Standard Life plc

Half Year Results 2010

The Half Year Results 2010 are published on the Group's website at **www.standardlife.com**
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Standard Life Group

Press Release

Standard Life plc
Half Year Results 2010
11 August 2010

Strong operating performance supporting investment for growth

Significant increase in net inflows

- Net inflows across the Group **up 71%** to record level of £5.3bn (2009: £3.1bn)[1,2]
- Group assets under administration **up 5%** to £179bn (31 December 2009: £170bn)[2,3]
- **52% increase** in net inflows at Standard Life Investments leading to record third party assets under management of £63bn

Strong financial performance

- IFRS operating profit before tax from continuing operations **up 10%** to £182m (2009: £166m)[2]
- IFRS profit after tax attributable to equity holders of £182m (2009: loss £20m)
- EEV operating profit before tax from continuing operations **up 11%** to £364m (2009: £328m)[2,4]
- **64% increase** in growth investment expensed to £72m (2009: £44m)

Improved cash flow and increased dividend

- EEV core capital and cash generation after tax from continuing operations **up 6%** to £160m (2009: £151m)[2,4,5]
- Interim dividend **up 4.8%** to 4.35p (2009: 4.15p)

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

"This strong set of results demonstrates the progress we have made as a business and the potential for increased profits and dividends as we invest for growth.

"We operate in markets which have exciting growth opportunities for Standard Life. In particular, we are well positioned to help our customers meet the challenges of the savings gap in the UK. We continue to lead in providing innovative propositions for individuals, employers and intermediaries in the UK.

"Standard Life Investments has consistently delivered impressive net inflows over the last five years. Its contribution to the Group is considerable and it is a business which provides us with global reach. We have extended our reach into alternative investments, through the purchase of Aida Capital and the continuing innovation of our absolute return offerings, which will accelerate growth.

"Our Canadian operations and Asian businesses, including the joint ventures, have also performed well. In particular there is strong momentum building in India and we see great potential in this very exciting market.

"The Group is more focused following the sale of our banking and healthcare operations. Our transformation programme is driving efficiency and we are investing to grow our business to be more profitable and cash generative, which will deliver our progressive dividend policy to shareholders."

Unless otherwise stated, all comparisons are in Sterling and are with the 6 months ended 30 June 2009. We are reporting IFRS operating profit as our main IFRS performance measure for the first time in place of IFRS underlying profit, having restated prior period comparators in our 21 July 2010 press release.

IFRS operating profit

	H1 2010 £m	Restated H1 2009 £m
UK	**76**	80
Canada	**62**	74
International	**8**	(8)
Global investment management	**49**	27
Other	**(13)**	(7)
Operating profit before tax from continuing operations	**182**	166
Tax on operating profit	**(48)**	(39)
Operating profit after tax from continuing operations	**134**	127
Profit/(loss) attributable to equity holders after tax	**182**	(20)
Diluted IFRS operating EPS from continuing operations	**6.0p**	5.8p

EEV operating profit

	H1 2010 £m	Restated H1 2009 £m
Covered business by source		
New business contribution	**161**	114
Contribution from in-force business	**251**	282
Other covered	**(36)**	(50)
Covered business operating profit	**376**	346
Non-covered business		
Global investment management	**21**	10
Other non-covered and corporate costs	**(33)**	(28)
Non-covered business operating loss	**(12)**	(18)
Operating profit before tax from continuing operations	**364**	328
Tax on operating profit	**(112)**	(101)
Operating profit after tax from continuing operations	**252**	227
Profit/(loss) after tax	**326**	(48)
Diluted EEV operating EPS from continuing operations	**11.3p**	10.4p

For more information please refer to Section 1.6 - Basis of preparation and Section 3 - IFRS pro forma reconciliation of consolidated operating profit to IFRS profit for the period of the *Half Year Results 2010*.

Our focus in 2010

Standard Life has delivered another strong performance in the first half of 2010 with increased net flows across our businesses and higher markets[6] continuing to drive asset growth, profitability and cash flow generation.

At our 2009 Preliminary Results in March we announced our intention to double our growth investment in our areas of key strategic focus where we see significant potential, namely corporate and retail markets, our global investment management business and the Asian joint venture operations. This programme of investment is already driving momentum across the Group, including the launch of new Corporate and Retail propositions in the UK market, the acquisition of the intermediary services business threesixty and alternative investment company Aida Capital, and our entry into a strategic alliance with Chuo Mitsui Asset Trust and Banking.

Continued strong growth in net flows

Net inflows of £5.3bn (2009: £3.1bn) across the Group, combined with positive investment markets, led to an increase in assets under administration of 5% to £179.1bn (31 December 2009: £170.1bn). The increase in net inflows has been driven by a strong performance in both long-term savings and third party investment management, with third party assets under management reaching a new record level of £63bn.

Long-term savings operations

Net inflows across our long-term savings operations[1] have more than tripled to £2,452m (2009: £767m), with inflows across key product lines in the UK, Ireland and Asia strengthening. This reflects our continued success in attracting new retail customers and winning profitable corporate mandates. Total new business sales across our long-term savings operations increased by 29% to £9.6bn (2009: £7.5bn)[7].

UK retail – strong growth in customers and assets

Our UK retail business has had a strong first six months of the year, with significant growth in net inflows and sales within our individual SIPP, mutual fund and Wrap platform propositions. Across our UK retail business net flows improved to a net outflow of £404m (2009: net outflow £1,107m).

We continue to see good growth in our individual SIPP customer base and assets under administration. The number of customer accounts increased by 11,900 or 14% during the six month period to 95,800 (31 December 2009: 83,900), with assets under administration increasing by 10% to £13.0bn (31 December 2009: £11.8bn)[8].

Asset and customer growth on our Wrap platform[9] continues at pace with assets under administration increasing by 36% to £4.9bn (31 December 2009: £3.6bn) at the end of June and recently passing the £5bn milestone. During the first six months of the year we have on average signed up one new adviser each day to the Wrap platform, with adviser numbers increasing by 25% to 727 (31 December 2009: 583).

We continue to see high demand for mutual funds sold through our UK long-term savings business with net inflows on our Wrap, Sigma and Fundzone platforms increasing by 67% to £561m (2009: £336m).

As expected traditional product lines such as endowment policies within legacy life, and individual pensions, continue to see net outflows. In individual pensions this has been in part due to the recent increase in the minimum retirement age. The vast majority of endowment policies where we have seen outflows are conventional with profits contracts, which generate minimal shareholder margin.

UK corporate – continued success in winning mandates

UK corporate net inflows increased by 64% to £2,039m (2009: £1,242m).

In corporate pensions, assets under administration increased by 1% to £18.1bn (31 December 2009: £17.9bn), the strength of net inflows being largely offset by adverse market movements. During the period we won 90 new schemes (2009: 83), including the 5,000 member Logica scheme which transitioned and generated £148m of sales in the second quarter. This scheme win is a good example of the success we have had in leveraging the expertise of Vebnet in the employee benefits market to develop tailored savings and benefits offerings. In addition to these successes with our co-developed solutions, Vebnet has had a strong half in its own right, implementing 16 new schemes with 24,000 employees (2009: 12 schemes with 12,000 employees) including Bovis Lend Lease and Telegraph Media Group.

Momentum continues within institutional pensions with net inflows more than doubling to £1,266m (2009: £560m). The increased volume of business in this product line, combined with its relatively low capital and servicing costs, have led to a strengthening of profitability in the period.

Canada – increased flows into higher margin investment products

Net inflows in Canada were lower at £92m (2009: £139m). Net inflows in higher margin investment products, which include group and individual segregated funds and mutual funds, have increased by 43% to £344m (2009: £241m), reflecting the strength of our savings and investment propositions.

Gross inflows and sales across our retail and group propositions have seen strong growth over the six month period, reflecting our continuing success in winning large and profitable group savings and retirement mandates, the continued strength of our disability management proposition, and the positive impact of recovering equity markets and improved customer sentiment.

These strong trends have been more than offset by higher claims and withdrawals. This has been particularly marked within mutual funds due to the expiry of early redemption penalties, with an increase in outflows from individual insurance, savings and retirement principally reflecting maturing term deposits sold when product demand was very high. Against this, we have seen encouraging signs during the second quarter, with gross inflows stabilising and outflows decreasing compared to the first quarter. Across our whole retail portfolio retention levels remain in line with the industry.

International – significant increase in net flows and sales

The International operations comprise our wholly owned long-term savings operations in Europe and Hong Kong along with the long-term savings joint ventures in India and China. Net inflows across these regions were 47% higher at £725m (2009: £493m)[1].

Wholly owned

Net inflows into our wholly owned operations were 51% higher at £592m (2009: £392m)[1]. This principally reflects reduced claims levels from our domestic business in Ireland, coupled with strong growth in offshore new business.

In Ireland, net inflows were significantly higher at £264m (2009: £62m). Domestic flows improved significantly, driven by reduced claims and strong new business inflows resulting from the comprehensive choice and strength of our investment offering available through the Synergy platform. Higher inflows into offshore bonds reflected an increase in new business across all versions of our offshore bond, particularly via our Wrap platform. The inflows also benefited from an increase in case sizes and more stable economic conditions.

Net inflows in Germany were slightly lower at £317m (2009: £326m) with strong inflows of regular premiums from the in-force book and reduced lapse activity offsetting the impact of the market environment, which was challenging for the whole industry, especially the IFA segment.

In Hong Kong the success of our new unit-linked savings product has continued to drive strong growth in net flows and sales, as well as an increase in market share.

Joint ventures

Net inflows for the Asian joint ventures were 32% higher at £133m (2009: £101m)[1].

Sales in India increased by 9%[7,10], as we continue to refocus the business for greater profitability. The Indian joint venture, HDFC Standard Life, appointed Amitabh Chaudhry as CEO in January and has made a good start to 2010. It has captured market share over the last year with strong growth in its bancassurance channel, leveraging its distribution relationship with HDFC Bank. This trend has been particularly marked during the second quarter, with total sales in India increasing by 35%[7,10] compared to the prior year.

In China, sales volumes decreased by 1%[10]. This reflects a greater focus on profitability through increasing the proportion of regular premium business. In line with this approach, regular premiums increased by 28%[10] compared to the prior year whereas single premium business declined by 31%[10].

Global investment management – continued growth in higher margin assets

Third party assets under management have reached a record level of £63.0bn (31 December 2009: £56.9bn) and now represent 44% of total assets under management (31 December 2009: 41%). Total assets under management increased by £4.3bn to £143.0bn (31 December 2009: £138.7bn).

Third party net inflows at Standard Life Investments continue to be very strong and have increased by 52% to £4.7bn (2009: £3.1bn), representing 17% of opening third party assets under management on an annualised basis.

Sales of our core products such as fixed income, which increased by 37% to £2.4bn of net inflows, remain buoyant. Global Absolute Return Strategies (GARS) has attracted over £4bn since launch in 2006 and continues to be popular with both retail and institutional investors. The wholesaling of retail products has seen continued momentum with investors showing appetite for GARS, Global Index Linked Bonds, UK Smaller Companies, European Corporate Bonds, European Government Bonds and European Inflation Linked Bonds.

Overseas markets continued to add significant sales. This is especially so within our SICAV[11] range, predominantly sold in mainland Europe, which increased by 61% to £0.3bn (2009: £0.2bn). Momentum is also strong within HDFC Asset Management, in which we have a 40% stake, with over 4 million customer accounts, 1 million customers on regular savings plans, and total assets under management of £11.6bn[12]. This equates to a 12.8% market share, the second highest ranking in the industry.

The strength of our investment process across a range of OEICS and unit trusts is demonstrated by the high proportion of eligible funds (21 out of 29 actively managed) rated 'A' or above by Standard & Poor's. The money weighted average performance for third party assets is above median over one, three, five and ten years.

IFRS profits benefiting from net inflow momentum and increased revenues

We are reporting IFRS operating profit as our main IFRS performance measure for the first time in place of IFRS underlying profit, having restated prior period comparators in our 21 July 2010 press release.

IFRS operating profit before tax from continuing operations increased by 10% to £182m (2009: £166m), principally reflecting a combination of higher revenues, offset by increased costs as we accelerate our investment in the business, and lower reserve movements.

Increased net inflows and higher average market levels have led to strong growth in assets under administration. This, combined with an increased weighting of higher margin products in our investment management business, have led to a £78m increase in income received through annual management charges. We have also seen improved profitability in our International long-term savings businesses mainly due to improved sales and fees combined with robust cost control in our Irish and Hong Kong businesses.

As announced at our 2009 Preliminary Results in March we are broadly doubling the growth investment in the business over the course of 2010. While this will lead to increased assets and profitability in the medium term there will inevitably be a short-term impact on the level of IFRS operating profit. This has been reflected in a £35m increase in operating costs in the period compared to the prior year, of which £28m relates to increased growth investment. Excluding this investment for growth, IFRS operating profit increased by 21% to £254m (2009: £210m). Profits in the second half of the year will also be affected as more of our investment projects come on stream.

The movement in IFRS operating profit has also been impacted by lower reserve movements arising from management actions. During the first half the IFRS operating result benefited from a £26m release of reserves in respect of our UK annuity and legacy life businesses, as well as a £20m release of reserves following a review of annuitant policy data and reinsurance arrangements in Canada. In 2009 our IFRS operating result similarly benefited from £79m of reserve releases relating to our UK deferred annuity business and Canada management actions.

EEV operating cash flow robust with strong coverage of new business strain

Core capital and cash generation after tax from continuing operations was 6% higher at £160m (2009: £151m)[2,4,5]. This was driven by increased capital and cash generation from existing business, partially offset by higher development expenses, and an increase in new business strain arising from the inclusion of the Asian businesses in the current period. Capital and cash generated from existing business of £300m (2009: £246m)[4] comfortably covered new business strain of £109m (2009: £72m)[4] by 2.8 times (2009: 3.4 times).

Overall, operating capital and cash generation amounted to £149m (2009: £172m)[2,4]. This includes a negative contribution of £4m from back book management that reflects adverse tax and pension scheme variances, partly offset by management actions to reduce reserves in UK and Canada. The 2009 comparative included a contribution from back book management which included the benefit of a £29m release of deferred annuity reserves in the UK.

EEV operating result driven by higher new business profits

EEV operating profit before tax from continuing operations increased by 11% to £364m (2009: £328m)[2,4], delivering an RoEV of 8.0% (2009: 7.5%)[2,4]. As a long-term savings and investments business our core return will inevitably be influenced by the overall level of financial markets through their impact on long-term savings flows and asset levels within our Global investment management business. Core return has increased by 41% to £336m (2009: £239m)[2,4,5]. Within this, new business contribution was also 41% higher at £161m (2009: £114m)[4], due to improved sales volumes and the inclusion of the Asian businesses in the current period. The expected return on existing business and profits generated by our Global investment management business have also strengthened.

We remain committed to driving increased value from the management of our back book. Back book management profits of £31m in 2010 were driven by management actions to reduce reserves in the UK and Canada. In 2009 the back book management result of £94m included an £89m benefit from changes to asset allocations and hedging arrangements, which reduced the time value of options and guarantees (TVOG) associated with the Heritage With Profits Fund (HWPF).

Increased 2010 interim dividend

The Board have proposed an interim dividend of 4.35p per share (2009: 4.15p), an increase of 4.8% (2009: 2.0%). The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Stable balance sheet

Group embedded value of £6,799m (31 December 2009: £6,435m), represents an embedded value per share of 302p (31 December 2009: 288p). IFRS equity excluding intangible assets and non-controlling interests was £3,531m (31 December 2009: £3,351m), representing 157p per share (31 December 2009: 150p). The increase in Group embedded value and IFRS equity during the year primarily reflects the profit for the period offset by the payment of the final dividend declared in respect of 2009.

Delivering our strategy

Today's results underline our confidence in the exciting prospects we see for all our businesses. During the first half of 2010 we have driven business performance and made good progress against our strategic priorities.

The increased level of investment we are making in our business to help us capture market opportunities is already driving momentum:

- In Corporate we launched new Corporate ISA and Trust Based Pensions in the UK, with closer integration of our Vebnet business helping us win new business with a consolidated pensions and flexible benefits offering. Our Plan for Life pension, and flexible benefits solutions, are driving new business momentum in Canada.
- In Retail we launched our UK Active Money Personal Pension to provide an entry-level retirement savings proposition. In Canada we have made good progress with our Distributor Relationship Management programme to support inflows into higher margin propositions. Our acquisition of threesixty, the intermediary services business, will further strengthen our support for UK intermediaries.
- In Global Investment Management we acquired Aida Capital to strengthen our alternative investment capabilities, and our recently announced strategic alliance with Chuo Mitsui Asset Trust and Banking will give us direct access to the attractive Japanese market.
- The Joint Venture businesses in Asia continue to develop, with the Indian business growing strongly and our discussions with Bank of China progressing.

We have focused our business portfolio. In January 2010 we concluded the sale of our banking operations to Barclays Bank PLC, with sales proceeds of £246m. In May we announced our intention to sell Standard Life Healthcare as we believe that manufacturing of private medical insurance is not core to our long-term savings and investment strategy in the UK. This transaction successfully concluded on 31 July with proceeds of £138m.

To increase cash profitability, we are driving transformation across the Group to create a fitter, more flexible business that can identify and capture new opportunities. In June we made changes to our leadership structure and to the way the Group operates, including bringing together marketing and distribution to create a Take to Market focus. We continue to invest in, and build on, the strong relationships we have with advisers and intermediaries, a trend that will be enhanced by our acquisition of threesixty.

We continue to upgrade our operational capabilities through innovative use of technology and improvements to our processes. These will further enhance the customer experience and drive greater efficiencies. As announced in March we are targeting further efficiency savings of £100m by 2012 to improve our new business margins, achieved through making our operations lower cost and more scalable. We remain on track to achieve this.

We have a strong pipeline of new developments:

- Our Corporate propositions will be augmented by the introduction of Employee Wealth and Benefits Plan (EWBP), more effectively packaging our pension and flexible benefits capabilities.
- We continue to develop Corporate propositions for the Irish and German markets, building on existing pension propositions and capabilities.
- In Retail we are building on existing capabilities to create a Flexible Investment Proposition for the Hong Kong market, offering customers a wider investment choice with online capability.
- We are developing a new Investment Proposition, to be launched initially with our intermediary partners, to enhance our online experience and help customers obtain simpler, more appropriate, investment solutions.

Outlook

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

There are very large individual and employer markets available to us in the UK and Canada and we believe we have the products and propositions to capitalise on this. In the UK we are particularly well placed for regulatory change, whether it be the impact of the Retail Distribution Review, or auto-enrolment in the corporate market.

Standard Life Investments is well placed to continue its growth, including in alternative asset classes such as absolute returns. The joint venture businesses in Asia also offer us valuable opportunities. In India we continue to monitor the potential to increase our holding in the long-term savings joint venture with HDFC, whilst negotiations are ongoing with the Bank of China to change the nature of the joint venture relationship in China.

We see exciting opportunities in our core markets and are confident that the investments we are making will lead to continued strong growth in assets and cash profitability, supporting our progressive dividend policy.

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Debt Investors

Scott Forrest	0131 245 6045

Newswires and online publications

A conference call will take place for newswires and online publications from 8.00-9.00am. Participants should dial +44 (0)1452 555566 and quote Standard Life Half Year Results 2010. The conference ID number is 92155227. A replay facility will be available for 7 days. Investors and analysts should dial +44 (0)1452 550000. The pass code is 92155227#.

Investors and Analysts

A presentation to investors and analysts will take place at 9:30am at UBS Ground Floor Conference Centre, 1 Finsbury Avenue, London. A live webcast of the presentation and the presentation slides will be available on the Group's website. In addition a replay will be available on this website later today.

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

Notes to Editors:

1 Net flows and assets under administration across the Group include net flows in respect of the Asian joint ventures and our wholly owned Hong Kong subsidiary. Prior year figures have been restated accordingly.

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

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

4 The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at full year 2009. H1 2009 results include these on an IFRS basis.

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

6 The daily average level of the FTSE All share index was 32% higher over the six months to 30 June 2010 when compared to the same period in 2009. On the same basis the UK IPD All Property Index was 13% higher and the Sterling 5-10 Yr Corporate Securities Index was up 29%.

7 Unless otherwise stated, all sales figures are on a present value of new business premiums (PVNBP) basis. PVNBP is calculated as 100% of single premiums plus the expected present value of new regular premiums. Prior period PVNBP for India has been restated by £1m to reflect the reclassification from regular premiums to single premiums

8 Analysis of Individual SIPP assets under administration.

	30 Jun 2010	31 Dec 2009
	£m	£m
Insured Standard Life funds	**2,860**	2,832
Insured external funds	**1,836**	1,723
Collectives – Standard Life Investments	**2,481**	1,894
Collectives – Funds Network	**1,023**	973
Cash	**1,281**	1,199
Non collectives	**3,471**	3,159
Total	**12,952**	11,780
Insured	**4,696**	4,555
Non-insured	**8,256**	7,225
Total	**12,952**	11,780

Of the £13.0bn assets under administration at 30 June 2010, £2.2bn relate to assets on the Wrap platform.

9 At the end of June 2010 we had 45,500 customers on our Wrap platform (31 December 2009: 31,600).

10 Percentage movements for PVNBP sales, regular premiums and single premiums in our overseas businesses are calculated on a constant currency basis.

11 A SICAV (société d'investissement à capital variable) is an open-ended collective investment scheme common in Western Europe. SICAVs can be cross-border marketed in the EU under the UCITS directive.

12 Based on 100% of HDFC Asset Management. Standard Life share of AUM £4.6bn.

13 The *Half Year Results 2010* are available on the Financial Results page of the Standard Life website at **www.standardlife.com**

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1 Business review

1.1 IFRS – Group

The IFRS results demonstrate our ability to deliver high quality returns for shareholders and the ongoing dividend paying capability of the Group. We will continue to streamline operational processes and enhance efficiency to reduce costs.

IFRS highlights

	H1 2010	H1 2009	Movement
IFRS operating profit before tax from continuing operations[1]	**£182m**	£166m	10%
IFRS profit/(loss) after tax attributable to equity holders	**£182m**	(£20m)	1,010%
Diluted IFRS operating EPS from continuing operations[1,2]	**6.0p**	5.8p	3%
Dividend cover[1,3]	**1.4 times**	1.4 times	-
IFRS tangible equity per share[4,5]	**157p**	150p	5%

[1] The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. Comparatives have been restated to reflect continuing operations only.

[2] Diluted IFRS operating EPS is based on 2,235m shares (30 June 2009: 2,185m) and the IFRS operating profit after tax from continuing operations of £134m (H1 2009: £127m).

[3] Dividend cover is calculated as IFRS operating profit after tax from continuing operations divided by the dividend proposed in respect of this period.

[4] IFRS tangible equity per share is based on the diluted closing number of issued shares of 2,253m (31 December 2009: 2,237m) and tangible IFRS equity of £3,531m (31 December 2009: £3,351m). IFRS tangible equity excludes non-controlling interests and intangible assets.

[5] Comparative as at 31 December 2009.

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

IFRS profit/(loss)

IFRS profit for the period was £217m (H1 2009: loss £49m). This comprises profit after tax attributable to equity holders of £182m (H1 2009: loss £20m) and profit attributable to non-controlling interests of £35m (H1 2009: loss £29m). The IFRS result included a 10% increase in operating profit before tax from continuing operations from £166m to £182m.

IFRS operating profit before tax from continuing operations

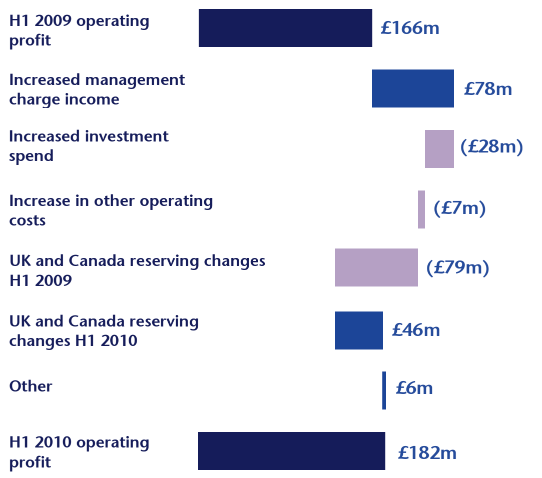
As announced on 21 July 2010, we are adopting operating profit as our main IFRS performance measure in place of IFRS underlying profit. We consider that this change will provide shareholders and other stakeholders with a better understanding of our long-term operating performance by removing the impact of short-term economic volatility. In addition, the change will better reflect our internal management approach while also allowing for greater comparability with others in the industry.

Our IFRS consolidated income statement which shows IFRS profit after tax attributable to equity holders, and the reconciliation to operating profit from continuing operations are shown in the IFRS consolidated financial statements section of this report.

Movement in IFRS operating profit from continuing operations

IFRS operating profit from continuing operations increased by 10% to £182m (H1 2009: £166m), with profitability benefiting across the Group from increased management charge income due to the impact of higher average market values compared with H1 2009. This increased profit by £78m. Operating costs rose by £35m, including £28m of additional investment spend. In H1 2009, there was a £29m release of reserves in relation to deferred annuity business in the UK, and in Canada management actions reduced reserves by £50m. In H1 2010, reserving changes in Canada positively impacted profit by £20m, while reserving changes in the UK boosted profit by £26m.

Movement in IFRS operating profit from continuing operations



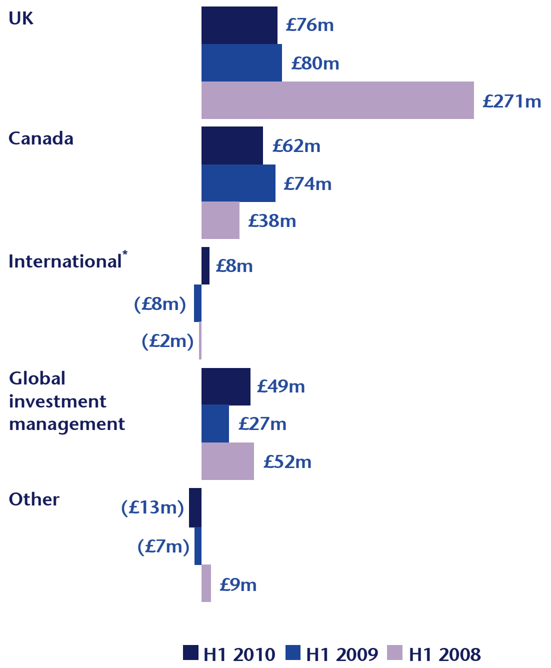
Segmental analysis of IFRS operating profit from continuing operations

UK

IFRS operating profit before tax from continuing operations within our UK business reduced to £76m (H1 2009: £80m). Profitability was impacted by reduced profits from annuity business and increased costs relating to transforming the business and developing new propositions. This was partially offset by increased management charge income. Reserve changes benefited both H1 2010 and H1 2009, by £26m and £29m respectively.

Our banking business, Standard Life Bank plc, was sold on 1 January 2010. In May 2010, we entered into an agreement to sell our healthcare business, Standard Life Healthcare Limited. IFRS operating profit before tax in our healthcare business increased to £11m in H1 2010 (H1 2009: £5m) primarily due to continuing action to reduce operating costs and also higher investment income.

IFRS operating profit before tax from continuing operations £182m (H1 2009: £166m, H1 2008: £368m)



* International comprises the Group's operations in Europe and Asia.

Canada

Canada recorded an operating profit before tax of £62m (H1 2009: £74m). H1 2010 results benefited from an increase in management charge income and surplus income from higher assets under administration, as well as a release of reserves due to a review of annuity policy data and changes to reinsurance arrangements. H1 2009 results benefited from management actions to improve asset and liability matching, which decreased policyholder liabilities.

International

The international operations comprise our wholly owned long-term savings operations in Europe and Hong Kong along with the long-term savings joint ventures in India and China. These operations are now managed as a single international business.

The IFRS operating profit before tax of the wholly owned businesses increased to £28m (H1 2009: £9m), primarily due to an increase in profitability in Ireland and offshore bonds. The offshore bond and Ireland results improved due to increased management charge income and a reduction in operating costs. Germany recorded an operating profit of £23m (H1 2009: £26m).

The joint ventures in India and China contributed an IFRS operating loss of £20m (H1 2009: loss £17m) to the Group reflecting the continuing investment in developing the operations in these markets.

Global investment management

IFRS operating profit before tax increased to £49m (H1 2009: £27m), primarily due to a rise in revenue of 24% as a result of higher average market values and increased third party new business. In addition, lower interest expense following the repayment of an internal subordinated loan at the end of 2009 further contributed to the operating profit result.

Other

Group corporate centre costs increased to £30m (H1 2009: £25m) due to increased investment in the business, while other income remained broadly unchanged at £17m (H1 2009: £18m).

Please refer to Section 1.3 – Business segment performance for further detail on the IFRS operating results of our businesses.

1.2 EEV – Group

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

EEV highlights

	H1 2010	H1 2009[1]	Movement
EEV operating profit before tax from continuing operations[2]	**£364m**	£328m	11%
Return on embedded value from continuing operations[2,3]	**8.0%**	7.5%	0.5% points
Diluted EEV operating EPS from continuing operations[2,3,4]	**11.3p**	10.4p	9%
EEV profit/(loss) before tax	**£472m**	(£44m)	1,173%
New business PVNBP[5]	**£9,631m**	£7,452m	29%
Internal rate of return	**19%**	16%	3% points
Undiscounted payback period[6]	**5 years**	6 years	1 year
EEV[7]	**£6,799m**	£6,435m	6%
EEV per share[7,8]	**302p**	288p	5%

[1] The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at FY 2009. H1 2009 results include these on an IFRS basis.

[2] The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. Comparatives have been restated to reflect continuing operations only.

[3] Net of tax.

[4] Diluted EEV operating earnings per share (EPS) is based on the diluted weighted average number of shares of 2,235m (H1 2009: 2,185m) and the EEV operating profit after tax from continuing operations of £252m (H1 2009: £227m).

[5] Single premiums in India have been restated to reflect the reclassification of regular premiums to single premiums. The impact on PVNBP for the six months to 30 June 2009 is £1m.

[6] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.

[7] Comparative shown as at 31 December 2009.

[8] EEV per share is based on the diluted closing number of shares of 2,253m (31 December 2009: 2,237m).

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

EEV profit/(loss)

EEV profit before tax of £472m (H1 2009: loss £44m) includes an operating profit from continuing operations of £364m (H1 2009: £328m) and a non-operating profit from continuing operations of £128m (H1 2009: loss £417m). EEV loss from discontinued operations was £20m before tax (H1 2009: profit £45m). The equivalent after-tax results from continuing operations were £252m operating profit and £91m non-operating profit. EEV loss from discontinued operations was £17m after tax (H1 2009: profit £32m).

Operating profit removes most of the investment variance within a reporting period but does reflect changes in investment conditions from period to period. Non-operating profits and losses are mainly market-driven and occur as a result of short-term investment performance being different from the long-term return anticipated in the opening EEV. Further details of the operating profit and non-operating profit are given below.

