transfer to net worth	75	(34)	41	(41)	**-**
Experience variances	(2)	34	32	52	**84**
Development expenses	(6)	-	(6)	-	**(6)**
Expected return on free surplus	1	-	1	-	**1**
EEV operating profit after tax	**26**	**45**	**71**	**88**	**159**
Investment return and tax variances	(59)	41	(18)	16	**(2)**
Effect of economic assumption changes	9	40	49	61	**110**
Restructuring costs	(1)	-	(1)	-	**(1)**
EEV profit/(loss) after tax	**(25)**	**126**	**101**	**165**	**266**
Internal capital transfers	135	-	135	-	**135**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Actuarial losses on defined benefit pension schemes	(10)	-	(10)	-	**(10)**
Foreign exchange differences	-	(12)	(12)	(9)	**(21)**
Aggregate tax effect of items not recognised in income statement	4	-	4	-	**4**
Other	-	-	-	(1)	**(1)**
Closing EEV	**-**	**1,173**	**1,173**	**911**	**2,084**

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

(d) International

6 months to 30 June 2012	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**68**	**68**	**136**	**731**	**867**
Contribution from new business	(46)	9	(37)	60	**23**
Contribution from in-force business:					
Expected return on existing business	-	1	1	16	**17**
Expected return transfer to net worth	62	2	64	(64)	**-**
Experience variances	-	(1)	(1)	2	**1**
Operating assumption changes	(1)	-	(1)	1	**-**
Development expenses	(10)	-	(10)	-	**(10)**
Expected return on free surplus	1	-	1	-	**1**
EEV operating profit after tax	**6**	**11**	**17**	**15**	**32**
Investment return and tax variances	7	2	9	17	**26**
Effect of economic assumption changes	1	-	1	1	**2**
Restructuring costs	(1)	-	(1)	-	**(1)**
EEV profit after tax	**13**	**13**	**26**	**33**	**59**
Internal capital transfers	38	-	38	-	**38**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Foreign exchange differences	(3)	(3)	(6)	(22)	**(28)**
Closing EEV	**114**	**78**	**192**	**742**	**934**

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

4.10 Time value of options and guarantees (TVOG)

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
UK and Europe HWPF	(146)	(53)	(251)
Canada	(73)	(21)	(29)
International	(32)	(16)	(41)
Total	**(251)**	(90)	(321)

UK and Europe HWPF TVOG reflects the value of shareholder exposure to the policyholder guarantees within the HWPF. The value of this exposure has reduced by £105m during 2012. This arose from a post-tax operating gain of £82m mainly from asset changes and modelling improvements, and favourable non-operating movements of £23m.

The increase in the Canada TVOG of £44m has mainly arisen with Retail Fee business, and reflects the increased cost of guarantees from the business written in 2012 along with the adverse impact of market movements.

4.11 Market value of subordinated liabilities within covered business

	30 June 2012 £m	30 June 2011 £m	31 December 2011 £m
UK	(1,052)	(1,797)	(1,005)
Canada	(286)	(297)	(341)
Total	**(1,338)**	(2,094)	(1,346)

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

UK subordinated liabilities include Euro denominated subordinated guaranteed bonds. The increase in the UK subordinated debt liability of £47m since 31 December 2011 mainly reflects reduced market yields. The £55m decrease in the Canada subordinated liability since 31 December 2011 is due to an increase in the credit spread used to derive the market value.

The impact of these movements in subordinated liabilities are reflected in non-operating profit in UK and Canada as shown in Note 4.2(a) – Segmental EEV income statement. For Canada, this has been offset by the Group EEV consolidation adjustment in respect of the Canadian subordinated liability, as shown in the EEV consolidated income statement.

4.12 PVIF monetisation profile

The following tables show the PVIF emergence on a discounted and undiscounted basis along with a reconciliation to the total closing PVIF and the PVIF net of cost of capital impact from new business.

(a) PVIF emergence

In-force business

	PVIF	Cash emerging during years (£m)				
At 30 June 2012	**£m**	**1-5**	**6-10**	**11-15**	**16-20**	**20+**
UK	4,354	1,501	1,021	695	458	679
Canada	5,188	521	552	524	497	3,094
International	1,146	380	260	161	117	228
Total undiscounted	**10,688**	**2,402**	**1,833**	**1,380**	**1,072**	**4,001**
Total discounted	**5,119**	**2,105**	**1,233**	**712**	**425**	**644**

New business

	PVIF	Cash emerging during years (£m)				
At 30 June 2012	**£m**	**1-5**	**6-10**	**11-15**	**16-20**	**20+**
UK	243	75	56	42	29	41
Canada	124	24	15	12	11	62
International	95	36	22	12	10	15
Total undiscounted	**462**	**135**	**93**	**66**	**50**	**118**
Total discounted	**278**	**123**	**65**	**38**	**23**	**29**

(b) Reconciliation to closing PVIF

In-force business	Reconciliation of discounted PVIF		
At 30 June 2012	PVIF £m	TVOG £m	Total £m
UK and HWPF TVOG	2,802	(146)	**2,656**
Canada	1,512	(73)	**1,439**
International	805	(32)	**773**
Total	**5,119**	**(251)**	**4,868**

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

New business	Reconciliation of discounted PVIF			
At 30 June 2012	PVIF £m	Cost of capital £m	TVOG £m	Total £m
UK	156	(4)	-	**152**
Canada	58	(5)	(18)	**35**
International	64	(2)	(2)	**60**
Total	**278**	**(11)**	**(20)**	**247**

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

As outlined in Note 4.1 – Basis of preparation, with the exception of changes arising from the introduction of a new UK life insurance tax regime, the Group's EEV results do not include any allowance for changes to the reserving or required capital bases anticipated under future reporting or regulatory regimes. The PVIF monetisation profile therefore excludes changes anticipated under Solvency 2.

4.13 Principal economic assumptions – deterministic calculations – covered business

(a) Gross investment returns and expense inflation

At 30 June 2012	UK HWPF/PBF[1] %	Canada %	Europe HWPF/PBF[1] %	Europe offshore[2] %	Hong Kong %
Gross investment returns					
Risk free	1.71	1.99	1.58	1.71	0.92
Corporate bonds	2.57[3]	[4]	n/a	n/a	3.23
Equities	4.71	8.60	4.58	4.71	3.92
Property	3.71	8.60	3.58	3.71	n/a
Other					
Expense inflation:	3.12	[5]		3.12	2.50
Germany			1.64		
Ireland			2.53		

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Excludes corporate bond returns on annuities. For annuities in UK equity holder owned funds, the overall investment return, after allowing for assumed defaults, is 3.96% for annuities that are level or subject to fixed escalations and 2.48% for annuities where escalations are linked to a price index.
4 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 a mixture of government and corporate bonds.
5 0.000% in 2012. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.

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

(a) Gross investment returns and expense inflation *continued*

At 30 June 2011	UK HWPF/PBF[1] %	Canada %	Europe HWPF/PBF[1] %	Europe offshore[2] %	Hong Kong %
Gross investment returns					
Risk free	3.45	3.30	3.02	3.45	1.52[6]
Corporate bonds	4.12[3]	[4]	n/a	n/a	2.64[6]
Equities	6.45	8.60	6.02	6.45	4.52[6]
Property	5.45	8.60	5.02	5.45	n/a
Other					
Expense inflation:	4.09	[5]		4.09	2.50[6]
Germany			2.43		
Ireland			3.15		

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Excludes corporate bond returns on annuities. For annuities in UK equity holder owned funds, the overall investment return, after allowing for assumed defaults, is 4.93% for annuities that are level or subject to fixed escalations and 3.99% for annuities where escalations are linked to a price index.
4 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.
5 0.645% in 2011. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.
6 For Hong Kong, the following 31 December 2010 assumptions were used within the 30 June 2011 EEV income statement: risk free rate 2.10%, corporate bond return 3.22%, equity return 5.10% and expense inflation 2.50%.

At 31 December 2011	UK HWPF/PBF[1] %	Canada %	Europe HWPF/PBF[1] %	Europe offshore[2] %	Hong Kong %
Gross investment returns					
Risk free	1.93	2.17	1.83	1.93	1.09
Corporate bonds	2.99[3]	[4]	n/a	n/a	3.41
Equities	4.93	8.60	4.83	4.93	4.09
Property	3.93	8.60	3.83	3.93	n/a
Other					
Expense inflation:	3.37	[5]		3.37	2.50
Germany			1.85		
Ireland			2.74		

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Excludes corporate bond returns on annuities. For annuities in UK equity holder owned funds, the overall investment return, after allowing for assumed defaults, is 4.20% for annuities that are level or subject to fixed escalations and 2.73% for annuities where escalations are linked to a price index.
4 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 a mixture of government and corporate bonds.
5 0.000% in 2012. The rate in subsequent years is based on a moving 30-year bond yield less a 3% deduction.

(b) Risk discount rates – in-force business

At 30 June 2012	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – in-force business							
Risk free	1.71	1.71	1.99	1.58	1.58	1.71	0.92
Risk margin	4.50	2.50	4.40	2.00	1.40	2.10	3.10
Risk discount rate[3]	**6.21**	**4.21**	**6.39**	**3.58**	**2.98**	**3.81**	**4.02**

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Using the value of in-force business as weights, the average risk discount rates for UK and Europe are 5.19% and 3.29% respectively.

At 30 June 2011	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – in-force business							
Risk free	3.45	3.45	3.30	3.02	3.02	3.45	1.52[4]
Risk margin	3.60	2.90	3.50	3.60	2.90	2.90	2.90[4]
Risk discount rate[3]	**7.05**	**6.35**	**6.80**	**6.62**	**5.92**	**6.35**	4.42[4]

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Using the value of in-force business as weights, the average risk discount rates for UK and Europe are 6.75% and 6.26% respectively.
4 For Hong Kong, the following 31 December 2010 assumptions were used within the 30 June 2011 EEV income statement: risk free rate 2.10%, risk margin 2.90% and risk discount rate 5.00%.

At 31 December 2011	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – in-force business							
Risk free	1.93	1.93	2.17	1.83	1.83	1.93	1.09
Risk margin	4.50	2.70	4.50	2.00	1.30	2.30	3.10
Risk discount rate[3]	**6.43**	**4.63**	**6.67**	**3.83**	**3.13**	**4.23**	**4.19**

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 Using the value of in-force business as weights, the average risk discount rates for UK and Europe are 5.55% and 3.51% respectively.

Risk margins have been updated at 30 June 2012 to reflect the impact of market movements. Allowances for non-market risk are unchanged from those used at 31 December 2011 – these are reviewed once a year and any changes will be reflected in the 2012 full year results.

In Canada, the 30 June 2012 risk margin also reflects the impact of the relative movements in the returns assumed on equities and property compared to risk free, as well as the changes in market risk resulting from the revised modelling of cash flows as described in Note 4.4 – Experience variances.

The increased market risk resulting from the revised modelling in Canada resulted in a 0.1% increase in the risk margin. This resulted in a loss of £33m which is included within the Canada operating experience variances as reported in Note 4.2(a) – Segmental analysis – covered business – Segmental EEV income statement.

The impact of the other changes in risk discount rates has been included in the effect of economic assumption changes shown in Note 4.2(a). The amounts within these totals that relate to the changes in risk discount rate are for UK: profit £94m, for Canada: profit £109m, and for International: profit £21m. These profits reflect the impact of lower risk discount rates which are mainly driven by reductions in risk free rates during 2012.

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

(c) Risk discount rates – new business

6 months to 30 June 2012	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – new business							
Risk free[3]	1.93	1.93	2.17	1.83	1.83	1.93	1.09
Risk margin	3.10	2.80	2.50	3.30	2.20	2.20	3.10
Risk discount rate[4]	**5.03**	**4.73**	**4.67**	**5.13**	**4.03**	**4.13**	**4.19**

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 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 2011.
4 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe are 4.76% and 4.06% respectively.

6 months to 30 June 2011	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – new business							
Risk free[3]	3.49	3.49	3.29	2.96	2.96	3.49	2.10
Risk margin	2.30	2.90	2.70	2.30	2.90	2.90	2.90
Risk discount rate[4]	**5.79**	**6.39**	**5.99**	**5.26**	**5.86**	**6.39**	**5.00**

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2010.
4 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe are 6.31% and 6.00% respectively.