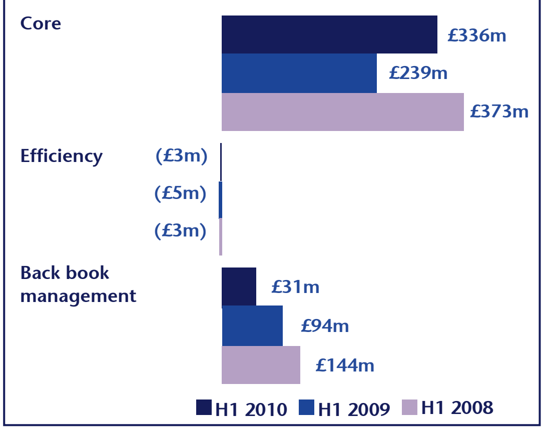
EEV operating profit/(loss) before tax from continuing operations – core, efficiency and back book management

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

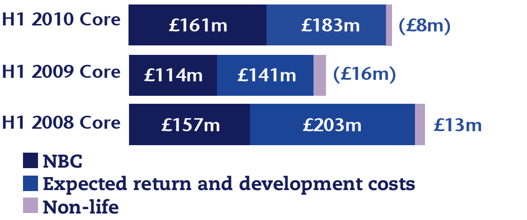
Core elements comprise new business contribution (NBC), expected return on in-force business, non-covered business profits and development costs for covered business other than those directly related to back book management.

The core element of our operating profit from continuing operations increased by 41% to £336m (H1 2009: £239m) and was driven by a 41% increase in NBC. Expected return from the Group's in-force business increased by 14% to £216m (H1 2009: £189m) and primarily reflects higher opening values of in-

EEV operating profit before tax from continuing operations £364m (H1 2009: £328m, H1 2008: £514m)



EEV operating profit before tax from continuing operations – core £336m (H1 2009: £239m, H1 2008: £373m)



force business. The core result also consists of non-covered business which includes a 110% increase in EEV operating profits from our investment management business, where revenues during the period increased with higher average market values and strong net flows, and operating costs remain tightly controlled. Partially offsetting these movements was an increase in development costs attributed to the core business to £29m (H1 2009: £13m), as we continue to invest in the development of new propositions. For further detail see Section 1.3 – Business segment performance.

New business profitability

	PVNBP £m		NBC £m		PVNBP margin %[1]		IRR %		Undiscounted payback (years)[2]	
	H1 2010	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009
UK	**6,930**	5,246	**103**	92	**1.5**	1.8	**20**	20	**5**	5
Canada	**1,581**	1,352	**31**	18	**2.0**	1.3	**19**	14	**7**	7
International[3,4]	**1,120**	854	**27**	4	**2.5**	0.8	**17**	7	**5**	10
Total	**9,631**	7,452	**161**	114	**1.7**	1.6	**19**	16	**5**	6

[1] PVNBP margins are calculated as the ratio of new business contribution to PVNBP and are based on the underlying unrounded numbers.

[2] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.

[3] The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at FY 2009. H1 2009 results include these on an IFRS basis. H1 2009 NBC, PVNBP margin, IRR and undiscounted payback reflect Europe only.

[4] Single premiums for the India joint venture have been restated to reflect the reclassification of regular premiums to single premiums. The impact on PVNBP for the six months to 30 June 2009 is £1m.

New business profitability increased with a 41% improvement in NBC. This largely reflects higher sales volumes across the Group during the period compared to H1 2009. The total internal rate of return (IRR) for the Group was 19% (H1 2009: 16%) and the undiscounted payback period decreased to 5 years (H1 2009: 6 years).

Please refer to Section 1.3 – Business segment performance for further discussion of new business profitability by business segment.

Back book management

	UK £m	Canada £m	International £m	HWPF TVOG £m	H1 2010 Total £m	H1 2009* Total £m
Lapses	(9)	-	3	-	**(6)**	(8)
Mortality and morbidity	2	11	2	-	**15**	13
Tax	(7)	2	(1)	-	**(6)**	21
Management actions to reduce market risk in UK and HWPF TVOG	-	-	-	-	**-**	89
Other	29	3	(1)	(3)	**28**	(21)
Back book management	**15**	**16**	**3**	**(3)**	**31**	94

* The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at FY 2009. H1 2009 results include these on an IFRS basis.

Management of our back book focuses on reducing risks and enhancing the value of expected shareholder profits, as well as capturing the impact of changes in insurance experience and assumptions. The two major insurance risks to which shareholders are exposed are lapses and annuitant mortality.

Reflecting our focus on the effective management of the existing business, back book management activities generated EEV operating profits of £31m (H1 2009: £94m). This was driven by management actions to reduce reserves on the UK legacy and annuity business and a review of annuity policy data in Canada. Persistency experience in the UK was adversely impacted by the change in the minimum retirement age during the period.

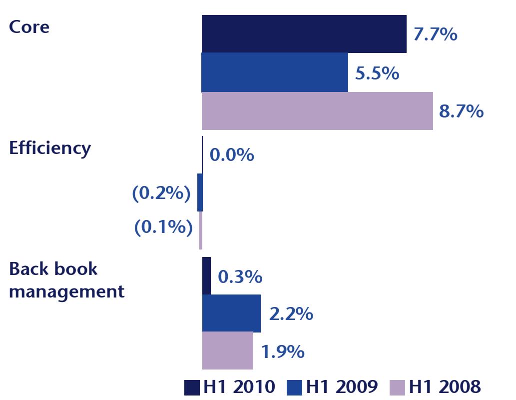
During the prior period, a number of management actions were taken to reduce market risk associated with the Heritage With Profits Fund (HWPF), which generated back book profits. A profit of £89m arose from the impact of asset allocations and hedging arrangements, which reduced the HWPF time value of options and guarantees (TVOG). In addition, the result for H1 2009 also included a £29m release of reserves following a review of the UK business deferred annuity data.

1.2 EEV – Group *continued*

Return on embedded value from continuing operations

Return on embedded value (RoEV) from continuing operations was 8.0% in H1 2010 compared to 7.5% in H1 2009. Core contributed 7.7% to total RoEV compared to 5.5% in H1 2009. This movement was primarily due to increased NBC which contributed 3.9% to RoEV (H1 2009: 2.7%) and expected return from existing business which contributed 5.0% (H1 2009: 3.5%).

RoEV from continuing operations 8.0% (H1 2009: 7.5%, H1 2008: 10.5%)



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

Total EEV non-operating profit before tax from continuing operations was £128m in H1 2010 (H1 2009: loss £417m) and was mainly due to a positive investment variance of £314m (H1 2009: loss £477m), reflecting higher than expected market returns over the period, a decrease in the fair value of the subordinated debt liabilities and an increase in the market value of the assets backing the subordinated debt liabilities. This was partially offset by a £197m loss (H1 2009: profit £33m) from economic assumption changes in covered business, which primarily arose from the effect of lower projected investment returns.

Included within restructuring and corporate transaction costs is £11m (H1 2009: £24m) of costs incurred as part of our Continuous Improvement Programme. Volatility arising from adjustments for different accounting bases resulted in a gain of £29m (H1 2009: £61m).

Impact of UK Budget Changes announced on 22 June 2010

In the June Budget the UK Government announced its intention to reduce Corporation Tax from 28% to 24% in annual 1% steps by April 2014. In addition, it announced that the rate of Value Added Tax (VAT) would rise from 17.5% to 20% from 4 January 2011.

The stepped reductions in the Corporation Tax rate are likely to be enacted one year at a time. Our EEV results at June reflect best estimate assumptions of 27% Corporation Tax and 20% VAT, since these changes are included in the Finance (No. 2) Act 2010, given Royal Assent on 27 July 2010. The impact of the further stepped reductions in Corporation Tax rates to 24% from 1 April 2014 would be to increase the closing EEV by around £60m, equivalent to an increase in EEV per share of around 2.7p.

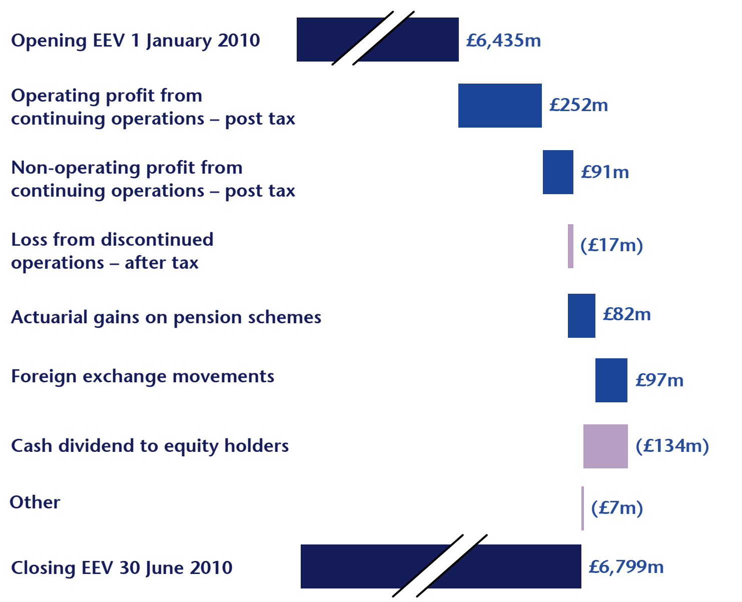
Group embedded value

Group embedded value increased to £6,799m (31 December 2009: £6,435m), with a total operating profit movement from continuing operations of £252m after tax, non-operating profits from continuing operations after tax of £91m and non-trading movements of positive £38m. Total loss after tax from discontinued operations was £17m. The operating profit and non-operating profit are explained in this section of the Business review. Non-trading movements included the £134m cash dividend paid to equity holders. Non-trading foreign exchange movements were positive £97m and actuarial gains of £82m after tax predominantly reflects the £100m after tax surplus of the UK pension scheme.

The closing EEV of £6,799m consists of £3,363m of net worth (free surplus and required capital) and £3,436m from the present value of in-force business (PVIF). The movement in total EEV of £364m consists of a movement in net worth of positive £312m and a movement in the PVIF of positive £52m.

The movements in EEV shareholder net assets are analysed in more detail in Section 1.4 – Capital and cash generation.

Movement in Group embedded value



1.3 Business segment performance

1.3.1 UK

The UK business comprises long-term savings and investments. Focusing on delivering customer-centric propositions, it has a strong and diversified distribution network, which makes it well placed to grow assets under administration and generate sustainable profitable returns. In May 2010, we entered into an agreement to sell our healthcare business, Standard Life Healthcare Limited. The sale completed on 31 July 2010.

Long-term savings and investments

The UK long-term savings and investments business is one of the largest providers in the UK, offering solutions to both the retail and corporate long-term savings and benefits markets. The business offers a wide range of insurance and investment wrappers. In 2010, the business embarked on transforming its operations, investing in new customer-centric propositions, and increasing its speed to market.

Financial highlights

	H1 2010	H1 2009	Movement
Net flows	**£1,635m**	£135m	1,111%
Assets under administration[1]	**£108.8bn**	£105.6bn	3%
New business PVNBP	**£6,930m**	£5,246m	32%
New business contribution	**£103m**	£92m	12%
Internal rate of return	**20%**	20%	-
Undiscounted payback period[2]	**5 years**	5 years	-
IFRS operating profit before tax	**£76m**	£80m	(5%)
EEV covered business operating profit before tax[3]	**£205m**	£267m	(23%)
EEV non-covered business operating loss before tax[4]	**(£15m)**	(£11m)	(36%)

[1] Comparative as at 31 December 2009.
[2] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.
[3] Includes Heritage With Profits Fund time value of options and guarantees (HWPF TVOG).
[4] Primarily includes UK defined benefit pension scheme charge and non-covered Wrap platform result.

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

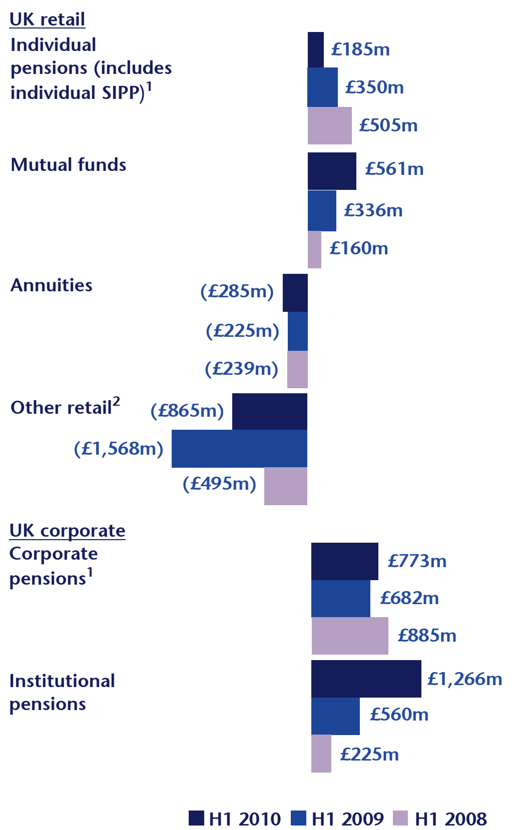
Net flows

Net inflows for the period increased by £1,500m to £1,635m (H1 2009: £135m).

Retail net outflows of £404m (H1 2009: net outflow £1,107m) were £703m lower than H1 2009, driven by strong self invested personal pension (SIPP) and mutual funds inflows. This was partly offset by increased outflows across all pension products mainly due to the change in the minimum age at which customers can take retirement benefits from 50 to 55, which came into force in April 2010. We experienced a decrease in outflows across pension products after the age change came into effect. Other retail net outflows of £865m (H1 2009: net outflow £1,568m) were 45% lower mainly due to lower investment bonds net outflows of £412m (H1 2009: net outflow £825m), with H1 2009 impacted by our decision not to renew bulk investment bond deals, which contributed £553m to net outflows. In addition, we also experienced lower legacy life net outflows of £466m (H1 2009: net outflow £761m).

Corporate net inflows of £2,039m (H1 2009: £1,242m) increased by 64%. Within this, corporate pension net inflows of £773m (H1 2009: £682m) were 13% higher than last year, with strong inflows from new scheme wins partially offset by an increase in outflows. Institutional pension sales continue to show strong growth in new and existing customer contributions, which resulted in net inflows more than doubling to £1,266m (H1 2009: £560m).

UK net flows £1,635m (H1 2009: £135m, H1 2008: £1,041m)



[1] Retail trustee investment plan (TIP) has been reclassified from corporate pensions to individual pensions. The impact of this was a net inflow of £2m (H1 2009: net outflow £11m; H1 2008: £nil).
[2] Other retail includes investment bonds, legacy life and protection.

1.3 Business segment performance *continued*

1.3.1 UK *continued*

New business sales and profitability

	PVNBP £m[1]		NBC £m		PVNBP margin %[2]		IRR %		Undiscounted payback (years)[3]	
	H1 2010	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009	**H1 2010**	H1 2009
Individual pensions[4]	**2,173**	1,829	**14**	14	**0.7**	0.7	**11**	11	**7**	7
Savings and Investments[5]	**954**	696	**4**	(4)	**0.4**	(0.6)	**10**	4	**8**	14
Annuities[6]	**209**	258	**36**	46	**17.1**	17.8	**Infinite**	Infinite	**-**	-
UK retail	**3,337**	2,785	**54**	56	**1.6**	2.0	**21**	24	**5**	5
Corporate pensions[4]	**1,751**	1,517	**24**	29	**1.4**	1.9	**12**	14	**9**	8
Institutional pensions	**1,842**	944	**25**	7	**1.4**	0.8	**>40**	>40	**<3**	<3
UK corporate	**3,593**	2,461	**49**	36	**1.4**	1.5	**20**	16	**6**	7
UK total	**6,930**	5,246	**103**	92	**1.5**	1.8	**20**	20	**5**	5

[1] UK retail and UK total PVNBP includes protection of £1m (H1 2009: £2m).

[2] PVNBP margins are calculated as the ratio of new business to PVNBP and are based on the underlying unrounded numbers.

[3] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.

[4] Retail TIP has been reclassified from corporate pensions to individual pensions. The impact of this was PVNBP £15m (H1 2009: £10m). There was no impact on NBC, IRR and undiscounted payback.

[5] Includes mutual funds and investment bonds.

[6] H1 2010 and H1 2009 undiscounted payback is immediate.

PVNBP sales within our retail business increased by 20% to £3,337m (H1 2009: £2,785m). Individual pensions, which includes individual SIPP and increments, increased by 19% to £2,173m (H1 2009: £1,829m). Within this, individual SIPP sales increased by 24% to £1,907m (H1 2009: £1,537m) driven by strong growth in customer accounts, increased activity around the tax year end, and higher average market values which increased incoming transfer values. Savings and investment sales grew by 37% to £954m (H1 2009: £696m) with mutual fund sales increasing by 59% to £863m (H1 2009: £542m), driven by a significant increase in sales through our Wrap platform. This was partly offset by investment bonds sales which decreased by 41% to £91m (H1 2009: £154m).

Corporate sales grew by 46% to £3,593m (H1 2009: £2,461m). Within this, corporate pensions increased by 15% to £1,751m (H1 2009: £1,517m), driven by our success in winning new schemes, including the previously announced Logica scheme which contributed £148m to sales. The attractiveness of our institutional pension offering resulted in a 95% increase in sales to £1,842m (H1 2009: £944m), with significant contributions from both new and existing clients to Standard Life Investments global absolute return strategies products and fixed income funds.

New business contribution (NBC) increased to £103m (H1 2009: £92m), while the PVNBP margin fell to 1.5% (H1 2009: 1.8%). The IRR was maintained at 20% (H1 2009: 20%), while the payback period remained stable at 5 years (H1 2009: 5 years).

Margins on our individual pensions business remained in line with H1 2009, but were significantly higher compared with FY 2009. Savings and investment margins improved significantly, mainly as a result of relatively flat acquisition expenses and the strong growth in mutual fund sales, particularly on our Wrap platform. The lower annuity margin reflects a change in our pricing in response to market conditions. Institutional pensions margins have improved due to higher income on new business combined with relatively flat expenses, while the corporate pensions margin was adversely impacted by an increased allocation of acquisition expenses, partly reflecting investment in our propositions. Overall acquisition costs reduced as a percentage of PVNBP due to increased volumes.

Business development

Earlier in the year, we announced our intention to transform how we operate by investing significantly in our propositions and increasing our speed to market, making us more nimble and allowing us to respond quickly to customer growth opportunities. During the first half of 2010 we have made significant progress in moving towards these aims. We recently restructured the UK business, which includes the creation of a new Take to Market function. This brings our sales, distribution and marketing areas closer together, increasing our ability to respond quickly to customer needs by bringing propositions to market quicker. In addition, the creation of an operations function will ensure that all of our propositions and customers are supported by innovative technology, as well as excellent service.

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

Within our retail business, we successfully launched our Active Money Personal Pension in February 2010. This extends our reach in the individual pensions market, with a product which adapts to meet the changing needs of each customer. We also continued to see strong growth in our individual SIPP customer base during the first six months of the year, with the total number of customer accounts increasing by 14% to 95,800 compared to 83,900 as at 31 December 2009.

Assets under administration on our Wrap platform increased by 36% to £4.9bn (31 December 2009: £3.6bn), more than double the level of £2.3bn at 30 June 2009. During the period, we continued implementing enhancements to improve the user experience, and the number of advisers using the platform continued to grow strongly, with 727 advisers now using the platform compared to 583 at 31 December 2009. The number of customers also increased significantly with 45,500 customers now placing their assets on the platform compared to 31,600 at 31 December 2009. Further enhancements are planned for the remainder of 2010, and we expect sales and customer growth to continue.

Within our corporate business, we have made significant progress towards developing our propositions during the first half of the year. In April, we launched our enhanced trustee-based proposition which provides a flexible solution to meet trustee needs. In addition, we made good progress in the development of our employee wealth plan, which will offer a compelling proposition for employees and employers, combining corporate benefits and personal wealth in one place.

We also continued to offer innovative solutions for our customers, demonstrated by the Logica scheme win which offers a tailored savings and benefits package, and leverages the expertise of our subsidiary Vebnet in the employee benefits market. We believe the flexibility and sustainability of our corporate offering, combined with the development of our new innovative and customer-centric propositions, will allow us to build on our strong position in the UK corporate solutions market.

Performance

IFRS operating profit before tax

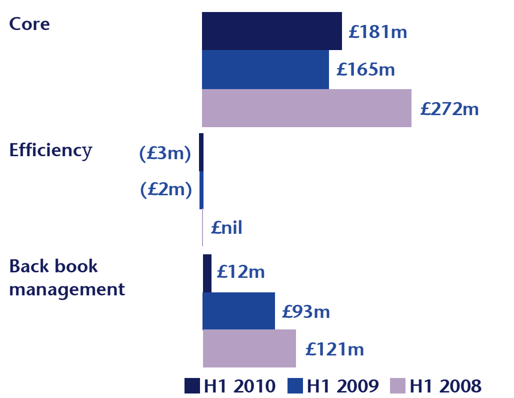
UK long-term savings and investments IFRS operating profit before tax was £76m (H1 2009: £80m). The result benefited from higher annual management charge income driven by growth in our assets under administration. Following management action the result also included a £26m reduction in reserves in relation to annuity and legacy business. This was partially offset by an £11m decrease in the annuity result, which included the impact of lower volumes following a change in our pricing in response to market conditions. In addition, operating costs were also higher in H1 2010 as a result of developing the business. Included within the H1 2009 result was a positive £29m release of reserves following the review of our deferred annuity data.

EEV operating profit before tax

UK EEV operating profit including HWPF TVOG and non-covered business decreased to £190m (H1 2009: £256m). Core profit of £181m (H1 2009: £165m) increased by £16m, mainly due to an £11m increase in NBC. Additionally, there has been an increase in the return on present value of in-force business due to both an increase in the opening embedded value and the risk discount rate. This was partially offset by an increase in core development spend to £17m (H1 2009: £9m) driven by investment in the development of our corporate and retail propositions.

The back book management profit of £12m (H1 2009: £93m) was largely as a result of management action taken to reduce reserves on our legacy and annuity book, partially offset by an increase in pension lapses. This was mainly driven by the 50 to 55 age change in April 2010, which resulted in an increase in surrender activity. The level of surrenders has subsequently reduced. The back book result last year benefited from a number of management actions taken to reduce market risk associated with the HWPF. This included an £89m profit from the impact of asset allocations and hedging arrangements, which reduced the HWPF TVOG. In addition, the H1 2009 result also included a £29m release of reserves following a review of our deferred annuity data.

UK EEV operating profit before tax £190m (H1 2009: £256m, H1 2008: £393m)



Awards won during 2010

During H1 2010, our focus on providing customer-centric propositions remained one of our key strengths and was recognised through many awards which included:

- Professional Pensions Awards – Bundled Defined Contribution Provider of the Year
- Professional Adviser Awards – Best website for IFAs awarded to Adviserzone
- Financial Adviser Life & Pension Awards – SIPP and Income Drawdown Company of the Year

1.3 Business segment performance *continued*

1.3.1 UK *continued*

Healthcare

The healthcare business offers a comprehensive range of private medical insurance (PMI) and other health and well-being solutions. An agreement to sell Standard Life Healthcare Limited was announced in May 2010. The sale completed on 31 July 2010. For further information please refer to Note 3.16 – Events after the reporting period.

Financial highlights

	H1 2010	H1 2009	Movement
New business	**£12m**	£10m	20%
In-force premium income	**£287m**	£295m	(3%)
IFRS operating profit before tax	**£11m**	£5m	120%
Underwriting profit	**£8m**	£4m	100%
Return on equity after tax	**16.8%**	7.6%	9.2% points
Claims ratio	**69.9%**	70.9%	1.0% points

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

New business

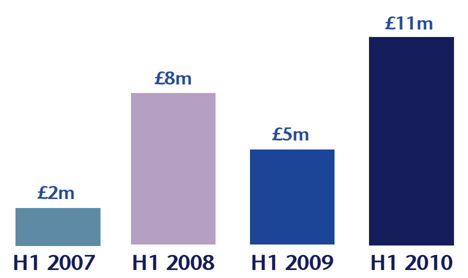
Overall new business sales increased by 20% to £12m (H1 2009: £10m) demonstrating the positive impact of distribution improvements. In-force premium income decreased slightly from 2009 levels due to the effect of increased lapse rates in certain segments of the business during late 2009 and early 2010.

Performance

IFRS operating profit before tax was £11m (H1 2009: £5m), before taking into account restructuring costs to deliver operational excellence. The increase in operating profitability was driven by continuing actions to reduce operating costs and also higher investment income.

Strong underwriting discipline and rigorous expense control saw the underwriting profit increase by 100% to £8m. The claims ratio was slightly lower than H1 2009.

IFRS operating profit before tax



1.3.2 Canada

Standard Life Canada is a long-term savings and investments business offering a range of savings, retirement and insurance products. With a strong focus on the needs of its 1.3 million retail and corporate customers, the business continues to build client and distributor relationships, in addition to introducing innovative solutions to protect clients' assets.

Financial highlights

	H1 2010	H1 2009	Movement
Net flows	**£92m**	£139m	(34%)
Assets under administration[1]	**£22.9bn**	£21.3bn	8%
New business PVNBP	**£1,581m**	£1,352m	17%
New business contribution	**£31m**	£18m	72%
Internal rate of return	**19%**	14%	5% points
Undiscounted payback period[2]	**7 years**	7 years	-
IFRS operating profit before tax	**£62m**	£74m	(16%)
EEV operating profit before tax	**£123m**	£89m	38%

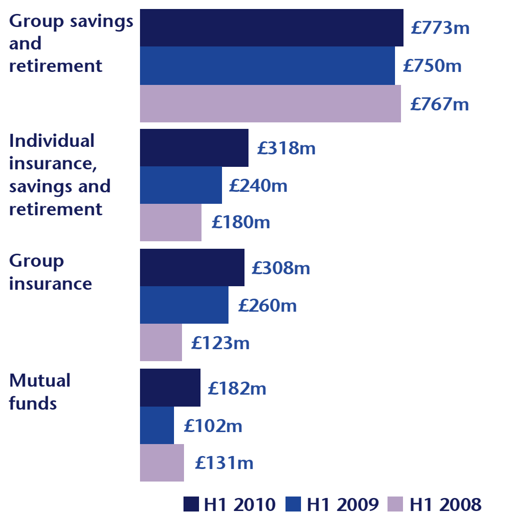
[1] Comparative as at 31 December 2009.

[2] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

Net flows and new business sales

Canada PVNBP sales £1,581m (H1 2009: £1,352m, H1 2008: £1,201m)



Net flows in our higher margin investment products, which include group and individual segregated funds and mutual funds, have increased by 27% in constant currency to £344m (2009: £241m), reflecting the strength of our savings and investments propositions. However, overall net flows have decreased by 42% in constant currency to £92m (H1 2009: £139m), reflecting higher claims and withdrawals, which have more than offset the strong growth in gross inflows and sales achieved across our retail and group insurance product lines. Overall outflows have increased due to higher asset values and a slight decline in mutual fund retention levels, driven by an increase in maturing contracts no longer subject to early redemption penalties. Total net flows excluding scheduled payments made in respect of non-core legacy annuity products, which are less actively marketed, decreased by 8% in constant currency to £359m (2009: £345m).

Overall sales increased by 4% in constant currency to £1,581m (H1 2009: £1,352m). Sales in our retail line, which includes individual insurance, savings and retirement and mutual funds, increased by 30% in constant currency to £500m (H1 2009: £342m). Investment funds sales increased 82% in constant currency, largely outpacing the market. Sales benefited from our well-positioned offering and strong adviser relationships in the segregated funds line and also benefited from the recovery in equity markets and a resultant improvement in customer sentiment in the first quarter of 2010. In group savings and retirement, sales in our core defined contribution offering, led to a strong growth in market share[3] with close to two-thirds of sales comprising of recurring annual premiums. However, due to difficult market conditions, sales decreased by 24% in constant currency to £545m (H1 2009: £635m), with a large case win accounting for £225m. Overall group savings and retirement sales decreased by 8% in constant currency to £773m (H1 2009: £750m). Excluding large wins in both years, sales have decreased by 10% in constant currency, reflecting the typically uneven pattern of this product line and slower market activity in the mid-market segment. Group insurance sales increased by 6% in constant currency to £308m (H1 2009: £260m), making significant gains in a contracting market, due to the strength of an innovative disability offering, highlighted by a 34% increase in sales in that segment.

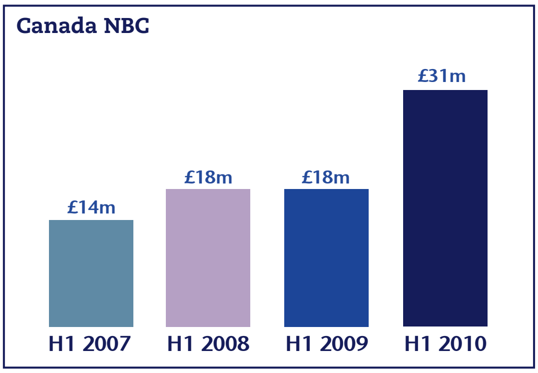
[3] As at 31 March 2010, latest available data.

1.3 Business segment performance *continued*

1.3.2 Canada *continued*

New business profitability

New business contribution increased to £31m (H1 2009: £18m) and PVNBP margin improved to 2.0% (H1 2009: 1.3%), as a result of a more profitable sales mix, with higher sales of individual segregated funds and mutual funds. Internal rate of return increased to 19% (H1 2009: 14%), again primarily due to the change in sales mix, and the undiscounted payback period remained stable at 7 years.



Business development

In line with our strategy to position ourselves as a long-term savings and investments business, we have continued to focus on increasing our visibility in the market. In 2010, we launched the second phase of our advertising campaign and have seen a resultant strong progress in recall and awareness. In our group savings and retirement line, we have focused on expanding in the large case segments and continuing to build our core propositions. In the small market segment, we continue our evolution of the express product, launching web tools which support our advisers in their sales process. In our retail line we launched our new Corporate Class Mutual Fund series featuring tax-efficient funds, allowing non-registered investors to enjoy all the benefits of our traditional range of funds with an added layer of tax-efficiency. In our group insurance line, we are continuing to provide additional support to customers and improve our product offering.

Performance

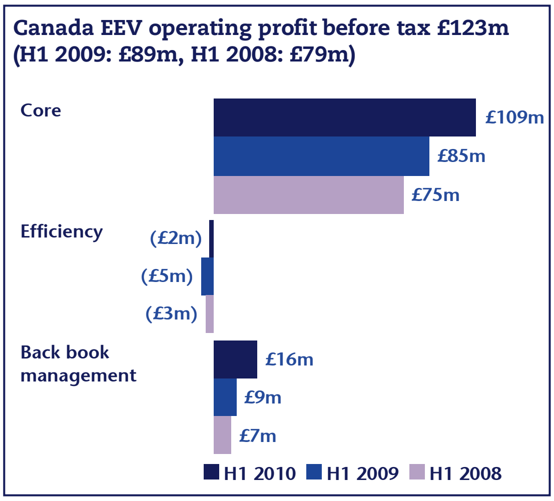
IFRS operating profit before tax

Operating profit before tax amounted to £62m (H1 2009: £74m). H1 2010 results benefited from an increase in management charge income and surplus income from higher assets under administration, as well as a release of reserves of £20m due to a review of annuity policy data and changes to reinsurance arrangements. H1 2009 results benefited by £50m from management actions to improve asset and liability matching which decreased policyholder liabilities.

The business maintained its strong credit profile, with a mortgage portfolio average loan to value ratio of 46% (H1 2009: 44%), and experienced no credit losses during the period.

EEV operating profit before tax

EEV operating profit before tax increased by 23% in constant currency to £123m (H1 2009: £89m). The core element accounted for £109m (H1 2009: £85m), an increase of 14% in constant currency driven by an improvement in total expected return to £81m (H1 2009: £68m). NBC increased to £31m (H1 2009: £18m). The efficiency result amounted to a loss of £2m (H1 2009: loss £5m). Back book management delivered a profit of £16m (H1 2009: £9m), primarily due to a review of annuity policy data.



Awards won during 2010

Highlighting our success with connecting with customers, our group savings and retirement 'One key, countless possibilities' multimedia campaign has won the award for Best Financial Services Integrated Advertising.

1.3.3 International

International consists of four wholly owned businesses and two joint ventures. The wholly owned businesses comprise of Standard Life International Limited (offshore business based in Dublin), Standard Life Ireland, Standard Life Germany (operating in Germany and Austria) and Standard Life Asia (based in Hong Kong). The joint ventures are based in China and India. The international businesses offer high quality and customer-focused long-term savings and investments propositions.

Financial highlights – wholly owned

	H1 2010	H1 2009	Movement
Net flows	**£592m**	£392m	51%
Assets under administration[1]	**£9.6bn**	£9.1bn	5%
New business PVNBP	**£832m**	£594m	40%
New business contribution[2]	**£13m**	£4m	225%
Internal rate of return[2]	**12%**	7%	5% points
Undiscounted payback period[2,3]	**7 years**	10 years	3 years
IFRS operating profit before tax	**£28m**	£9m	211%
EEV covered business operating profit before tax[2]	**£38m**	£9m	322%
EEV non-covered business operating loss before tax	**(£3m)**	(£4m)	25%

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

	H1 2010	H1 2009	Movement
Net flows	**£133m**	£101m	32%
Assets under administration[1]	**£1.0bn**	£0.8bn	25%
New business PVNBP[4]	**£288m**	£260m	11%
New business contribution[2]	**£14m**		
Internal rate of return[2]	**26%**		
Undiscounted payback period[2]	**3 years**		
IFRS operating loss before tax	**(£20m)**	(£17m)	(18%)
EEV covered business operating profit before tax[2]	**£10m**		

[1] Comparative as at 31 December 2009.

[2] The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at FY 2009. H1 2009 results include these on an IFRS basis. H1 2009 NBC, IRR and undiscounted payback reflect Europe only.

[3] From H1 2010 payback period is calculated on an undiscounted basis. Prior to this, the calculation was on a discounted basis. The H1 2009 comparative has been restated.

[4] Single premiums in India have been restated by £5m to reflect the reclassification of regular premiums to single premiums. The impact on PVNBP for the six months to 30 June 2009 is £1m.

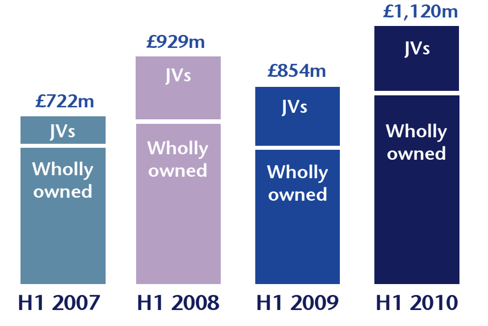
Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

Net flows and new business sales

Net flows of the wholly owned businesses increased by 56% in constant currency to £592m (H1 2009: £392m), primarily due to the strong growth of offshore new business and increased inflows from domestic business in Ireland.

In Ireland, domestic net inflows increased by 606% in constant currency to £70m (H1 2009: net outflow £15m) driven by reduced claims. Net flows of offshore bonds increased by 152% to £194m (H1 2009: £77m) due to significantly higher inflows from new business. Net flows in Germany were £317m (2009: £326m), a 1% increase in constant currency. Hong Kong's net flows started to gain momentum and increased by 254% in constant currency to £11m (H1 2009: £4m).

International PVNBP sales



PVNBP sales within the wholly owned businesses increased by 43% in constant currency to £832m (H1 2009: £594m). In Ireland, domestic sales increased by 17% in constant currency to £224m (H1 2009: £199m), supported by the comprehensive choice and strength of our investment offering. In particular, the global absolute return strategies (GARS) products managed by Standard Life Investments continues to prove popular with both retail and institutional investors.

1.3 Business segment performance *continued*

1.3.3 International *continued*

Offshore bond sales were 86% higher at £321m (H1 2009: £173m), with a particularly strong increase in business via our Wrap platform.

In Germany, sales of £154m (H1 2009: £185m) were 14% lower than 2009 in constant currency. The market environment remains challenging for the whole industry, especially the IFA segment, which has led to a reduction in new business levels.

Hong Kong delivered exceptional performance and increased its market share during the period with PVNBP sales of £133m (H1 2009: £37m) in the first half of 2010, up 266% in constant currency. Much of this success is due to the distribution of the unit linked savings product Harvest 101, supplemented by a comprehensive fund platform.

New business profitability

NBC in the wholly owned businesses increased to £13m (H1 2009: £4m) primarily due to cost efficiencies and higher sales volumes in the offshore bond business and Hong Kong. The Hong Kong business contributed £6m to NBC in H1 2010.

Business development

The international business remains focused on transforming the operations into a long-term savings and investments business. To achieve this, the Europe and Asia divisions will be combined and managed as a single international business. This integration will enable us to realise synergies in our businesses, improve efficiency and position the business to deliver future profitable growth whilst providing innovative solutions for customers and distributors.

The investment range of our products has been enhanced with the offering of the GARS products, which generated sales across various product lines in Germany, Austria, Ireland and the offshore business. In Germany and Ireland, we are taking steps to develop our corporate propositions. In Germany, we are strengthening our presence in the market through a change in our structure to allow our sales force to actively promote fund products from Standard Life Investments. In Ireland, we have undertaken a customer insight and market segmentation exercise. For the offshore business, we have strengthened our propositions with the addition of a number of discretionary fund managers, widening our distribution channel through strategic deals and increased engagement with the UK sales force.

By developing the Harvest 101 proposition, and focusing sales and marketing activity, Standard Life Asia is now recognised as a leading provider of long-term savings and investments products via financial intermediaries in the Hong Kong market and has grown its market share significantly.

All of these initiatives have strengthened the market presence in the territories that the international business is operating in, and have contributed to higher new business volumes and strong net flows.

Performance

IFRS operating profit before tax

IFRS operating profit before tax of the wholly owned businesses increased by 211% to £28m (H1 2009: £9m). Germany recorded a profit of £23m (H1 2009: £26m) and Ireland contributed a profit of £7m (H1 2009: loss £1m). The offshore bonds business recorded losses of £1m (H1 2009: loss £6m). In Germany, the fall in profitability of 10% in constant currency was primarily due to the decreasing transfer of profit to shareholders from the Heritage With Profits Fund in accordance with the Scheme of Demutualisation. This was partly offset by increasing profits from the post-demutualisation business. Profitability in Ireland and the offshore business benefited from increased management charge income and reduced operating costs. Hong Kong recorded a profit of £2m (H1 2009: loss £6m) due to strong sales growth and control of operating costs. The result also includes central costs relating to international development.

EEV operating profit before tax

EEV operating profit before tax of the wholly owned businesses, including non-covered business, increased to £35m (H1 2009: £5m). This increase is mainly driven by positive performance of persistency in Ireland and Germany and new business contribution for the offshore business increasing due to higher sales volumes. Lower development spend in Germany and the offshore business also contributed positively. The Hong Kong business results were prepared on an EEV basis for the first time in FY 2009 and contributed £7m to operating profit in H1 2010. H1 2009 results have not been restated and include the Asia businesses on an IFRS basis.

Joint Ventures – India and China

In China and India the focus is on delivering profitable growth whilst meeting customer requirements.

In India, PVNBP in H1 2010 was £233m (H1 2009: £204m) up 9% in constant currency on the comparative period. In China sales of £55m (H1 2009: £56m) decreased by 1% in constant currency, reflecting management's greater focus on profitability through increasing the proportion of regular premium business.

The joint ventures have contributed an IFRS operating loss of £20m (H1 2009: loss £17m) to the Group, reflecting our continuing commitment to invest in the development of the joint venture operations in the region.

EEV covered business operating profit before tax in H1 2010 for the joint ventures was £10m. The results of the joint venture businesses were prepared on an EEV basis for the first time in FY 2009 and H1 2009 results have not been restated. Strong NBC of £14m was driven by an increase in PVNBP of 7% in constant currency which resulted in a PVNBP margin of 5.0%.

Indian regulatory changes impacting unit linked business will be implemented from 1 September 2010 and are expected to have an adverse impact on margins across the whole industry during the second half of 2010.

Awards won during 2010

International client service during the period has been recognised by a number of awards, including:

- Germany – Standard Life Germany regained 1st place in the MLP annual service awards
- Austria – awarded with 4 stars in the Assekuranz Awards 2010. This award is offered by the ÖVM, an association of Austrian IFAs, every two years
- India – Children's plan YoungStar Super was voted 'Product of the year 2010' in the Insurance category by more than 30,000 consumers nationwide across 36 markets
- Offshore business – awarded Best International Life Product (UK) and Best Service Initiative for our online trading proposition at the International Fund and Product Awards

1.3 Business segment performance *continued*

1.3.4 Global investment management

The focus at Standard Life Investments is to deliver superior investment performance, supported by exceptional client service. Standard Life Investments operates as a global team, with its investment process underpinned by its 'focus on change' philosophy, which has proved itself to be robust and repeatable in both good and bad market conditions. Over the 12 years since its inception, Standard Life Investments has delivered a strong track record of profitable organic growth, a trend which continued during the first half of 2010, despite the challenging market conditions.

Financial highlights

	H1 2010	H1 2009	Movement
Third party assets under management (AUM)[1]	**£63.0bn**	£56.9bn	11%
Total assets under management[1]	**£143.0bn**	£138.7bn	3%
Third party gross inflows	**£7,341m**	£5,210m	41%
Third party net inflows	**£4,745m**	£3,113m	52%
Earnings before interest and tax (EBIT)	**£49m**	£30m	63%
IFRS operating profit before tax	**£49m**	£27m	81%
EBIT margin	**32%**	24%	8% points

[1] Comparative as at 31 December 2009.

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

Standard Life Investments delivered a strong performance in H1 2010, against the continuing background of volatile and dislocated markets. The sales momentum of past periods was maintained with strong inflows of both institutional and retail business resulting in a 52% increase in third party net inflows, driving third party AUM to a record level of £63.0bn (31 December 2009: £56.9bn). The increase in new business flows, together with a rise in average market values, delivered EBIT of £49m (H1 2009: £30m) and an EBIT margin of 32%. Our continued focus on serving existing clients and driving sales to new clients through strong investment performance, product innovation, global distribution and high levels of customer service has paid off. Although the economic downturn may not be completely over, this robust performance demonstrates that Standard Life Investments can prosper in difficult conditions and is in good shape to benefit from a return to stability as and when it comes.

Financial market overview

Despite the financial crisis continuing to weigh heavily on the global economy in H1 2010, average market values in H1 2010 are substantially higher than in H1 2009. The average daily FTSE All-Share Index, for example, rose 32% between the two periods and this, combined with rises in other major world markets, has led to an increase in asset management revenues. We continue to maintain strong third party sales momentum across both institutional and retail customer segments.

Investment performance

Investment performance was robust during H1 2010 and we continued to deliver strong investment performance over the longer term. The money-weighted average active investment performance over all time periods – one, three, five and ten years – continues to be above median for our third party business, and is upper quartile over 10 years. The strength of our investment process across a range of open-ended investment companies (OEICs) and unit trusts is demonstrated by the proportion of eligible and actively managed funds (21 out of 29) rated 'A' or above by Standard & Poor's.

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

During the first half of 2010 Standard Life Investments also extended its range of alternative assets through the acquisition of a 75.1% stake in Aida Capital, a London-based FSA registered fund of hedge funds manager with a solid track record of superior performance.

Net flows

Standard Life Investments achieved third party net inflows of £4,745m (H1 2009: £3,113m), a 52% increase over the equivalent period last year and representing 17% of opening third party AUM on an annualised basis. UK mutual funds rose significantly to £713m (H1 2009: £313m) and a notable number of new institutional clients were won in the UK and Europe during the period, increasing the institutional client base in these markets by 9%.

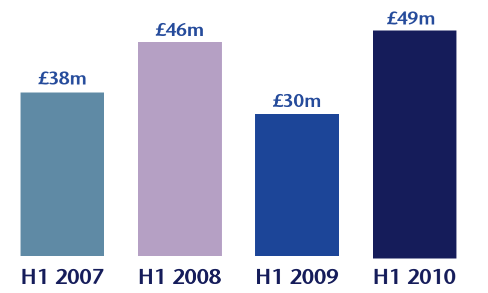
Strong inflows across our UK and international markets, and the recovery in market levels during H1 2010, drove an 11% increase in third party AUM to a record level of £63.0bn (31 December 2009: £56.9bn). Third party AUM now represents 44% of total AUM compared with 41% at 31 December 2009. In-house AUM decreased slightly to £80.0bn (31 December 2009: £81.8bn) with favourable market movements offset by outflows from the with profits business and from the sale of Standard Life Bank. As a result, total assets managed by Standard Life Investments stood at £143.0bn (31 December 2009: £138.7bn).

Performance

EBIT was strong in the period at £49m (H1 2009: £30m). Revenue increased by 24% as a result of a rise in average market values and increased third party new business flows, many of which were into higher margin products such as GARS. Operating costs remain tightly controlled whilst allowing for continued investment in the business to sustain our longer-term growth. These measures resulted in an EBIT margin of 32% (H1 2009: 24%) for the period.

IFRS operating profit before tax, which excludes all restructuring costs, was £49m (H1 2009: £27m). In addition to the movement in EBIT explained above, the increase was due to lower interest expense following the repayment in full of a subordinated loan of £30m at the end of 2009. IFRS profit before tax was £48m (H1 2009: £19m).

Earnings before interest and tax



Awards won during 2010

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

- Winner, UK Smaller Companies Category – Moneywise Investment Trust Awards
- Best Fund, Equity Global High UK Category – Lipper Awards

1.4 Capital and cash generation

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

Capital and cash generation highlights

	H1 2010	FY 2009	Movement
EEV operating profit capital and cash generation from continuing operations[1,2,3]	**£149m**	£172m	(13%)
Group capital surplus[4]	**£3.5bn**	£3.6bn	(3%)
Group solvency cover[4]	**217%**	230%	(13% points)
Realistic working capital: Heritage With Profits Fund	**£0.5bn**	£0.6bn	(17%)
EEV	**£6,799m**	£6,435m	6%
IFRS equity attributable to equity holders of Standard Life plc	**£3,642m**	£3,457m	5%

[1] The results for the Hong Kong and joint venture businesses were prepared on an EEV basis for the first time at FY 2009. H1 2009 results include these on an IFRS basis.
[2] Net of tax.
[3] Comparative shown as at 30 June 2009.
[4] H1 2010 based on estimated regulatory returns. FY 2009 based on final regulatory returns.

Please refer to Section 1.6 – Basis of preparation and Section 7 – Glossary.

Group EEV capital and cash generation

	H1 2010 Free surplus movement £m	H1 2010 Required capital movement £m	H1 2010 Net worth movement £m	H1 2009 Free surplus movement £m	H1 2009 Required capital movement £m	H1 2009 Net worth movement £m
Capital and cash generation from existing business	**313**	**(13)**	**300**	257	(11)	246
New business strain	**(132)**	**23**	**(109)**	(96)	24	(72)
Covered business capital and cash generation from new business and expected return	**181**	**10**	**191**	161	13	174
Covered business development expenses	**(21)**	**-**	**(21)**	(9)	-	(9)
Non-covered business core, capital and cash generation	**(10)**	**-**	**(10)**	(14)	-	(14)
Core	**150**	**10**	**160**	138	13	151
Efficiency	**(7)**	**-**	**(7)**	(8)	-	(8)
Back book management	**15**	**(19)**	**(4)**	26	3	29
EEV operating profit capital and cash generation from continuing operations	**158**	**(9)**	**149**	156	16	172
Capital and cash generation from non-operating items	**150**	**15**	**165**	(156)	1	(155)
Total EEV capital and cash generation from continuing operations	**308**	**6**	**314**	-	17	17
Capital and cash generation from discontinued operations	**(17)**	**-**	**(17)**	32	-	32
Total EEV capital and cash generation	**291**	**6**	**297**	32	17	49

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.

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

The analysis on the previous page highlights the impact of profit on free surplus and shareholders' net worth. This includes investment of shareholder capital in new business – or new business strain (NBS) – and the amount of capital and cash emerging from existing business. The NBS margin was 1.1% (H1 2009: 1.0%). Excluding the Hong Kong and joint venture businesses, the NBS margin has fallen to 0.8%. Our covered business capital and cash flows from new business and expected return have increased to £191m (H1 2009: £174m). This was due to an increase in the expected return from existing business, partially offset by an increase in total NBS primarily as a result of higher sales volumes. NBS is covered almost three times by capital and cash flows from existing business.

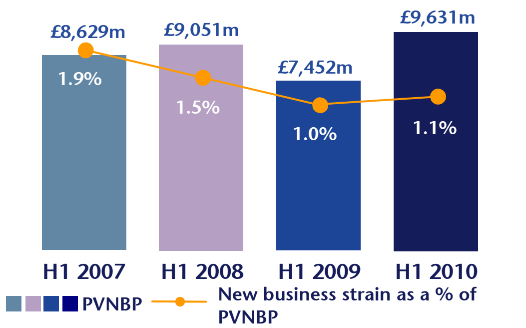
We remain committed to our strategy of investing in capital-efficient products which deliver high capital returns and fast recovery of investment. The total internal rate of return for new business was 19% (H1 2009: 16%). Please refer to Section 1.2 – EEV – Group for further analysis of new business profitability.

We also analyse capital and cash generation into the three components that reflect the focus of our business effort – core, efficiency and back book management. In overall terms, our EEV operating profit capital and cash generation from continuing operations has decreased to £149m (H1 2009: £172m). Capital and cash generation from back book of negative £4m was largely driven by negative net worth tax and pension scheme variances which were partially offset by management actions to reduce reserves in the UK and Canada.

Core was the main contributor to our operating capital and cash generation during the period at £160m (H1 2009: £151m). This primarily reflects increased capital and cash generation from new business and expected return, partially offset by higher development expenses.

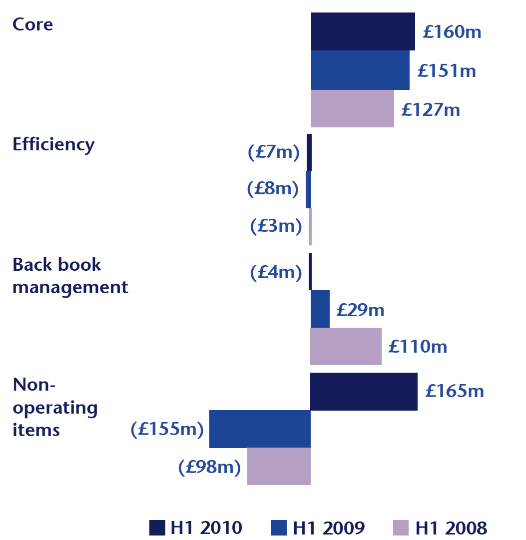
Non-operating capital and cash generation from continuing operations of positive £165m (H1 2009: negative £155m) is driven by higher than expected market returns over the period, a decrease in the fair value of the UK subordinated debt liabilities and an increase in the market value of assets backing the subordinated debt liabilities.

New business strain



H1 2009, H1 2008 and H1 2007 NBS margins are calculated excluding Asia.

Capital and cash generation from continuing operations £314m (H1 2009: £17m, H1 2008: £136m)



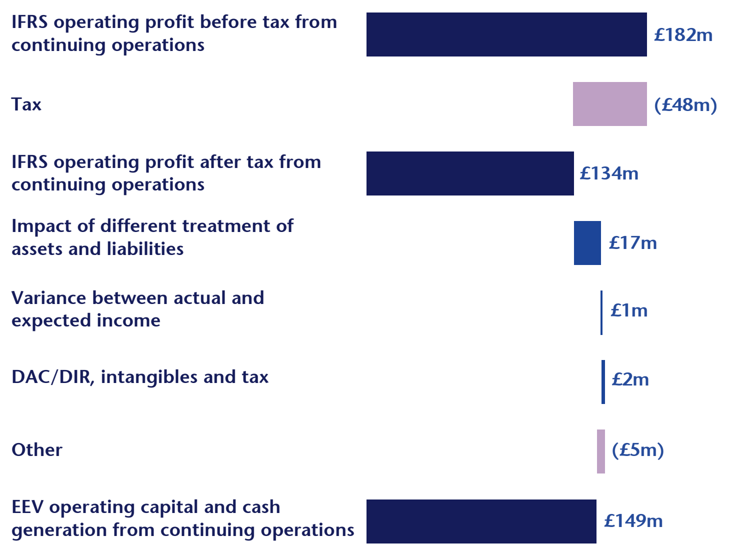
1.4 Capital and cash generation *continued*

Reconciliation of IFRS operating profit to EEV operating capital and cash generation (EEV operating net worth profit after tax)

As highlighted in Section 1.1 – IFRS – Group, we are adopting IFRS operating profit as our main IFRS performance measure in place of IFRS underlying profit. We believe IFRS operating profit will provide users with a better understanding of our long-term performance and, as with EEV operating capital and cash generation, IFRS operating profit removes the impact of short-term economic volatility. However, there are differences between the IFRS and EEV operating profit capital and cash generation results, which include:

- The effect of differences in the treatment of assets and liabilities. EEV capital and cash is more consistent with local statutory valuation bases, which for some territories and certain classes of investment liabilities are restated for IFRS reporting
- Different methodologies in respect of expected income, particularly for covered business where fees are levied as a percentage of funds which in EEV operating profit are on an expected return basis whereas the actual fees are included in IFRS operating profit, and
- Different treatment of deferred acquisition costs/deferred income recognition, intangibles and tax.

Reconciliation of IFRS operating profit to EEV operating capital and cash generation for the six months ended 30 June 2010



Holding company capital and cash flows

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

	H1 2010 £m	H1 2009 £m	FY 2009 £m
Opening capital 1 January	**602**	623	623
Dividends received from subsidiaries	**223**	165	190
Additional investments in subsidiaries	**(47)**	(7)	(20)
Group corporate centre costs	**(30)**	(25)	(50)
Cash dividends paid to shareholders	**(134)**	(110)	(158)
Other	**(20)**	4	17
Closing capital	**594**	650	602

The capital and cash held in the holding company is managed at a level to fund the Group's dividend obligations and strategic investments. During H1 2010, capital decreased by £8m, primarily as a result of the cash dividends paid to shareholders and additional investment in subsidiaries. This was partially offset by increased dividends received from subsidiaries. Standard Life plc's ability to pay dividends to shareholders is determined by the distributable reserves of the Company, which broadly comprise its retained earnings and special reserve. When determining the level of dividends, the Board must also consider the Group's future business plans, market conditions and regulatory solvency.

Dividends

During the period, the Group paid the final dividend for 2009 of 8.09p per share, amounting to £180m in total. In 2009, the previous dividend reinvestment plan (DRIP) was discontinued and a new Scrip dividend scheme introduced, which has reduced the capital required to pay the 2009 final dividend from £180m to £134m. The Board proposes an interim dividend of 4.35p per share, (H1 2009: 4.15p). This represents an increase of 4.8%, reflecting the solid progress made during the period. The Group will continue to apply its existing progressive dividend policy, taking account of market conditions and the Group's financial performance.

Capital management

Objectives and measures of Group capital

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

Group capital surplus

	H1 2010 £bn	H1 2009 £bn	FY 2009 £bn
Shareholders' capital resources	**2.7**	2.3	2.7
Capital resources arising from subordinated debt	**1.8**	2.1	2.1
SLAL long-term business funds	**2.0**	1.4	1.6
Group capital resources	**6.5**	5.8	6.4
Group capital resource requirement	**(3.0)**	(2.7)	(2.8)
Group capital surplus	**3.5**	3.1	3.6
Group solvency cover	**217%**	217%	230%

H1 2010 and H1 2009 figures above based on estimated regulatory returns. FY 2009 based on final regulatory returns. The H1 2010 figures have been prepared on an IGD basis, previous periods on a Financial Groups Directive (FGD) basis.

Following the sale of Standard Life Bank plc on 1 January 2010 the Group is now classified as an 'insurance group' as defined by the Insurance Groups Directive (IGD). In 2010, the Group capital surplus remained robust, decreasing by only £0.1bn to £3.5bn. The Group capital resources remained broadly in line with the 2009 closing position, despite ongoing investment in the business. The quality of capital within the Group remains strong, with only £0.5bn (31 December 2009: £0.8bn) and £0.6bn (31 December 2009: £0.7bn) of total Group capital resources classified as upper tier 2 and lower tier 2 respectively. Lower tier 2 capital contributes only 17% (31 December 2009: 19%) to the Group capital surplus and further illustrates the strength of our capital position.

The IGD surplus remains largely insensitive to a further 30% fall in equities from the 30 June 2010 position, with the surplus estimated to reduce by approximately £0.2bn. A 100bps rise in yields is estimated to reduce the surplus by approximately £0.2bn.

Analysis of movement in Group capital surplus

The following table illustrates the key movements in the regulatory capital surplus for the period ended 30 June 2010:

	H1 2010 £bn	H1 2009 £bn	FY 2009 £bn
Opening capital surplus	**3.6**	3.5	3.5
Movement in capital resources of long-term business funds	**0.4**	(0.3)	-
Movement in capital resource requirements of long-term business funds	**(0.4)**	0.1	-
Net movement in capital position of long-term business funds	**-**	(0.2)	-
Movement in capital resources of shareholder funds:			
New business	**(0.1)**	(0.1)	(0.1)
Transfers from HWPF to shareholder funds	**0.1**	0.1	0.3
Dividend payments	**(0.1)**	(0.1)	(0.2)
Other factors	**(0.2)**	(0.3)	(0.1)
Movement in capital resource requirements of shareholder funds	**0.2**	0.2	0.2
Closing capital surplus	**3.5**	3.1	3.6

H1 2010 and H1 2009 figures above based on estimated regulatory returns. FY 2009 based on final regulatory returns.

1.4 Capital and cash generation *continued*

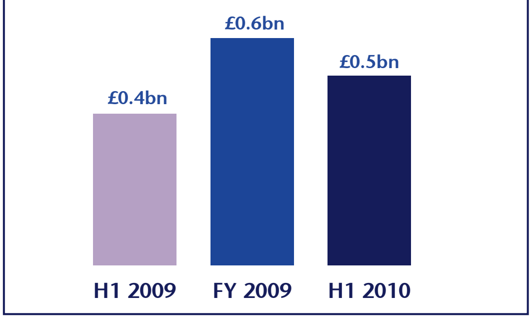
The significant factors affecting the capital surplus during the period ended 30 June 2010 were:

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

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

Group capital resources include the capital resources within the long-term business funds, but the IGD limits the amount that can be recognised to the level of the capital resources requirement for that fund. This resulted in a restriction of £1.3bn (31 December 2009: £0.1bn) and a net zero contribution to the Group capital surplus. In addition, at 31 December 2009, capital resources amounting to £0.6bn within the shareholder fund were excluded from the Group capital surplus in order to remove capital which arose from intra-group arrangements.

Residual estate of the HWPF



The largest regulated entity within the Group is Standard Life Assurance Limited (SLAL), and its regulatory position reflects capital resources that include long-term business funds. SLAL's capital resources have increased due to the net effect of a number of factors including investment surplus, less the costs of writing new business, the costs of paying regular and final bonuses and the payment of dividends. This has led to an increase in solvency cover to 269% (31 December 2009: 259%). The capital resources of SLAL include the residual estate of approximately £0.5bn, a decrease of £0.1bn from the level at 31 December 2009. This decrease is largely due to current market conditions including lower gilt yields and higher equity volatility, which have resulted in an increase to the cost of guarantees. The hedges we have in place continue to mitigate the impact of falls in equity markets on the residual estate. The impact of most other adverse asset movements would, in the first instance, be met by policyholders. There would be indirect impacts on shareholders via higher guarantee costs, and hence higher burnthrough cost. Shareholder exposure is also limited by the structure of the capital support mechanism set up at demutualisation, with shareholder support being obtained by encumbering the furthest out cash transfers from the HWPF to shareholders.

Analysis of accrued transfers out of the HWPF

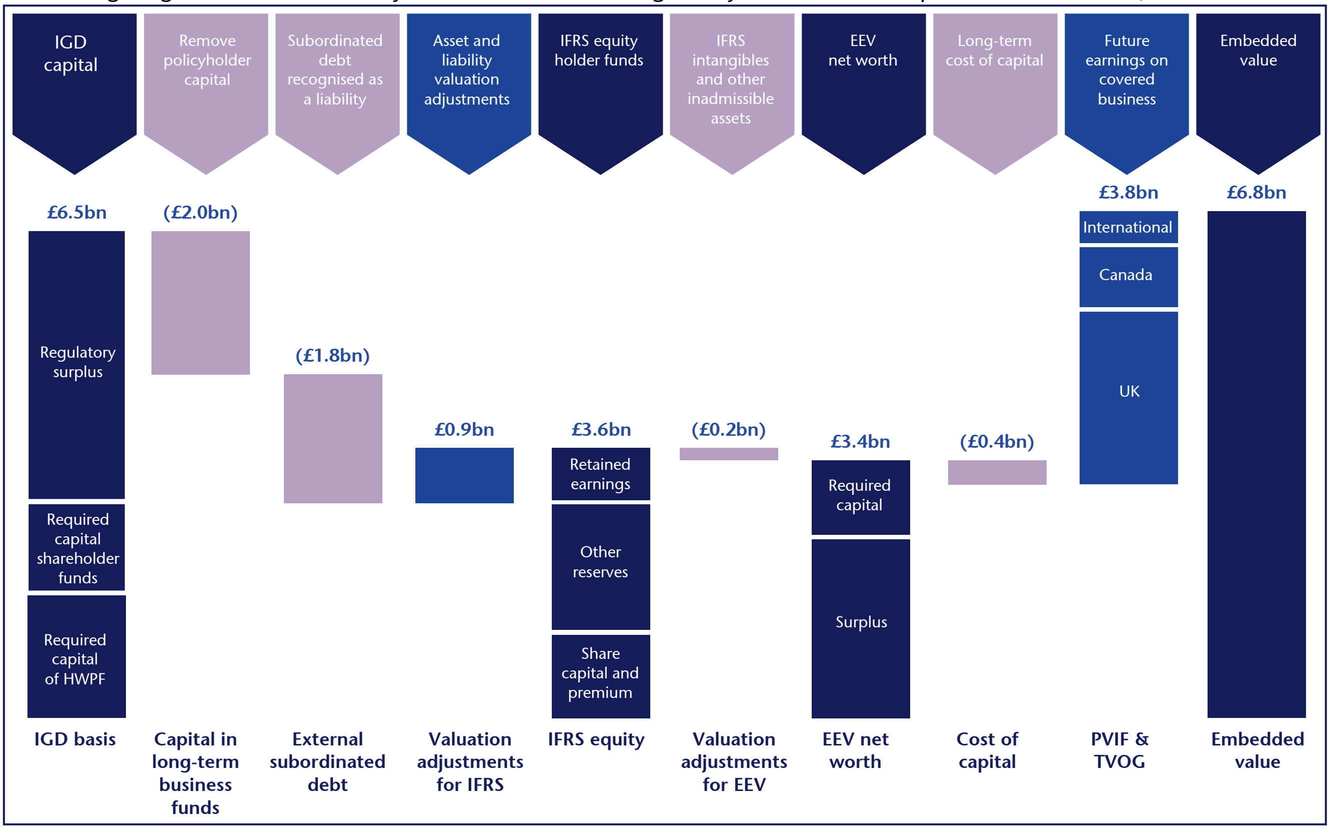
	H1 2010 £m	H1 2009 £m	FY 2009 £m
Recourse cash flows arising on UK and Irish unitised contracts	**109**	81	191
Recourse cash flows arising on UK and Irish non-unitised contracts	**(5)**	24	65
Additional expenses charged on German unitised with-profit contracts	**9**	13	25
Amount arising under a contingent loan agreement	**-**	-	588
Transfer out of HWPF	**113**	118	869

In accordance with the Scheme of Demutualisation of the Standard Life Assurance Company (the Scheme), certain transfers are made out of the HWPF to the shareholder fund after the year end position is finalised. The recourse cash flows accruing in respect of UK and Irish unitised contracts increased to £109m (H1 2009: £81m), primarily due to increased management charge income on a higher average asset base. The reduction in the recourse cash flows arising on UK and Irish non-unitised contracts reflects the release of reserves in H1 2009 following the review of deferred annuity data.