12 months to 31 December 2011	UK HWPF %	UK PBF[1] %	Canada %	Europe HWPF %	Europe PBF[1] %	Europe offshore[2] %	Hong Kong %
Risk discount rates – new business							
Risk free[3]	3.49	3.49	3.29	2.96	2.96	3.49	2.10
Risk margin	2.90	2.80	2.00	3.10	1.20	2.20	2.90
Risk discount rate[4]	**6.39**	**6.29**	**5.29**	**6.06**	**4.16**	**5.69**	**5.00**

1 Proprietary Business Fund (PBF) denotes the equity holder owned fund in SLAL.
2 Europe offshore denotes Standard Life International Limited (SLIL).
3 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2010.
4 Using the value of in-force for new business as weights, the average risk discount rates for UK and Europe are 6.30% and 4.54% respectively.

(d) International – Asia

The PVIF and cost of required capital of the India and China joint venture (JV) businesses are calculated using a 'risk neutral' approach whereby projected investment returns and discount rates are based on risk free rates. The risk free rates used were:

	30 June 2012 %	30 June 2011 %	31 December 2011 %
India	**8.30**	8.38	8.55
China	**3.93**	3.88	3.89

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

Non-market risk has been allowed for via a specific deduction to the PVIF, based on a non-market risk 'cost of capital' approach. This has reduced the PVIF of the India and China JV businesses at 30 June 2012 by £23m (30 June 2011: £26m; 31 December 2011: £25m). Similarly, the 2012 pre-tax NBC for the six months ended 30 June 2012 has been reduced by £3m (six months ended 30 June 2011: £4m; 12 months ended 31 December 2011: £7m) as an allowance for non-market risk.

4.14 Principal economic assumptions – stochastic calculations

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

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

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

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

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

Parameters used in ESG

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

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

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

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

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

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

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

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

UK Sterling	30 June 2012 Swap term (years)		30 June 2011 Swap term (years)		31 December 2011 Swap term (years)	
Option term (years)	10	15	10	15	10	15
10	17.6%	15.8%	14.4%	13.9%	19.1%	17.1%
15	16.5%	15.1%	14.1%	13.6%	17.7%	16.1%
20	15.0%	13.7%	13.3%	12.8%	16.0%	14.6%
25	13.7%	12.5%	12.5%	12.0%	14.6%	13.4%

Euro	30 June 2012 Swap term (years)		30 June 2011 Swap term (years)		31 December 2011 Swap term (years)	
Option term (years)	15	20	15	20	15	20
10	19.6%	19.0%	14.8%	14.4%	20.2%	19.8%
15	18.8%	17.9%	14.5%	13.9%	19.4%	18.6%
20	17.0%	16.0%	13.2%	12.6%	17.6%	16.6%
25	15.8%	n/a	12.3%	n/a	16.3%	n/a

4.14 Principal economic assumptions – stochastic calculations *continued*

Equity-implied volatilities

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

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

UK equities Term (years)	30 June 2012	30 June 2011	31 December 2011
10	27.2%	23.2%	26.2%
15	27.4%	25.0%	26.7%
20	27.9%	26.2%	27.4%
25	28.9%	27.4%	28.4%

European equities Term (years)	30 June 2012	30 June 2011	31 December 2011
10	25.5%	24.2%	27.9%
15	25.4%	25.5%	27.9%
20	26.1%	26.2%	28.6%
25	26.4%	26.8%	28.9%

Property-implied volatilities

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

For the UK, the model is calibrated to a property-implied volatility of 15% for 30 June 2012, 15% for 31 December 2011 and 15% for 30 June 2011.

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

4.15 Foreign exchange

The principal exchange rates applied are:

Local currency: £	Closing 30 June 2012	Average to 30 June 2012	Closing 30 June 2011	Average to 30 June 2011	Closing 31 December 2011	Average to 31 December 2011
Canada	1.599	1.590	1.549	1.576	1.582	1.584
Europe	1.236	1.215	1.107	1.146	1.197	1.152
India	87.574	82.833	71.768	72.615	82.529	75.027
China	9.966	9.981	10.378	10.564	9.782	10.378
Hong Kong	12.166	12.259	12.492	12.578	12.070	12.499

4.16 Sensitivity analysis – economic and non-economic assumptions

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

4.17 EEV methodology

Covered business

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

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

UK covered business also includes:

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

Canada covered business also includes mutual funds.

International covered business consists of:

- The Group's Germany branch of Standard Life Assurance Limited (SLAL)
- The Group's Ireland branch of SLAL
- The Group's offshore bond business, which is sold by Standard Life International Limited (SLIL)
- The Group's business in Hong Kong (Standard Life (Asia) Limited)
- The Group's share of results in the JV in India, HDFC Standard Life Insurance Company Limited, at 26% for the six months ended 30 June 2012 (during the 12 months ended 31 December 2011: 26%)
- The Group's share of results in the JV in China, Heng An Standard Life Insurance Company Limited, at 50% for the six months ended 30 June 2012 (during the 12 months ended 31 December 2011: 50%)

Non-covered business

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

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

Segmentation

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

Consolidation adjustments

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

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

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

Value of in-force covered business

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

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

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

Free surplus

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

For some assets and liabilities where market value is not the normal basis for accounting, 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.

4.17 EEV methodology *continued*

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 PVIF (excluding the allowance for TVOG) calculated using expected 'real world' asset returns equates with 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 PVIF using our internal capital model, and quantifying an additional risk margin based on the results of the stress tests.

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

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

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

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

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

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

Required capital

Required capital represents the amount of assets over and above those required to back the liabilities in respect of the covered 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 at least once a year.

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

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

- UK and Europe (business in HWPF) – no capital requirement in excess of statutory reserves or asset shares is valued in the EEV
- UK and Europe (business in equity holder owned funds) – 100% of EU minimum regulatory capital, which is higher in aggregate than Standard Life's internal risk-based capital requirement
- Canada – the level of required capital is taken as 175% of minimum continuing capital and surplus requirements (MCCSR)
- India, China and Hong Kong – required capital is based on the local statutory capital requirements

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

Time value of financial options and guarantees (TVOG)

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

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

The value of 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 TVOG is calculated

The level of 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) where appropriate
- Each projection allows for the gradual release of the residual estate over time to policyholders where there are sufficient funds

UK and Europe – other
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, some of which 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 TVOG has been calculated using stochastic techniques. TVOG has reduced both NBC and closing PVIF for Germany.

An adjustment is made within free surplus to allow for the potential cost of a selection of guaranteed annuity benefits on unit linked and smoothed-managed business within Germany.

Canada
The main options and guarantees within the Canada business are in respect of minimum investment returns, guaranteed maturity and death benefits, and vested bonuses, which apply to certain investment and insurance contracts. TVOG has reduced both NBC and closing PVIF for Canada.

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

4.17 EEV methodology *continued*

Other economic assumptions

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

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

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

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

Non-economic assumption changes

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

Expense assumptions

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

In determining future expenses in relation to covered business, no allowance has been made in the EEV or 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 businesses rather than the investment fees actually charged.

Restructuring costs for covered and non-covered business are consistent with those identified in the Group operating profit adjustments and primarily represent costs in relation to a number of restructuring programmes including Solvency 2. Refer to the IFRS financial information Note 3.3 – Administrative expenses for further detail. Restructuring costs in 2011 also include the impact on free surplus, required capital, cost of required capital and PVIF arising from the termination of the internal reinsurance agreement between SLAL and SLIF.

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

Expenses – pension schemes

Pension schemes have been included in accordance with International Accounting Standard (IAS) 19 *Employee Benefits* and IFRIC 14 IAS 19 – *The Limit on a Defined Benefit Asset, Minimum Funding Requirements.*

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 company-specific considerations, along with data provided by the Continuous Mortality Investigation Bureau in the UK and the Canadian Institute of Actuaries in Canada.

Assumptions regarding option take-up, surrenders and withdrawals are assumed to vary, where appropriate, according to the investment scenario under consideration when deriving 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 using the approach used for the published new business figures as follows:

- New recurrent single premium business is classified as new regular premium business to the extent that it is deemed likely to renew
- Department for 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 (with the exception of vesting annuities for tax layer 1 deferred annuities sold before September 2009). NBC for Germany is calculated assuming a specific level of future premium indexation. Similarly, it is assumed that premiums on 'low start' policies increase at the end of the low start period.

For Ireland, new business is determined as follows:

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

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

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

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

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

The economic assumptions used are those at the start of the reporting period, and the non-economic assumptions are those at the end of the reporting period. An exception to this approach is annuity business in the UK and Ireland where, to ensure consistency between the economic assumptions used in 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 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 PVNBP is discounted using the relevant opening risk free rate rather than the risk discount rate.

4.17 EEV methodology *continued*

Tax

The opening and closing EEV numbers for 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. EEV attributable tax and EEV profit before tax are derived by grossing up EEV 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 EEV after-tax profits, it provides a consistent grossing-up basis upon which to compare results from one year to another and is in line with the Group's expectation of the rate of tax applicable to new business.

During 2009, a loan was made to the HWPF by the Company, repayment of which is contingent on the emergence of recourse cash flows and surplus in the HWPF (contingent loan agreement). A transfer to equity holders was then made to transfer the remaining unallocated surplus to equity holders without equity holder tax arising. As a result of this, the market risk associated with unallocated surplus was reduced. Future transfers to equity holders from the HWPF will, in the first instance, take the form of repayments under the contingent loan agreement. Such transfers can be made without equity holder tax arising for a number of years. Over time the actual effective tax rate on these transfers to equity holders will move towards 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 debt plus the subordinated debt issued by Canada form part of covered business and have been deducted at market value within EEV. The Canada subordinated liability is owned by a non-covered subsidiary of the Group, where the asset is valued on an amortised cost basis. Total Group EEV has been adjusted to exclude the difference between the market value and the amortised cost value of the Canada subordinated liability.

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

Foreign exchange

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

5 Independent auditors' review report to Standard Life plc

Introduction

We have been engaged by Standard Life plc (the Company) to review the financial information in the Half Year Results 2012 for the six months ended 30 June 2012, which comprises:

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

We have read the other information contained in the Half Year Results 2012, including the pro forma reconciliation of consolidated Group operating profit to IFRS profit for the period, and considered whether it contains any apparent misstatements or material inconsistencies with either the IFRS financial information or the EEV financial information.

Directors' responsibilities

The Half Year Results 2012 is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half Year Results 2012 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in Note 3.1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The IFRS financial information included in the Half Year Results 2012 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as adopted by the European Union. The Directors are responsible for preparing the EEV financial information in accordance with the EEV basis set out in Note 4.1.

Our responsibility

Our responsibility is to express to the Company a conclusion on the IFRS financial information included in the Half Year Results 2012 based on our review. This report on the IFRS financial information, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose.

Our responsibility on the EEV financial information in the Half Year Results 2012 is to express to the Company a conclusion based on our review. This report on the EEV financial information, including the conclusion, has been prepared for and only for the Company in accordance with our engagement letter dated 4 May 2012 and for no other purpose.

We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

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

- the IFRS financial information in the Half Year Results 2012 for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority, and
- the EEV financial information in the Half Year Results 2012 for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with the EEV basis set out in Note 4.1.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
14 August 2012

(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

6.1 EEV and EEV operating profit

30 June 2012	Covered: UK (and HWPF TVOG) £m	Covered: Canada £m	Covered: International £m	Total non-covered £m	Group elimination £m	Total £m	Pence per share p
Opening EEV	**3,208**	**1,712**	**867**	**1,552**	**89**	**7,428**	**317**
New business contribution	126	26	26	-	-	**178**	
Contribution from in-force business	185	185	17	-	-	**387**	
Non-covered business	-	-	-	39	-	**39**	
EEV operating profit before tax	**311**	**211**	**43**	**39**	**-**	**604**	
Tax on EEV operating profit	(71)	(52)	(11)	15	-	**(119)**	
EEV operating profit after tax	**240**	**159**	**32**	**54**	**-**	**485**	**21**
EEV non-operating profit/(loss) after tax	65	107	27	(7)	(52)	**140**	6
EEV profit/(loss) after tax	**305**	**266**	**59**	**47**	**(52)**	**625**	
Non-trading adjustments	(219)	106	8	(146)	-	**(251)**	
Closing EEV	**3,294**	**2,084**	**934**	**1,453**	**37**	**7,802**	**331**

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

6.1 EEV and EEV operating profit *continued*

31 December 2011	Covered: UK (and HWPF TVOG) £m	Covered: Canada £m	Covered: International £m	Total non-covered £m	Group elimination £m	Total £m	Pence per share p
Opening EEV	**3,581**	**1,758**	**732**	**1,205**	**45**	**7,321**	**322**
New business contribution	204	73	58	-	-	**335**	
Contributions from in-force business	257	251	46	-	-	**554**	
Non-covered business	-	-	-	100	-	**100**	
EEV operating profit before tax	**461**	**324**	**104**	**100**	**-**	**989**	
Tax on EEV operating profit	(115)	(80)	(26)	(44)	-	**(265)**	
EEV operating profit after tax	**346**	**244**	**78**	**56**	**-**	**724**	**31**
EEV non-operating (loss)/profit after tax	(322)	(108)	53	(22)	44	**(355)**	(15)
EEV profit after tax	**24**	**136**	**131**	**34**	**44**	**369**	
Non-trading adjustments	(397)	(182)	4	313	-	**(262)**	
Closing EEV	**3,208**	**1,712**	**867**	**1,552**	**89**	**7,428**	**317**

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

30 June 2012	UK £m	Global investment management £m	Canada £m	International £m	Other £m	Total £m
Operating profit/(loss) before tax	**141**	**68**	**72**	**28**	**(7)**	**302**
Tax on operating profit	34	(18)	(13)	(2)	2	**3**
Operating profit/(loss) after tax	**175**	**50**	**59**	**26**	**(5)**	**305**
Impact of different treatment of assets and actuarial reserves	(13)	-	5	1	-	**(7)**
DAC and DIR[1], intangibles, tax and other	9	-	6	(18)	-	**(3)**
Look through to investment management	23	(25)	-	2	-	**-**
EEV operating capital and cash generation	**194**	**25**	**70**	**11**	**(5)**	**295**
EEV operating profit after tax – PVIF	87	-	88	15	-	**190**
EEV operating profit/(loss) after tax	**281**	**25**	**158**	**26**	**(5)**	**485**

[1] Deferred acquisition costs (DAC) and deferred income reserve (DIR).

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

[1] Deferred acquisition costs (DAC) and deferred income reserve (DIR).

31 December 2011	UK £m	Global investment management £m	Canada £m	International £m	Other £m	Total £m
Operating profit/(loss) before tax	220	125	187	40	(28)	**544**
Tax on operating profit	(16)	(30)	(31)	(8)	(2)	**(87)**
Operating profit/(loss) after tax	**204**	**95**	**156**	**32**	**(30)**	**457**
Impact of different treatment of assets and actuarial reserves	-	-	(11)	4	-	**(7)**
DAC and DIR[1], intangibles, tax and other	11	-	11	(34)	-	**(12)**
Look through to investment management	36	(41)	2	3	-	**-**
EEV operating capital and cash generation	**251**	**54**	**158**	**5**	**(30)**	**438**
EEV operating profit after tax – PVIF	138	-	82	66	-	**286**
EEV operating profit/(loss) after tax	**389**	**54**	**240**	**71**	**(30)**	**724**

[1] Deferred acquisition costs (DAC) and deferred income reserve (DIR).

6.3 Group assets under administration and net flows

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

Group assets under administration (summary)
Six months ended 30 June 2012

	Opening AUA at 1 Jan 2012 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2012 £bn
Fee business						
UK retail new	23.7	2.7	(1.2)	1.5	0.7	25.9
UK retail old	32.1	0.5	(1.9)	(1.4)	0.7	31.4
UK retail	**55.8**	**3.2**	**(3.1)**	**0.1**	**1.4**	**57.3**
Corporate	22.0	1.6	(0.8)	0.8	0.3	23.1
UK retail and corporate	**77.8**	**4.8**	**(3.9)**	**0.9**	**1.7**	**80.4**
Institutional pensions	17.5	2.1	(1.2)	0.9	0.8	19.2
Conventional with profits	5.3	-	(0.7)	(0.7)	0.1	4.7
UK total	**100.6**	**6.9**	**(5.8)**	**1.1**	**2.6**	**104.3**
Standard Life Investments third party	71.8	7.9	(7.3)	0.6	1.9	74.3
Canada	14.3	1.4	(1.1)	0.3	0.1	14.7
International (wholly owned)	12.3	1.1	(0.4)	0.7	0.2	13.2
Consolidation/eliminations[1]	(35.7)	(4.0)	2.4	(1.6)	(1.1)	(38.4)
Total fee business	**163.3**	**13.3**	**(12.2)**	**1.1**	**3.7**	**168.1**
Spread/risk						
UK	14.4	0.3	(0.6)	(0.3)	0.6	14.7
Canada	10.3	0.4	(0.6)	(0.2)	0.1	10.2
Total spread/risk business	**24.7**	**0.7**	**(1.2)**	**(0.5)**	**0.7**	**24.9**
Assets not backing products in long-term savings business	8.5	-	-	-	0.7	9.2
Joint ventures	1.2	0.2	(0.1)	0.1	-	1.3
Other corporate assets	1.6	-	-	-	-	1.6
Other consolidation/eliminations[1]	(0.9)	-	-	-	-	(0.9)
Group assets under administration	**198.4**	**14.2**	**(13.5)**	**0.7**	**5.1**	**204.2**

[1] In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments third party AUM and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

6.3 Group assets under administration and net flows *continued*

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

	Opening AUA at 1 Jan 2011 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2011 £bn
Fee business						
UK retail new	21.0	3.1	(1.1)	2.0	0.1	23.1
UK retail old	34.5	0.5	(1.9)	(1.4)	0.7	33.8
UK retail[1]	**55.5**	**3.6**	**(3.0)**	**0.6**	**0.8**	**56.9**
Corporate	21.0	2.2	(0.9)	1.3	-	22.3
UK retail and corporate	**76.5**	**5.8**	**(3.9)**	**1.9**	**0.8**	**79.2**
Institutional pensions	15.8	1.8	(1.0)	0.8	0.4	17.0
Conventional with profits	6.6	0.1	(0.7)	(0.6)	0.2	6.2
UK total	**98.9**	**7.7**	**(5.6)**	**2.1**	**1.4**	**102.4**
Standard Life Investments third party	71.6	7.6	(4.7)	2.9	(2.9)	71.6
Canada	14.0	1.3	(1.0)	0.3	0.4	14.7
International (wholly owned)	11.1	1.3	(0.4)	0.9	0.3	12.3
Consolidation/eliminations[2]	(32.2)	(3.9)	2.2	(1.7)	(0.8)	(34.7)
Total fee business	**163.4**	**14.0**	**(9.5)**	**4.5**	**(1.6)**	**166.3**
Spread/risk						
UK	13.4	0.3	(0.6)	(0.3)	0.3	13.4
Canada	10.1	0.5	(0.7)	(0.2)	(0.3)	9.6
Total spread/risk business	**23.5**	**0.8**	**(1.3)**	**(0.5)**	**-**	**23.0**
Assets not backing products in long-term savings business[1]	8.1	(0.1)	-	(0.1)	0.6	8.6
Joint ventures	1.2	0.2	(0.1)	0.1	-	1.3
Other corporate assets	1.4	-	-	-	0.3	1.7
Other consolidation/eliminations[2]	(0.8)	-	-	-	(0.1)	(0.9)
Group assets under administration	**196.8**	**14.9**	**(10.9)**	**4.0**	**(0.8)**	**200.0**

1 Standard Life Wealth was disclosed separately for the first time in the results for the year ended 31 December 2011. The 2011 figures have been restated.

2 In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments third party AUM and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

Group assets under administration (summary)
12 months ended 31 December 2011

	Opening AUA at 1 Jan 2011 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 31 Dec 2011 £bn
Fee business						
UK retail new	21.0	5.7	(2.0)	3.7	(1.0)	23.7
UK retail old	34.5	0.9	(3.7)	(2.8)	0.4	32.1
UK retail	**55.5**	**6.6**	**(5.7)**	**(0.9)**	**(0.6)**	**55.8**
Corporate	21.0	3.9	(1.9)	2.0	(1.0)	22.0
UK retail and corporate	**76.5**	**10.5**	**(7.6)**	**2.9**	**(1.6)**	**77.8**
Institutional pensions	15.8	3.2	(1.8)	1.4	0.3	17.5
Conventional with profits	6.6	0.2	(1.7)	(1.5)	0.2	5.3
UK total	**98.9**	**13.9**	**(11.1)**	**2.8**	**(1.1)**	**100.6**
Standard Life Investments third party	71.6	12.9	(8.6)	4.3	(4.1)	71.8
Canada	14.0	2.3	(1.7)	0.6	(0.3)	14.3
International (wholly owned)	11.1	2.5	(1.1)	1.4	(0.2)	12.3
Consolidation/eliminations[1]	(32.2)	(7.7)	4.7	(3.0)	(0.5)	(35.7)
Total fee business	**163.4**	**23.9**	**(17.8)**	**6.1**	**(6.2)**	**163.3**
Spread/risk						
UK	13.4	0.5	(1.2)	(0.7)	1.7	14.4
Canada	10.1	1.1	(1.4)	(0.3)	0.5	10.3
Total spread/risk business	**23.5**	**1.6**	**(2.6)**	**(1.0)**	**2.2**	**24.7**
Assets not backing products in long-term savings business	8.1	-	-	-	0.4	8.5
Joint ventures	1.2	0.4	(0.1)	0.3	(0.3)	1.2
Other corporate assets	1.4	-	-	-	0.2	1.6
Other consolidation/eliminations[1]	(0.8)	-	-	-	(0.1)	(0.9)
Group assets under administration	**196.8**	**25.9**	**(20.5)**	**5.4**	**(3.8)**	**198.4**

[1] In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments third party AUM and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

6.3 Group assets under administration and net flows *continued*

Group assets under administration
Six months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Opening AUA at 1 Jan 2012 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2012 £bn
UK							
Individual SIPP	F	16.4	1.5	(0.9)	0.6	0.5	17.5
Other individual pensions	F	22.6	0.4	(1.2)	(0.8)	0.6	22.4
Investment bonds	F	7.6	0.1	(0.6)	(0.5)	0.1	7.2
Mutual funds	F	6.1	0.8	(0.2)	0.6	-	6.7
Legacy life (excluding conventional with profits)	F	2.2	-	(0.2)	(0.2)	0.1	2.1
Wealth[1]	F	0.9	0.4	-	0.4	0.1	1.4
UK retail fee business		**55.8**	**3.2**	**(3.1)**	**0.1**	**1.4**	**57.3**
Corporate pensions	F	22.0	1.6	(0.8)	0.8	0.3	23.1
UK retail and corporate fee business		**77.8**	**4.8**	**(3.9)**	**0.9**	**1.7**	**80.4**
Institutional pensions	F	17.5	2.1	(1.2)	0.9	0.8	19.2
Conventional with profits	F	5.3	-	(0.7)	(0.7)	0.1	4.7
UK total fee business		**100.6**	**6.9**	**(5.8)**	**1.1**	**2.6**	**104.3**
Annuities	S/R	14.4	0.3	(0.6)	(0.3)	0.6	14.7
Assets not backing products		7.0	-	-	-	0.5	7.5
UK long-term savings		**122.0**	**7.2**	**(6.4)**	**0.8**	**3.7**	**126.5**
Canada							
Fee	F	10.9	0.8	(0.7)	0.1	0.1	11.1
Spread/risk	S/R	3.8	0.1	(0.2)	(0.1)	-	3.7
Group savings and retirement		**14.7**	**0.9**	**(0.9)**	**-**	**0.1**	**14.8**
Fee	F	1.9	0.4	(0.2)	0.2	-	2.1
Spread/risk	S/R	5.9	0.1	(0.2)	(0.1)	0.1	5.9
Individual insurance, savings and retirement		**7.8**	**0.5**	**(0.4)**	**0.1**	**0.1**	**8.0**
Group insurance	S/R	0.6	0.2	(0.2)	-	-	0.6
Mutual funds	F	1.5	0.2	(0.2)	-	-	1.5
Assets not backing products		1.5	-	-	-	0.2	1.7
Canada long-term savings		**26.1**	**1.8**	**(1.7)**	**0.1**	**0.4**	**26.6**
International							
Ireland[1]	F	6.6	0.7	(0.3)	0.4	-	7.0
Germany	F	5.6	0.4	(0.1)	0.3	0.1	6.0
Hong Kong	F	0.1	-	-	-	0.1	0.2
Wholly owned long-term savings		**12.3**	**1.1**	**(0.4)**	**0.7**	**0.2**	**13.2**
Joint ventures long-term savings		**1.2**	**0.2**	**(0.1)**	**0.1**	**-**	**1.3**
International long-term savings		**13.5**	**1.3**	**(0.5)**	**0.8**	**0.2**	**14.5**
Consolidation and elimination adjustments[1]		(0.2)	(0.1)	-	(0.1)	0.1	(0.2)
Total worldwide long-term savings		**161.4**	**10.2**	**(8.6)**	**1.6**	**4.4**	**167.4**
Other corporate assets		**1.6**	-	-	-	-	1.6
Standard Life Investments third party assets under management		**71.8**	**7.9**	**(7.3)**	**0.6**	**1.9**	**74.3**
Consolidation and elimination adjustments[2,3]		**(36.4)**	(3.9)	2.4	(1.5)	(1.2)	(39.1)
Group assets under administration		**198.4**	**14.2**	**(13.5)**	**0.7**	**5.1**	**204.2**
Group assets under administration managed by:							
Standard Life Group entities		163.3					167.0
Other third party managers		35.1					37.2
Total		**198.4**					**204.2**

1 The consolidation adjustment eliminates amounts shown in both Wealth and Ireland.

2 In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments third party AUM and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

3 Consolidation and elimination adjustments closing AUA includes Standard Life Investments third party insurance contracts of £28.6bn (31 December 2011: £26.7bn), UK mutual funds and other of £7.7bn (31 December 2011: £6.8bn) and Canada mutual funds of £1.5bn (31 December 2011: £1.6bn).