On 31 December 2009 Standard Life plc lent £588m to SLAL's HWPF under a contingent loan agreement (a contingent recourse cash flows loan, as defined under the Scheme). Simultaneously, the HWPF lent £588m to Standard Life plc under a limited recourse loan agreement. Under the Scheme this resulted in an obligation arising in the HWPF to transfer the loan proceeds received under the contingent loan agreement to the Shareholder Fund. However, the transfer of this amount was not reflected in the capital surplus or IFRS equity at 31 December 2009, as the instrument held by the Shareholder Fund as a result of this transfer has cash flows which are contingent on the emergence of recourse cash flows within the HWPF. Subsequently as recourse cash flows emerge, the contingent loan and the limited recourse loan are repaid and this is reflected in the capital surplus and IFRS equity.

Reconciliation of key capital measures

The following diagram illustrates the key differences between regulatory, IFRS and EEV capital measures at 30 June 2010:



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

- Shareholder capital, used to invest in the strategy of the Group, covers the capital requirements borne directly by shareholders and manages risk borne by shareholders
- Capital arising from the subordinated debt issued by the Group of £1.8bn at 30 June 2010, which is used to provide capital support to SLAL
- A restricted amount of policyholder capital of £2.0bn at 30 June 2010, which matches the capital resource requirements of that business, and includes the HWPF

While the latter two elements provide capital support for the Group, they do not form part of the shareholders' regulatory capital. Shareholder capital can be measured under each of the Group's reporting bases – regulatory, IFRS equity and EEV net worth. Each of these is a comparable measure of the net assets attributable to equity holders of the Group. In some cases, the regulatory rules for valuing assets and liabilities differ from IFRS accounting rules, resulting in a valuation adjustment of £0.9bn.

Similarly, EEV recognises certain valuation adjustments to give the EEV net worth, resulting in an equivalent adjustment of negative £0.2bn to IFRS equity holder funds. The total EEV of the Group relates to the net worth adjusted for the cost of capital of £0.4bn and increased by the value of the present value of in-force business (PVIF) of £3.8bn to give the total EEV of £6.8bn at 30 June 2010.

Capital management policy

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

Debt, facilities and liquidity

The Group's capital structure has been developed to provide an efficient capital base by using a combination of equity holders' funds, subordinated debt and capital within the HWPF. The Group has robust plans in place to ensure that it has access to sufficient liquidity to meet all operating requirements.

1.4 Capital and cash generation *continued*

Bond default allowances
Shareholders are exposed to debt securities which back annuity liabilities in the UK and Europe and the liability in respect of longevity risk reinsured from SLAL's HWPF. Shareholders are also exposed to debt securities in Canadian non-segregated funds. There were no defaults within these portfolios during H1 2010 and the average yield deduction to allow for future defaults within the valuation of liabilities has been broadly maintained at 31 December 2009 levels.

Financial assets valuation and exposures
Asset-backed securities
The Group's total investment (including third party funds) in the asset-backed securities markets across both short-term treasury instruments and long-term fixed interest instruments is approximately £5.4bn or 3.0% (31 December 2009: £5.1bn or 3.0%) of Group assets under administration. These are predominantly UK securities. Of the total of £5.4bn, £1.2bn relates to shareholder funds, of which £0.9bn is AAA rated. The Group has continued to actively manage its exposure to asset-backed securities.

Shareholder asset exposures
Shareholder exposure to equity and investment property remains low and following the disposal of Standard Life Bank plc, exposure to loans and receivables has fallen significantly. Please refer to Note 6.3 - Exposure to investment property and financial assets for further information in respect of shareholder asset exposures.

Credit ratings
External credit ratings agencies perform independent assessments of the financial strength of companies. The current insurer financial strength ratings for SLAL are A1/Stable and A+/Stable from Moody's and Standard & Poor's respectively. These ratings are unchanged from those reported in the *Annual Report and Accounts 2009*.

1.5 Risk management

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

Risk management framework

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

During the first half of 2010 we have established a Group Board level Risk and Capital Committee in line with the Walker Review recommendations. The Committee serves to provide the Board with advice, oversight and challenge of:
- The impact of risk strategy and material risk exposures on capital
- The structure and suitability of the Group's ERM framework
- Material actuarial, risk and capital matters affecting the Group

The Group's principal risks as reported in the *Annual Report and Accounts 2009* are still relevant and are summarised below:

Key risks facing the Group

Market risk

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

Equity and property

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

Fixed interest

Shareholder exposure to fixed interest risk arises as a result of the values of assets and liabilities changing by different amounts following changes in interest rates. The impact of changes in interest rates can vary according to the financial metric being used.

Currency

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

In Sterling terms, the principal risk arises from the Group's holdings in overseas subsidiaries, primarily Canada and Asia (including HDFC Standard Life and Heng An Standard Life). The UK business also has Euro exposure as a consequence of branch business undertaken in Ireland and Germany and its holding in Standard Life International Limited.

Other exposures arise largely as a consequence of holdings in overseas assets within business units and variances in charges taken from linked and similar funds.

Credit risk

Definition	The risk of exposure to loss if a counterparty fails to perform its financial obligations, including failure to perform those obligations in a timely manner. It also includes the risk of a reduction in the value of corporate bonds due to a widening of corporate bond spreads.
Appetite	The Group has an appetite for credit risk to the extent that acceptance of this risk optimises the Group risk adjusted return. However, the Group has limited appetite for significant losses arising from counterparty failures and will therefore establish robust risk limits which must be adhered to by Group companies.

Shareholder exposure to credit risk arises from a number of sources, but is primarily attributable to asset liability mismatches in certain portfolios of liabilities. Credit risk also arises from exposure to the value of asset-backed securities, and to variances on swap spreads used to manage certain investment risks of the Group.

1.5 Risk management *continued*

Demographic and expense risk

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

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

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

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

Liquidity risk

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

As a result of the policies and processes established with the objective of managing exposure to liquidity risk, the Group considers the extent of liquidity risk to be low.

Operational and strategic risks

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

Operational and strategic risk exposures are managed actively with action planning and progress monitoring in place. The operational risk processes and systems continue to be revised and enhanced, together with a substantial programme of education and skill improvements within the business.

Reputational risk

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

1.6 Basis of preparation

Overview

Our Business review for the period to 30 June 2010 has been prepared in line with the Disclosure and Transparency Rules (DTR) issued by the Financial Services Authority (FSA). The DTR incorporates the requirement of the EU Transparency Directive for all UK listed companies to report their half year results in accordance with IAS 34 *Interim Financial Reporting*. Under DTR 4.2.7, the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal risks are detailed in Section 1.5 – Risk management and Note 39 of the Group's *Annual Report and Accounts 2009*. Under DTR 4.2.8 we are also required to make certain related party disclosures. These are contained in Note 3.13 to 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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). However, our Board believes that non-Generally Accepted Accounting Principles (GAAP) measures, which have been used in the Business review, together with other measures that are calculated in accordance with IFRS, are useful for both management and investors and make it easier to understand our Group's performance.

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

IFRS and EEV reporting

The financial results are prepared on both an IFRS basis and an EEV basis. All EU listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. EEV measures the net assets of the business plus the present value of future profits expected to arise from in-force long-term life assurance and pensions policies. The IFRS financial results in Section 1.1 of 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 consolidated financial statements section of the *Annual Report and Accounts 2009* as amended for new standards effective from 1 January 2010, 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 life and pensions business. Non-covered business is reported on an IFRS basis. The EEV financial results in Section 1.2 of the Business review, and in Section 4 have been prepared in accordance with the EEV methodology applied by the Group in Note 4.16 for H1 2010, and in the relevant EEV methodology notes included in the *Interim Results 2009* and *Annual Report and Accounts 2009* in respect of the comparative periods.

IFRS operating and EEV operating profit

The H1 2010 IFRS reconciliation of consolidated operating profit to profit for the period, presented in Section 3, presents profit before tax attributable to equity holders adjusted for non-operating items. The H1 2010 EEV consolidated income statement in Section 4, presents EEV profit showing both operating and non-operating items. In doing so, the Directors believe they are presenting a more meaningful indication of the underlying business performance of the Group.

Key differences between the IFRS and EEV bases

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

Forward-looking statements

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

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2 Statement of Directors' responsibilities

Statement of Directors' responsibilities

We confirm to the best of our knowledge that:

1. the condensed consolidated IFRS financial information which has been prepared in accordance with IAS 34 as adopted by the European Union gives a true and fair view of the assets, liabilities, financial position and profit/(loss) of the company and the undertakings included in the consolidation taken as a whole as required by the DTR 4.2.4; and

2. the consolidated income statement, the earnings per share statement, the consolidated statement of comprehensive income and the consolidated statement of financial position and associated notes have been prepared on the European Embedded Value basis as set out in Note 4.1; and

3. the business review includes a fair review of the information required by DTR 4.2.7, namely important events that have occurred during the period and their impact on the condensed set of financial statements, as well as a description of the principal risks and uncertainties faced by the company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and

4. the business review and the notes to the condensed set of financial statements include a fair review of the information required by DTR 4.2.8, namely material related party transactions and any material changes in the related party transactions described in the last annual report.

The Directors of Standard Life plc are listed in the Standard Life *Annual Report and Accounts 2009* with the exception of the following changes:

Jackie Hunt Appointed Chief Financial Officer on 14 May 2010

A list of current Directors is found in Section 8 and is maintained on the Standard Life plc website, **www.standardlife.com**

By order of the Board

Gerry Grimstone
Chairman
11 August 2010

Jackie Hunt
Chief Financial Officer
11 August 2010

3 International Financial Reporting Standards (IFRS)

IFRS condensed consolidated income statement

For the six months ended 30 June 2010

	Notes	6 months 2010* £m	Restated 6 months 2009* £m	Restated Full year 2009* £m
Revenue				
Gross earned premium		**1,661**	1,673	3,296
Premium ceded to reinsurers		**(47)**	(45)	(95)
Net earned premium		**1,614**	1,628	3,201
Net investment return		**2,860**	5	13,171
Fee and commission income		**359**	314	666
Other income		**47**	40	129
Total net revenue		**4,880**	1,987	17,167
Expenses				
Claims and benefits paid		**2,785**	3,048	5,821
Claim recoveries from reinsurers		**(314)**	(317)	(623)
Net insurance benefits and claims		**2,471**	2,731	5,198
Change in policyholder liabilities		**748**	(1,558)	9,985
Change in reinsurance assets		**(132)**	(44)	(942)
Expenses under arrangements with reinsurers		**405**	60	563
Administrative expenses	3.3	**770**	781	1,486
Change in liability for third party interest in consolidated funds		**124**	(9)	323
Finance costs		**57**	57	115
Total expenses		**4,443**	2,018	16,728
Share of losses from associates and joint ventures		**(4)**	(35)	(29)
Profit/(loss) before tax		**433**	(66)	410
Tax expense attributable to policyholders' returns	3.6	**158**	10	299
Profit/(loss) before tax attributable to equity holders' profits		**275**	(76)	111
Total tax expense	3.6	**199**	15	279
Less: Tax attributable to policyholders' returns	3.6	**(158)**	(10)	(299)
Tax expense/(credit) attributable to equity holders' profits	3.6	**41**	5	(20)
Profit/(loss) for the period from continuing operations		**234**	(81)	131
(Loss)/profit for the period from discontinued operations	3.7	**(17)**	32	49
Profit/(loss) for the period		**217**	(49)	180
Attributable to:				
Equity holders of Standard Life plc		**182**	(20)	213
Non-controlling interests		**35**	(29)	(33)
		217	(49)	180
Earnings per share from continuing operations				
Basic (pence per share)	3.4	**8.9**	(2.4)	7.5
Diluted (pence per share)	3.4	**8.9**	(2.4)	7.5

* The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The presentation of the 2009 comparatives in certain primary statements and in the corresponding notes has been reclassified accordingly, as indicated.

The Notes on pages 49 to 66 are an integral part of this consolidated financial information.

IFRS consolidated statement of comprehensive income

For the six months ended 30 June 2010

	Notes	6 months 2010 £m	Restated 6 months 2009 £m	Restated Full year 2009 £m
Profit/(loss) for the period		**217**	(49)	180
Less: Loss/(profit) from discontinued operations	3.7	**17**	(32)	(49)
Profit/(loss) from continuing operations		**234**	(81)	131
Fair value gains on cash flow hedges		**-**	-	1
Actuarial gains/(losses) on defined benefit pension schemes		**122**	(80)	(77)
Revaluation of land and buildings		**(10)**	(17)	(16)
Net investment hedge		**(16)**	15	(12)
Exchange differences on translating foreign operations		**104**	(239)	(65)
Equity movements transferred to unallocated divisible surplus		**(26)**	125	104
Aggregate equity holder tax effect of items recognised in comprehensive income		**(40)**	26	28
Other		**(1)**	-	-
Other comprehensive income/(expense) for the period from continuing operations		**133**	(170)	(37)
Total comprehensive income/(expense) for the period from continuing operations		**367**	(251)	94
(Loss)/profit from discontinued operations	3.7	**(17)**	32	49
Other comprehensive income from discontinued operations	3.7	**24**	3	8
Total comprehensive income for the period from discontinued operations		**7**	35	57
Total comprehensive income/(expense) for the period		**374**	(216)	151
Attributable to:				
Equity holders of Standard Life plc				
From continuing operations		**332**	(222)	127
From discontinued operations		**7**	35	57
Non-controlling interests				
From continuing operations		**35**	(29)	(33)
		374	(216)	151

The Notes on pages 49 to 66 are an integral part of this consolidated financial information.

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

For the six months ended 30 June 2010

	Notes	6 months 2010* £m	6 months 2009* £m	Full year 2009* £m
Operating profit before tax from continuing operations				
UK		**76**	80	222
Canada		**62**	74	113
International		**8**	(8)	23
Global investment management		**49**	27	73
Other		**(13)**	(7)	(32)
Operating profit before tax from continuing operations	3.1(a)	**182**	166	399
Adjusted for the following items:				
Short-term fluctuations in investment return and economic assumption changes	3.8(a)	**69**	(186)	(214)
Restructuring and corporate transaction expenses	3.3	**(17)**	(28)	(52)
Impairment of intangible assets		**-**	-	(2)
Other operating profit adjustments	3.8(b)	**6**	1	13
Profit/(loss) attributable to non-controlling interests		**35**	(29)	(33)
Profit/(loss) before tax attributable to equity holders' profits		**275**	(76)	111
Tax (expense)/credit attributable to:				
Operating profit		**(48)**	(39)	(34)
Adjusted items		**7**	34	54
Total tax (expense)/credit attributable to equity holders' profits		**(41)**	(5)	20
Profit/(loss) for the period from continuing operations		**234**	(81)	131
(Loss)/profit for the period from discontinued operations	3.7	**(17)**	32	49
Profit/(loss) for the period		**217**	(49)	180

* The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The analysis presented for the six months ended 30 June 2010 and 30 June 2009, and year ended 31 December 2009 includes continuing operations only.

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

Adjustment is made for restructuring costs and significant corporate transaction expenses. Operating profit is also adjusted for impairment of intangible assets and profit or loss arising on the disposal of a subsidiary, joint venture or associate. Other operating profit adjustments include volatility arising from changes in insurance and investment contract liabilities driven by corresponding changes in tax provisions, and items which are one-off in nature and outside the control of management and which, due to their size or nature, are not indicative of the long-term operating performance of the Group.

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

The Notes on pages 49 to 66 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of financial position

As at 30 June 2010

	Notes	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Assets				
Intangible assets		**111**	111	106
Deferred acquisition costs		**864**	855	872
Investments in associates and joint ventures		**3,003**	1,699	2,169
Investment property		**7,907**	6,937	7,111
Property, plant and equipment		**157**	150	161
Reinsurance assets		**7,181**	6,085	7,032
Loans and receivables		**2,946**	11,027	2,769
Derivative financial assets		**1,698**	1,474	1,229
Investment securities		**108,459**	91,078	106,181
Other assets		**2,792**	2,577	2,152
Cash and cash equivalents		**6,636**	10,644	7,436
Assets of operations classified as held for sale	3.7	**279**	-	9,395
Total assets		**142,033**	132,637	146,613
Equity				
Share capital	3.9(a)	**226**	221	224
Shares held by trusts	3.9(b)	**(18)**	-	-
Share premium reserve		**932**	847	888
Retained earnings		**807**	537	685
Other reserves		**1,695**	1,501	1,660
Equity attributable to equity holders of Standard Life plc		**3,642**	3,106	3,457
Non-controlling interests		**315**	290	296
Total equity		**3,957**	3,396	3,753
Liabilities				
Non-participating contract liabilities	3.10	**88,741**	71,814	85,892
Participating contract liabilities	3.10	**32,419**	31,152	32,352
Deposits received from reinsurers		**6,177**	5,827	6,104
Third party interest in consolidated funds		**3,930**	1,666	3,004
Borrowings	3.11	**299**	3,393	227
Subordinated liabilities		**1,772**	2,083	1,832
Deferred income		**377**	380	371
Income tax liabilities		**285**	83	214
Customer accounts related to banking activities and deposits by banks		**-**	6,771	-
Derivative financial liabilities		**508**	987	797
Other liabilities		**3,394**	5,085	2,924
Liabilities of operations classified as held for sale	3.7	**174**	-	9,143
Total liabilities		**138,076**	129,241	142,860
Total equity and liabilities		**142,033**	132,637	146,613

The Notes on pages 49 to 66 are an integral part of this consolidated financial information.

IFRS consolidated statement of changes in equity

For the six months ended 30 June 2010

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

2009	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January	**218**	-	**792**	**774**	**1,623**	**3,407**	**334**	**3,741**
Loss for the period	-	-	-	(20)	-	(20)	(29)	**(49)**
Other comprehensive expense for the period	-	-	-	(56)	(111)	(167)	-	**(167)**
Total comprehensive expense for the period	-	-	-	**(76)**	**(111)**	**(187)**	**(29)**	**(216)**
Distributions to equity holders	-	-	-	(168)	-	(168)	-	**(168)**
Issue of share capital other than in cash	3	-	55	-	-	58	-	**58**
Reserves credit for employee share-based payment schemes	-	-	-	-	(4)	(4)	-	**(4)**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	7	(7)	-	-	-
Other movements in non-controlling interests in the period	-	-	-	-	-	-	(15)	**(15)**
30 June	**221**	-	**847**	**537**	**1,501**	**3,106**	**290**	**3,396**

2009	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January	**218**	**-**	**792**	**774**	**1,623**	**3,407**	**334**	**3,741**
Profit/(Loss) for the period	-	-	-	213	-	213	(33)	**180**
Other comprehensive (expense)/income for the year	-	-	-	(50)	21	(29)	-	**(29)**
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**163**	**21**	**184**	**(33)**	**151**
Distributions to equity holders	-	-	-	(260)	-	(260)	-	**(260)**
Issue of share capital other than in cash	6	-	96	-	-	102	-	**102**
Reserves credit for employee share-based payment schemes	-	-	-	-	24	24	-	**24**
Transfer to retained earnings for vested employee share-based payment schemes	-	-	-	8	(8)	-	-	**-**
Other movements in non-controlling interests in the year	-	-	-	-	-	-	(5)	**(5)**
31 December	**224**	**-**	**888**	**685**	**1,660**	**3,457**	**296**	**3,753**

The Notes on pages 49 to 66 are an integral part of this consolidated financial information.

IFRS condensed consolidated statement of cash flows

For the six months ended 30 June 2010

	6 months 2010 £m	Restated 6 months 2009 £m	Restated Full year 2009 £m
Cash flows from operating activities			
Profit/(loss) before tax from continuing operations	**433**	(66)	410
(Loss)/profit before tax from discontinued operations	**(20)**	45	93
	413	(21)	503
Non-cash movements from operating activities	**171**	120	256
Net (increase)/decrease in operational assets	**(6,825)**	2,108	(11,074)
Net increase/(decrease) in operational liabilities	**3,115**	(1,393)	8,838
Taxation paid	**(136)**	(147)	(239)
Net cash flows from operating activities	**(3,262)**	667	(1,716)
Cash flows from investing activities			
Net (acquisition)/disposal of property, plant and equipment	**(6)**	48	41
Disposal of subsidiary	**226**	-	-
Investments in associates and joint ventures	**(12)**	(6)	(6)
Other	**(35)**	(4)	(16)
Net cash flows from investing activities	**173**	38	19
Cash flows from financing activities			
Proceeds from other borrowings	**10**	13	11
Repayment of other borrowings	**(1)**	(13)	(19)
Capital flows from non-controlling interests and third party interest in consolidated funds	**989**	159	960
Distributions paid to non-controlling interests	**(22)**	(12)	(35)
Shares acquired by trusts	**(32)**	-	-
Interest paid	**(40)**	(49)	(131)
Ordinary dividends paid	**(134)**	(110)	(158)
Net cash flows from financing activities	**770**	(12)	628
Net (decrease)/increase in cash and cash equivalents	**(2,319)**	693	(1,069)
Cash and cash equivalents at the beginning of the period	**8,840**	9,951	9,951
Effects of exchange rate changes on cash and cash equivalents	**(22)**	(86)	(42)
Cash and cash equivalents at the end of the period	**6,499**	10,558	8,840
Supplemental disclosures on cash flows from operating activities			
Interest paid	-	182	275
Interest received	**1,369**	1,503	3,003
Dividends received	**665**	749	1,266
Rental income received on investment properties	**286**	325	599

The Notes on pages 49 to 66 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 half year financial information has been prepared in accordance with the Disclosure Rules and Transparency Rules of the Financial Services Authority (FSA) and IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (IASB) as endorsed by the European Union (EU).

The accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's *Annual Report and Accounts* for the year ended 31 December 2009 have been applied in the preparation of the condensed half year financial information, with the exception of the change to the Group's chosen supplementary measure of IFRS performance described below.

The Group has adopted a number of amendments to IFRSs and interpretations which are effective from 1 January 2010 and management considers that the implementation of these amendments and interpretations has had no significant impact on the Group's financial information.

Change in the Group's chosen supplementary measure of IFRS performance
As indicated at the 2009 Preliminary Results presentation in March 2010, the Group has reviewed its performance reporting under IFRS. Following this review, the Group is adopting IFRS operating profit as its main IFRS performance measure in place of IFRS underlying profit. The Directors consider that this change will provide equity holders and other stakeholders with a better understanding of the Group's long-term operating performance by removing the impact of short-term economic volatility. In addition, the change will better reflect the Group's internal management approach while also allowing for greater comparability with others in the industry. The key differences between the previous and the new measure are as follows:

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

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

Other adjustments:

- Volatility arising from changes in insurance and investment contract liabilities caused by changes in tax provisions in our Canadian subsidiary was previously included in IFRS underlying profit. As this item has no overall impact on equity holder profit after tax, it will be excluded from IFRS operating profit.
- Adjustment will also be made for one-off items which are outside the control of management and which, due to their size or nature, are not indicative of the long-term operating performance of the Group. Previously such items would have been included in IFRS underlying profit. In 2010 and 2009, no such one-off items were adjusted in determining IFRS operating profit.

3.1 Accounting policies *continued*

(a) Basis of preparation *continued*

The table below sets out the effect of the above changes to the Group's chosen measure of IFRS performance for the six months ended 30 June 2009 and the year ended 31 December 2009:

	IFRS underlying profit 30 June 2009 £m	Effect of change of measure £m	IFRS operating profit 30 June 2009 £m	IFRS underlying profit 31 December 2009 £m	Effect of change of measure £m	IFRS operating profit 31 December 2009 £m
Underlying/operating profit before tax from continuing operations						
UK	36	44	80	184	38	222
Canada	(10)	84	74	(7)	120	113
International	(4)	(4)	(8)	18	5	23
Global investment management	21	6	27	66	7	73
Other	(16)	9	(7)	(45)	13	(32)
Underlying/operating profit before tax from continuing operations	**27**	**139**	**166**	**216**	**183**	**399**
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	-	(186)	(186)	-	(214)	(214)
Volatility arising on different asset and liability valuation bases	(46)	46	-	(18)	18	-
Restructuring and corporate transaction expenses	(28)	-	(28)	(52)	-	(52)
Impairment of intangible assets	-	-	-	(2)	-	(2)
Other operating profit adjustments	-	1	1	-	13	13
Loss attributable to non-controlling interests	(29)	-	(29)	(33)	-	(33)
(Loss)/profit before tax attributable to equity holders' profits	**(76)**	-	**(76)**	**111**	-	**111**
Tax (expense)/credit attributable to underlying/operating profit	(17)	(22)	(39)	3	(37)	(34)
Tax credit attributable to adjusted items	12	22	34	17	37	54
Total tax (expense)/credit attributable to equity holders' profits	**(5)**	-	**(5)**	**20**	-	**20**
(Loss)/profit for the period from continuing operations	**(81)**	-	**(81)**	**131**	-	**131**
Profit for the period from discontinued operations	**32**	-	**32**	**49**	-	**49**
(Loss)/profit for the period	**(49)**	-	**(49)**	**180**	-	**180**

(b) Condensed half year financial information

The condensed half year financial information for the six months ended 30 June 2010 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The results for the six months ended 30 June 2010 and 2009 are unaudited, but have been reviewed by PricewaterhouseCoopers LLP whose review report is set out in Section 5. PricewaterhouseCoopers LLP have audited the *Annual Report and Accounts* of the Group for the year ended 31 December 2009 and their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The Group's consolidated statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies.

3.2 Segmental analysis

(a) Basis of segmentation

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed and the way in which key financial information used by the Executive team to review performance is presented. The Group's reportable segments are as follows:

UK

UK operations comprise life and pensions business and healthcare business. The life and pensions business provides a broad range of pensions, protection, savings and investment products to individual and corporate customers. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. It has therefore been classified as a discontinued operation, refer to Note 3.16 – Events after the reporting period. UK operations previously included the Group's banking business, Standard Life Bank plc, which was sold on 1 January 2010.

Canada

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

International

The businesses included in this reportable segment offer a range of life and pension products. The Group has operations in Ireland, Germany and Austria, which for 31 December 2009 reporting were included in the 'Europe' reportable segment. The Group also holds investments in joint ventures in India and China and has a wholly owned subsidiary in Hong Kong, each of which were included in the 'Asia' reportable segment for 31 December 2009 reporting. This change in composition of reportable segments corresponds to changes made during the reporting period to the way in which the Group is managed and the relevant 31 December 2009 and 30 June 2009 segment information has been restated accordingly.

Global investment management

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

Other

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

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

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

3.2 Segmental analysis *continued*

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

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

1 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The reconciliation to consolidated operating profit for the six months ended 30 June 2010 includes continuing operations only.

2 All from continuing operations.

3 Refer to Note 3.3.

4 Total net revenue, excluding inter-segment revenue, for Germany, Ireland and Asia is £698m (six months to 30 June 2009: £380m and 12 months to 31 December 2009: £1,188m), £223m (six months to 30 June 2009: £143m and 12 months to 31 December 2009: £597m) and £29m (six months to 30 June 2009: £15m and 12 months to 31 December 2009: £44m) respectively.

30 June 2009	UK £m	Canada £m	International £m	Global investment management £m	Other £m	Elimination £m	Total £m
Revenue							
Net earned premium	871	322	433	2	-	-	**1,628**
Net investment return	(970)	895	91	(1)	(4)	(6)	**5**
Other segment income	218	52	14	70	3	(3)	**354**
Inter-segment revenue	14	1	-	53	276	(344)	-
Total net revenue	**133**	**1,270**	**538**	**124**	**275**	**(353)**	**1,987**
Expenses							
Segment expenses	113	1,258	533	107	291	(341)	**1,961**
Finance costs	61	6	-	2	-	(12)	**57**
Total expenses	**174**	**1,264**	**533**	**109**	**291**	**(353)**	**2,018**
Share of (losses)/profits from associates and joint ventures	(6)	(16)	(17)	4	-	-	**(35)**
(Loss)/profit before tax	**(47)**	**(10)**	**(12)**	**19**	**(16)**	**-**	**(66)**
Tax attributable to policyholders' returns	14	-	(4)	-	-	-	**10**
Tax attributable to equity holders' profits	(2)	12	(6)	5	(4)	-	**5**
(Loss)/profit for the period from continuing operations	**(59)**	**(22)**	**(2)**	**14**	**(12)**	**-**	**(81)**
Profit for the period from discontinued operations[1]	32	-	-	-	-	-	**32**
(Loss)/profit for the period	**(27)**	**(22)**	**(2)**	**14**	**(12)**	**-**	**(49)**
Loss attributable to non-controlling interests from continuing operations	29	-	-	-	-	-	**29**
Profit/(loss) attributable to equity holders of Standard Life plc	**2**	**(22)**	**(2)**	**14**	**(12)**	**-**	**(20)**
Reconciliation to consolidated operating profit[1]							
Tax (credit)/expense attributable to equity holders' profits from continuing operations	(2)	12	(6)	5	(4)	-	**5**
Adjustments to reconcile the consolidated operating profit to profit for the period from continuing operations	112	84	-	8	9	-	**213**
Less: Profit for the period from discontinued operations	(32)	-	-	-	-	-	**(32)**
Operating profit/(loss) before tax from continuing operations	**80**	**74**	**(8)**	**27**	**(7)**	**-**	**166**
Other income included in the income statement is as follows:							
Interest income:							
From continuing operations	90	72	19	1	3	-	**185**
From discontinued operations	189	-	-	-	-	-	**189**
Other expenses included in the income statement include:							
Impairment losses recognised/(reversed):							
From continuing operations	20	2	-	-	-	-	**22**
From discontinued operations	6	-	-	-	-	-	**6**
Amortisation of intangible assets[2]	4	-	1	-	1	-	**6**
Amortisation of deferred acquisition costs:							
From continuing operations	42	6	23	-	-	-	**71**
From discontinued operations	17	-	-	-	-	-	**17**
Depreciation of property, plant and equipment[2]	-	1	1	-	3	-	**5**
Interest expense:[3]							
From continuing operations	69	10	1	2	57	(70)	**69**
From discontinued operations	143	-	-	-	-	-	**143**
Assets							
Segment assets	105,211	17,144	8,026	570	815	(828)	**130,938**
Investments in associates and joint ventures	1,446	106	83	16	48	-	**1,699**
Total assets	**106,657**	**17,250**	**8,109**	**586**	**863**	**(828)**	**132,637**
Additions during the period							
Intangible assets	3	-	3	-	-	-	**6**
Deferred acquisition costs	59	7	37	-	-	-	**103**
Property, plant and equipment	-	1	-	1	3	-	**5**
Investment properties	83	3	11	-	-	-	**97**
	145	**11**	**51**	**1**	**3**	**-**	**211**

1 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The reconciliation to consolidated operating profit for the six months ended 30 June 2009 and year ended 31 December 2009 include continuing operations only.