Long-term savings operations net flows
Six months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Gross flows 6 months to 30 Jun 2012 £m	Redemptions 6 months to 30 Jun 2012 £m	Net flows 6 months to 30 Jun 2012 £m	Gross flows 6 months to 30 Jun 2011 £m	Redemptions 6 months to 30 Jun 2011 £m	Net flows 6 months to 30 Jun 2011 £m
UK							
Individual SIPP[1,2]	F	**1,494**	**(929)**	**565**	1,841	(843)	998
Other individual pensions	F	**412**	**(1,177)**	**(765)**	448	(1,279)	(831)
Investment bonds	F	**79**	**(607)**	**(528)**	116	(598)	(482)
Mutual funds[1]	F	**778**	**(225)**	**553**	1,054	(211)	843
Legacy life (excluding conventional with profits)	F	**56**	**(159)**	**(103)**	63	(128)	(65)
Wealth[2]	F	**415**	**(25)**	**390**	215	(22)	193
UK retail fee business		**3,234**	**(3,122)**	**112**	3,737	(3,081)	656
Corporate pensions[1]	F	**1,583**	**(820)**	**763**	2,180	(915)	1,265
UK retail and corporate fee business		**4,817**	**(3,942)**	**875**	5,917	(3,996)	1,921
Institutional pensions	F	**2,054**	**(1,174)**	**880**	1,786	(974)	812
Conventional with profits	F	**70**	**(705)**	**(635)**	92	(673)	(581)
UK total fee business		**6,941**	**(5,821)**	**1,120**	7,795	(5,643)	2,152
Annuities	S/R	**281**	**(585)**	**(304)**	217	(564)	(347)
Protection	S/R	**35**	**(26)**	**9**	39	(26)	13
UK long-term savings		**7,257**	**(6,432)**	**825**	8,051	(6,233)	1,818
Canada							
Fee	F	**807**	**(716)**	**91**	858	(611)	247
Spread/risk	S/R	**98**	**(211)**	**(113)**	100	(216)	(116)
Group savings and retirement		**905**	**(927)**	**(22)**	958	(827)	131
Fee	F	**353**	**(169)**	**184**	271	(178)	93
Spread/risk	S/R	**114**	**(257)**	**(143)**	167	(267)	(100)
Individual insurance, savings and retirement		**467**	**(426)**	**41**	438	(445)	(7)
Group insurance	S/R	**222**	**(178)**	**44**	221	(178)	43
Mutual funds[1]	F	**143**	**(150)**	**(7)**	120	(188)	(68)
Canada long-term savings		**1,737**	**(1,681)**	**56**	1,737	(1,638)	99
International							
Ireland[2]	F	**692**	**(352)**	**340**	859	(323)	536
Germany	F	**371**	**(124)**	**247**	389	(97)	292
Hong Kong	F	**38**	**(8)**	**30**	43	(13)	30
Wholly owned long-term savings		**1,101**	**(484)**	**617**	1,291	(433)	858
Joint ventures long-term savings[3]		**215**	**(75)**	**140**	211	(71)	140
International long-term savings		**1,316**	**(559)**	**757**	1,502	(504)	998
Other consolidation/eliminations[2]		**(69)**	**5**	**(64)**	(41)	3	(38)
Total worldwide long-term savings		**10,241**	**(8,667)**	**1,574**	11,249	(8,372)	2,877

1 Mutual funds net flows are also included within mutual funds net flows in investment operations. In addition, non-insured SIPP mutual funds net flows included within individual SIPP and corporate pensions are also included within UK mutual funds net flows in investment operations.

2 Wealth was disclosed separately for the first time in the results for the year ended 31 December 2011. The consolidation adjustment eliminates amounts also shown within Ireland. Comparatives have been restated.

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

6.3 Group assets under administration and net flows *continued*

Long-term savings operations net flows
Three months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Gross flows 3 months to 30 Jun 2012 £m	Redemptions 3 months to 30 Jun 2012 £m	Net flows 3 months to 30 Jun 2012 £m	Gross flows 3 months to 30 Jun 2011 £m	Redemptions 3 months to 30 Jun 2011 £m	Net flows 3 months to 30 Jun 2011 £m
UK							
Individual SIPP[1,2]	F	667	(469)	198	895	(408)	487
Other individual pensions	F	224	(586)	(362)	250	(609)	(359)
Investment bonds	F	39	(286)	(247)	53	(286)	(233)
Mutual funds[1]	F	382	(111)	271	532	(98)	434
Legacy life (excluding conventional with profits)	F	27	(84)	(57)	32	(67)	(35)
Wealth[2]	F	219	(14)	205	88	(8)	80
UK retail fee business		1,558	(1,550)	8	1,850	(1,476)	374
Corporate pensions[1]	F	858	(466)	392	1,145	(439)	706
UK retail and corporate fee business		2,416	(2,016)	400	2,995	(1,915)	1,080
Institutional pensions	F	881	(740)	141	864	(346)	518
Conventional with profits	F	34	(388)	(354)	44	(396)	(352)
UK total fee business		3,331	(3,144)	187	3,903	(2,657)	1,246
Annuities	S/R	140	(294)	(154)	108	(283)	(175)
Protection	S/R	17	(10)	7	19	(11)	8
UK long-term savings		3,488	(3,448)	40	4,030	(2,951)	1,079
Canada							
Fee	F	398	(296)	102	346	(256)	90
Spread/risk	S/R	46	(98)	(52)	45	(103)	(58)
Group savings and retirement		444	(394)	50	391	(359)	32
Fee	F	166	(78)	88	128	(83)	45
Spread/risk	S/R	55	(123)	(68)	71	(133)	(62)
Individual insurance, savings and retirement		221	(201)	20	199	(216)	(17)
Group insurance	S/R	111	(88)	23	112	(90)	22
Mutual funds[1]	F	66	(68)	(2)	54	(75)	(21)
Canada long-term savings		842	(751)	91	756	(740)	16
International							
Ireland[2]	F	331	(166)	165	399	(157)	242
Germany	F	184	(59)	125	198	(46)	152
Hong Kong	F	18	(4)	14	26	(11)	15
Wholly owned long-term savings		533	(229)	304	623	(214)	409
Joint ventures long-term savings[3]		72	(35)	37	76	(38)	38
International long-term savings		605	(264)	341	699	(252)	447
Other consolidation/eliminations[2]		(22)	2	(20)	(16)	2	(14)
Total worldwide long-term savings		4,913	(4,461)	452	5,469	(3,941)	1,528

1 Mutual funds net flows are also included within mutual funds net flows in investment operations. In addition, non-insured SIPP mutual funds net flows included within individual SIPP and corporate pensions are also included within UK mutual funds net flows in investment operations.
2 Wealth was disclosed separately for the first time in the results for the year ended 31 December 2011. The consolidation adjustment eliminates amounts also shown within Ireland. Comparatives have been restated.
3 Includes net flows in respect of Standard Life's share of the India and China JV businesses.

Long-term savings operations net flows
15 months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Net flows 3 months to 30 Jun 2012 £m	3 months to 31 Mar 2012 £m	3 months to 31 Dec 2011 £m	3 months to 30 Sep 2011 £m	3 months to 30 Jun 2011 £m
UK						
Individual SIPP[1]	F	**198**	367	312	423	487
Other individual pensions	F	**(362)**	(403)	(385)	(407)	(359)
Investment bonds	F	**(247)**	(281)	(255)	(243)	(233)
Mutual funds	F	**271**	282	215	326	434
Legacy life (excluding conventional with profits)	F	**(57)**	(46)	(33)	(36)	(35)
Wealth[1]	F	**205**	185	112	101	80
UK retail fee business		**8**	104	(34)	164	374
Corporate pensions	F	**392**	371	403	356	706
UK retail and corporate fee business		**400**	475	369	520	1,080
Institutional pensions	F	**141**	739	307	295	518
Conventional with profits	F	**(354)**	(281)	(401)	(466)	(352)
UK total fee business		**187**	933	275	349	1,246
Annuities	S/R	**(154)**	(150)	(164)	(164)	(175)
Protection	S/R	**7**	2	5	6	8
UK long-term savings		**40**	785	116	191	1,079
Canada						
Fee	F	**102**	(11)	194	89	90
Spread/risk	S/R	**(52)**	(61)	(32)	(58)	(58)
Group savings and retirement		**50**	(72)	162	31	32
Fee	F	**88**	96	54	52	45
Spread/risk	S/R	**(68)**	(75)	(69)	(76)	(62)
Individual insurance, savings and retirement		**20**	21	(15)	(24)	(17)
Group insurance	S/R	**23**	21	23	20	22
Mutual funds	F	**(2)**	(5)	(24)	(19)	(21)
Canada long-term savings		**91**	(35)	146	8	16
International						
Ireland[1]	F	**165**	175	171	114	242
Germany	F	**125**	122	131	141	152
Hong Kong	F	**14**	16	18	15	15
Wholly owned long-term savings		**304**	313	320	270	409
Joint ventures long-term savings[2]		**37**	103	68	67	38
International long-term savings		**341**	416	388	337	447
Other consolidation/eliminations[1]		**(20)**	(44)	(11)	(28)	(14)
Total worldwide long-term savings		**452**	1,122	639	508	1,528

1 Wealth was disclosed separately for the first time in the results for the year ended 31 December 2011. The consolidation adjustment eliminates amounts also shown within Ireland. Comparatives have been restated.
2 Includes net flows in respect of Standard Life's share of the India and China JV businesses.