2 All from continuing operations.

3 Refer to Note 3.3.

3.2 Segmental analysis *continued*

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

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

[1] The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The reconciliation to consolidated operating profit for the six months ended 30 June 2009 and year ended 31 December 2009 include continuing operations only.

[2] All from continuing operations.

[3] Refer to Note 3.3.

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

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

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
UK	**7,003**	6,193	6,292
Continental Europe	**52**	56	51
Canada	**1,147**	949	1,035
Total	**8,202**	7,198	7,378

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

3.3 Administrative expenses

	Notes	**6 months 2010 £m**	6 months 2009 £m	Full year 2009 £m
Restructuring and corporate transaction expenses		**18**	30	59
Commission expenses		**179**	166	331
Interest expenses		**8**	150	250
Staff costs and other employee-related costs		**328**	302	599
Acquisition costs deferred during the period		**(115)**	(103)	(201)
Amortisation of deferred acquisition costs		**99**	88	173
Impairment losses on deferred acquisition costs		**-**	19	33
Other administrative expenses		**286**	337	608
Total administrative expenses		**803**	989	1,852
Less: administrative expenses from discontinued operations	3.7	**(33)**	(208)	(366)
Administrative expenses		**770**	781	1,486

Interest expense of £57m (six months ended 30 June 2009: £62m; 12 months ended 31 December 2009: £123m) in respect of subordinated liabilities is included within finance costs, of which £nil (six months ended 30 June 2009: £5m; 12 months ended 31 December 2009: £8m) relates to discontinued operations. For the period ended 30 June 2010, total interest expense is £65m (six months ended 30 June 2009: £212m; 12 months ended 31 December 2009: £373m).

Restructuring costs comprise £17m (six months ended 30 June 2009: £29m; 12 months ended 31 December 2009: £53m) from continuing operations and £1m (six months ended 30 June 2009: £1m; 12 months ended 31 December 2009: £6m) from discontinued operations. In the six months ended 30 June 2010, all of the restructuring costs from continuing operations were adjusted when determining operating profit for the period (six months ended 30 June 2009: £28m; 12 months ended 31 December 2009: £52m). In 2009, the remaining costs (six months ended 30 June 2009: £1m; 12 months ended 31 December 2009: £1m) related to the Continuous Improvement Programme (CIP) expenses incurred by the Heritage With Profits Fund.

Restructuring costs from continuing operations incurred during the period of £17m (six months ended 30 June 2009: £29m; 12 months ended 31 December 2009: £53m) include £11m of expenses in relation to the Group's CIP (six months ended 30 June 2009: £24m; 12 months ended 31 December 2009: £44m) and other restructuring costs of £6m (six months ended 30 June 2009: £5m; 12 months ended 31 December 2009: £9m). In the 12 months ended 31 December 2009, other restructuring costs include £5m in relation to transaction costs for the sale of Standard Life Bank plc.

3.4 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 2010	Restated 6 months 2009	Restated Full year 2009
Profit/(loss) from continuing operations (£m)	**199**	(52)	164
(Loss)/profit from discontinued operations (£m)	**(17)**	32	49
Profit/(loss) attributable to equity holders of Standard Life plc (£m)	**182**	(20)	213
Weighted average number of ordinary shares in issue (millions)	**2,230**	2,184	2,201
Basic earnings per share from continuing operations (pence per share)	**8.9**	(2.4)	7.5
Basic earnings per share from discontinued operations (pence per share)	**(0.7)**	1.5	2.2
Basic earnings per share (pence per share)	**8.2**	(0.9)	9.7

(b) Diluted earnings per share

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

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

	6 months 2010	Restated 6 months 2009	Restated Full year 2009
Profit/(loss) from continuing operations (£m)	**199**	(52)	164
(Loss)/profit from discontinued operations (£m)	**(17)**	32	49
Profit/(loss) attributable to equity holders of Standard Life plc (£m)	**182**	(20)	213
Weighted average number of ordinary shares for diluted earnings per share (millions)	**2,235**	2,185	2,203
Diluted earnings per share from continuing operations (pence per share)	**8.9**	(2.4)	7.5
Diluted earnings per share from discontinued operations (pence per share)	**(0.7)**	1.5	2.2
Diluted earnings per share (pence per share)	**8.2**	(0.9)	9.7

The dilutive effect of share awards and options included in the weighted average number of ordinary shares above was five million (six months ended 30 June 2009: one million; 12 months ended 31 December 2009: two million). The effect of these dilutive potential ordinary shares did not impact the profit attributable to equity holders of the Company.

(c) Alternative earnings per share

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

	6 months 2010 £m	6 months 2010 p per share	Restated 6 months 2009 £m	Restated 6 months 2009 p per share	Restated Full year 2009 £m	Restated Full year 2009 p per share
Operating profit before tax from continuing operations	**182**	**8.2**	166	7.6	399	18.1
Short-term fluctuations in investment return and economic assumption changes	**69**	**3.1**	(186)	(8.5)	(214)	(9.7)
Impairment of intangible assets	**-**	**-**	-	-	(2)	(0.1)
Restructuring and corporate transaction expenses	**(17)**	**(0.8)**	(28)	(1.3)	(52)	(2.4)
Other operating profit adjustments	**6**	**0.3**	1	-	13	0.6
Profit/(loss) attributable to non-controlling interests	**35**	**1.6**	(29)	(1.3)	(33)	(1.5)
Profit/(loss) before tax from continuing operations	**275**	**12.4**	(76)	(3.5)	111	5.0
Tax (expense)/credit attributable to:						
Operating profit	**(48)**	**(2.2)**	(39)	(1.8)	(34)	(1.5)
Adjusted items	**7**	**0.3**	34	1.6	54	2.5
(Profit)/loss attributable to non-controlling interests	**(35)**	**(1.6)**	29	1.3	33	1.5
(Loss)/profit from discontinued operations	**(17)**	**(0.7)**	32	1.5	49	2.2
Profit attributable to equity holders of Standard Life plc	**182**	**8.2**	(20)	(0.9)	213	9.7

Alternative earnings per share results in the same pence per share for both a basic and diluted basis.

3.5 Dividends

Subsequent to 30 June 2010, the Directors have proposed an interim dividend for 2010 of 4.35 pence per ordinary share (interim 2009: 4.15 pence), an estimated £98m in total (interim 2009: £92m). The dividend will be paid on 19 November 2010. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2010. During the six months to 30 June 2010 the Directors declared a final dividend for the year ended 31 December 2009 of 8.09 pence per ordinary share (final 2008: 7.70 pence) totalling £180m (final 2008: £168m).

On 15 May 2009, the Group's equity holders approved the introduction of the Scrip dividend scheme, effective for the final 2008 dividend payment onwards. Investors taking part in the Scrip scheme receive their dividend entitlement in the form of shares rather than cash. The distribution under Scrip is recorded as an appropriation of retained earnings. Dividends paid in the six months ended 30 June 2010 comprise £46m (six months ended 30 June 2009: £58m; 12 months ended 31 December 2009: £102m) settled by the issue of shares under the Scrip scheme and £134m (six months ended 30 June 2009: £110m; 12 months ended 31 December 2009: £158m) paid in cash.

3.6 Tax expense/(credit)

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

	Notes	6 months 2010 £m	Restated 6 months 2009 £m	Restated Full year 2009 £m
Tax expense attributable to policyholders' returns		**158**	10	299
Tax expense/(credit) attributable to equity holders' profits		**41**	5	(20)
		199	15	279
Tax (credit)/expense from discontinued operations	3.7	**(3)**	13	44
		196	28	323

The Finance (No. 2) Act 2010, given Royal Assent on 27 July, contains legislation to reduce the UK corporation tax rate from 28% to 27% from 1 April 2011. The legislation was not substantively enacted at 30 June 2010 and therefore the reduced rate has not been used in preparing these financial statements.

The share of tax of associates and joint ventures is £4m (six months ended 30 June 2009: £5m; 12 months ended 31 December 2009: £9m) and is included above the line 'Profit/(loss) before tax' in the condensed consolidated income statement in 'Share of losses from associates and joint ventures'.

The total tax expense is split as follows:

	6 months 2010 £m	Restated 6 months 2009 £m	Restated Full year 2009 £m
Income tax:			
UK	**147**	57	162
Double tax relief	**(1)**	(1)	(1)
Canada and international	**20**	9	28
Adjustment to tax expense in respect of prior years	**(6)**	(15)	(3)
Total income tax	**160**	50	186
Deferred tax:			
Deferred tax expense/(credit) arising from the current period	**36**	(22)	137
Total deferred tax	**36**	(22)	137
Total tax expense	**196**	28	323
Less income tax credit/(expense) attributable to discontinued operations	**3**	(13)	(44)
Total income tax expense attributable to continuing operations	**199**	15	279
Attributable to equity holders' profits	**41**	5	(20)

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

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Tax on actuarial losses/(gains) on defined benefit pension schemes	**40**	(25)	(27)
Revaluation of land and buildings	**-**	(1)	(1)
Tax on fair value gains on cash flow hedges attributable to discontinued operations	**6**	2	3
Aggregate tax effect of items debited/(credited) directly to equity	**46**	(24)	(25)

3.7 Discontinued operations

On 1 January 2010, the Group sold Standard Life Bank plc to Barclays Bank PLC for a consideration of £246m. The Group's decision to sell was primarily driven by the view that the growth of the volume of lending activity was no longer consistent with its long-term financial objectives. Standard Life Bank plc has therefore been classified as a discontinued operation for the year ended 31 December 2009 and the six months ended 30 June 2009 and the presentation in the relevant (condensed) primary statements and corresponding notes to the consolidated half year financial information has been reclassified accordingly, as indicated. The assets and liabilities attributable to Standard Life Bank plc as at 31 December 2009 are presented in the condensed consolidated statement of financial position as assets and liabilities of operations classified as held for sale respectively.

On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited (refer to Note 3.16 – Events after the reporting period). It has therefore been classified as a discontinued operation. The assets and liabilities attributable to Standard Life Healthcare Limited as at 30 June 2010 are presented in the condensed consolidated statement of financial position as assets and liabilities of operations classified as held for sale respectively.

At 31 December 2009, assets and liabilities of operations classified as held for sale also include assets of £48m and liabilities of £42m respectively that are attributable to newly acquired subsidiaries classified as held for sale. The holdings in these subsidiaries were disposed of during the period to 30 June 2010.

Losses from discontinued operations of £17m (six months ended 30 June 2009: £32m profit; 12 months ended 31 December 2009: £49m profit) comprise £7m profit from Standard Life Healthcare Limited (six months ended 30 June 2009: £3m; 31 December 2009: £7m) and a loss of £24m arising from recycling losses previously recognised in the cash flow hedge reserve on the disposal of Standard Life Bank plc. Profits from discontinued operations for the six months ended 30 June 2009 and the 12 months ended 31 December 2009 include £29m and £42m profit from Standard Life Bank plc respectively, the figure for the 12 months to 31 December 2009 reflecting a £10m impairment charge recognised when the assets of the disposal group were classified as held for sale.

3.8 Operating profit

(a) Short-term fluctuations in investment return and economic assumption changes

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

The effects of non-economic experience variances and assumption changes are generally included in operating profit.

Methodology

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 equities 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 equities and property for Canadian operations are determined by the Appointed Actuary in Canada.

The principal assumptions in respect of gross investment returns underlying the calculation of the expected investment return for equities and property are as follows:

	6 months 2010		6 months 2009		Full year 2009	
	UK	**Canada**	UK	Canada	UK	Canada
	%	**%**	%	%	%	%
Equities	**7.11**	**8.60**	6.42	8.60	6.42	8.60
Property	**6.11**	**8.60**	5.42	8.60	5.42	8.60

3.8 Operating profit *continued*

(a) Short-term fluctuations in investment return and economic assumption changes *continued*

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
Short-term fluctuations in investment return and economic assumption changes were as follows:

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Short-term fluctuations in investment return and economic assumption changes	**69**	(186)	(214)

Short-term fluctuations in investment return relate principally to the investment volatility in the Group's Canadian non-segregated funds operations, UK annuities and in respect of the Group's subordinated liabilities and assets backing those liabilities.

(b) Other operating profit adjustments

Volatility arising from changes in insurance and investment contract liabilities caused by changes in tax provisions in the Group's Canadian subsidiary was as follows:

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Changes in insurance and investment contract liabilities caused by changes in tax provisions	**6**	1	13

This volatility has no impact on equity holder profit after tax and as such is excluded from IFRS operating profit before tax.

3.9 Issued share capital and shares held by trusts

(a) Issued share capital

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

	6 months 2010 Number	**6 months 2010 £m**	6 months 2009 Number	6 months 2009 £m	Full year 2009 Number	Full year 2009 £m
At start of period	**2,236,292,157**	**224**	2,177,799,354	218	2,177,799,354	218
Shares issued in lieu of cash dividends	**21,942,218**	**2**	32,080,285	3	55,018,211	6
Shares issued in respect of employee share plans	**348,795**	**-**	305,327	-	630,003	-
Shares issued in respect of share options	**1,305,584**	**-**	2,842,293	-	2,842,293	-
Demutualisation shares	**490**	**-**	-	-	449	-
Shares issued in respect of bonus issue	**184**	**-**	1,802	-	1,847	-
At end of period	**2,259,889,428**	**226**	2,213,029,061	221	2,236,292,157	224

During the six months ended 30 June 2010, 21,942,218 shares have been issued in respect of dividends declared in the period under the Scrip dividend scheme (six months ended 30 June 2009: 32,080,285; 12 months ended 31 December 2009: 55,018,211).

The Group operates share incentive plans, allowing employees the opportunity to buy shares from their salary each month. The maximum purchase that an employee can make in any one year is £1,500. The Group offers to match the first £25 of shares bought each month. During the six months ended 30 June 2010, the Company allotted 348,795 (six months ended 30 June 2009: 305,327; 12 months ended 31 December 2009: 630,003) ordinary shares to its employees under the share incentive plans.

The Group also operates a Long-Term Incentive Plan (LTIP) for executives and senior management. During the six months ended 30 June 2010, 1,305,584 (six months ended 30 June 2009: 2,842,293; 12 months ended 31 December 2009: 2,842,293) ordinary shares were issued on exercise of share options in respect of the LTIP.

The Scheme of Demutualisation sets a 10-year limit, ending in 2016, for those eligible members of The Standard Life Assurance Company (SLAC) who were not allocated shares at the date of demutualisation to claim their entitlements. During the six months ended 30 June 2010, 490 ordinary shares were issued to eligible members in respect of their demutualisation entitlements (six months ended 30 June 2009: nil; 12 months ended 31 December 2009: 449).

As part of the offer on the demutualisation of SLAC and flotation of Standard Life plc, holders of demutualisation shares, employee shares or shares acquired in the preferential offer who retained their shares for a continuous period of one year from 10 July 2006 were entitled to one bonus share for every 20 shares. Equity holders who are entitled to bonus shares but were not allocated shares on 10 July 2007 have three years from 10 July 2007 to claim their entitlements. During the period ended 30 June 2010, a further 184 ordinary shares were issued to equity holders entitled to receive bonus shares (six months ended 30 June 2009: 1,802; 12 months ended 31 December 2009: 1,847).

(b) Shares held by trusts

The Employee Share Trust (EST) purchases and holds shares of the Group for delivery to employees under various employee share schemes. Shares purchased by the EST are recognised at cost in the condensed consolidated statement of financial position and are presented as a deduction from equity. 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), along with the corresponding obligation to deliver a fixed number of the Group's own equity instruments. The shares held by the UAT are those not yet claimed by the eligible members of the Standard Life Assurance Company following its demutualisation on 10 July 2006.

8,817,384 shares were held by trusts at 30 June 2010 (30 June 2009: nil; 31 December 2009: nil), with a total cost of £18m (30 June 2009: £nil; 31 December 2009: £nil).

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

	Notes	**30 June 2010 £m**	30 June 2009 £m	31 December 2009 £m
Non-participating insurance contract liabilities		**23,344**	19,241	22,164
Non-participating investment contract liabilities		**65,554**	52,573	63,728
Total non-participating contract liabilities		**88,898**	71,814	85,892
Less: Non-participating insurance contracts classified as held for sale[1]	3.7	**(157)**	-	-
Non-participating contract liabilities		**88,741**	71,814	85,892
Participating insurance contract liabilities		**16,654**	15,663	16,568
Participating investment contract liabilities		**15,008**	14,697	14,993
Unallocated divisible surplus		**757**	792	791
Participating contract liabilities		**32,419**	31,152	32,352

[1] Non-participating contract liabilities classified as held for sale are attributable to Standard Life Healthcare.

Non-participating insurance contracts include £4m (30 June 2009: £4m; 31 December 2009: £3m) relating to general insurance.

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

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

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

	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contract liabilities £m	Reinsurers' share of liabilities (reinsurance asset) £m	Net £m
Changes in:						
Methodology/modelling changes	2	20	(1)	-	(1)	20
Non-economic assumptions	-	2	-	-	-	2
Economic assumptions	(34)	672	27	-	(283)	382

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

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

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

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

[1] On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Refer to Note 3.7 – Discontinued operations.

The change in non-participating investment contract liabilities during the year ended 31 December 2009 was as follows:

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

3.11 Borrowings

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Certificates of deposit, commercial paper and medium term notes	**-**	1,034	816
Securitisations – mortgage backed floating rate notes	**-**	2,126	1,967
Bank overdrafts	**148**	86	87
Other	**151**	147	140
Total borrowings	**299**	3,393	3,010
Less: Borrowings classified as held for sale	**-**	-	(2,783)
Borrowings	**299**	3,393	227

The amounts included as at 30 June 2009 and 31 December 2009 in Certificates of deposit, commercial paper and medium term notes and Securitisations – mortgage backed floating rate notes are wholly attributable to Standard Life Bank. Following the sale of Standard Life Bank on 1 January 2010, the 31 December 2009 balances were reclassified as held for sale.

3.12 Defined benefit and defined contribution plans

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

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

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Current service cost	**(34)**	(27)	(53)
Interest cost on benefit obligation	**(55)**	(47)	(93)
Expected return on plan assets	**59**	46	91
Past service cost	**-**	(1)	1
Gains on curtailment	**-**	-	4
Expense recognised in the condensed consolidated income statement	**(30)**	(29)	(50)

3.12 Defined benefit and defined contribution plans *continued*

(b) Analysis of amounts recognised in the condensed 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 2010				30 June 2009				31 December 2009			
	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m	UK £m	Canada £m	Ireland £m	Total £m
Present value of funded obligation	(1,712)	(162)	(40)	(1,914)	(1,451)	(117)	(54)	(1,622)	(1,700)	(135)	(43)	(1,878)
Present value of unfunded obligation	-	(48)	-	(48)	-	(35)	-	(35)	-	(41)	-	(41)
Fair value of plan assets	1,833	152	45	2,030	1,398	120	40	1,558	1,644	144	48	1,836
Adjustment for unrecognised past service costs	-	(6)	-	(6)	-	(5)	-	(5)	-	(6)	-	(6)
Net asset/(liability) in the condensed consolidated statement of financial position	**121**	**(64)**	**5**	**62**	(53)	(37)	(14)	(104)	(56)	(38)	5	(89)

The Group also recognises a net liability of £5m (30 June 2009: £4m; 31 December 2009: £5m) arising from a scheme with a total defined benefit obligation of £5m (30 June 2009: £4m; 31 December 2009: £5m) administered for the benefit of employees in Germany, resulting in a net asset of £57m (30 June 2009: liability of £108m; 31 December 2009: liability of £94m). 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 2010			30 June 2009			31 December 2009		
	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %	UK %	Canada %	Ireland %
Rate of increase in salaries	**4.55-5.55**	**3.50**	**3.50**	4.85-5.85	3.50	4.83	4.80-5.80	3.50	3.50
Rate of increase in pensions	**3.55**	**1.33**	**1.00**	3.85	1.33	2.00	3.80	1.33	1.00
Discount rate	**5.45**	**5.70**	**6.00**	6.20	6.25	5.75	5.60	6.25	6.00
Inflation assumption	**3.55**	**2.00**	**2.00**	3.85	2.00	2.00	3.80	2.00	2.00
Expected return on plan assets	**6.30**	**7.00**	**5.93**	5.50	7.00	5.93	6.30	7.00	5.93

3.13 Related party transactions

(a) Transactions with/from related parties

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

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Sale to:			
Associates	**5,798**	8,186	11,607
Joint ventures	**2**	-	2
	5,800	8,186	11,609
Purchase from:			
Associates	**6,320**	6,928	10,907
Joint ventures	**25**	70	100
	6,345	6,998	11,007

Transactions with associates presented above relate primarily to the sales and purchases of holdings in investment funds managed by the Group.

In addition to the amounts shown above, the Group's defined benefit pension schemes have assets of £532m (30 June 2009: £384m; 31 December 2009: £528m) invested in investment vehicles managed by the Group.

(b) Transactions with key management personnel

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

During the six months ended 30 June 2010, the key management contributed £1.4m (six months ended 30 June 2009: £10.5m; 12 months ended 31 December 2009: £11.1m) to products sold by the Group.

3.14 Contingent liabilities, indemnities and guarantees

(a) Legal proceedings and regulations

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

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

(b) Issued share capital

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

(c) Other

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

3.15 Commitments

(a) Capital commitments

As at 30 June 2010, capital expenditure that was authorised and contracted for, but not provided and incurred, was £310m (30 June 2009: £364m; 31 December 2009: £296m) in respect of investment properties.

Of this amount, £289m (30 June 2009: £351m; 31 December 2009: £283m) and £21m (30 June 2009: £13m; 31 December 2009: £13m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

As at 30 June 2010, the Group had committed the following unrecognised financial instruments to customers and third parties:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Guarantees and standby letters of credit	**3**	3	3
Commitments to extend credit:			
Original term to maturity of less than one year	**22**	9	112
Original term to maturity of more than one year	**7**	2,041	1,859
Other commitments	**384**	737	715

Guarantees and letters of credit include guarantees in relation to the Group's Canadian operations. These guarantees are considered to be financial guarantee contracts under IAS 39 *Financial Instruments: Recognition and Measurement*.

Included in 'Other commitments' is £364m (30 June 2009: £718m; 31 December 2009: £696m) committed by certain subsidiaries which are not fully owned by the Group. These commitments are funded through (contractually agreed) additional investments in the subsidiary by the Group and the non-controlling interests. The levels of funding are not necessarily in line with the relevant percentage holdings.

The commitments to extend credit with an original term to maturity of more than one year as at 30 June 2009 and 31 December 2009 were primarily in respect of the Group's banking business, Standard Life Bank plc, which was sold on 1 January 2010.

3.16 Events after the reporting period

On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. The Group's decision to sell Standard Life Healthcare was primarily driven by the view that the Group's focus is on the long-term savings and investments market and as a result the manufacturing of private medical insurance is not core to its UK strategy. The sale took place on 31 July 2010 with consideration of £138m, which is subject to adjustments resulting from conclusion of the signing balance sheet of Standard Life Healthcare.

As a result of entering into the disposal agreement, the assets and liabilities of Standard Life Healthcare as at 30 June 2010 have been classified as held for sale.

As a result of a statutory pension fund valuation carried out under Section 75 of the Pensions Act 1995, a payment of £15m will be made by Standard Life Healthcare to the Standard Life UK staff pension scheme. As part of the disposal agreement, a corresponding payment of £14m will be made by Standard Life plc to the purchaser of Standard Life Healthcare after completion.

4 European Embedded Value (EEV)

EEV consolidated income statement

For the six months ended 30 June 2010

	Notes	6 months 2010 £m	Restated[1] 6 months 2009 £m	Restated[1] Full year 2009 £m
Covered business				
UK		**208**	178	506
Canada		**123**	89	192
International		**48**	(10)	29
HWPF TVOG		**(3)**	89	143
Covered business operating profit	4.2(a)	**376**	346	870
Global investment management[2]	4.6(b)	**21**	10	42
UK		**(15)**	(11)	(18)
Group corporate centre costs		**(30)**	(25)	(50)
Other	4.6(c)	**12**	8	-
Non-covered business operating loss		**(12)**	(18)	(26)
Operating profit before tax from continuing operations		**364**	328	844
Non-operating items				
Long-term investment return and tax variances		**314**	(477)	70
Effect of economic assumption changes		**(197)**	33	(539)
Restructuring and corporate transaction expenses[3]		**(17)**	(28)	(52)
Other non-operating items		**(1)**	(6)	(9)
Consolidation adjustment for different accounting bases[4]		**29**	61	67
Profit/(loss) before tax from continuing operations		**492**	(89)	381
Tax attributable to:				
Operating profit		**(112)**	(101)	(247)
Non-operating items		**(37)**	110	122
Profit/(loss) after tax from continuing operations		**343**	(80)	256
(Loss)/profit after tax from discontinued operations		**(17)**	32	49
Total profit/(loss) after tax		**326**	(48)	305

1 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The presentation of the comparatives for the six months ended 30 June 2009 and the 12 months ended 31 December 2009 have been reclassified accordingly. Refer to Note 4.1 – Basis of preparation.

2 Global investment management operating profit before tax is stated after excluding profits of £28m (six months ended 30 June 2009: £17m; 12 months ended 31 December 2009: £33m) which have been generated by life and pensions business.

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

4 This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.16 – EEV methodology.

EEV earnings per share (EPS)
For the six months ended 30 June 2010

	6 months 2010	Restated[1] 6 months 2009	Restated[1] Full year 2009
EEV operating profit after tax from continuing operations (£m)[2]	**252**	227	597
Basic EPS (pence) from continuing operations	**11.3**	10.4	27.1
Weighted average number of ordinary shares in issue (millions)	**2,230**	2,184	2,201
Diluted EPS (pence) from continuing operations	**11.3**	10.4	27.1
Weighted average number of ordinary shares on a diluted basis (millions)	**2,235**	2,185	2,203

1 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The presentation of the comparatives for the six months ended 30 June 2009 and the 12 months ended 31 December 2009 have been reclassified accordingly. Refer to Note 4.1 – Basis of preparation.

2 EEV operating profit before tax from continuing operations of £364m (six months ended 30 June 2009: £328m; 12 months ended 31 December 2009: £844m) less attributed tax on operating profit from continuing operations of £112m (six months ended 30 June 2009: £101m; 12 months ended 31 December 2009: £247m).

EEV consolidated statement of comprehensive income

For the six months ended 30 June 2010

	Notes	6 months 2010 £m	Restated[1] 6 months 2009 £m	Restated[1] Full year 2009 £m
Profit/(loss) after tax		**326**	(48)	305
Less: (Loss)/profit after tax from discontinued operations		**(17)**	32	49
Profit/(loss) from continuing operations		**343**	(80)	256
Fair value gains on cash flow hedges[2]		**-**	-	1
Actuarial gains/(losses) on defined benefit pension schemes[2]		**122**	(80)	(77)
Exchange differences on translating foreign operations[3]		**97**	(174)	26
Net investment hedge[2]		**(16)**	15	(12)
Aggregate tax effect of items not recognised in income statement		**(40)**	26	27
Other		**5**	(14)	13
Other comprehensive income/(expense) for the period		**168**	(227)	(22)
Total comprehensive income/(expense) for the period attributable to equity holders from continuing operations		**511**	(307)	234
(Loss)/profit after tax from discontinued operations		**(17)**	32	49
Other comprehensive income from discontinued operations[4]		**24**	3	8
Total comprehensive income for the period attributable to equity holders from discontinued operations		**7**	35	57
Total comprehensive income/(expense) for the period attributable to equity holders	4.7	**518**	(272)	291

1 The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The presentation of the comparatives for the six months ended 30 June 2009 and the 12 months ended 31 December 2009 have been reclassified accordingly. Refer to Note 4.1 – Basis of preparation.

2 Consistent with the IFRS consolidated statement of comprehensive income for the six months ended 30 June 2010.

3 Exchange differences primarily relate to Canada £101m and International (£19m).

4 Refer to IFRS financial information Note 3.7 – Discontinued operations.

EEV consolidated statement of financial position

As at 30 June 2010

	Notes	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Covered business				
Free surplus		**1,226**	1,020	925
Required capital		**1,012**	806	956
Net worth		**2,238**	1,826	1,881
Present value of in-force		**3,871**	3,187	3,775
Cost of required capital		**(435)**	(324)	(391)
Total embedded value of covered business	4.2(c)	**5,674**	4,689	5,265
Non-covered business				
Global investment management		**214**	156	195
UK		**172**	(23)	(19)
Group corporate centre		**376**	438	389
Other		**229**	260	255
Discontinued operations		**105**	337	343
Total net assets of non-covered business	4.6(a)	**1,096**	1,168	1,163
Consolidation adjustment for different accounting bases[1]		**29**	2	7
Total Group embedded value	4.7	**6,799**	5,859	6,435
Equity				
Share capital		**226**	221	224
Shares held by trusts		**(18)**	-	-
Share premium reserve		**932**	847	888
Retained earnings on an IFRS basis		**807**	537	685
Other reserves		**1,695**	1,501	1,660
Additional retained earnings on an EEV basis		**3,157**	2,753	2,978
Total equity[2]		**6,799**	5,859	6,435

1 This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.16 – EEV methodology.

2 Embedded value equity per share is 302p as at 30 June 2010 compared to 265p as at 30 June 2009 and 288p as at 31 December 2009, based on diluted share totals of 2,253m as at 30 June 2010 and 2,212m as at 30 June 2009 and 2,237m as at 31 December 2009.

The presentation of the 2009 comparatives reflects the reclassification of Standard Life Bank and Standard Life Healthcare as discontinued operations.

Notes to the EEV financial information

4.1 Basis of preparation

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

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

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

A detailed description of EEV methodology is provided in Note 4.16. There have been no significant changes to EEV methodology from that adopted in the previous reporting period, except as noted below.

Covered business

A detailed description of EEV covered business is provided in Note 4.16 – EEV methodology.

The inclusion of the Asia businesses on an EEV basis was reflected for the first time in the EEV results for the 12 months to 31 December 2009 with an opening adjustment of £33m, which captured the PVIF and cost of capital as at 1 January 2009 and removed any intangibles.

Prior to the 12 months to 31 December 2009, the Asia businesses were included on an IFRS basis. This business was previously immaterial in the context of both the Group embedded value and the Group EEV operating profit, and therefore the Group was not required to report Asia on an EEV basis. The results for the six months to 30 June 2009 have not been restated.

Non-covered business

Following the Group's decision to replace IFRS underlying profit with IFRS operating profit as the chosen supplementary measure of IFRS performance, non-covered business EEV operating profit is represented by IFRS operating profit. See Note 3.1(a) – Accounting policies – Basis of preparation of the IFRS financial information for more detail.

Prior to this change, EEV operating profit for non-covered business was defined as IFRS normalised underlying profit. Comparatives for the 12 months to 31 December 2009 and the six months to 30 June 2009 have not been restated to reflect the inclusion of non-covered business on an IFRS operating profit basis, on the basis that a restatement would be immaterial in the context of the Group EEV operating profit for these periods.

Segmentation

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

Within the IFRS segmental analysis, UK operations primarily comprise life and pensions, UK non-covered mutual funds business and the non-covered UK pension scheme. UK operations previously also included the Group's banking business, Standard Life Bank plc, which was sold on 1 January 2010, and the Group's healthcare business, Standard Life Healthcare Limited. On 11 May 2010, the Group entered into an agreement to sell its healthcare business. See Note 3.16 – Events after the reporting period of the IFRS financial information. The banking and healthcare businesses have been classified as discontinued operations. UK non-covered business is shown within Note 4.6 – Non-covered business.

The EEV consolidated income statement presents EEV operating profit for continuing operations only and therefore excludes the results for the discontinued operations. The presentation of the comparatives has been restated accordingly. Prior to the exclusion of EEV operating profit from discontinued operations, total Group EEV operating profit before tax would have been £348m for the six months ended 30 June 2009, and £919m for the 12 months ended 31 December 2009.

Included within the International reporting segment are the Group's operations in Ireland and Germany, which were previously included in the 'Europe' segment. Also included are the Group's business in Hong Kong and the Group's joint venture businesses in India and China, which were previously included in the 'Asia' segment. This change in composition of reportable segments corresponds to changes made during the reporting period to the way in which the Group is managed and is consistent with the reportable segments in the IFRS financial information. The comparative information for the six months ended 30 June 2009 and the 12 months ended 31 December 2009 has been restated for the changes to the segmental reporting. The International results for the six months to 30 June 2009 have not been restated to include the Asia businesses on an EEV basis.

Impact of UK Budget Changes announced on 22 June 2010

As a result of the June Budget, legislation has been enacted that will:
a) Reduce the Corporation Tax Rate from 28% to 27% effective from 1 April 2011, and
b) Increase the rate of Value Added Tax (VAT) from 17.5% to 20% effective from 4 January 2011

These changes have been included within our best estimate assumptions for UK Corporation Tax and VAT as at 30 June 2010.

In the Budget statement, the government also announced an intention to make further reductions in Corporation Tax of 1% in 2012, 2013 and 2014. However, these reductions are subject to legislation in future years and have not been included within the best estimate assumptions at 30 June 2010.

Continuous Improvement Programme (CIP)

Included within total restructuring and corporate transaction expenses of £17m from continuing operations (six months to 30 June 2009: £28m; 12 months to 31 December 2009: £52m) is £11m (six months to 30 June 2009: £24m; 12 months to 31 December 2009: £43m) of costs attributable to the Group's Continuous Improvement Programme.

4.2 Segmental analysis – covered business

(a) Segmental EEV income statement

This note provides an analysis of EEV covered business as defined in Note 4.16 – EEV methodology.

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

6 months to 30 June 2009	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	92	18	4	-	**114**
Contribution from in-force business:						
Expected return on existing business		105	67	17	-	**189**
Experience variances	4.4	4	4	(4)	89	**93**
Operating assumption changes	4.5	-	-	-	-	**-**
Development expenses		(10)	(1)	(4)	-	**(15)**
Expected return on free surplus		(13)	1	(23)	-	**(35)**
Operating profit/(loss) before tax		**178**	**89**	**(10)**	**89**	**346**
Investment return and tax variances		(298)	(53)	(1)	(125)	**(477)**
Effect of economic assumption changes		96	(269)	5	201	**33**
Restructuring costs		(21)	-	(4)	-	**(25)**
(Loss)/profit before tax		**(45)**	**(233)**	**(10)**	**165**	**(123)**
Attributed tax		12	63	(5)	(46)	**24**
(Loss)/profit after tax		**(33)**	**(170)**	**(15)**	**119**	**(99)**

12 months to 31 December 2009	Notes	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Contribution from new business	4.3	139	46	28	-	**213**
Contribution from in-force business:						
Expected return on existing business		204	132	39	-	**375**
Experience variances	4.4	148	4	(18)	143	**277**
Operating assumption changes	4.5	60	11	(3)	-	**68**
Development expenses		(18)	(6)	(23)	-	**(47)**
Expected return on free surplus		(27)	5	6	-	**(16)**
Operating profit before tax		**506**	**192**	**29**	**143**	**870**
Investment return and tax variances		(8)	(31)	47	62	**70**
Effect of economic assumption changes		(243)	(292)	(13)	9	**(539)**
Restructuring costs		(34)	(1)	(8)	-	**(43)**
Profit/(loss) before tax		**221**	**(132)**	**55**	**214**	**358**
Attributed tax		(62)	34	(15)	(60)	**(103)**
Profit/(loss) after tax		**159**	**(98)**	**40**	**154**	**255**

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

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

The results for the 12 months to 31 December 2009 include the Asia businesses on an EEV basis for the first time. The Asia businesses are included within the International segment along with the Europe operations. The Asia businesses results for the six months to 30 June 2009 have not been restated and include a loss of £25m, within the expected return on free surplus, on an IFRS basis. Refer to Note 4.1 – Basis of preparation.

HWPF TVOG represents the time value of financial options and guarantees (TVOG) arising from the Heritage With Profits Fund (HWPF). Although the HWPF includes business written by the UK, Germany and Ireland, the Group manages the risk at an aggregate level. This is consistent with the Group's IFRS financial statements as disclosed in Note 39 – Risk management to the Group's *Annual Report and Accounts 2009*. 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 increase in the expected return on existing business is primarily due to higher opening PVIF and higher opening risk discount rates.

Development costs of £18m in the UK mainly relate to product development on the corporate pension proposition and implementing legislative changes. The £10m of development costs in International include £4m that reflect the costs of developing the Asia businesses to build future growth, which are in addition to the full allowance for acquisition costs that are included within the new business contribution (NBC).

The (£15m) expected return on free surplus in the UK reflects the relatively low expected returns currently available on cash assets within free surplus, along with a higher expected increase in the value of subordinated debt liabilities relative to the expected return on the assets backing subordinated debt. The increase in the expected return on free surplus within Canada reflects the impact of an asset switch, which resulted in more real estate within free surplus.

Profits within investment return and tax variances in the UK include a £162m profit from differences in movements of subordinated debt liabilities and the assets that are backing the subordinated debt, as well as a £46m profit from the Contract For Differences – refer to Note 4.6(b). The £45m profit from HWPF TVOG reflects the impact of higher than expected returns, which reduced the burnthrough risk.

4.2 Segmental analysis – covered business *continued*

(a) Segmental EEV income statement *continued*

Effect of economic assumption changes was a loss of £197m. This included a profit of £258m from changes to risk discount rates (six months to 30 June 2009: loss £134m; 12 months to 31 December 2009: loss £214m), which are explained in Note 4.12(b) – Principal economic assumptions – deterministic calculations – covered business. This was offset by changes in investment return assumptions of (£380m) and a loss of £76m in HWPF TVOG, reflecting higher burnthrough costs from lower projected investment returns and higher volatility assumptions.

HWPF TVOG shows separate movements in investment variances and economic assumptions, whereas in practice, economic assumption changes are highly dependent on the same factors that give rise to investment variances, for example market yields. Therefore, the key consideration is the net effect of the two items rather than the individual items themselves. Further comments on the movement in TVOG are provided in Note 4.4 – Experience variances and Note 4.10 – Time value of options and guarantees (TVOG).

Restructuring expenses primarily represent the covered business costs associated with the CIP as described in Note 4.1 – Basis of preparation.

(b) Segmental analysis of movements in EEV

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

6 months to 30 June 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Opening EEV	**3,129**	**1,597**	**626**	**(220)**	**5,132**
Opening adjustments	-	-	-	-	-
Opening adjusted EEV	**3,129**	**1,597**	**626**	**(220)**	**5,132**
(Loss)/profit after tax	(33)	(170)	(15)	119	**(99)**
Internal capital transfers	(130)	(2)	(28)	-	**(160)**
Transfer back of surplus to Standard Life Investments	(10)	(2)	-	-	**(12)**
Transfer back of mutual funds net worth	10	(1)	-	-	**9**
Actuarial losses on defined benefit pension schemes	-	(19)	-	-	**(19)**
Foreign exchange differences	-	(105)	(70)	-	**(175)**
Aggregate tax effect of items not recognised in income statement	-	6	-	-	**6**
Other	5	-	2	-	**7**
Closing EEV	**2,971**	**1,304**	**515**	**(101)**	**4,689**

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

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

Opening adjustments in International for the 12 months to 31 December 2009 reflect the inclusion of the Asia businesses on an EEV basis for the first time. This adjustment is explained in more detail in Note 4.1 – Basis of preparation. The results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis.

(c) Segmental analysis of opening and closing EEV

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

4.2 Segmental analysis – covered business *continued*

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

6 months to 30 June 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	899	154	182	-	**1,235**
PVIF	2,173	939	453	(220)	**3,345**
Required capital	95	737	12	-	**844**
Cost of capital	(38)	(233)	(21)	-	**(292)**
Opening adjusted EEV	**3,129**	**1,597**	**626**	**(220)**	**5,132**
Analysis of EEV					
Free surplus	805	98	117	-	**1,020**
PVIF	2,091	792	405	(101)	**3,187**
Required capital	111	682	13	-	**806**
Cost of capital	(36)	(268)	(20)	-	**(324)**
Closing EEV	**2,971**	**1,304**	**515**	**(101)**	**4,689**

12 months to 31 December 2009	UK £m	Canada £m	International £m	HWPF TVOG £m	Total £m
Analysis of EEV					
Free surplus	899	154	124	-	**1,177**
PVIF	2,173	939	528	(220)	**3,420**
Required capital	95	737	29	-	**861**
Cost of capital	(38)	(233)	(22)	-	**(293)**
Opening adjusted EEV	**3,129**	**1,597**	**659**	**(220)**	**5,165**
Analysis of EEV					
Free surplus	673	161	91	-	**925**
PVIF	2,359	937	545	(66)	**3,775**
Required capital	139	770	47	-	**956**
Cost of capital	(51)	(315)	(25)	-	**(391)**
Closing EEV	**3,120**	**1,553**	**658**	**(66)**	**5,265**

Opening adjusted EEV in International for the 12 months to 31 December 2009 reflects the inclusion of the Asia businesses on an EEV basis for the first time. The opening adjustment is explained in more detail in Note 4.1 – Basis of preparation. The results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis.

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 4.16 – 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 2010	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions[3]	14	2,006	52	2,173	3.2	0.7
Corporate pensions[3]	24	609	295	1,751	3.9	1.4
Institutional pensions	25	1,835	3	1,842	2.3	1.4
Savings and investments	4	845	15	954	7.3	0.4
Annuities	36	209	-	209	-	17.1
Protection	-	-	-	1	-	6.0
UK	**103**	**5,504**	**365**	**6,930**	**3.9**	**1.5**
Canada	**31**	**748**	**66**	**1,581**	**12.6**	**2.0**
Wholly owned	13	547	33	832	8.6	1.6
Joint ventures	14	38	62	288	4.0	5.0
International	**27**	**585**	**95**	**1,120**	**5.6**	**2.5**
Total covered business	**161**	**6,837**	**526**	**9,631**	**5.3**	**1.7**

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

6 months to 30 June 2009	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP £m	PVNBP multiplier[1]	PVNBP margin[2] %
Individual pensions[3]	14	1,647	47	1,829	3.9	0.7
Corporate pensions[3]	29	394	287	1,517	3.9	1.9
Institutional pensions	7	907	18	944	2.1	0.8
Savings and investments	(4)	577	15	696	7.9	(0.6)
Annuities	46	258	-	258	-	17.8
Protection	-	-	1	2	2.0	16.5
UK	**92**	**3,783**	**368**	**5,246**	**4.0**	**1.8**
Canada	**18**	**537**	**53**	**1,352**	**15.4**	**1.3**
Wholly owned[4]	4	361	25	594	9.3	0.8
Joint ventures[5]	-	40	46	260	4.8	-
International[4]	**4**	**401**	**71**	**854**	**6.4**	**0.8**
Total covered business	**114**	**4,721**	**492**	**7,452**	**5.6**	**1.6**

1 The PVNBP multiplier is calculated as the total of PVNBP less single premiums, divided by annualised regular premiums.
2 PVNBP margins are calculated as the ratio of the new business contribution to the present value of new business premiums and are based on the underlying unrounded numbers.
3 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The impact on PVNBP for the six months to 30 June 2009 is £10m.
4 Prior to the 12 months to 31 December 2009, the Asia businesses were included within the EEV results on an IFRS basis. The International results for the six months to 30 June 2009 have not been restated to include the Asia businesses on an EEV basis. The PVNBP margin represents the previously published PVNBP margin for the Europe businesses for the six months to 30 June 2009.
5 Single premiums in India have been restated by £5m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is £nil. The impact on PVNBP for the six months to 30 June 2009 is £1m.

4.3 Analysis of new business contribution *continued*

12 months to 31 December 2009	NBC £m	Single premiums £m	Annualised regular premiums £m	PVNBP[1] £m	PVNBP multiplier[2]	PVNBP Margin[3] %
Individual pensions[4]	7	3,096	79	3,388	3.7	0.2
Corporate pensions[4]	34	908	437	2,640	4.0	1.3
Institutional pensions	25	2,253	17	2,296	2.5	1.1
Savings and investments	(3)	1,256	19	1,406	7.9	(0.2)
Annuities	76	448	-	448	-	17.1
Protection	-	-	1	2	2.0	11.9
UK	**139**	**7,961**	**553**	**10,180**	**4.0**	**1.4**
Canada	**46**	**1,232**	**88**	**2,460**	**14.0**	**1.9**
Wholly owned	17	881	58	1,430	9.5	1.2
Joint ventures[5]	11	72	96	478	4.2	2.3
International	**28**	**953**	**154**	**1,908**	**6.2**	**1.5**
Total covered business	**213**	**10,146**	**795**	**14,548**	**5.5**	**1.5**

1 The PVNBP new business sales are different from those in the full year new business press release issued on 3 February 2010 as they incorporate year end non-economic assumption changes.
2 The PVNBP multiplier is calculated as the total of PVNBP less single premiums, divided by annualised regular premiums.
3 PVNBP margins are calculated as the ratio of the new business contribution to the present value of new business premiums and are based on the underlying unrounded numbers.
4 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2009 impact on PVNBP is £22m.
5 Single premiums in India have been restated by £8m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is negative £2m. The impact on PVNBP for the 12 months to 31 December 2009 is £2m.

The results for the 12 months to 31 December 2009 include the Asia businesses on an EEV basis for the first time. The results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis. Refer to Note 4.1 – Basis of preparation.

4.4 Experience variances

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

Positive lapse experience in International arises from better than expected experience in Germany and Ireland. The lapse experience loss of £9m in the UK includes the effect of increased pension lapse activity related to the change in minimum retirement ages.

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

Tax variances in the UK reflect the overall experience arising from tax management and the change in tax assets.

'Other' UK variances include the impact of reserve releases and other modelling changes, as well as the benefit of increased average management fees and experience profits on the vesting of deferred annuities.

For the 12 months to 31 December 2009, 'Other' UK variances included a £111m benefit from reduction in market risk plus the EEV operating profit benefit from a £63m release of deferred annuity reserves, offset by £38m of modelling changes for life business. The £143m of 'Other' HWPF TVOG variances primarily reflected the benefits of changes in asset allocations and hedging arrangements which reduced the HWPF burnthrough risk. The latter contributed £89m of ‘Other’ HWPF TVOG variances for the six months to 30 June 2009.

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

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

The results for the 12 months to 31 December 2009 include the Asia businesses on an EEV basis for the first time. The results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis. Refer to Note 4.1 – Basis of preparation.

4.5 Operating assumption changes

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

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

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

4.5 Operating assumption changes *continued*

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

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

The results for the 12 months to 31 December 2009 include the Asia businesses on an EEV basis for the first time. The results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis. Refer to Note 4.1 – Basis of preparation.

4.6 Non-covered business

Non-covered business EEV operating profit is represented by IFRS operating profit as adjusted for Standard Life Investments (global investment management) look through profits and the return on mutual funds which are recognised in covered business. Refer to Note 4.1 – Basis of preparation.

UK non-covered primarily comprises UK non-covered mutual funds business and the non-covered UK pension scheme. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations. The presentation of the comparatives for the six months ended 30 June 2009 and the year ended 31 December 2009 have been restated accordingly. Refer to Note 4.1 – Basis of preparation.

(a) Segmental analysis – non-covered business

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

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

On 15 May 2009, the Group's equity holders approved the introduction of the Scrip dividend scheme, effective for the final 2008 dividend payment onwards. Investors taking part in the Scrip scheme receive their dividend entitlement in the form of new shares issued in lieu of cash dividends. For the 6 months ended 30 June 2010, dividends paid comprise £46m (six months to 30 June 2009: £58m; 12 months to 31 December 2009: £102m) settled by the issue of shares under the Scrip scheme, and £134m paid in cash (six months to 30 June 2009: £110m; 12 months to 31 December 2009: £158m).

The 'other' movement in the UK EEV net assets relates to the UK non-covered pension scheme surplus of £146m (six months to 30 June 2009: £60m deficit; 12 months to 31December 2009: £73m deficit) and the pension scheme deferred tax liability of £46m (six months to 30 June 2009: £19m deferred tax asset; 12 months to 31 December 2009: £23m deferred tax asset).

'Other' movements in Other including Group corporate centre predominantly relate to the £46m issue of share capital other than in cash in relation to the Scrip dividend paid by Standard Life plc, offset by shares acquired by employee trusts of (£32m).

6 months to 30 June 2009	Global investment management £m	UK £m	Discontinued operations £m	Other including Group corporate centre £m	Total non-covered business £m
Opening EEV net assets	**143**	**31**	**309**	**672**	**1,155**
Opening adjustments	-	-	-	-	-
Opening adjusted EEV net assets	**143**	**31**	**309**	**672**	**1,155**
Profit/(loss) after tax	2	(13)	32	(14)	**7**
Transfer back of net worth from covered business	12	(10)	-	1	**3**
Foreign exchange differences	(1)	-	-	2	**1**
Internal capital transfers	-	9	(7)	158	**160**
Distributions to equity holders	-	-	-	(168)	**(168)**
Other	-	(40)	3	47	**10**
Closing EEV net assets	**156**	**(23)**	**337**	**698**	**1,168**

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

4.6 Non-covered business *continued*

(b) Global investment management EEV profits before tax

Global investment management profits are included in EEV on a look through basis. This means that the profits from global investment management generated from the life and pensions business are allocated to covered business. However, the excluded life and pensions profits include £13m (six months to 30 June 2009: £6m; 12 months to 31 December 2009: £19m) of profits relating to products which are actively marketed and sold to third parties through global investment management distribution channels. If these profits are added to the third party profits disclosed for non-covered business, there are £34m (six months to 30 June 2009: £16m; 12 months to 31 December 2009: £61m) of third party related profits for global investment management.

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Life and pensions look through profits before tax	**28**	17	33
Less: Third party related life and pensions profits before tax	**13**	6	19
Life and pensions look through profits before tax excluding third party profits	**15**	11	14
Third party related life and pensions profits before tax	**13**	6	19
Third party related profits before tax	**21**	10	42
Total third party related profits before tax	**34**	16	61
Total EEV operating profit before tax	**49**	27	75
Non-operating items[1]	**(1)**	(8)	(11)
Total EEV profit before tax	**48**	19	64

1 The non-operating loss items for the six months to 30 June 2010 include £1m net negative fair value movement in respect of the liability remaining following the restructuring of a sub-fund of the Standard Life Investments (Global Liquidity Funds) plc and the 'Contract for Differences' written in September 2008 which limited this liability for Standard Life Investments (six months to 30 June 2009: £6m; 12 months to 31 December 2009: £9m). The losses for all periods relating to the non-life net negative fair value movement and the fair value movement of assets brought directly on to the statement of financial position are also excluded from IFRS operating profit along with £nil costs relating to the CIP programme and other restructuring costs (six months to 30 June 2009: £2m; 12 months to 31 December 2009: £2m).

(c) Other EEV operating profits before tax

	6 months 2010 £m	6 months 2009 £m	Full year 2009 £m
Canada non-life subsidiaries	-	(2)	(1)
Mutual funds transferred to covered business	**(3)**	(2)	(2)
Canada non-life subsidiaries excluding transfers to covered business	**(3)**	(4)	(3)
Standard Life plc income/(expense)	**3**	1	(2)
Other	**12**	11	5
Other non-covered business EEV operating profit before tax	**12**	8	-

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 2010 £m	6 months 2009 £m	Full year 2009 £m
Opening EEV	**6,435**	6,245	6,245
Opening adjustments	**-**	-	33
Opening adjusted EEV	**6,435**	6,245	6,278
Total comprehensive income/(expense) for the period attributable to equity holders	**518**	(272)	291
Distributions to equity holders	**(180)**	(168)	(260)
Issue of share capital other than in cash	**46**	58	102
Shares acquired by employee trusts	**(32)**	-	-
Reserves credit for employee share-based payment schemes	**8**	(4)	24
Shares gifted to charity	**4**	-	-
Closing EEV	**6,799**	5,859	6,435

The opening adjustment for the 12 months to 31 December 2009 reflects the inclusion of the Asia businesses on an EEV basis for the first time. The EEV results for the six months to 30 June 2009 have not been restated and include Asia on an IFRS basis.

4.8 Reconciliation of EEV net assets to IFRS net assets

	30 June 2010 £m	30 June 2009 £m	Full year 2009 £m
Net assets on an EEV basis	**6,799**	5,859	6,435
Present value of in-force life and pensions business net of cost of capital	**(3,436)**	(2,863)	(3,384)
EEV net worth	**3,363**	2,996	3,051
Adjustment of long-term debt to market value	**(158)**	(403)	(101)
Canada marked to market	**(84)**	20	(49)
Deferred acquisition costs net of deferred income reserve	**363**	331	358
Deferred tax differences	**125**	150	157
Adjustment for share of joint ventures	**36**	-	35
Consolidation adjustment for different accounting bases[1]	**(29)**	(2)	(7)
Other	**26**	14	13
Net assets attributable to equity holders on an IFRS basis	**3,642**	3,106	3,457

[1] This adjustment reflects the removal of accounting differences for the Canada subordinated liability as explained in Note 4.16 – 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 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**925**	**956**	**1,881**	**3,384**	**5,265**
Contribution from new business	(132)	23	(109)	231	**122**
Contribution from in-force business:					
Expected return on existing business	(1)	17	16	140	**156**
Expected return transfer to net worth	317	(30)	287	(287)	-
Experience variances	25	(19)	6	17	**23**
Operating assumption changes	-	-	-	1	**1**
Development expenses	(24)	-	(24)	-	**(24)**
Expected return on free surplus	(3)	-	(3)	-	**(3)**
Operating profit/(loss) after tax	**182**	**(9)**	**173**	**102**	**275**
Investment return and tax variances	239	9	248	(20)	**228**
Effect of economic assumption changes	(96)	6	(90)	(53)	**(143)**
Restructuring expenses	(9)	-	(9)	-	**(9)**
Profit after tax	**316**	**6**	**322**	**29**	**351**
Internal capital transfers	2	-	2	-	**2**
Transfer back of surplus to Standard Life Investments	(20)	-	(20)	-	**(20)**
Transfer back of mutual funds net worth	12	-	12	-	**12**
Actuarial losses on defined benefit pension schemes	(24)	-	(24)	-	**(24)**
Foreign exchange differences	9	50	59	23	**82**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Other	-	-	-	-	-
Closing EEV	**1,226**	**1,012**	**2,238**	**3,436**	**5,674**

6 months to 30 June 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**1,235**	**844**	**2,079**	**3,053**	**5,132**
Contribution from new business	(96)	24	(72)	155	**83**
Contribution from in-force business:					
Expected return on existing business	(1)	19	18	118	**136**
Expected return transfer to net worth	290	(30)	260	(261)	**(1)**
Experience variances	20	3	23	43	**66**
Operating assumption changes	-	-	-	-	-
Development expenses	(11)	-	(11)	-	**(11)**
Expected return on free surplus	(32)	-	(32)	-	**(32)**
Operating profit after tax	**170**	**16**	**186**	**55**	**241**
Investment return and tax variances	(217)	29	(188)	(155)	**(343)**
Effect of economic assumption changes	47	(28)	19	3	**22**
Restructuring expenses	(19)	-	(19)	-	**(19)**
(Loss)/profit after tax	**(19)**	**17**	**(2)**	**(97)**	**(99)**
Internal capital transfers	(160)	-	(160)	-	**(160)**
Transfer back of surplus to Standard Life Investments	(12)	-	(12)	-	**(12)**
Transfer back of mutual funds net worth	9	-	9	-	**9**
Actuarial losses on defined benefit pension schemes	(19)	-	(19)	-	**(19)**
Foreign exchange differences	(27)	(55)	(82)	(93)	**(175)**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Other	7	-	7	-	**7**
Closing EEV	**1,020**	**806**	**1,826**	**2,863**	**4,689**

The EEV results for the six months to 30 June 2009 have not been restated and include the Asia businesses on an IFRS basis. The IFRS opening and closing net assets for this business were included within the operating and closing free surplus, and the IFRS underlying loss after tax included within Expected return on free surplus.

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

(b) UK and HWPF TVOG

6 months to 30 June 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**673**	**139**	**812**	**2,242**	**3,054**
Contribution from new business	(67)	10	(57)	131	**74**
Contribution from in-force business:					
Expected return on existing business	(1)	2	1	85	**86**
Expected return transfer to net worth	189	(1)	188	(188)	-
Experience variances	24	(19)	5	5	**10**
Operating assumption changes	-	-	-	-	-
Development expenses	(13)	-	(13)	-	**(13)**
Expected return on free surplus	(11)	-	(11)	-	**(11)**
Operating profit/(loss) after tax	**121**	**(8)**	**113**	**33**	**146**
Investment return and tax variances	246	(2)	244	(25)	**219**
Effect of economic assumption changes	(85)	5	(80)	(47)	**(127)**
Restructuring expenses	(6)	-	(6)	-	**(6)**
Profit/(loss) after tax	**276**	**(5)**	**271**	**(39)**	**232**
Internal capital transfers	(2)	-	(2)	-	**(2)**
Transfer back of surplus to Standard Life Investments	(17)	-	(17)	-	**(17)**
Transfer back of mutual funds net worth	14	-	14	-	**14**
Actuarial gains on defined benefit pension schemes	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-
Aggregate tax effect of items not recognised in income statement	-	-	-	-	-
Other	-	-	-	-	-
Closing EEV	**944**	**134**	**1,078**	**2,203**	**3,281**

6 months to 30 June 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**899**	**95**	**994**	**1,915**	**2,909**
Contribution from new business	(54)	11	(43)	109	**66**
Contribution from in-force business:					
Expected return on existing business	(1)	2	1	74	**75**
Expected return transfer to net worth	188	(2)	186	(186)	-
Experience variances	18	8	26	40	**66**
Operating assumption changes	-	-	-	-	-
Development expenses	(7)	-	(7)	-	**(7)**
Expected return on free surplus	(9)	-	(9)	-	**(9)**
Operating profit after tax	**135**	**19**	**154**	**37**	**191**
Investment return and tax variances	(175)	-	(175)	(130)	**(305)**
Effect of economic assumption changes	86	(3)	83	132	**215**
Restructuring expenses	(15)	-	(15)	-	**(15)**
Profit after tax	**31**	**16**	**47**	**39**	**86**
Internal capital transfers	(130)	-	(130)	-	**(130)**
Transfer back of surplus to Standard Life Investments	(10)	-	(10)	-	**(10)**
Transfer back of mutual funds net worth	10	-	10	-	**10**
Actuarial gains on defined benefit pension schemes	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-
Aggregate tax effect of items not recognised in income statement	-	-	-	-	-
Other	5	-	5	-	**5**
Closing EEV	**805**	**111**	**916**	**1,954**	**2,870**

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

(c) Canada

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

6 months to 30 June 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**154**	**737**	**891**	**706**	**1,597**
Contribution from new business	(13)	12	(1)	14	**13**
Contribution from in-force business:					
Expected return on existing business	-	17	17	32	**49**
Expected return transfer to net worth	64	(29)	35	(35)	**-**
Experience variances	7	(5)	2	1	**3**
Operating assumption changes	-	-	-	-	**-**
Development expenses	(1)	-	(1)	-	**(1)**
Expected return on free surplus	1	-	1	-	**1**
Operating profit/(loss) after tax	**58**	**(5)**	**53**	**12**	**65**
Investment return and tax variances	(47)	29	(18)	(20)	**(38)**
Effect of economic assumption changes	(42)	(25)	(67)	(130)	**(197)**
Restructuring expenses	-	-	-	-	**-**
Loss after tax	**(31)**	**(1)**	**(32)**	**(138)**	**(170)**
Internal capital transfers	(2)	-	(2)	-	**(2)**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Transfer back of mutual funds net worth	(1)	-	(1)	-	**(1)**
Actuarial losses on defined benefit pension schemes	(19)	-	(19)	-	**(19)**
Foreign exchange differences	(7)	(54)	(61)	(44)	**(105)**
Aggregate tax effect of items not recognised in income statement	6	-	6	-	**6**
Other	-	-	-	-	**-**
Closing EEV	**98**	**682**	**780**	**524**	**1,304**

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

(d) International

6 months to 30 June 2010	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**91**	**47**	**138**	**520**	**658**
Contribution from new business	(55)	4	(51)	76	**25**
Contribution from in-force business:					
Expected return on existing business	-	-	-	16	**16**
Expected return transfer to net worth	57	1	58	(58)	-
Experience variances	(5)	-	(5)	7	**2**
Operating assumption changes	-	-	-	1	**1**
Development expenses	(8)	-	(8)	-	**(8)**
Expected return on free surplus	2	-	2	-	**2**
Operating profit/(loss) after tax	**(9)**	**5**	**(4)**	**42**	**38**
Investment return and tax variances	2	-	2	1	**3**
Effect of economic assumption changes	1	-	1	7	**8**
Restructuring expenses	(3)	-	(3)	-	**(3)**
Profit/(loss) after tax	**(9)**	**5**	**(4)**	**50**	**46**
Internal capital transfers	4	-	4	-	**4**
Transfer back of surplus to Standard Life Investments	(2)	-	(2)	-	**(2)**
Transfer back of mutual funds net worth	-	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-
Foreign exchange differences	(1)	1	-	(19)	**(19)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	-
Other	-	-	-	-	-
Closing EEV	**83**	**53**	**136**	**551**	**687**

6 months to 30 June 2009	Free surplus £m	Required capital £m	Net worth £m	PVIF net of cost of capital £m	Total £m
Opening EEV	**182**	**12**	**194**	**432**	**626**
Contribution from new business	(29)	1	(28)	32	**4**
Contribution from in-force business:					
Expected return on existing business	-	-	-	12	**12**
Expected return transfer to net worth	38	1	39	(40)	**(1)**
Experience variances	(5)	-	(5)	2	**(3)**
Operating assumption changes	-	-	-	-	-
Development expenses	(3)	-	(3)	-	**(3)**
Expected return on free surplus	(24)	-	(24)	-	**(24)**
Operating (loss)/profit after tax	**(23)**	**2**	**(21)**	**6**	**(15)**
Investment return and tax variances	5	-	5	(5)	-
Effect of economic assumption changes	3	-	3	1	**4**
Restructuring expenses	(4)	-	(4)	-	**(4)**
(Loss)/profit after tax	**(19)**	**2**	**(17)**	**2**	**(15)**
Internal capital transfers	(28)	-	(28)	-	**(28)**
Transfer back of surplus to Standard Life Investments	-	-	-	-	-
Transfer back of mutual funds net worth	-	-	-	-	-
Actuarial gains on defined benefit pension schemes	-	-	-	-	-
Foreign exchange differences	(20)	(1)	(21)	(49)	**(70)**
Aggregate tax effect of items not recognised in income statement	-	-	-	-	-
Other	2	-	2	-	**2**
Closing EEV	**117**	**13**	**130**	**385**	**515**

The EEV results for the six months to 30 June 2009 have not been restated and include the Asia businesses on an IFRS basis. The IFRS opening and closing net assets for this business were included within the operating and closing free surplus, and the IFRS underlying loss after tax included within Expected return on free surplus.