6.4 Analysis of new business

Long-term savings operations new business
Six months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Single premiums 6 months to 30 Jun 2012 £m	Single premiums 6 months to 30 Jun 2011 £m	New regular premiums 6 months to 30 Jun 2012 £m	New regular premiums 6 months to 30 Jun 2011 £m	PVNBP[1] 6 months to 30 Jun 2012 £m	PVNBP[1] 6 months to 30 Jun 2011 £m	PVNBP[1] Change[2] %	PVNBP[1] Change in constant currency[2] %
UK									
Individual SIPP[3]	F	**1,530**	1,821	**36**	45	**1,669**	1,984	**(16%)**	**(16%)**
Other individual pensions	F	**205**	224	**9**	11	**226**	253	**(11%)**	**(11%)**
Investment bonds	F	**74**	105	**-**	-	**74**	105	**(30%)**	**(30%)**
Mutual funds[3]	F	**798**	1,039	**15**	15	**916**	1,152	**(20%)**	**(20%)**
UK retail fee business		**2,607**	3,189	**60**	71	**2,885**	3,494	**(17%)**	**(17%)**
Corporate pensions[3]	F	**566**	1,226	**320**	389	**1,995**	2,830	**(30%)**	**(30%)**
UK retail and corporate fee business		**3,173**	4,415	**380**	460	**4,880**	6,324	**(23%)**	**(23%)**
Institutional pensions	F	**1,953**	1,673	**-**	1	**1,953**	1,674	**17%**	**17%**
UK total fee business		**5,126**	6,088	**380**	461	**6,833**	7,998	**(15%)**	**(15%)**
Annuities	S/R	**200**	147	**-**	-	**200**	147	**36%**	**36%**
Protection	S/R	**-**	-	**-**	-	**1**	1	**-**	**-**
UK long-term savings		**5,326**	6,235	**380**	461	**7,034**	8,146	**(14%)**	**(14%)**
Canada									
Fee	F	**146**	247	**33**	20	**772**	501	**54%**	**56%**
Spread/risk	S/R	**43**	34	**6**	3	**151**	70	**116%**	**116%**
Group savings and retirement		**189**	281	**39**	23	**923**	571	**62%**	**63%**
Fee	F	**353**	271	**-**	-	**353**	271	**30%**	**31%**
Spread/risk	S/R	**60**	113	**-**	1	**60**	131	**(54%)**	**(54%)**
Individual insurance, savings and retirement		**413**	384	**-**	1	**413**	402	**3%**	**3%**
Group insurance	S/R	**-**	2	**20**	30	**301**	486	**(38%)**	**(38%)**
Mutual funds[3]	F	**143**	120	**-**	-	**143**	120	**19%**	**21%**
Canada long-term savings		**745**	787	**59**	54	**1,780**	1,579	**13%**	**14%**
International									
Ireland	F	**656**	817	**4**	5	**675**	836	**(19%)**	**(17%)**
Germany	F	**15**	17	**11**	11	**179**	162	**10%**	**17%**
Hong Kong	F	**5**	13	**20**	26	**125**	177	**(29%)**	**(31%)**
Wholly owned long-term savings		**676**	847	**35**	42	**979**	1,175	**(17%)**	**(15%)**
India[4]		**21**	29	**47**	44	**233**	212	**10%**	**25%**
China[4]		**28**	20	**5**	6	**51**	49	**4%**	**(2%)**
Joint ventures long-term savings		**49**	49	**52**	50	**284**	261	**9%**	**19%**
International long-term savings		**725**	896	**87**	92	**1,263**	1,436	**(12%)**	**(9%)**
Total worldwide long-term savings		**6,796**	7,918	**526**	607	**10,077**	11,161	**(10%)**	**(9%)**

1 Present value of new business premiums (PVNBP) is the industry measure of insurance new business sales under the EEV methodology, calculated as 100% of single premiums plus the expected present value of new regular premiums.
2 % change is calculated on the figures rounded to millions.
3 Mutual funds new business is also included within mutual funds net flows in investment operations. In addition, non-insured SIPP mutual funds new business included within individual SIPP and corporate pensions is also included within UK mutual funds net flows in investment operations.
4 Standard Life's share of the joint venture company's new business.
5 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2012 were £1: C$1.59 (2011: £1: C$1.58) and £1: €1.21 (2011: £1: €1.15).

Investment operations
Six months ended 30 June 2012

		Opening AUM at 1 Jan 2012 £m	Gross flows £m	Redemptions £m	Net flows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2012 £m
UK	Mutual funds[1,2]	10,810	2,230	(1,264)	966	368	1,334	12,144
	Private equity	3,310	78	(48)	30	(119)	(89)	3,221
	Segregated funds	13,248	227	(2,605)	(2,378)	587	(1,791)	11,457
	Pooled property funds	1,953	30	-	30	(75)	(45)	1,908
Total UK		**29,321**	**2,565**	**(3,917)**	**(1,352)**	**761**	**(591)**	**28,730**
Canada	Mutual funds[1,3]	1,647	147	(177)	(30)	(7)	(37)	1,610
	Separate mandates	3,815	186	(1,001)	(815)	11	(804)	3,011
Total Canada		**5,462**	**333**	**(1,178)**	**(845)**	**4**	**(841)**	**4,621**
International	Europe	5,316	1,266	(343)	923	156	1,079	6,395
	India[4]	2,711	194	-	194	104	298	3,009
	Other	1,009	727	(128)	599	44	643	1,652
Total International		**9,036**	**2,187**	**(471)**	**1,716**	**304**	**2,020**	**11,056**
Total worldwide investment products excluding money market and related funds		**43,819**	**5,085**	**(5,566)**	**(481)**	**1,069**	**588**	**44,407**
	UK money market funds[5]	52	-	-	-	(5)	(5)	47
	India cash funds[5]	1,222	(167)	-	(167)	236	69	1,291
Total worldwide investment products		**45,093**	**4,918**	**(5,566)**	**(648)**	**1,300**	**652**	**45,745**

Total third party assets under management comprise the investment business noted above together with third party insurance contracts. New business relating to third party insurance contracts is disclosed as insurance business for reporting purposes. An analysis of total third party assets under management is shown below.

	Opening AUM at 1 Jan 2012 £m	Gross flows £m	Redemptions £m	Net flows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2012 £m
Third party investment products	45,093	4,918	(5,566)	(648)	1,300	652	45,745
Third party insurance contracts (new business classified as insurance products)	26,684	2,952	(1,746)	1,206	674	1,880	28,564
Total third party assets under management	**71,777**	**7,870**	**(7,312)**	**558**	**1,974**	**2,532**	**74,309**
UK money market funds and India cash funds[5]	1,274	(167)	-	(167)	231	64	1,338
Total third party assets under management excluding money market and related funds	**70,503**	**8,037**	**(7,312)**	**725**	**1,743**	**2,468**	**72,971**
Standard Life Investments – total assets under management	**154,876**						**157,570**

1 Included within mutual funds net flows are amounts also included within UK and Canada mutual funds, UK individual SIPP and UK corporate pensions long-term savings operations net flows and new business.

2 In the six months to 30 June 2011, UK mutual funds gross inflows were £2,766m and net inflows were £1,457m.

3 In the six months to 30 June 2011, Canada mutual funds gross inflows were £122m and net outflows were £69m.

4 International gross inflows include India where, due to the nature of the Indian investment sales market, the new business is shown as the net of sales less redemptions. India cash funds are included as money market and related funds in the table.

5 Due to the nature of the UK money market funds and India cash funds, the flows are calculated using average net client balances. Other movements are derived as the difference between these average net inflows and the movement in the opening and closing AUM.

6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2012. 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 2012 were £1: C$1.60 (31 December 2011: £1: C$1.58) and £1: €1.24 (31 December 2011: £1: €1.20). The principal average exchange rates for the six months to 30 June 2012 were £1: C$1.59 (2011: £1: C$1.58) and £1: €1.21 (2011: £1: €1.15).

6.4 Analysis of new business *continued*

Long-term savings operations new business
Three months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	Single premiums 3 months to 30 Jun 2012 £m	Single premiums 3 months to 30 Jun 2011 £m	New regular premiums 3 months to 30 Jun 2012 £m	New regular premiums 3 months to 30 Jun 2011 £m	PVNBP[1] 3 months to 30 Jun 2012 £m	PVNBP[1] 3 months to 30 Jun 2011 £m	Change[2] %	Change in constant currency[2] %
UK									
Individual SIPP[3]	F	**702**	880	**19**	27	**777**	978	**(21%)**	**(21%)**
Other individual pensions	F	**121**	141	**4**	5	**132**	155	**(15%)**	**(15%)**
Investment bonds	F	**36**	51	**-**	-	**36**	51	**(29%)**	**(29%)**
Mutual funds[3]	F	**389**	524	**9**	8	**462**	584	**(21%)**	**(21%)**
UK retail fee business		**1,248**	1,596	**32**	40	**1,407**	1,768	**(20%)**	**(20%)**
Corporate pensions[3]	F	**340**	664	**157**	208	**1,058**	1,536	**(31%)**	**(31%)**
UK retail and corporate fee business		**1,588**	2,260	**189**	248	**2,465**	3,304	**(25%)**	**(25%)**
Institutional pensions	F	**848**	805	**-**	-	**848**	802	**6%**	**6%**
UK total fee business		**2,436**	3,065	**189**	248	**3,313**	4,106	**(19%)**	**(19%)**
Annuities	S/R	**100**	74	**-**	-	**100**	74	**35%**	**35%**
Protection	S/R	**-**	-	**-**	-	**1**	1	**-**	**-**
UK long-term savings		**2,536**	3,139	**189**	248	**3,414**	4,181	**(18%)**	**(18%)**
Canada									
Fee	F	**92**	73	**24**	4	**573**	124	**362%**	**365%**
Spread/risk	S/R	**25**	14	**5**	1	**112**	22	**409%**	**406%**
Group savings and retirement		**117**	87	**29**	5	**685**	146	**369%**	**371%**
Fee	F	**166**	128	**-**	-	**166**	128	**30%**	**31%**
Spread/risk	S/R	**29**	45	**-**	-	**29**	54	**(46%)**	**(46%)**
Individual insurance, savings and retirement		**195**	173	**-**	-	**195**	182	**7%**	**8%**
Group insurance	S/R	**-**	1	**8**	9	**137**	162	**(15%)**	**(15%)**
Mutual funds[3]	F	**66**	54	**-**	-	**66**	54	**22%**	**26%**
Canada long-term savings		**378**	315	**37**	14	**1,083**	544	**99%**	**101%**
International									
Ireland	F	**303**	379	**2**	2	**313**	386	**(19%)**	**(16%)**
Germany	F	**8**	8	**5**	6	**84**	90	**(7%)**	**-**
Hong Kong	F	**2**	7	**9**	11	**54**	78	**(31%)**	**(33%)**
Wholly owned long-term savings		**313**	394	**16**	19	**451**	554	**(19%)**	**(16%)**
India[4]		**7**	7	**12**	13	**70**	62	**13%**	**38%**
China[4]		**10**	9	**2**	3	**19**	23	**(17%)**	**(21%)**
Joint ventures long-term savings		**17**	16	**14**	16	**89**	85	**5%**	**20%**
International long-term savings		**330**	410	**30**	35	**540**	639	**(15%)**	**(12%)**
Total worldwide long-term savings		**3,244**	3,864	**256**	297	**5,037**	5,364	**(6%)**	**(6%)**

1 Present value of new business premiums (PVNBP) is the industry measure of insurance new business sales under the EEV methodology, calculated as 100% of single premiums plus the expected present value of new regular premiums.
2 % change is calculated on the figures rounded to millions.
3 Mutual funds new business is also included within mutual funds net flows in investment operations. In addition, non-insured SIPP mutual funds new business included within individual SIPP and corporate pensions is also included within UK mutual funds net flows in investment operations.
4 Standard Life's share of the joint venture company's new business.
5 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2012 were £1: C$1.59 (2011: £1: C$1.58) and £1: €1.21 (2011: £1: €1.15).

Investment operations
Three months ended 30 June 2012

		Opening AUM at 1 Apr 2012 £m	Gross flows £m	Redemptions £m	Net flows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2012 £m
UK	Mutual funds[1,2]	12,303	1,115	(606)	509	(668)	(159)	12,144
	Private equity	3,271	77	(18)	59	(109)	(50)	3,221
	Segregated funds	13,378	188	(1,999)	(1,811)	(110)	(1,921)	11,457
	Pooled property funds	1,981	13	-	13	(86)	(73)	1,908
Total UK		**30,933**	**1,393**	**(2,623)**	**(1,230)**	**(973)**	**(2,203)**	**28,730**
Canada	Mutual funds[1,3]	1,674	14	(40)	(26)	(38)	(64)	1,610
	Separate mandates	3,090	106	(220)	(114)	35	(79)	3,011
Total Canada		**4,764**	**120**	**(260)**	**(140)**	**(3)**	**(143)**	**4,621**
International	Europe	6,347	311	(159)	152	(104)	48	6,395
	India[4]	3,269	(25)	-	(25)	(235)	(260)	3,009
	Other	1,175	614	(121)	493	(16)	477	1,652
Total International		**10,791**	**900**	**(280)**	**620**	**(355)**	**265**	**11,056**
Total worldwide investment products excluding money market and related funds		**46,488**	**2,413**	**(3,163)**	**(750)**	**(1,331)**	**(2,081)**	**44,407**
	UK money market funds[5]	48	-	-	-	(1)	(1)	47
	India cash funds[5]	963	(108)	-	(108)	436	328	1,291
Total worldwide investment products		**47,499**	**2,305**	**(3,163)**	**(858)**	**(896)**	**(1,754)**	**45,745**

Total third party assets under management comprise the investment business noted above together with third party insurance contracts. New business relating to third party insurance contracts is disclosed as insurance business for reporting purposes. An analysis of total third party assets under management is shown below.