4.10 Time value of options and guarantees (TVOG)

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
UK and Europe HWPF	**(90)**	(101)	(66)
Canada	**(31)**	(31)	(23)
International	**(17)**	-	(17)
Total	**(138)**	(132)	(106)

The results for the 12 months to 31 December 2009 include the Asia businesses on an EEV basis for the first time. The results for the six months to 30 June 2009 have not been restated and include the Asia businesses on an IFRS basis, therefore no TVOG is shown.

The UK and Europe HWPF TVOG reflects the value of shareholder exposure to the policyholder guarantees within the HWPF. The value of this exposure has increased during 2010 due to the impact of market movements, in particular from the effect of revised economic assumptions at June.

4.11 Market value of subordinated liabilities within covered business

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
UK	**(1,513)**	(1,245)	(1,682)
Canada	**(281)**	(211)	(244)
Total	**(1,794)**	(1,456)	(1,926)

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

The reduction in the value of the UK subordinated debt liability reflects the increase in relevant credit spreads during 2010. The £37m increase in the Canada subordinated debt liability includes £16m from currency movements. The impact of these movements is reflected in non-operating profit in UK and Canada as shown in Note 4.2(a). For Canada, however, this has been offset by the Group EEV consolidation adjustment in respect of Canada subordinated liability, as shown in the EEV consolidated income statement.

4.12 Principal economic assumptions – deterministic calculations – covered business

(a) Gross investment returns and expense inflation

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

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

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

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

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

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

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

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

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

* Excludes corporate bond returns on annuities. For annuities in UK equity holder funds, the overall investment return, after allowing for assumed defaults, is 5.36% for annuities that are level or subject to fixed escalations and 4.11% for annuities where escalations are linked to a price index.

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

*** 1.367% in 2009. The rate in subsequent years is based on a moving 30-year bond yield less a variable deduction.

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

(b) Risk discount rates – in-force business

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

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

At 30 June 2009	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %
Risk margin – in-force business					
Risk margin before cost of capital adjustment:					
Market risk	1.80	1.50	2.70	1.80	1.50
Non-market risk	1.60	1.50	2.40	1.60	1.50
Total	**3.40**	**3.00**	**5.10**	**3.40**	**3.00**
Cost of capital adjustment	-	(0.40)	(1.40)	-	(0.40)
Risk margin after cost of capital adjustment	**3.40**	**2.60**	**3.70**	**3.40**	**2.60**
Risk discount rates – in-force business					
Risk free	3.72	3.72	3.63	3.39	3.39
Risk margin	3.40	2.60	3.70	3.40	2.60
Risk discount rate[1]	**7.12**	**6.32**	**7.33**	**6.79**	**5.99**

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

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

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

At June 2010 market risk margins and cost of capital adjustments have been updated to reflect changes in the mix of business and asset allocation. Non-market risk margins are updated once a year and any changes will be reflected in the full year results.

The impact of the changes in risk discount rates has been included in the effect of economic assumption changes shown in Note 4.2(a). The amounts within these totals that relate to the changes in risk discount rates are: for UK: profit £161m; for Canada: profit £62m; and for International: profit £35m. These profits reflect the benefit of reduced risk discount rates which are mainly driven by reductions in risk free rates.

(c) Risk discount rates – new business

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

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

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

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

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

6 months to 30 June 2009	UK HWPF %	UK equity holder owned funds %	Canada %	Europe HWPF %	Europe equity holder owned funds %
Risk margin – new business					
Risk margin before cost of capital adjustment:					
Market risk	2.10	1.80	1.70	2.10	1.80
Non-market risk	0.40	1.50	1.90	0.40	1.50
Total	**2.50**	**3.30**	**3.60**	**2.50**	**3.30**
Cost of capital adjustment	-	(0.40)	(0.40)	-	(0.40)
Risk margin after cost of capital adjustment	**2.50**	**2.90**	**3.20**	**2.50**	**2.90**
Risk discount rates – new business					
Risk free[1]	3.42	3.42	3.07	2.95	2.95
Risk margin	2.50	2.90	3.20	2.50	2.90
Risk discount rate[2]	**5.92**	**6.32**	**6.27**	**5.45**	**5.85**

1 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2008.
2 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.25% and 5.93% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

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

1 As the new business contribution is calculated using start of period economic assumptions, the risk free rates shown here represent market yields at 31 December 2008.
2 Using the value of in-force business as weights, the average risk discount rates for UK and Europe were 6.11% and 5.83% respectively. The weighted average for Europe includes an allowance for SLIL which uses the same risk discount rate assumptions as UK business.

(d) International - Asia

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

	30 June 2010 %	31 December 2009 %
India	**7.50**	7.50
China	**3.38**	3.66
Hong Kong	**2.45**	2.45

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

Non-market risk has been allowed for via a specific deduction to the PVIF, based on a non-market risk 'cost of capital' approach. This has reduced the PVIF at 30 June 2010 by £28m (31 December 2009: £21m). Similarly, the 2010 pre-tax NBC has been reduced by £10m (12 months to 31 December 2009: £12m) as an allowance for non-market risk.

4.13 Principal economic assumptions – stochastic calculations

The level of the TVOG is generally calculated using a stochastic projection. This requires an economic scenario generator (ESG) which projects the relevant fund under a large number of different future economic scenarios. A detailed description of the methodology applied in the relevant funds is provided in Note 4.16 – EEV methodology.

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

The ESG simulates future economic environments in a market consistent manner. The outputs of the ESG include:
- Cash account index
- Gross redemption yield term structure
- Equity total return index
- Property total return index
- Gilt total return index
- Corporate bond total return index
- Equity dividend yields
- Property rental yields
- Price inflation
- Earnings inflation

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

Parameters used in ESG

Cash and bond returns
These variables are calibrated using the following instruments:
- Repo rates and government strips
- A range of swaption prices

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

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

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

4.13 Principal economic assumptions – stochastic calculations *continued*

Dividend and rental yields
Dividend yields are derived from current market observable yields (FTSE All Stocks for UK and Euro Stoxx 50 for Europe) and a long-term best estimate.

Rental yields are derived from rental income on our actual portfolio of Property (with three month lag) and a long-term best estimate.

Correlations

The principal correlations in the ESG are between equity, bond and property returns.

The average simulated internal UK economy correlations between the major asset classes are:
- Equity/property = 0.09
- Equity/bonds = 0.14
- Property/bonds = 0.1

The average simulated cross economy correlations between the major asset classes are:
- UK Equity/EU Equity = 0.80
- UK Equities/EU Bonds = 0.12
- UK Bonds/EU Equities = 0.15

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

4.14 Foreign exchange

A description of the approach to the currency translation for foreign entities is provided in Note 4.16 – EEV methodology.

The principal exchange rates applied are:

Local currency: £	Closing 30 June 2010	Average to 30 June 2010	Closing 30 June 2009	Average to 30 June 2009	Closing 31 December 2009	Average to 31 December 2009
Canada	**1.590**	**1.602**	1.913	1.802	1.693	1.778
Ireland	**1.221**	**1.153**	1.174	1.113	1.126	1.118
Germany	**1.221**	**1.153**	1.174	1.113	1.126	1.118
India	**69.486**	**70.310**	78.891	73.592	75.148	75.388
China	**10.146**	**10.460**	11.249	10.226	11.025	10.649
Hong Kong	**11.650**	**11.916**	12.763	11.604	12.522	12.086

4.15 Sensitivity analysis – economic and non-economic assumptions

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

4.16 EEV methodology

Covered business

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

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

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

Canada covered business also includes mutual funds.

International covered business consists of:
- The Group's Germany branch of Standard Life Assurance Limited (SLAL)
- The Group's Ireland branch of SLAL
- The Group's offshore business, which is sold by Standard Life International Limited (SLIL)
- The results of the Group's business in Hong Kong (Standard Life Asia Limited)
- The Group's share of results in the joint venture in India, HDFC Standard Life Insurance Company Limited, at 26% for the six months to 30 June 2010 (during the 12 months to 31 December 2009 and 6 months to 30 June 2009: 26%)
- The Group's share of results in the joint venture in China, Heng An Standard Life Insurance Company Limited, at 50% for the six months to 30 June 2010 (during the 12 months to 31 December 2009 and 6 months to 30 June 2009: 50%)

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

The Group's non-covered business mainly includes the business of Standard Life Bank, Standard Life Healthcare, Standard Life plc, the third party global investment management business of Standard Life Investments, the non-covered business of Standard Life Savings and other non-life and pensions entities. The Group's banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, the Group entered into an agreement to sell its healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations.

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

Value of in-force covered business

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

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

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

Free surplus

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

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

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

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

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

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

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

The values of the risk discount rates used for this reporting period are provided in Note 4.12 – Principal economic assumptions – deterministic calculations – covered business.

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

Required capital

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

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

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

The levels of required capital in the current EEV calculations are therefore as follows:
- UK and Europe (business in HWPF) – no capital requirement in excess of statutory reserves or asset shares is valued in the EEV
- UK and Europe (business in equity holder owned funds) – 100% of EU minimum regulatory capital, which is higher in aggregate than Standard Life's internal risk-based capital requirement
- Canada – the level of required capital is taken as 150% of minimum continuing capital and surplus requirements (MCCSR)
- Asia – required capital is based on the local statutory capital requirements

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

Time value of financial options and guarantees (TVOG)

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

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

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

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

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

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

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

4.16 EEV methodology *continued*

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

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

Other economic assumptions

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

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

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

Details of the assumptions used for this reporting period are provided in Note 4.12 – Principal economic assumptions – deterministic calculations – covered business.

Non-economic assumption changes

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

Expense assumptions

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

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

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

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

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

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

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

Expenses – pension scheme deficits

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

Other non-economic experience assumptions

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

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

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

New business

Definition of new business

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

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

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

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

For Ireland, new business is determined as follows:

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

For Canada, business is deemed to be 'new business' if a contract has been issued during the reporting period. The new business contribution also includes the value of renewal premiums for a new contract, where the renewal premiums are (i) contractual, (ii) non-contractual but reasonably predictable, or (iii) recurrent single premiums that are pre-defined and reasonably predictable. The present value of future net income attributable to renewal premiums on existing group pension and savings contracts, including those from new members, is not included as new business. Since all deposits (new and renewal) in individual segregated funds business attract a new business/first year commission, this business is treated as new business for EEV purposes.

For Asia, 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.

4.16 EEV methodology *continued*

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

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

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

Tax

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

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

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

Subordinated liabilities

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

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

Foreign exchange

Embedded value and other items within the statement of financial position denominated in foreign currencies have been translated to Sterling using the appropriate closing exchange rates. NBC and other items within the income statement have been translated using the appropriate average exchange rates. Gains and losses arising from foreign exchange differences on consolidation are presented separately within the EEV consolidated statement of comprehensive income.
Details of the exchange rates applied are provided in Note 4.14 – Foreign exchange.

5 Independent auditors' review report

Independent auditors' review report to Standard Life plc

Introduction

We have been engaged by Standard Life plc (the Company) to review the financial information in the Half Year Results for the six months ended 30 June 2010, which comprises:

- The International Financial Reporting Standards (IFRS) condensed consolidated income statement, the IFRS consolidated statement of comprehensive income, the IFRS condensed consolidated statement of financial position, the IFRS consolidated statement of changes in equity, the IFRS condensed consolidated statement of cash flows and associated notes prepared in accordance with the IFRS accounting policies set out in Note 3.1 (the 'IFRS financial information'); and

- The European Embedded Value (EEV) consolidated income statement, the EEV earnings per share statement, the EEV consolidated statement of comprehensive income, the EEV consolidated statement of financial position, and associated notes prepared on the EEV basis set out in Note 4.1 (the 'EEV financial information').

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

Directors' responsibilities

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

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

Our responsibility

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

Our responsibility on the EEV financial information in the Half Year Results is to express to the Company a conclusion based on our review. This report on the EEV financial information, including the conclusion, has been prepared for and only for the Company in accordance with our engagement letter dated 26 April 2010 and for no other purpose.

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

Scope of review

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

Conclusion

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

- the IFRS financial information in the Half Year Results for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority; and

- the EEV financial information in the Half Year Results report for the six months ended 30 June 2010 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
11 August 2010

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

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

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6 Supplementary information

Supplementary information

6.1 Group assets under administration and net flows

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

Group assets under administration
Six months ended 30 June 2010

	Opening AUA at 1 Jan 2010 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2010 £bn
UK						
Individual SIPP[1]	11.8	1.9	(0.8)	1.1	0.1	13.0
Individual pensions	22.3	0.5	(1.4)	(0.9)	0.4	21.8
Investment bonds	8.7	0.1	(0.5)	(0.4)	(0.1)	8.2
Mutual funds[2]	3.7	0.8	(0.2)	0.6	-	4.3
Annuities[3]	13.1	0.3	(0.6)	(0.3)	0.8	13.6
Legacy life	9.1	0.2	(0.7)	(0.5)	0.2	8.8
UK retail	**68.7**	**3.8**	**(4.2)**	**(0.4)**	**1.4**	**69.7**
Corporate pensions[1]	17.9	1.4	(0.6)	0.8	(0.6)	18.1
Institutional pensions	12.0	1.9	(0.6)	1.3	0.1	13.4
UK corporate	**29.9**	**3.3**	**(1.2)**	**2.1**	**(0.5)**	**31.5**
Assets not backing products	7.0	-	-	-	0.6	7.6
UK long-term savings	**105.6**	**7.1**	**(5.4)**	**1.7**	**1.5**	**108.8**
Canada						
Group savings and retirement	11.9	0.8	(0.6)	0.2	0.7	12.8
Individual insurance, savings and retirement	6.7	0.4	(0.5)	(0.1)	0.7	7.3
Group insurance	0.5	0.2	(0.2)	-	-	0.5
Mutual funds[2]	1.4	0.2	(0.2)	-	0.1	1.5
Assets not backing products	0.8	-	-	-	-	0.8
Canada long-term savings	**21.3**	**1.6**	**(1.5)**	**0.1**	**1.5**	**22.9**
International						
Ireland	4.9	0.5	(0.2)	0.3	(0.1)	5.1
Germany	4.2	0.4	(0.1)	0.3	(0.1)	4.4
Hong Kong	-	-	-	-	0.1	0.1
Wholly owned long-term savings	**9.1**	**0.9**	**(0.3)**	**0.6**	**(0.1)**	**9.6**
Joint ventures long-term savings[4]	**0.8**	**0.2**	**(0.1)**	**0.1**	**0.1**	**1.0**
International long-term savings	**9.9**	**1.1**	**(0.4)**	**0.7**	**-**	**10.6**
Total worldwide long-term savings	**136.8**	**9.8**	**(7.3)**	**2.5**	**3.0**	**142.3**
Non-life business[5]	**1.6**	**-**	**-**	**-**	**-**	**1.6**
Standard Life Investments third party assets under management[1]	**56.9**	**7.3**	**(2.6)**	**4.7**	**1.4**	**63.0**
Consolidation and elimination adjustments[5,6]	(25.2)	(2.9)	1.0	(1.9)	(0.7)	(27.8)
Group assets under administration	**170.1**	**14.2**	**(8.9)**	**5.3**	**3.7**	**179.1**
Group assets under administration managed by:						
Standard Life Group entities[5]	144.9					151.8
Other third party managers	25.2					27.3
Total	**170.1**					**179.1**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 The mutual funds net flows are also included within mutual funds net flows in the third party Investment operations figures.
3 Annuities include assets deposited back with the Group as a result of the reinsurance of certain annuity contracts.
4 Includes our China and India joint ventures.
5 Opening balances have been restated to exclude discontinued banking operations.
6 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and Investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

Group assets under administration
Six months ended 30 June 2009

	Opening AUA at 1 Jan 2009 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2009 £bn
UK						
Individual SIPP[1]	8.7	1.5	(0.5)	1.0	-	9.7
Individual pensions	20.7	0.5	(1.2)	(0.7)	-	20.0
Investment bonds	8.9	0.2	(1.0)	(0.8)	(0.1)	8.0
Mutual funds[2]	2.4	0.4	(0.1)	0.3	-	2.7
Annuities[3]	11.9	0.4	(0.6)	(0.2)	0.2	11.9
Legacy life	10.2	0.2	(1.0)	(0.8)	(0.2)	9.2
UK retail	**62.8**	**3.2**	**(4.4)**	**(1.2)**	**(0.1)**	**61.5**
Corporate pensions[1]	14.4	1.2	(0.5)	0.7	(0.4)	14.7
Institutional pensions	8.6	1.0	(0.4)	0.6	0.1	9.3
UK corporate	**23.0**	**2.2**	**(0.9)**	**1.3**	**(0.3)**	**24.0**
Assets not backing products	9.0	-	-	-	(1.6)	7.4
UK long-term savings	**94.8**	**5.4**	**(5.3)**	**0.1**	**(2.0)**	**92.9**
Canada						
Group savings and retirement	9.8	0.6	(0.5)	0.1	(0.2)	9.7
Individual insurance, savings and retirement	5.9	0.3	(0.3)	-	(0.1)	5.8
Group insurance	0.4	0.2	(0.1)	0.1	-	0.5
Mutual funds[2]	1.2	0.1	(0.1)	-	-	1.2
Assets not backing products	0.7	-	-	-	(0.2)	0.5
Canada long-term savings	**18.0**	**1.2**	**(1.0)**	**0.2**	**(0.5)**	**17.7**
International						
Ireland	4.7	0.4	(0.3)	0.1	(0.5)	4.3
Germany	3.6	0.4	(0.1)	0.3	(0.5)	3.4
Hong Kong	-	-	-	-	-	-
Wholly owned long-term savings	**8.3**	**0.8**	**(0.4)**	**0.4**	**(1.0)**	**7.7**
Joint ventures long-term savings[4]	**0.5**	**0.2**	**(0.1)**	**0.1**	**(0.1)**	**0.5**
International long-term savings	**8.8**	**1.0**	**(0.5)**	**0.5**	**(1.1)**	**8.2**
Total worldwide long-term savings	**121.6**	**7.6**	**(6.8)**	**0.8**	**(3.6)**	**118.8**
Non-life business[5]	**1.7**	-	-	-	**0.1**	**1.8**
Standard Life Investments third party assets under management[1]	**45.5**	**5.2**	**(2.1)**	**3.1**	**(1.3)**	**47.3**
Consolidation and elimination adjustments[5,6]	(20.9)	(1.7)	0.9	(0.8)	1.6	(20.1)
Group assets under administration	**147.9**	**11.1**	**(8.0)**	**3.1**	**(3.2)**	**147.8**
Group assets under administration managed by:						
Standard Life Group entities[5]	129.6					127.2
Other third party managers	18.3					20.6
Total	**147.9**					**147.8**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 The mutual funds net flows are also included within mutual funds net flows in the third party Investment operations figures.
3 Annuities include assets deposited back with the Group as a result of the reinsurance of certain annuity contracts.
4 Includes our China and India joint ventures.
5 Balances have been restated to exclude discontinued banking operations.
6 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and Investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

6.1 Group assets under administration and net flows *continued*

Group assets under administration
For the year ended 31 December 2009

	Opening AUA at 1 Jan 2009 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 31 Dec 2009 £bn
UK						
Individual SIPP[1]	8.7	2.9	(1.1)	1.8	1.3	11.8
Individual pensions	20.7	0.9	(2.3)	(1.4)	3.0	22.3
Investment bonds	8.9	0.3	(1.6)	(1.3)	1.1	8.7
Mutual funds[2]	2.4	1.0	(0.2)	0.8	0.5	3.7
Annuities[3]	11.9	0.6	(1.1)	(0.5)	1.7	13.1
Legacy life	10.2	0.5	(1.8)	(1.3)	0.2	9.1
UK retail	**62.8**	**6.2**	**(8.1)**	**(1.9)**	**7.8**	**68.7**
Corporate pensions[1]	14.4	2.6	(1.1)	1.5	2.0	17.9
Institutional pensions	8.6	2.5	(0.9)	1.6	1.8	12.0
UK corporate	**23.0**	**5.1**	**(2.0)**	**3.1**	**3.8**	**29.9**
Assets not backing products	9.0	-	-	-	(2.0)	7.0
UK long-term savings	**94.8**	**11.3**	**(10.1)**	**1.2**	**9.6**	**105.6**
Canada						
Group savings and retirement	9.8	1.3	(1.0)	0.3	1.8	11.9
Individual insurance, savings and retirement	5.9	0.7	(0.7)	-	0.8	6.7
Group insurance	0.4	0.4	(0.3)	0.1	-	0.5
Mutual funds[2]	1.2	0.2	(0.2)	-	0.2	1.4
Assets not backing products	0.7	-	-	-	0.1	0.8
Canada long-term savings	**18.0**	**2.6**	**(2.2)**	**0.4**	**2.9**	**21.3**
International						
Ireland	4.7	1.0	(0.8)	0.2	-	4.9
Germany	3.6	0.8	(0.1)	0.7	(0.1)	4.2
Hong Kong	-	-	-	-	-	-
Wholly owned long-term savings	**8.3**	**1.8**	**(0.9)**	**0.9**	**(0.1)**	**9.1**
Joint ventures long-term savings[4]	**0.5**	**0.3**	**(0.1)**	**0.2**	**0.1**	**0.8**
International long-term savings	**8.8**	**2.1**	**(1.0)**	**1.1**	**-**	**9.9**
Total worldwide long-term savings	**121.6**	**16.0**	**(13.3)**	**2.7**	**12.5**	**136.8**
Non-life business[5]	**1.7**	**-**	**-**	**-**	**(0.1)**	**1.6**
Standard Life Investments third party assets under management[1]	**45.5**	**9.7**	**(4.0)**	**5.7**	**5.7**	**56.9**
Consolidation and elimination adjustments[5,6]	(20.9)	(3.8)	1.9	(1.9)	(2.4)	(25.2)
Group assets under administration	**147.9**	**21.9**	**(15.4)**	**6.5**	**15.7**	**170.1**
Group assets under administration managed by:						
Standard Life Group entities[5]	129.6					144.9
Other third party managers	18.3					25.2
Total	**147.9**					**170.1**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 The mutual funds net flows are also included within mutual funds net flows in the third party Investment operations figures.
3 Annuities include assets deposited back with the Group as a result of the reinsurance of certain annuity contracts.
4 Includes our China and India joint ventures.
5 Balances have been restated to exclude discontinued banking operations.
6 In order to be consistent with the presentation of new business information, certain products are included in both life and pensions AUA and Investment operations. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

Long-term savings operations net flows (regulatory basis)
Six months ended 30 June 2010

	Gross inflows 6 months to 30 Jun 2010 £m	Redemptions 6 months to 30 Jun 2010 £m	Net inflows 6 months to 30 Jun 2010 £m	Gross inflows 6 months to 30 Jun 2009 £m	Redemptions 6 months to 30 Jun 2009 £m	Net inflows 6 months to 30 Jun 2009 £m
UK						
Individual SIPP[1]	**1,868**	**(810)**	**1,058**	1,464	(505)	959
Individual pensions[2]	**495**	**(1,368)**	**(873)**	541	(1,150)	(609)
Investment bonds	**115**	**(527)**	**(412)**	183	(1,008)	(825)
Mutual funds[3]	**769**	**(208)**	**561**	438	(102)	336
Annuities	**287**	**(572)**	**(285)**	353	(578)	(225)
Protection	**42**	**(29)**	**13**	49	(31)	18
Legacy life	**178**	**(644)**	**(466)**	206	(967)	(761)
UK retail	**3,754**	**(4,158)**	**(404)**	3,234	(4,341)	(1,107)
Corporate pensions[1,2]	**1,463**	**(690)**	**773**	1,210	(528)	682
Institutional pensions	**1,893**	**(627)**	**1,266**	953	(393)	560
UK corporate	**3,356**	**(1,317)**	**2,039**	2,163	(921)	1,242
UK long-term savings[4]	**7,110**	**(5,475)**	**1,635**	5,397	(5,262)	135
Canada						
Group savings and retirement	**841**	**(672)**	**169**	676	(513)	163
Individual insurance, savings and retirement	**352**	**(456)**	**(104)**	277	(347)	(70)
Group insurance	**205**	**(165)**	**40**	173	(142)	31
Mutual funds[3]	**182**	**(195)**	**(13)**	102	(87)	15
Canada long-term savings	**1,580**	**(1,488)**	**92**	1,228	(1,089)	139
International						
Ireland	**562**	**(298)**	**264**	391	(329)	62
Germany	**376**	**(59)**	**317**	395	(69)	326
Hong Kong	**15**	**(4)**	**11**	5	(1)	4
Wholly owned long-term savings	**953**	**(361)**	**592**	791	(399)	392
Joint ventures long-term savings[5]	**183**	**(50)**	**133**	139	(38)	101
International long-term savings	**1,136**	**(411)**	**725**	930	(437)	493
Total worldwide long-term savings	**9,826**	**(7,374)**	**2,452**	7,555	(6,788)	767

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.

2 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The total 2010 net inflow is £2m (2009: net outflow £11m).

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

4 UK long-term savings include a total net outflow of £862m in relation to conventional with profits business (2009: net outflow £1,159m).

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

6.1 Group assets under administration and net flows *continued*

Long-term savings operations net flows (regulatory basis)
Three months ended 30 June 2010

	Gross inflows 3 months to 30 Jun 2010 £m	Redemptions 3 months to 30 Jun 2010 £m	Net inflows 3 months to 30 Jun 2010 £m	Gross inflows 3 months to 30 Jun 2009 £m	Redemptions 3 months to 30 Jun 2009 £m	Net inflows 3 months to 30 Jun 2009 £m
UK						
Individual SIPP[1]	868	(376)	492	772	(254)	518
Individual pensions[2]	270	(638)	(368)	315	(545)	(230)
Investment bonds	53	(251)	(198)	78	(387)	(309)
Mutual funds[3]	346	(101)	245	228	(56)	172
Annuities	122	(288)	(166)	154	(290)	(136)
Protection	21	(14)	7	24	(13)	11
Legacy life	87	(340)	(253)	101	(393)	(292)
UK retail	1,767	(2,008)	(241)	1,672	(1,938)	(266)
Corporate pensions[1,2]	787	(316)	471	647	(267)	380
Institutional pensions	1,046	(254)	792	502	(223)	279
UK corporate	1,833	(570)	1,263	1,149	(490)	659
UK long-term savings[4]	3,600	(2,578)	1,022	2,821	(2,428)	393
Canada						
Group savings and retirement	440	(325)	115	320	(237)	83
Individual insurance, savings and retirement	160	(223)	(63)	147	(174)	(27)
Group insurance	108	(86)	22	87	(72)	15
Mutual funds[3]	81	(93)	(12)	49	(38)	11
Canada long-term savings	789	(727)	62	603	(521)	82
International						
Ireland	302	(148)	154	217	(164)	53
Germany	183	(32)	151	187	(25)	162
Hong Kong	9	(3)	6	3	-	3
Wholly owned long-term savings	494	(183)	311	407	(189)	218
Joint ventures long-term savings[5]	72	(28)	44	45	(20)	25
International long-term savings	566	(211)	355	452	(209)	243
Total worldwide long-term savings	4,955	(3,516)	1,439	3,876	(3,158)	718

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The total 2010 net inflow is £2m (2009: net outflow £2m).
3 The mutual funds net flows are also included within mutual fund net flows in the third party Investment operations figures.
4 UK long-term savings include a total net outflow of £452m in relation to conventional with profits business (2009: net outflow £503m).
5 Includes net flows in respect of Standard Life's share of the Asia joint ventures.

Long-term savings operations net flows (regulatory basis)
15 months ended 30 June 2010

	Net flows				
	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m	3 months to 31 Dec 2009 £m	3 months to 30 Sep 2009 £m	3 months to 30 Jun 2009 £m
UK					
Individual SIPP	**492**	566	438	364	518
Individual pensions	**(368)**	(505)	(451)	(332)	(230)
Investment bonds	**(198)**	(214)	(193)	(215)	(309)
Mutual funds	**245**	316	257	202	172
Annuities	**(166)**	(119)	(147)	(149)	(136)
Protection	**7**	6	9	10	11
Legacy life	**(253)**	(213)	(235)	(293)	(292)
UK retail	**(241)**	(163)	(322)	(413)	(266)
Corporate pensions	**471**	302	535	292	380
Institutional pensions	**792**	474	645	342	279
UK corporate	**1,263**	776	1,180	634	659
UK long-term savings	**1,022**	613	858	221	393
Canada					
Group savings and retirement	**115**	54	20	104	83
Individual insurance, savings and retirement	**(63)**	(41)	(22)	55	(27)
Group insurance	**22**	18	16	18	15
Mutual funds	**(12)**	(1)	19	12	11
Canada long-term savings	**62**	30	33	189	82
International					
Ireland	**154**	110	96	10	53
Germany	**151**	166	209	166	162
Hong Kong	**6**	5	5	3	3
Wholly owned long-term savings	**311**	281	310	179	218
Joint ventures long-term savings[1]	**44**	89	61	49	25
International long-term savings	**355**	370	371	228	243
Total worldwide long-term savings	**1,439**	1,013	1,262	638	718

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

6.2 Analysis of new business

Long-term savings operations new business
Six months ended 30 June 2010

	Single premiums		New regular premiums		PVNBP			
	6 months to 30 Jun 2010 £m	6 months to 30 Jun 2009 £m	**6 months to 30 Jun 2010 £m**	6 months to 30 Jun 2009 £m	**6 months to 30 Jun 2010 £m**	6 months to 30 Jun 2009 £m	**Change[6] %**	**Change in constant currency[6,7] %**
UK								
Individual SIPP[1]	**1,774**	1,389	**39**	33	**1,907**	1,537	**24%**	**24%**
Individual pensions[2,3]	**232**	258	**13**	14	**266**	292	**(9%)**	**(9%)**
Investment bonds	**91**	154	**-**	-	**91**	154	**(41%)**	**(41%)**
Mutual funds	**754**	423	**15**	15	**863**	542	**59%**	**59%**
Annuities	**209**	258	**-**	-	**209**	258	**(19%)**	**(19%)**
Protection	**-**	-	**-**	1	**1**	2	**(50%)**	**(50%)**
Legacy life	**-**	-	**-**	-	**-**	-	**-**	**-**
UK retail	**3,060**	2,482	**67**	63	**3,337**	2,785	**20%**	**20%**
Corporate pensions[1,2,3]	**609**	394	**295**	287	**1,751**	1,517	**15%**	**15%**
Institutional pensions	**1,835**	907	**3**	18	**1,842**	944	**95%**	**95%**
UK corporate	**2,444**	1,301	**298**	305	**3,593**	2,461	**46%**	**46%**
UK long-term savings	**5,504**	3,783	**365**	368	**6,930**	5,246	**32%**	**32%**
Canada								
Group savings and retirement	**268**	208	**45**	37	**773**	750	**3%**	**(8%)**
Individual insurance, savings and retirement	**297**	226	**2**	1	**318**	240	**33%**	**18%**
Group insurance[4]	**1**	1	**19**	15	**308**	260	**18%**	**6%**
Mutual funds	**182**	102	**-**	-	**182**	102	**78%**	**59%**
Canada long-term savings	**748**	537	**66**	53	**1,581**	1,352	**17%**	**4%**
International								
Ireland	**530**	350	**4**	5	**545**	372	**47%**	**50%**
Germany	**12**	10	**11**	14	**154**	185	**(17%)**	**(14%)**
Hong Kong	**5**	1	**18**	6	**133**	37	**259%**	**266%**
Wholly owned long-term savings	**547**	361	**33**	25	**832**	594	**40%**	**43%**
India[5]	**19**	11 [8]	**55**	40 [8]	**233**	204 [8]	**14%**	**9%**
China[5]	**19**	29	**7**	6	**55**	56	**(2%)**	**(1%)**
Joint ventures long-term savings	**38**	40	**62**	46	**288**	260	**11%**	**7%**
International long-term savings	**585**	401	**95**	71	**1,120**	854	**31%**	**32%**
Total worldwide long-term savings	**6,837**	4,721	**526**	492	**9,631**	7,452	**29%**	**26%**

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 Single premiums include Department of Work and Pensions rebate premiums of £158m (2009: £171m), comprising Individual pension rebates of £86m (2009: £93m) and Corporate pensions rebates of £72m (2009: £78m).
3 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2010 impact on PVNBP is £15m (2009: £10m).
4 Canada Group insurance includes £0.5m (2009: £1.0m) of new regular premiums in respect of Consultaction policies, representing the comparable full premium for £0.1m (2009: £0.1m) of new annualised fee income.
5 Standard Life's share of the joint venture company's new business.
6 % change is calculated on the figures rounded to millions.
7 Calculated using constant rates of exchange.
8 Single premiums in India have been restated by £5m to reflect the reclassification of regular premiums to single premiums. There is no impact on regular premiums. The impact on PVNBP for the six months to 30 June 2009 is £1m.
9 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2010 were £1: C$1.60 (2009: £1: C$1.80) and £1: €1.15 (2009: £1: €1.11).