	Opening AUM at 1 Apr 2012 £m	Gross flows £m	Redemptions £m	Net flows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2012 £m
Third party investment products	47,499	2,305	(3,163)	(858)	(896)	(1,754)	45,745
Third party insurance contracts (new business classified as insurance products)	28,621	1,349	(1,076)	273	(330)	(57)	28,564
Total third party assets under management	**76,120**	**3,654**	**(4,239)**	**(585)**	**(1,226)**	**(1,811)**	**74,309**
UK money market funds and India cash funds[5]	1,011	(108)	-	(108)	435	327	1,338
Total third party assets under management excluding money market and related funds	**75,109**	**3,762**	**(4,239)**	**(477)**	**(1,661)**	**(2,138)**	**72,971**
Standard Life Investments – total assets under management	**160,584**						**157,570**

1 Included within mutual funds net flows are amounts also included within UK and Canada mutual funds, UK individual SIPP and UK corporate pensions long-term savings operations net flows and new business.

2 In the three months to 30 June 2011, UK mutual funds gross inflows were £1,295m and net inflows were £649m.

3 In the three months to 30 June 2011, Canada mutual funds gross inflows were £55m and net outflows were £22m.

4 International gross inflows include India where, due to the nature of the Indian investment sales market, the new business is shown as the net of sales less redemptions. India cash funds are included as money market and related funds in the table.

5 Due to the nature of the UK money market funds and India cash funds, the flows are calculated using average net client balances. Other movements are derived as the difference between these average net inflows and the movement in the opening and closing AUM.

6 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2012. 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 2012 were £1: C$1.60 (31 March 2012: £1: C$1.60) and £1: €1.24 (31 March 2012: £1: €1.20). The principal average exchange rates for the six months to 30 June 2012 were £1: C$1.59 (2011: £1: C$1.58) and £1: €1.21 (2011: £1: €1.15).

6.4 Analysis of new business *continued*

Long-term savings operations new business
15 months ended 30 June 2012

	Fee (F) – Spread/risk (S/R)	PVNBP 3 months to 30 Jun 2012 £m	3 months to 31 Mar 2012 £m	3 months to 31 Dec 2011[1] £m	3 months to 30 Sep 2011 £m	3 months to 30 Jun 2011 £m
UK						
Individual SIPP	F	**777**	892	730	857	978
Other individual pensions	F	**132**	94	53	71	155
Investment bonds	F	**36**	38	31	44	51
Mutual funds	F	**462**	454	376	455	584
UK retail fee business		**1,407**	1,478	1,190	1,427	1,768
Corporate pensions	F	**1,058**	937	666	1,028	1,536
UK retail and corporate fee business		**2,465**	2,415	1,856	2,455	3,304
Institutional pensions	F	**848**	1,105	711	643	802
UK total fee business		**3,313**	3,520	2,567	3,098	4,106
Annuities	S/R	**100**	100	82	83	74
Protection	S/R	**1**	-	-	-	1
UK long-term savings		**3,414**	3,620	2,649	3,181	4,181
Canada						
Fee	F	**573**	199	248	132	124
Spread/risk	S/R	**112**	39	54	33	22
Group savings and retirement		**685**	238	302	165	146
Fee	F	**166**	187	146	123	128
Spread/risk	S/R	**29**	31	53	59	54
Individual insurance, savings and retirement		**195**	218	199	182	182
Group insurance	S/R	**137**	164	145	195	162
Mutual funds	F	**66**	77	51	47	54
Canada long-term savings		**1,083**	697	697	589	544
International						
Ireland	F	**313**	362	403	290	386
Germany	F	**84**	95	185	81	90
Hong Kong	F	**54**	71	92	77	78
Wholly owned long-term savings		**451**	528	680	448	554
India[2]		**70**	163	96	106	62
China[2]		**19**	32	20	20	23
Joint ventures long-term savings		**89**	195	116	126	85
International long-term savings		**540**	723	796	574	639
Total worldwide long-term savings		**5,037**	5,040	4,142	4,344	5,364

1 The three month period to 31 December 2011 excludes the full impact of year end changes to non-economic assumptions. The effect of changes to year end non-economic assumptions was an increase in total PVNBP of £91m in the final PVNBP results published in the 2011 Preliminary results.

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

6.5 Exposure to investment property and financial assets

Group exposure to investment property and financial assets

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

30 June 2012	Exposure Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Investments in associates and joint ventures	20	-	30	12	**62**
Investment property	865	2,099	4,399	1,283	**8,646**
Equity securities	596	8,431	47,992	2,749	**59,768**
Debt securities	11,555	29,774	23,783	4,830	**69,942**
Loans	2,897	168	172	-	**3,237**
Other financial assets	952	1,786	1,908	584	**5,230**
Cash and cash equivalents	1,315	1,987	5,360	1,113	**9,775**
Total	**18,200**	**44,245**	**83,644**	**10,571**	**156,660**

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

30 June 2011	Exposure Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Investments in associates and joint ventures	21	-	32	15	**68**
Investment property	920	2,171	4,275	1,303	**8,669**
Equity securities	582	10,653	49,647	2,370	**63,252**
Debt securities	11,078	28,553	21,486	3,526	**64,643**
Loans	2,850	195	137	-	**3,182**
Other financial assets[2,3]	1,167	1,278	1,468	486	**4,399**
Cash and cash equivalents	1,445	1,704	4,552	1,051	**8,752**
Total	**18,063**	**44,554**	**81,597**	**8,751**	**152,965**

1 Third party interest in consolidated funds and non-controlling interests.
2 Adjusted to remove reinsurance assets.
3 There has been a reallocation between shareholder and policyholder (participating) in respect of inter-fund transactions.

31 December 2011	Exposure Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Investments in associates and joint ventures	15	-	27	13	**55**
Investment property	831	2,181	4,418	1,313	**8,743**
Equity securities	571	9,140	46,363	2,457	**58,531**
Debt securities	11,511	30,028	21,879	3,758	**67,176**
Loans	2,903	179	137	-	**3,219**
Other financial assets[2]	973	1,359	1,357	374	**4,063**
Cash and cash equivalents	1,085	1,657	5,122	1,323	**9,187**
Total	**17,889**	**44,544**	**79,303**	**9,238**	**150,974**

1 Third party interest in consolidated funds and non-controlling interests.
2 There has been a reallocation between shareholder and policyholder (participating) in respect of inter-fund transactions.

Shareholder exposure to investment property and financial assets

The total shareholder exposure to investment property and financial assets of £18.2bn (30 June 2011: £18.1bn; 31 December 2011: £17.9bn) includes £11.4bn (30 June 2011: £11.4bn; 31 December 2011: £11.4bn) of assets held by non-segregated funds of the Group's Canada operations. The effective exposure of shareholders to assets of the non-segregated funds in Canada was significantly lower than the nominal level of exposure presented below because changes in the value of assets are typically accompanied by offsetting changes in the value of related liabilities. The shareholder exposure is limited to the net impact on the shareholder surplus and the value of any guarantees which may be triggered.

6.5 Exposure to investment property and financial assets *continued*

	Canada non-segregated funds exposure			Other shareholder exposure			Total shareholder exposure		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
Investments in associates and joint ventures	**20**	21	15	**-**	-	-	**20**	21	15
Investment property	**865**	920	831	**-**	-	-	**865**	920	831
Equity securities	**397**	458	412	**199**	124	159	**596**	582	571
Debt securities	**6,829**	6,412	6,836	**4,726**	4,666	4,675	**11,555**	11,078	11,511
Loans	**2,897**	2,842	2,902	**-**	8	1	**2,897**	2,850	2,903
Other financial assets[1,2]	**180**	511	163	**772**	656	810	**952**	1,167	973
Cash and cash equivalents	**266**	202	228	**1,049**	1,243	857	**1,315**	1,445	1,085
Total	**11,454**	11,366	11,387	**6,746**	6,697	6,502	**18,200**	18,063	17,889

1 30 June 2011 comparatives have been adjusted to remove reinsurance assets.
2 Comparatives have been adjusted in respect of inter-fund transfers.

Shareholder exposure to debt securities excluding Canada non-segregated funds consists primarily of debt securities backing annuity liabilities and subordinated debt liabilities.

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 45% of debt securities rated AAA (30 June 2011: 47%; 31 December 2011: 48%) and 95% (30 June 2011: 94%; 31 December 2011: 95%) being rated as investment grade.

	Exposure				
30 June 2012	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government, provincial and municipal	4,152	18,942	9,428	924	**33,446**
Banks	1,631	3,610	6,219	1,954	**13,414**
Other financial institutions	1,495	4,013	2,548	422	**8,478**
Other corporate	4,034	2,845	5,164	1,503	**13,546**
Other	243	364	424	27	**1,058**
Total	**11,555**	**29,774**	**23,783**	**4,830**	**69,942**

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

	Exposure				
30 June 2011	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Government, provincial and municipal	3,711	16,521	9,208	1,430	30,870
Banks	2,069	4,515	4,773	1,106	12,463
Other financial institutions	1,644	4,285	2,664	222	8,815
Other corporate	3,400	2,953	4,478	753	11,584
Other	254	279	363	15	911
Total	11,078	28,553	21,486	3,526	64,643

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

	Exposure				
31 December 2011	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Government, provincial and municipal	4,028	19,695	9,408	709	33,840
Banks	1,880	3,442	4,817	1,436	11,575
Other financial institutions	1,534	4,015	2,564	348	8,461
Other corporate	3,829	2,451	4,692	1,247	12,219
Other	240	425	398	18	1,081
Total	11,511	30,028	21,879	3,758	67,176

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

Shareholder exposure to debt securities

At 30 June 2012, total shareholder exposure to debt securities was £11,555m (30 June 2011: £11,078m; 31 December 2011: £11,511m), of which 96% (30 June 2011: 95%; 31 December 2011: 96%) was rated as investment grade, showing the high quality of the debt securities held.

Shareholder exposure to debt securities by credit rating

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
AAA	**1,124**	1,062	1,117	**174**	87	147	**105**	223	143	**177**	320	307	**168**	153	166	**1,748**	1,845	1,880
AA	**1,501**	1,371	1,405	**565**	955	729	**210**	389	378	**390**	249	352	**-**	-	-	**2,666**	2,964	2,864
A	**1,522**	1,273	1,501	**774**	913	893	**787**	767	650	**2,616**	2,142	2,384	**-**	-	-	**5,699**	5,095	5,428
BBB	**-**	-	-	**81**	51	70	**58**	9	54	**798**	612	727	**-**	-	-	**937**	672	851
Below BBB or not rated	**5**	5	5	**37**	63	41	**335**	256	309	**53**	77	59	**75**	101	74	**505**	502	488
Total	**4,152**	3,711	4,028	**1,631**	2,069	1,880	**1,495**	1,644	1,534	**4,034**	3,400	3,829	**243**	254	240	**11,555**	11,078	11,511

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.

Shareholder exposure to debt securities by country

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
UK	**464**	285	384	**422**	576	482	**793**	918	824	**584**	410	512	**75**	65	74	**2,338**	2,254	2,276
Canada	**3,658**	3,361	3,610	**160**	254	278	**285**	249	513	**2,259**	1,997	2,307	**-**	-	-	**6,362**	5,861	6,708
Australia	**-**	1	-	**60**	11	12	**6**	6	5	**-**	-	1	**-**	-	-	**66**	18	18
Austria	**-**	2	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	2	-
Belgium	**-**	3	-	**-**	100	1	**-**	-	-	**-**	-	1	**-**	-	-	**-**	103	2
Denmark	**-**	-	-	**7**	17	66	**-**	-	-	**4**	15	17	**-**	-	-	**11**	32	83
Finland	**-**	2	-	**20**	-	50	**-**	-	-	**-**	-	-	**-**	-	-	**20**	2	50
France	**-**	5	-	**126**	319	103	**1**	50	2	**326**	283	315	**-**	-	-	**453**	657	420
Germany	**21**	29	24	**93**	6	104	**19**	1	3	**268**	207	250	**-**	-	-	**401**	243	381
Greece	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Ireland	**-**	-	-	**-**	-	2	**3**	3	3	**-**	1	2	**-**	-	-	**3**	4	7
Italy	**-**	7	-	**25**	142	24	**-**	-	-	**69**	66	67	**-**	-	-	**94**	215	91
Japan	**1**	-	-	**95**	-	50	**27**	28	27	**20**	1	5	**-**	-	-	**143**	29	82
Mexico	**-**	1	-	**-**	-	-	**-**	-	-	**57**	25	43	**-**	-	-	**57**	26	43
Netherlands	**-**	3	-	**304**	209	182	**1**	2	1	**14**	10	15	**-**	-	-	**319**	224	198
Norway	**-**	1	-	**2**	2	52	**-**	-	-	**32**	26	31	**-**	-	-	**34**	29	83
Portugal	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	1	**-**	-	-	**-**	-	1
Spain	**-**	2	-	**8**	18	17	**-**	-	-	**31**	40	39	**-**	-	-	**39**	60	56
Sweden	**-**	-	-	**46**	103	97	**-**	-	-	**33**	25	28	**-**	-	-	**79**	128	125
Switzerland	**-**	-	-	**78**	32	129	**11**	12	11	**12**	10	12	**-**	-	-	**101**	54	152
US	**7**	7	7	**161**	279	228	**349**	375	145	**315**	279	177	**-**	-	-	**832**	940	557
Other	**1**	2	3	**24**	1	3	**-**	-	-	**10**	5	6	**168**	189	166	**203**	197	178
Total	**4,152**	3,711	4,028	**1,631**	2,069	1,880	**1,495**	1,644	1,534	**4,034**	3,400	3,829	**243**	254	240	**11,555**	11,078	11,511

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.

2 This balance primarily consists of securities held in supranationals.

At 30 June 2012 and at 31 December 2011, the shareholder exposure to government securities issued by peripheral European countries was £nil. At 30 June 2011 the exposure was £9m.

6.5 Exposure to investment property and financial assets *continued*

Policyholder (participating) exposure to debt securities

At 30 June 2012, total policyholder (participating) exposure to debt securities was £29,774m (30 June 2011: £28,553m; 31 December 2011: £30,028m), of which 96% (30 June 2011: 95%; 31 December 2011: 96%) was rated as investment grade, showing the high quality of the debt securities held.

Policyholder (participating) exposure to debt securities by credit rating

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m
AAA	18,581	16,019	19,582	842	1,090	548	939	1,134	1,074	40	111	55	364	279	425	20,766	18,633	21,684
AA	348	483	111	653	882	673	841	778	822	268	226	262	-	-	-	2,110	2,369	1,868
A	5	19	2	1,594	2,036	1,607	1,282	1,425	1,251	1,377	1,252	1,162	-	-	-	4,258	4,732	4,022
BBB	8	-	-	309	228	351	403	466	362	766	791	593	-	-	-	1,486	1,485	1,306
Below BBB or not rated	-	-	-	212	279	263	548	482	506	394	573	379	-	-	-	1,154	1,334	1,148
Total	18,942	16,521	19,695	3,610	4,515	3,442	4,013	4,285	4,015	2,845	2,953	2,451	364	279	425	29,774	28,553	30,028

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.

Policyholder (participating) exposure to debt securities by country

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m
UK	14,685	14,440	16,326	1,133	1,824	1,115	2,879	2,859	2,751	1,255	1,210	1,078	-	-	-	19,952	20,333	21,270
Canada	19	2	17	10	25	-	49	50	34	2	8	4	-	-	-	80	85	55
Australia	63	30	65	175	218	187	67	51	62	25	28	23	-	-	-	330	327	337
Austria	279	72	225	52	-	-	-	63	66	6	-	1	-	-	-	337	135	292
Belgium	3	101	1	17	82	9	-	1	-	15	21	11	-	-	-	35	205	21
Denmark	6	3	6	26	46	48	1	1	1	55	53	37	-	-	-	88	103	92
Finland	201	90	218	87	42	133	25	-	-	9	-	2	-	-	-	322	132	353
France	931	347	876	361	434	210	138	178	92	481	465	394	-	-	-	1,911	1,424	1,572
Germany	2,121	727	1,337	427	360	512	124	155	161	262	270	178	-	-	-	2,934	1,512	2,188
Greece	-	-	-	-	-	-	-	-	-	3	5	2	-	-	-	3	5	2
Ireland	-	-	-	3	10	12	38	48	37	15	13	11	-	-	-	56	71	60
Italy	2	278	1	66	221	71	78	153	64	119	155	108	-	-	-	265	807	244
Japan	34	11	16	39	1	66	11	36	29	1	9	-	-	-	-	85	57	111
Mexico	1	19	1	-	-	-	-	-	-	55	30	34	-	-	-	56	49	35
Netherlands	409	111	374	436	353	303	33	55	137	49	63	107	-	-	-	927	582	921
Norway	91	27	82	156	89	64	14	8	54	28	19	20	-	-	-	289	143	220
Portugal	-	-	-	-	-	-	-	-	-	-	10	3	-	-	-	-	10	3
Spain	8	93	9	24	106	73	21	35	4	65	114	64	-	-	-	118	348	150
Sweden	66	115	71	113	115	108	7	32	10	29	22	13	-	-	-	215	284	202
Switzerland	-	-	-	78	81	170	35	46	64	27	34	12	-	-	-	140	161	246
US	6	55	69	397	452	336	321	422	308	258	242	204	-	-	-	982	1,171	917
Other	17	-	1	10	56	25	172	92	141	86	182	145	364	279	425	649	609	737
Total	18,942	16,521	19,695	3,610	4,515	3,442	4,013	4,285	4,015	2,845	2,953	2,451	364	279	425	29,774	28,553	30,028

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.
2 This balance primarily consists of securities held in supranationals.

At 30 June 2012, the policyholder (participating) exposure to government securities issued by peripheral European countries was £10m (30 June 2011: £371m; 31 December 2011: £10m).

Policyholder (unit linked) exposure to debt securities

At 30 June 2012, total policyholder (unit linked) exposure to debt securities was £23,783m (30 June 2011: £21,486m; 31 December 2011: £21,879m), of which 93% (30 June 2011: 93%; 31 December 2011: 94%) was rated as investment grade, showing the high quality of the debt securities held.

Policyholder (unit linked) exposure to debt securities by credit rating

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
AAA	**6,929**	7,138	6,753	**502**	477	470	**360**	635	457	**75**	115	148	**423**	363	398	**8,289**	8,728	8,226
AA	**1,477**	1,381	1,776	**1,452**	1,814	1,492	**613**	626	710	**247**	189	326	**1**	-	-	**3,790**	4,010	4,304
A	**1,002**	568	875	**3,800**	2,122	2,382	**935**	716	749	**1,659**	1,750	1,536	**-**	-	-	**7,396**	5,156	5,542
BBB	**20**	1	1	**280**	214	299	**465**	460	468	**1,961**	1,445	1,657	**-**	-	-	**2,726**	2,120	2,425
Below BBB or not rated	**-**	120	3	**185**	146	174	**175**	227	180	**1,222**	979	1,025	**-**	-	-	**1,582**	1,472	1,382
Total	**9,428**	9,208	9,408	**6,219**	4,773	4,817	**2,548**	2,664	2,564	**5,164**	4,478	4,692	**424**	363	398	**23,783**	21,486	21,879

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.

Policyholder (unit linked) exposure to debt securities by country

	Government, Provincial and Municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
UK	**4,501**	4,213	4,707	**3,068**	1,458	1,431	**1,407**	1,544	1,539	**1,865**	1,593	1,663	**-**	-	-	**10,841**	8,808	9,340
Canada	**2,359**	2,128	2,214	**414**	464	402	**188**	146	267	**529**	448	514	**-**	-	-	**3,490**	3,186	3,397
Australia	**39**	62	127	**142**	140	122	**43**	36	39	**29**	21	20	**-**	-	-	**253**	259	308
Austria	**13**	37	5	**-**	-	-	**-**	-	-	**1**	-	-	**-**	-	-	**14**	37	5
Belgium	**95**	61	8	**16**	38	9	**-**	-	-	**36**	42	41	**-**	-	-	**147**	141	58
Denmark	**14**	17	16	**64**	107	125	**11**	8	9	**87**	50	48	**-**	-	-	**176**	182	198
Finland	**1**	90	48	**123**	-	159	**-**	-	-	**6**	-	1	**-**	-	-	**130**	90	208
France	**181**	223	174	**573**	645	162	**76**	91	69	**550**	576	511	**-**	-	-	**1,380**	1,535	916
Germany	**246**	503	206	**339**	254	541	**75**	28	26	**436**	419	413	**-**	-	-	**1,096**	1,204	1,186
Greece	**-**	-	-	**-**	-	-	**-**	-	-	**2**	1	-	**-**	-	-	**2**	1	-
Ireland	**-**	-	-	**10**	7	9	**58**	94	82	**15**	10	15	**-**	-	-	**83**	111	106
Italy	**94**	243	118	**51**	310	63	**23**	30	19	**204**	300	229	**-**	-	-	**372**	883	429
Japan	**482**	541	576	**118**	-	133	**31**	49	14	**-**	1	-	**-**	-	-	**631**	591	723
Mexico	**479**	249	391	**-**	-	-	**-**	-	-	**100**	74	104	**-**	-	-	**579**	323	495
Netherlands	**30**	94	20	**448**	305	417	**25**	31	18	**91**	128	130	**-**	-	-	**594**	558	585
Norway	**70**	42	47	**84**	34	90	**-**	-	-	**2**	-	7	**-**	-	-	**156**	76	144
Portugal	**-**	2	3	**-**	-	-	**-**	-	-	**-**	3	1	**-**	-	-	**-**	5	4
Spain	**18**	67	47	**30**	81	54	**-**	-	-	**111**	105	99	**-**	-	-	**159**	253	200
Sweden	**78**	45	59	**207**	326	246	**-**	-	-	**36**	35	49	**-**	-	-	**321**	406	354
Switzerland	**-**	-	-	**61**	61	357	**14**	27	25	**34**	23	24	**-**	-	-	**109**	111	406
US	**727**	575	640	**454**	510	457	**494**	512	370	**891**	519	662	**-**	-	-	**2,566**	2,116	2,129
Other	**1**	16	2	**17**	33	40	**103**	68	87	**139**	130	161	**424**	363	398	**684**	610	688
Total	**9,428**	9,208	9,408	**6,219**	4,773	4,817	**2,548**	2,664	2,564	**5,164**	4,478	4,692	**424**	363	398	**23,783**	21,486	21,879

1 Government, Provincial and Municipal includes debt securities which are issued by or explicitly guaranteed by the national government. For Canada, this includes debt securities which are issued by or explicitly guaranteed by the Crown Corporations of the Government of Canada.
2 This balance primarily consists of securities held in supranationals.

At 30 June 2012, the policyholder (unit linked) exposure to government securities issued by peripheral European countries was £112m (30 June 2011: £312m; 31 December 2011: £168m).

6.5 Exposure to investment property and financial assets *continued*

Shareholder exposure to loans

Shareholders are directly exposed to loans of £2,897m (30 June 2011: £2,850m; 31 December 2011: £2,903m) which primarily comprise the Canadian non-segregated funds commercial mortgage book. This mortgage book is deemed to be of very high quality.

	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m
Canada non-segregated funds commercial mortgage book	**2,897**	2,842	2,902
Other	**-**	8	1
Total	**2,897**	2,850	2,903

The Canada mortgage book has an average loan to value of 40% (30 June 2011: 45%; 31 December 2011: 44%).

6.6 Fair value hierarchy of financial instruments

To provide further information on the approach used to determine the fair value of certain financial assets and derivative financial liabilities measured as at fair value on the Group's IFRS statement of financial position, the fair value of these financial instruments has been categorised below to reflect the following fair value hierarchy:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities

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

Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs)

Total

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
Equity securities	**58,555**	61,976	57,286	**-**	-	-	**1,213**	1,276	1,245	**59,768**	63,252	58,531
Debt securities	**26,629**	24,012	27,699	**41,948**	39,038	38,095	**1,365**	1,593	1,382	**69,942**	64,643	67,176
Derivative financial assets	**838**	407	577	**1,787**	866	1,635	**-**	-	-	**2,625**	1,273	2,212
Derivative financial liabilities	**(497)**	(235)	(434)	**(1,140)**	(784)	(668)	**-**	-	-	**(1,637)**	(1,019)	(1,102)
Total	**85,525**	86,160	85,128	**42,595**	39,120	39,062	**2,578**	2,869	2,627	**130,698**	128,149	126,817

Included in the table above are £2,749m equity securities (six months ended 30 June 2011: £2,370m; 12 months ended 31 December 2011: £2,457m), £4,830m debt securities (six months ended 30 June 2011: £3,526m; 12 months ended 31 December 2011: £3,758m), £271m derivative financial assets (six months ended 30 June 2011: £136m; 12 months ended 31 December 2011: £223m) and £420m derivative financial liabilities (six months ended 30 June 2011: £247m; 12 months ended 31 December 2011: £236m) in relation to third party interest in consolidated funds and non-controlling interests.