Investment operations
Six months ended 30 June 2010

		Opening AUM at 1 Jan 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2010 £m
UK	Mutual funds[1]	5,818	1,457 [2]	(744)	713	119	832	6,650
	Private equity	3,547	54	(24)	30	(233)	(203)	3,344
	Segregated funds	12,754	961	(285)	676	334	1,010	13,764
	Pooled property funds	1,417	177	-	177	40	217	1,634
Total UK		**23,536**	**2,649**	**(1,053)**	**1,596**	**260**	**1,856**	**25,392**
Canada	Mutual funds[1]	1,562	178 [3]	(191)	(13)	64	51	1,613
	Separate mandates[4]	3,004	193	(439)	(246)	264	18	3,022
Total Canada		**4,566**	**371**	**(630)**	**(259)**	**328**	**69**	**4,635**
International	Europe	2,136	875	(65)	810	-	810	2,946
	India[5]	2,096	620	-	620	368	988	3,084
	Other	142	6	(6)	-	(15)	(15)	127
Total International		**4,374**	**1,501**	**(71)**	**1,430**	**353**	**1,783**	**6,157**
Total worldwide investment products excluding money market and related funds		**32,476**	**4,521**	**(1,754)**	**2,767**	**941**	**3,708**	**36,184**
	UK money market funds[6]	3,625	1,275	-	1,275	(60)	1,215	4,840
	India cash funds[6]	2,458	(1,032)	-	(1,032)	148	(884)	1,574
Total worldwide investment products		**38,559**	**4,764**	**(1,754)**	**3,010**	**1,029**	**4,039**	**42,598**

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

	Opening AUM at 1 Jan 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2010 £m
Third party investment products	38,559	4,764	(1,754)	3,010	1,029	4,039	42,598
Third party insurance contracts (new business classified as insurance products)	18,370	2,577	(842)	1,735	294	2,029	20,399
Total third party assets under management	**56,929**	**7,341**	**(2,596)**	**4,745**	**1,323**	**6,068**	**62,997**
Standard Life Investments - total assets under management	**138,724**						**143,002**

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

2 In the six months to 30 June 2009 UK mutual funds gross inflows were £744m and net inflows were £313m.

3 In the six months to 30 June 2009 Canada mutual funds gross inflows were £99m and net inflows were £14m.

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

5 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.

6 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.

7 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2010. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2010 were £1: C$1.59 (31 December 2009: £1: C$1.69) and £1:€1.22 (31 December 2009: £1: €1.13). The principal average exchange rates for the six months to 30 June 2010 were £1: C$1.60 (2009: £1: C$1.80) and £1: €1.15 (2009: £1: €1.11).

6.2 Analysis of new business *continued*

Long-term savings operations new business
Three months ended 30 June 2010

	Single premiums		New regular premiums		PVNBP			
	3 months to 30 Jun 2010 £m	3 months to 30 Jun 2009 £m	3 months to 30 Jun 2010 £m	3 months to 30 Jun 2009 £m	3 months to 30 Jun 2010 £m	3 months to 30 Jun 2009 £m	Change[6] %	Change in constant currency[6,7] %
UK								
Individual SIPP[1]	815	695	21	2	878	696	26%	26%
Individual pensions[2,3]	134	178	7	8	152	196	(22%)	(22%)
Investment bonds	45	70	-	-	45	70	(36%)	(36%)
Mutual funds	339	223	7	5	383	266	44%	44%
Annuities	82	110	-	-	82	110	(25%)	(25%)
Protection	-	-	-	1	1	1	-	-
Legacy life	-	-	-	-	-	-	-	-
UK retail	1,415	1,276	35	16	1,541	1,339	15%	15%
Corporate pensions[1,2,3]	356	230	174	175	1,024	906	13%	13%
Institutional pensions	1,012	503	-	12	1,012	525	93%	93%
UK corporate	1,368	733	174	187	2,036	1,431	42%	42%
UK long-term savings	2,783	2,009	209	203	3,577	2,770	29%	29%
Canada								
Group savings and retirement	166	105	28	20	483	393	23%	7%
Individual insurance, savings and retirement	132	122	1	-	144	130	11%	(5%)
Group insurance[4]	1	1	8	9	140	145	(3%)	(17%)
Mutual funds	81	49	-	-	81	49	65%	44%
Canada long-term savings	380	277	37	29	848	717	18%	3%
International								
Ireland	284	199	2	2	292	208	40%	44%
Germany	5	3	5	7	76	86	(12%)	(10%)
Hong Kong	3	1	9	4	69	23	200%	192%
Wholly owned long-term savings	292	203	16	13	437	317	38%	40%
India[5]	5	4 [8]	22	12 [8]	93	59 [8]	58%	35%
China[5]	9	8	4	4	29	23	26%	15%
Joint ventures long-term savings	14	12	26	16	122	82	49%	31%
International long-term savings	306	215	42	29	559	399	40%	38%
Total worldwide long-term savings	3,469	2,501	288	261	4,984	3,886	28%	25%

1 Included within non-insured SIPP is an element which is also included within UK mutual funds net flows in the third party Investment operations figures.
2 Single premiums include Department of Work and Pensions rebate premiums of £155m (2009: £167m), comprising Individual pension rebates of £84m (2009: £91m) and Corporate pensions rebates of £71m (2009: £76m).
3 Individual pensions include Retail Trustee Investment Plan. This was previously included in Corporate pensions. The 2010 impact on PVNBP is negative £2m (2009: positive £5m).
4 Canada Group insurance includes £0.5m (2009: £1.0m) of new regular premiums in respect of Consultaction policies, representing the comparable full premium for £0.1m (2009: £0.1m) of new annualised fee income.
5 Standard Life's share of the joint venture company's new business.
6 % change is calculated on the figures rounded to millions.
7 Calculated using constant rates of exchange.
8 Single premiums in India have been restated by £3m to reflect the reclassification of regular premiums to single premiums. The impact on regular premiums is £1m. The impact on PVNBP for the three months to 30 June 2009 is £1m.
9 New business gross sales for overseas operations are calculated using average exchange rates. The principal average rates for the six months to 30 June 2010 were £1: C$1.60 (2009: £1: C$1.80) and £1: €1.15 (2009: £1: €1.11).

Investment operations
Three months ended 30 June 2010

		Opening AUM at 1 Apr 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2010 £m
UK	Mutual funds[1]	6,461	869 [2]	(379)	490	(301)	189	6,650
	Private equity	3,595	29	(18)	11	(262)	(251)	3,344
	Segregated funds	14,046	262	(181)	81	(363)	(282)	13,764
	Pooled property funds	1,584	177	-	177	(127)	50	1,634
Total UK		**25,686**	**1,337**	**(578)**	**759**	**(1,053)**	**(294)**	**25,392**
Canada	Mutual funds[1]	1,757	76 [3]	(89)	(13)	(131)	(144)	1,613
	Separate mandates[4]	3,440	83	(393)	(310)	(108)	(418)	3,022
Total Canada		**5,197**	**159**	**(482)**	**(323)**	**(239)**	**(562)**	**4,635**
International	Europe	2,449	666	(31)	635	(138)	497	2,946
	India[5]	2,607	379	-	379	98	477	3,084
	Other	165	3	(6)	(3)	(35)	(38)	127
Total International		**5,221**	**1,048**	**(37)**	**1,011**	**(75)**	**936**	**6,157**
Total worldwide investment products excluding money market and related funds		**36,104**	**2,544**	**(1,097)**	**1,447**	**(1,367)**	**80**	**36,184**
	UK money market funds[6]	4,139	1,086	-	1,086	(385)	701	4,840
	India cash funds[6]	1,669	(652)	-	(652)	557	(95)	1,574
Total worldwide investment products		**41,912**	**2,978**	**(1,097)**	**1,881**	**(1,195)**	**686**	**42,598**

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 2010 £m	Gross inflows £m	Redemptions £m	Net inflows £m	Market and other movements £m	Net movement in AUM £m	Closing AUM at 30 Jun 2010 £m
Third party investment products	41,912	2,978	(1,097)	1,881	(1,195)	686	42,598
Third party insurance contracts (new business classified as insurance products)	20,318	1,374	(305)	1,069	(988)	81	20,399
Total third party assets under management	**62,230**	**4,352**	**(1,402)**	**2,950**	**(2,183)**	**767**	**62,997**
Standard Life Investments - total assets under management	**145,839**						**143,002**

1 Included within mutual funds are cash inflows which have also been reflected in UK and Canada mutual funds new business sales.
2 In the three months to 30 June 2009 UK mutual funds gross inflows were £359m and net inflows were £129m.
3 In the three months to 30 June 2009 Canada mutual funds gross inflows were £45m and net inflows were £10m.
4 Separate mandates refers to investment funds products sold in Canada exclusively to institutional customers. These products contain no insurance risk and consist primarily of defined benefit pension plan assets for which Standard Life Investments exclusively provides portfolio advisory services.
5 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.
6 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.
7 Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2010. Investment fund flows are translated at average exchange rates. Gains and losses arising from the translation of funds denominated in foreign currencies are included in the market and other movements column. The principal closing exchange rates used as at 30 June 2010 were £1: C$1.59 (31 March 2010: £1: C$1.54) and £1:€1.22 (31 March 2010: £1: €1.12). The principal average exchange rates for the six months to 30 June 2010 were £1: C$1.60 (2009: £1: C$1.80) and £1: €1.15 (2009: £1: €1.11).

6.2 Analysis of new business *continued*

Long-term savings operations new business
15 months ended 30 June 2010

	PVNBP				
	3 months to 30 Jun 2010 £m	3 months to 31 Mar 2010 £m	3 months to 31 Dec 2009[2] £m	3 months to 30 Sep 2009 £m	3 months to 30 Jun 2009 £m
UK					
Individual SIPP	**878**	1,029	761	642	696
Individual pensions	**152**	114	64	100	196
Investment bonds	**45**	46	42	40	70
Mutual funds	**383**	480	337	288	266
Annuities	**82**	127	95	95	110
Protection	**1**	-	-	-	1
Legacy life	**-**	-	-	-	-
UK retail	**1,541**	1,796	1,299	1,165	1,339
Corporate pensions	**1,024**	727	704	375	906
Institutional pensions	**1,012**	830	875	470	525
UK corporate	**2,036**	1,557	1,579	845	1,431
UK long-term savings	**3,577**	3,353	2,878	2,010	2,770
Canada					
Group savings and retirement	**483**	290	145	214	393
Individual insurance, savings and retirement	**144**	174	181	202	130
Group insurance	**140**	168	264	117	145
Mutual funds	**81**	101	70	53	49
Canada long-term savings	**848**	733	660	586	717
International					
Ireland	**292**	253	297	217	208
Germany	**76**	78	129	80	86
Hong Kong	**69**	64	48	32	23
Wholly owned long-term savings	**437**	395	474	329	317
India[1]	**93**	140	111 [3]	98	59 [3]
China[1]	**29**	26	38	22	23
Joint ventures long-term savings	**122**	166	149	120	82
International long-term savings	**559**	561	623	449	399
Total worldwide long-term savings	**4,984**	4,647	4,161	3,045	3,886

1 Amounts shown reflect Standard Life's share of the joint venture company's new business.
2 The three month period to 31 December 2009 excludes the full impact of 2009 year end changes to non-economic assumptions. The effect of changes to year end non-economic assumptions was a decrease in total PVNBP of £110m in the final PVNBP results published in the 2009 Preliminary results.
3 PVNBP for India has been restated to reflect the reclassification from regular premiums to single premiums.

6.3 Exposure to investment property and financial assets

Group exposure to investment property and financial assets

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

	Exposure				
30 June 2010	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Investments in associates and joint ventures	174	1,578	991	153	**2,896**
Investment property	843	2,295	3,771	998	**7,907**
Equity securities	478	7,761	40,305	1,578	**50,122**
Debt securities	10,274	30,482	16,362	1,219	**58,337**
Loans and receivables	2,627	196	123	-	**2,946**
Other financial assets	1,266	8,294	1,235	199	**10,994**
Cash and cash equivalents	2,034	592	3,708	314	**6,648**
Total	**17,696**	**51,198**	**66,495**	**4,461**	**139,850**

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

	Exposure				
30 June 2009	Shareholder £m	Policyholder (participating) £m	Policyholder (unit linked) £m	TPICF and NCI[1] £m	Total £m
Investments in associates and joint ventures	54	433	941	58	**1,486**
Investment property	713	2,866	2,982	376	**6,937**
Equity securities	433	6,457	31,833	1,077	**39,800**
Debt securities	8,817	29,183	12,902	376	**51,278**
Loans and receivables	10,644	228	155	-	**11,027**
Other financial assets	1,486	6,981	846	97	**9,410**
Cash and cash equivalents	3,297	3,556	3,663	128	**10,644**
Total	**25,444**	**49,704**	**53,322**	**2,112**	**130,582**

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

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

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

6.3 Exposure to investment property and financial assets *continued*

Shareholder exposure to investment property and financial assets

The total shareholder exposure to investment property and financial assets of £17.7bn (30 June 2009: £25.4bn; 31 December 2009: £26.2bn) includes £10.8bn (30 June 2009: £8.8bn; 31 December 2009: £10.1bn) of assets held by non-segregated funds of the Group's Canadian operations. The effective exposure of shareholders to assets of the non-segregated funds in Canada was significantly lower than the nominal level of exposure presented below because changes in the value of assets are typically accompanied by offsetting changes in the value of related liabilities. The shareholder exposure is limited to the net impact on the shareholder surplus and the value of any guarantees which may be triggered.

	Canada non-segregated funds exposure			Standard Life Bank exposure			Other shareholder exposure			Total shareholder exposure		
	30 Jun 2010 £m	30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Investments in associates and joint ventures	**21**	16	17	**-**	-	-	**153**	38	30	**174**	54	47
Investment property	**843**	713	776	**-**	-	-	**-**	-	-	**843**	713	776
Equity securities	**382**	350	372	**-**	-	-	**96**	83	107	**478**	433	479
Debt securities	**6,334**	5,170	5,989	**-**	662	195	**3,940**	2,985	3,155	**10,274**	8,817	9,339
Loans and receivables	**2,587**	2,018	2,374	**-**	8,599	7,464	**40**	27	38	**2,627**	10,644	9,876
Other financial assets	**497**	520	458	**-**	238	194	**769**	728	881	**1,266**	1,486	1,533
Cash and cash equivalents	**139**	20	68	**-**	1,071	1,491	**1,895**	2,206	2,547	**2,034**	3,297	4,106
Total	**10,803**	8,807	10,054	**-**	10,570	9,344	**6,893**	6,067	6,758	**17,696**	25,444	26,156

Shareholder exposure to debt securities excluding Canada non-segregated funds consists primarily of debt securities backing annuity liabilities, subordinated debt liabilities and the stock lending programme. The increase in exposure can be attributed to new annuity business written in the period as well as a change in the shareholder asset mix.

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

Group exposure to debt securities

The Group's exposure to debt securities has been further analysed in the tables below. The high quality of the debt security portfolio has been maintained, with 55% of debt securities rated AAA (30 June 2009: 61%; 31 December 2009: 57%) and 95% (30 June 2009: 96%; 31 December 2009: 95%) being rated as investment grade.

	Exposure				
30 June 2010	**Shareholder £m**	**Policyholder (participating) £m**	**Policyholder (unit linked) £m**	**TPICF and NCI[1] £m**	**Total £m**
Government	4,438	18,978	7,710	634	**31,760**
Corporate – financial institutions	2,844	7,792	5,251	301	**16,188**
Corporate – other	2,753	3,400	3,047	274	**9,474**
Other	239	312	354	10	**915**
Total	**10,274**	**30,482**	**16,362**	**1,219**	**58,337**

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

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

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

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

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

Shareholder exposure to debt securities

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

30 June 2010	Credit rating AAA £m	 AA £m	 A £m	 BBB £m	 Below BBB or not rated £m	Total £m
Government	1,578	1,518	1,342	-	-	**4,438**
Corporate – financial institutions	761	841	759	62	421	**2,844**
Corporate – other	300	232	1,632	506	83	**2,753**
Other	158	-	1	7	73	**239**
Total	**2,797**	**2,591**	**3,734**	**575**	**577**	**10,274**

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

6.3 Exposure to investment property and financial assets *continued*

Shareholder exposure to debt securities *continued*

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

Debt securities classified as corporate include securities issued by corporate entities which carry government guarantees. Debt securities classified as other consist primarily of securities issued by supranational institutions.

Shareholder exposure to loans and receivables

Shareholders are directly exposed to loans and receivables of £2.6bn (30 June 2009: £10.6bn; 31 December 2009: £9.9bn) which, in 2010, primarily comprise the Canadian non-segregated funds commercial mortgage book. This mortgage book is deemed to be of very high quality. In 2009, loans and receivables also included Standard Life Bank's retail mortgage book.

	30 Jun 2010 £m	30 Jun 2009 £m	31 Dec 2009 £m
Canada non-segregated funds commercial mortgage book	**2,587**	2,018	2,374
Standard Life Bank retail mortgage book	**-**	8,599	7,464
Other	**40**	27	38
Total	**2,627**	10,644	9,876

The Canadian mortgage book has an average loan to value of 46% (30 June 2009: 44%; 31 December 2009: 46%).

6.4 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)

The amendment to IFRS 7 *Financial Instruments: Disclosures* which requires the presentation of a fair value hierarchy analysis and related disclosures was issued in March 2009. The implementation of these requirements has resulted in some reclassifications compared to the indicative fair value hierarchy information presented in the *Interim Results 2009*. The most significant reclassifications resulted in some government bonds being classified as level 2 rather than level 1 and some corporate bonds being classified as level 3 rather than level 2 on the basis that their valuation is based on a single broker indicative quote. The comparative figures for 30 June 2009 in the following tables have been restated to reflect these revised classifications.

Total

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2010 £m	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Equity securities	**48,963**	38,611	49,621	**28**	16	17	**1,131**	1,173	1,220	**50,122**	39,800	50,858
Debt securities	**26,911**	25,856	26,158	**29,943**	24,017	27,845	**1,483**	1,405	1,515	**58,337**	51,278	55,518
Derivative financial assets	**604**	468	398	**1,094**	1,006	970	**-**	-	-	**1,698**	1,474	1,368
Derivative financial liabilities	**(68)**	(23)	(81)	**(440)**	(964)	(818)	**-**	-	-	**(508)**	(987)	(899)
Total	**76,410**	64,912	76,096	**30,625**	24,075	28,014	**2,614**	2,578	2,735	**109,649**	91,565	106,845

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

Level 2 financial instruments principally include certain government bonds, listed or publicly quoted corporate bonds, commercial paper, certificates of deposit and derivative instruments which are not exchange traded. Corporate bonds have generally been classified as level 2 as the composite price provided by external pricing providers may include, as an input, quotes provided by some banks that are not based on actual transaction prices.

Level 3 financial instruments principally include unlisted equity securities, being predominantly interests in private equity funds, listed or publicly quoted corporate bonds for which prices are not available from external pricing providers or where such prices are considered to be stale (including some asset backed securities) or are based on single broker indicative quotes and unquoted bonds where credit spreads, being a significant input to the valuation technique, are obtained from a broker or estimated internally.

Shareholder exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2010 £m	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Equity securities	**469**	423	469	**-**	-	-	**9**	10	10	**478**	433	479
Debt securities	**891**	854	747	**8,531**	7,408	7,843	**852**	555	749	**10,274**	8,817	9,339
Derivative financial assets	**-**	-	-	**336**	439	455	**-**	-	-	**336**	439	455
Derivative financial liabilities	**-**	-	-	**(29)**	(180)	(151)	**-**	-	-	**(29)**	(180)	(151)
Total	**1,360**	1,277	1,216	**8,838**	7,667	8,147	**861**	565	759	**11,059**	9,509	10,122

6.4 Fair value hierarchy of financial instruments *continued*

Policyholder (participating) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 June 2010 £m	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Equity securities	**7,106**	5,853	7,527	**-**	-	-	**655**	604	624	**7,761**	6,457	8,151
Debt securities	**19,314**	19,340	19,029	**10,730**	9,324	10,729	**438**	519	450	**30,482**	29,183	30,208
Derivative financial assets	**506**	453	391	**461**	320	327	**-**	-	-	**967**	773	718
Derivative financial liabilities	**(18)**	(19)	(16)	**(57)**	(544)	(446)	**-**	-	-	**(75)**	(563)	(462)
Total	**26,908**	25,627	26,931	**11,134**	9,100	10,610	**1,093**	1,123	1,074	**39,135**	35,850	38,615

Policyholder (unit linked) exposure

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2010 £m	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Equity securities	**40,177**	31,749	40,679	**28**	16	17	**100**	68	63	**40,305**	31,833	40,759
Debt securities	**6,076**	5,433	5,899	**10,102**	7,162	8,893	**184**	307	303	**16,362**	12,902	15,095
Derivative financial assets	**79**	13	6	**252**	214	159	**-**	-	-	**331**	227	165
Derivative financial liabilities	**(41)**	(4)	(54)	**(304)**	(217)	(193)	**-**	-	-	**(345)**	(221)	(247)
Total	**46,291**	37,191	46,530	**10,078**	7,175	8,876	**284**	375	366	**56,653**	44,741	55,772

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

	Fair value hierarchy											
	Level 1			Level 2			Level 3			Total		
	30 Jun 2010 £m	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 June 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	Restated 30 Jun 2009 £m	31 Dec 2009 £m	**30 Jun 2010 £m**	30 Jun 2009 £m	31 Dec 2009 £m
Equity securities	**1,211**	586	946	**-**	-	-	**367**	491	523	**1,578**	1,077	1,469
Debt securities	**630**	229	483	**580**	123	380	**9**	24	13	**1,219**	376	876
Derivative financial assets	**19**	2	1	**45**	33	29	**-**	-	-	**64**	35	30
Derivative financial liabilities	**(9)**	-	(11)	**(50)**	(23)	(28)	**-**	-	-	**(59)**	(23)	(39)
Total	**1,851**	817	1,419	**575**	133	381	**376**	515	536	**2,802**	1,465	2,336

7 Glossary

Glossary

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

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

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

Assumptions
Variables applied to data used to project expected outcomes.

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

Board
The board of Directors of the Company.

Capital resources (CR)
Capital resources include the assets in excess of liabilities, valued on a regulatory basis, and certain other components of capital.

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

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

Company
Standard Life plc.

Constant currency
Eliminates the effects of exchange rate fluctuations and is used when calculating financial performance on a range of measures.

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

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

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

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

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

Director
A director of the Company.

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

Dividend cover
This is a measure of how easily a company can pay its dividend from profit. It is calculated as IFRS operating profit after tax and minority interest divided by the total dividend for that financial period.

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

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

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

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

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

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

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

Non-covered business EEV operating profit generally represents IFRS operating profit. Non-covered business is defined below.

EEV operating profit capital and cash generation
This is a measure of the underlying shareholder capital and cash flow of the Group.

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

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

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

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

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

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

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

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

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

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

IFRS operating profit
IFRS operating profit is calculated by adjusting profit attributable to equity holders before tax for the impact of short-term economic changes to asset and liability values. The Directors believe that by removing this volatility from operating profit, they are presenting a more meaningful indication of the long-term performance of the Group.

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

IFRS underlying profit
Underlying profit is calculated by adjusting profit attributable to equity holders before tax for items such as volatility arising from accounting mismatches, impairment of intangibles and certain restructuring expenses.

Key performance indicators (KPI)
This is a measure by reference to which the development, performance or position of the business can be measured effectively.

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

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

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

[1] © Stichting CFO Forum Foundation 2008

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

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

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

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

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

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

Non-covered business
Mainly includes third party global investment management, banking, healthcare and other businesses not associated with the life assurance and pensions business. Non-covered business excludes the global investment management look through profits and the return on mutual funds which are recognised in covered business. Non-covered business is excluded from the EEV methodology and is included within the Group EEV on an IFRS basis.

Non-economic assumptions
Assumptions in relation to future levels of mortality, morbidity, persistency and expenses. These assumptions, and variances in relation to these assumptions, are included as operating profits/(losses) under EEV.

Non profit policy
A policy, including a unit linked policy, which is not a with profits policy.

Personal pension plan
An individual pension arrangement with particular tax advantages whereby individuals who are self-employed or those who are not members of employer-sponsored pension scheme arrangements can make provision for retirement or provide benefits for their dependents in a tax efficient manner.

Present value of in-force business (PVIF)
The present value of the projected future distributable profits after tax attributable to equity holders from the covered business in-force at the valuation date, adjusted where appropriate, to take account of TVOG.

Present value of new business premiums (PVNBP)
The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

Proprietary Business Fund
The Proprietary Business Fund in SLAL contains, among other things, certain classes of business – pension contribution insurance policies, income protection plan policies and a number of SIPP policies written before demutualisation, as well as most new insurance business written after demutualisation in the UK, Ireland and Germany.

PVNBP margin
PVNBP margin is NBC expressed as a percentage of PVNBP. This measures whether new business written is adding value or eroding value.

Recourse cash flow (RCF)
Certain cash flows arising in the HWPF on specified blocks of UK and Irish business, which are transferred out of the fund on a monthly basis and accrue to the ultimate benefit of equity holders, as determined by the Scheme of Demutualisation.

Regular premium
A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital
The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to equity holders is restricted.

Return on EEV (RoEV)
The annualised post-tax operating profit on an EEV basis expressed as a percentage of the opening embedded value, adjusted for dividends paid to equity holders.

Return on equity (RoE)
Calculated as IFRS operating profit after tax divided by opening net assets.

Scheme of Demutualisation (the Scheme)
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

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 UCITS directive.

Single premium
A single premium contract (as opposed to a regular premium contract (see above)), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

SIPP
A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

SLAC
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

Third party investment management net new business
Represents investment management third party investment and insurance gross inflows less redemptions.

Time value of options and guarantees (TVOG)
Represents the potential additional cost to equity holders where a financial option or guarantee exists which affects policyholder benefits and is exercisable at the option of the policyholder.

Total shareholder return
This is a measure of the overall return to shareholders and includes the movement in the share price and any dividends paid and reinvested.

Underwriting profit
The earned premium remaining after losses have been paid and administrative expenses have been deducted. It does not include any investment income earned on held premiums.

Undiscounted payback period
A measure of capital efficiency that measures the time at which the value of expected undiscounted cash flows (after tax) is sufficient to recover the capital invested to support the writing of new business.

Unit linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

With profits policy
A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may be payable from relevant surplus. The declaration of such bonuses (usually annually) reflects, amongst other things, the overall investment performance of the fund of which the policy forms part. Also known as a ‘participating’ policy.

Wrap platform
An investment platform which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

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8 Shareholder information

Shareholder information

Registered office

Company registration number: SC286832
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland

Phone:	**0845 60 60 100** or **+44 (0)131 246 1843** For shareholder services call **0845 113 0045**
Registrar:	Capita Registrars Limited
Auditors:	PricewaterhouseCoopers LLP
Solicitors:	Slaughter and May
Brokers:	UBS Merrill Lynch

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 shareportal 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, Standard Life has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail. You could also be targeted by fraudulent 'investment specialists' using high-pressure cold-calling sales techniques – these are sometimes called 'boiler room scams'. You can find more information about this at the Financial Services Authority website **www.moneymadeclear.fsa.gov.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:
The Mailing Preference Service (MPS), DMA House, 70 Margaret Street, London W1W 8SS – or register online at **www.mpsonline.org.uk**

Analysis of registered shareholdings as at 30 June 2010

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	66,625	54.77%	31,873,397	1.41%
1,001-5,000	48,495	39.86%	101,724,833	4.50%
5,001-10,000	3,720	3.06%	25,581,502	1.13%
10,001-100,000	2,310	1.90%	50,547,559	2.24%
*100,001+	503	0.41%	2,050,162,137	90.72%
Totals	**121,653**	**100.00%**	**2,259,889,428**	**100.00%**

* These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,317,973 participants holding 1,062,985,669 shares, and the Unclaimed Asset Trust, which had 78,103 participants holding 27,860,090 shares.

Financial calendar for 2010

Ex-dividend date for 2010 interim dividend	18 August 2010
Record date for 2010 interim dividend	20 August 2010
Scrip reference price set for 2010 interim dividend	25 August 2010
2010 Q3 trading results and interim management statement	3 November 2010
Interim dividend payment date	19 November 2010
2010 Preliminary results	8 March 2011

Directors

* Executive Director

Gerry Grimstone (Chairman)
David Nish* (Chief Executive)
Kent Atkinson
Lord Blackwell
Colin Buchan
Crawford Gillies
David Grigson
Jackie Hunt*
Baroness McDonagh
Keith Skeoch*
Sheelagh Whittaker

Contact details

We want to make sure you have answers to all your questions.

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Germany and Austria	www.standardlifeshareportal.com/de	fragen@standardlifeshares.de Address: Standard Life Aktionärsservice Posta 20 01 43 60605 Frankfurt am Main Germany	+49 (0)6196 7693130
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Calls may be recorded/monitored and call charges may vary. **www.standardlife.com**