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

Level 2 financial instruments principally include certain government bonds, listed or publicly quoted corporate bonds, commercial paper, certificates of deposit and derivative instruments which are not exchange traded. Corporate bonds have generally been classified as level 2 as the composite price provided by external pricing providers may include, as an input, quotes provided by some banks that are not based on actual transaction prices.

Level 3 financial instruments principally include unlisted equity securities, being predominantly interests in private equity funds, listed or publicly quoted corporate bonds for which prices are not available from external pricing providers or where such prices are considered to be stale (including some asset backed securities) or are based on single broker indicative quotes and unquoted bonds where credit spreads, being a significant input to the valuation technique, are obtained from a broker or estimated internally.

Shareholder exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
Equity securities	**584**	570	560	**-**	-	-	**12**	12	11	**596**	582	571
Debt securities	**635**	499	555	**9,918**	9,519	9,967	**1,002**	1,060	989	**11,555**	11,078	11,511
Derivative financial assets	**-**	-	-	**279**	312	252	**-**	-	-	**279**	312	252
Derivative financial liabilities	**(6)**	(4)	(2)	**(15)**	(29)	(14)	**-**	-	-	**(21)**	(33)	(16)
Total	**1,213**	1,065	1,113	**10,182**	9,802	10,205	**1,014**	1,072	1,000	**12,409**	11,939	12,318

Policyholder (participating) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
Equity securities	**7,691**	9,858	8,388	**-**	-	-	**740**	795	752	**8,431**	10,653	9,140
Debt securities	**18,757**	16,140	19,861	**10,774**	12,051	9,887	**243**	362	280	**29,774**	28,553	30,028
Derivative financial assets	**535**	285	367	**794**	237	647	**-**	-	-	**1,329**	522	1,014
Derivative financial liabilities	**(98)**	(16)	(86)	**(22)**	(164)	(41)	**-**	-	-	**(120)**	(180)	(127)
Total	**26,885**	26,267	28,530	**11,546**	12,124	10,493	**983**	1,157	1,032	**39,414**	39,548	40,055

Policyholder (unit linked) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2012 £m	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m	**30 Jun 2012 £m**	30 Jun 2011 £m	31 Dec 2011 £m
Equity securities	**47,918**	49,601	46,286	**-**	-	-	**74**	46	77	**47,992**	49,647	46,363
Debt securities	**6,589**	6,504	6,806	**17,079**	14,820	14,963	**115**	162	110	**23,783**	21,486	21,879
Derivative financial assets	**223**	83	158	**523**	220	565	**-**	-	-	**746**	303	723
Derivative financial liabilities	**(285)**	(145)	(257)	**(791)**	(414)	(466)	**-**	-	-	**(1,076)**	(559)	(723)
Total	**54,445**	56,043	52,993	**16,811**	14,626	15,062	**189**	208	187	**71,445**	70,877	68,242

7 Glossary

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

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

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

Assets under management (AUM)
A measure of the total assets that the global investment management business manages on behalf of customers and institutional clients, for which they receive a fee.

Assumptions
Variables applied to data used to project expected outcomes.

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

Board
The board of Directors of the Company.

Burnthrough costs
Burnthrough costs are an estimate of the value of the potential shareholder support that could be required to meet policyholder benefits in a participating fund. It is usually the case that shareholders participate in the profits or surpluses generated within a participating fund only to a limited extent. However, there could be unfavourable outcomes in the future when the assets of the participating fund are no longer sufficient to pay the benefits of the policyholders of that fund. This would be described as a 'burnthrough event' and could require some level of financial support from the shareholder. The burnthrough cost is normally calculated by projecting a large number of possible future economic outcomes, taking an average over all of these outcomes.

Capital resources (CR)
Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

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

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

Company
Standard Life plc.

Constant currency
Eliminates the effects of exchange rate fluctuations and is used when calculating financial performance on a range of measures.

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

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

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

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

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

Director
A director of the Company.

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

Dividend cover
This is a measure of how easily a company can pay its dividend from profit. It is calculated as operating profit after tax and minority interest divided by the total dividend for that financial period.

Earnings before interest and tax (EBIT)
EBIT is defined as earnings before interest, taxation, foreign exchange gains and losses, profit on partial disposal of investments in associates, divergence on financial guarantee costs, movement on contract for differences and restructuring costs.

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

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

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

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

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

Non-covered business EEV operating profit represents operating profit.

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 non-covered operating profit after tax.

Executive Team
The Executive Team is responsible for the day-to-day running of the Group and comprises: the Chief Executive, Chief Executive – UK, President and Chief Executive Officer – Canada, Chief Executive – Standard Life Investments, Chief Executive – International, the Group Company Secretary and General Counsel, the Group Operations Officer and the Chief Financial Officer.

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

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

Fee based business
Fee based business is a component of operating profit and is made up of products where we generate revenue primarily from asset management charges (AMCs), premium based charges and transactional charges. AMCs are earned on products such as SIPP, corporate pensions and mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with the major indirect Group exposure to rising or falling markets coming from higher or lower AMCs.

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

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

Global Absolute Return Strategy (GARS)
A type of fund provided by Standard Life Investments, which is proving to be very popular with investors. The fund's key objective is to deliver an average annual return to investors that is 5% above UK six month LIBOR (London Interbank Offer Rate).

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

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

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

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

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

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

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

Key performance indicators (KPI)
This is a measure by reference to which the development, performance or position of the business can be measured effectively.

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

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

Net flows
Net flows represent gross inflows less redemptions. For long-term savings business, gross inflows are premiums and deposits recognised in the period on a regulatory basis (excluding any switches between funds). Redemptions are claims and annuity payments (excluding any reinsurance transactions and switches between funds).

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

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

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

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

Non-covered business
Mainly includes third party global investment management and other businesses not associated with the life assurance and pensions business. Non-covered business excludes the global investment management look through profits and the return on mutual funds which are recognised in covered business. Non-covered business is excluded from the EEV methodology and is included within the Group EEV on an IFRS basis.

Non-economic assumptions
Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions, and variances in relation to these assumptions, are included as operating profits/(losses) under EEV.

Non-participating/non-profit policy
A policy, including a unit linked policy, which is not a participating/with profits policy.

Operating profit
The Group's chosen supplementary measure of performance is operating profit. This is a non-Generally Accepted Accounting Principles (GAAP) measure. Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from operating profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from operating profit and is presented within profit before tax.

Operating profit also excludes the impact of the following items:

- Restructuring costs and significant corporate transaction expenses
- Impairment of intangible assets
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Amortisation of intangibles acquired in business combinations
- Items which are one-off in nature and outside the control of management and which, due to their size or nature, are not indicative of the long-term operating performance of the Group

Participating/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.

Personal pension plan
An individual pension arrangement with particular tax advantages whereby individuals who are self-employed or those who are not members of employer-sponsored pension scheme arrangements can make provision for retirement or provide benefits for their dependents in a tax efficient manner.

Present value of in-force business (PVIF)
The present value of the projected future distributable profits after tax attributable to equity holders from the covered business in-force at the valuation date, adjusted where appropriate to take account of TVOG (see 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.

Profit contribution
Profit contribution reflects the income and expenses directly attributable to each of the UK lines of business. It differs from operating profit due to the exclusion of indirect expenses, such as overheads, and capital management.

Proprietary Business Fund
The Proprietary Business Fund in Standard Life Assurance Limited (SLAL) contains, among other things, certain classes of business – pension contribution insurance policies, income protection plan policies and a number of SIPP policies written before demutualisation, as well as most new insurance business written after demutualisation in the UK, Ireland and Germany.

PVNBP margin
PVNBP margin is NBC expressed as a percentage of PVNBP.

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 equity (RoE)
The annualised post-tax profit on an IFRS basis expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders. Operating RoE is based on operating profit after tax and total RoE is based on IFRS profit after tax attributable to equity holders.

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 time apportioned dividends paid to equity holders.

Scheme of Demutualisation (the Scheme)
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

SICAV
A SICAV (société d'investissement à capital variable) is an open-ended collective investment scheme common in Western Europe. SICAVs can be cross-border marketed in the EU under the Undertakings for collective investment in transferable securities (UCITS) directive.

Single premium
A single premium contract (as opposed to a regular premium contract), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

SIPP
A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

SLAC
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

Spread/risk based business
Spread/risk based business is a component of operating profit and mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment. A good example of this product line is annuities. The 'spread' referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Spread/risk margin
Spread/risk margin reflects the margin earned on spread/risk business. This includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes.

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.

UK retail
This relates to business where we have a relationship with the customer either directly or through an independent financial adviser. We analyse this type of business into new and old categories. Retail new includes the products, platforms, investment solutions and services of our UK retail business that we continue to market actively to our customers. Retail old includes business that was predominantly written before demutualisation.

Undiscounted payback period
A measure of capital efficiency that measures the time at which the value of expected undiscounted cash flows (after tax) is sufficient to recover the capital invested to support the writing of new business.

Unit linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

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

Registered office

Company registration number: SC286832
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland
Phone: **0800 634 7474** or **0131 225 2552**

For shareholder services call 0845 113 0045

Registrar

Capita Registrars Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Brokers

JP Morgan Cazenove
Deutsche Bank

Shareholder services

We offer a wide range of shareholder services, some details of which are set out below. If you need any further information about any of these services, please:

- Contact our registrar, Capita, on **0845 113 0045** if calling from the UK. International numbers for Capita can be found on the last page of this report.
- Visit our share portal at **www.standardlifeshareportal.com**

Sign up for ecommunications

You can choose to receive your shareholder communications electronically – registering is easy and free. Just go to **www.standardlifeshareportal.com** to find out how. Signing up means:

- You'll receive an email when documents like the Annual Report and Accounts, Summary Financial Report and AGM guide are available on our website. You can then read these online in an easy-to-use, searchable format instead of receiving paper copies in the post.
- Voting instructions for the Annual General Meeting will be sent to you electronically
- You can download your dividend tax vouchers when you need them
- You can view your Standard Life Share Account statement online

Any information you receive electronically will be the same as the paper version – but you'll help us save money, and conserve natural resources.

Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail. You could also be targeted by fraudulent 'investment specialists' using high-pressure cold-calling sales techniques – these are sometimes called 'boiler room scams'. You can find more information about this at the Financial Services Authority website **www.moneyadviceservice.org.uk**

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the Standard Life Share Account – by contacting Capita, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please contact:

Mailing Preference Service (MPS)
DMA House
70 Margaret Street
London
W1W 8SS

You can also register online at **www.mpsonline.org.uk**

Analysis of registered shareholdings as at 30 June 2012

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	63,320	54.73	30,005,832	1.27
1,001-5,000	45,540	39.36	97,057,287	4.12
5,001-10,000	4,061	3.51	27,703,470	1.17
10,001-100,000	2,274	1.97	50,586,354	2.15
*100,001+	495	0.43	2,152,424,547	91.29
Total	**115,690**	**100.00**	**2,357,777,490**	**100.00**

* These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,242,597 participants holding 1,028,483,090 shares, and the Unclaimed Asset Trust, which had 74,514 participants holding 27,998,484 shares.

Financial calendar for 2012

Ex-dividend date for 2012 interim dividend	**22 August 2012**
Record date for 2012 interim dividend	**24 August 2012**
Last date for DRIP elections for 2012 interim dividend	**24 October 2012**
2012 Q3 trading results and interim management statement	**31 October 2012**
Interim dividend payment date	**14 November 2012**

Contact details

We want to make sure you have answers to all your questions.

	Visit	Mail	Phone
UK and Ireland If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com**	**questions@standardlifeshares.com** **Address:** Standard Life Shareholder Services 34 Beckenham Road Beckenham Kent BR3 4TU	**0845 113 0045** **+44 (0)20 3367 8224** **(01) 431 9829**
Germany and Austria If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com/de**	**fragen@standardlifeshares.de** **Address:** Standard Life Aktionärsservice Postfach 20 01 43 60605 Frankfurt am Main Germany	**+49 (0)6196 7693 130**
Canada If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com** (English) **www.standardlifeshareportal.com/fr** (French Canadian)	**questions@standardlifeshares.ca** **Address:** Standard Life Shareholder Services PO Box 4636 Station A Toronto M5W 7A4	**1-866-982-9939**

www.standardlife.com

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 30 June 2012 (unless otherwise indicated).

This document has been published by Standard Life for information only. It is based on our understanding as at August 2012 and does not provide financial or legal advice.

Standard Life plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

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