Half year results 2014

Standard Life plc

Standard Life

The half year results 2014 are published on the Group's website at www.standardlife.com

The Directors are responsible for the maintenance and integrity of the financial information published on the website in accordance with UK legislation governing the dissemination of financial statements. Access to the website is available outside the UK, where comparable information may be different.

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Standard Life plc
Half year results 2014
5 August 2014

Continuing delivery of growth and performance

- Strong operational performance with fee business revenue up 12%[1] to £758m
- Assets under administration up 4% to £254.1bn, driven by strong net inflows of £4.6bn
- Business unit underlying performance* up 7% to £367m
- Operating profit[2] before tax up 12% to £339m
- Acquisition of Ignis Asset Management enhances strategic positioning, and accelerates growth and returns for shareholders
- Strong balance sheet and cash[3] generation up 8% to £250m
- Interim dividend up 7.3% per share to 5.60p

David Nish, Chief Executive, commented:

“Standard Life has continued to perform well in the first half of 2014, driven by our focus on delivering value for money for all of our customers. We have increased revenues, profits and cash, and now have assets under administration of £254bn.

“We have the products, experience and proven investment performance to help our customers in all of our markets to save and invest, so that they can look forward to their financial futures with confidence.

“We have an excellent track record of succeeding in evolving markets and we are well placed to deal with the far-reaching reforms to the savings and retirement income rules, announced earlier this year by the UK Government.

“We remain committed to providing simple, flexible investment solutions for all of our customers which make saving for the long-term even more attractive, while creating new opportunities for our businesses.”

* Business unit underlying performance is Group operating profit before tax after excluding the impact of spread/risk operating actuarial assumption changes, specific management actions, group centre costs and group centre capital management in the reporting period. A full reconciliation to profit for the year attributable to equity holders of Standard Life plc is presented on page 3 of the half year results 2014.

Financial Highlights

Group profitability	H1 2014 £m	H1 2013 £m
Fee based revenue	758	694
Spread/risk margin	182	206
Total income	940	900
Acquisition expenses	(149)	(155)
Maintenance expenses	(453)	(430)
Capital management	9	9
Share of joint ventures' and associates' profit before tax	20	18
Business unit underlying performance	**367**	342
Group centre costs/ capital management	(28)	(29)
Group underlying performance	**339**	313
Operating assumption and one-off reserving changes (spread/risk margin)	-	(9)
Specific management actions	-	-
Other operating income	-	(9)
Group operating profit before tax	**339**	304
Tax on operating profit	(73)	(66)
Share of joint ventures' and associates' tax expense	(1)	(4)
Operating profit after tax	**265**	234
Non-operating items	13	(129)
Tax on non-operating items	(3)	24
Profit for the year attributable to equity holders of Standard Life plc	**275**	129

Business unit underlying performance	H1 2014 £m	H1 2013 £m
UK and Europe	188	180[4]
Standard Life Investments	104	95[4]
Canada	69	68
Asia and Emerging Markets	6	(1)
Business unit underlying performance	**367**	342

Other performance indicators	H1 2014	H1 2013
Group operating profit before tax (£m)	339	304
EEV operating profit after tax (£m)	341	353
EEV operating capital and cash generation (£m)	250	231
Assets under administration (£bn)	254.1	244.2[5]
Net inflows (£bn)	4.6	6.5

Other financial highlights	H1 2014	H1 2013
IGD surplus (£bn)	3.7	3.8[5]
Embedded value (£bn)	8.4	8.4[5]
Diluted operating EPS (p)	11.1	9.9
Diluted EPS (p)	11.5	5.5
Interim dividend per share (p)	5.60	5.22

Group performance

Standard Life continues to improve performance by meeting the needs of its customers.

Group assets under administration (AUA) increased by 4% to £254.1bn (FY 2013: £244.2bn) while Standard Life Investments third party assets under management (AUM) increased by 5% to £108.0bn (FY 2013: £102.4bn). The increase in Standard Life Investments third party AUM was driven by third party net inflows of £4.2bn (H1 2013: £7.4bn[4]). AUA across the rest of the Group benefited from a 61% increase in net flows of corporate pensions in the UK and stable net inflows into our retail propositions. Market movements were mainly positive but were partly offset by the negative impact of foreign exchange as Sterling strengthened against other currencies, including the Canadian Dollar and Indian Rupee.

Group operating profit was up 12% to £339m (H1 2013: £304m), despite the adverse effect of foreign exchange movements impacting operating profit from our Canada business by £11m. The growth in operating profit was driven by strong performance from the business units with a 12%[1] increase in fee revenue to £758m. In the UK, demand for our auto enrolment solutions for SMEs – "Good to Go" and "Good to Go Express" – helped us to secure 1,018 new corporate schemes and 180,000 joiners. Our UK business now looks after 1.5m workplace customers. In Canada, revenue from our fee based business increased by 21%[1] to £99m and now accounts for half of Canada's total income. Standard Life Investments delivered another set of strong results driven by a 20% increase in revenue to £303m (H1 2013: £252m), which included a 26% increase in revenue from third party assets to £239m (H1 2013: £190m).

IFRS profit after tax attributable to equity holders increased to £275m (H1 2013: £129m) and reflected increased Group operating profit before tax and the benefit of a fall in yields on debt securities in Canada.

EEV operating profit after tax of £341m (H1 2013: £353m) reflected the impact of lower sales of annuities and institutional pensions in the UK. Group EEV operating capital and cash generation increased by 8% to £250m (H1 2013: £231m). Group embedded value of £8.4bn (FY 2013: £8.4bn) included a decrease of £160m from the impact of UK regulations that restrict future charges on qualifying workplace pension schemes. While the £160m EEV provision reflects the impact on future profit from an expected reduction in income, we anticipate the related ban on commission and other changes in market practice to have an offsetting benefit resulting in no significant net impact on our cash generation in the next few years.

The Board has proposed an interim dividend of 5.60p per share (H1 2013: 5.22p), an increase of 7.3%. The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Outlook

Our UK business is capitalising on being shaped and positioned to benefit from regulatory, market and demographic changes. This, combined with our investment expertise and focus on providing value for our customers, is driving demand for our propositions across the retail, workplace, institutional and wholesale channels. Our auto enrolment propositions continue to prove popular and we expect to add over 300,000 new corporate customers in 2014, establishing new valued and lasting relationships.

Standard Life Investments remains focused on delivering excellent investment performance, expanding its investment capabilities and increasing its distribution channels and geographic reach. This is reflected in a robust pipeline of institutional business and continued demand for our wholesale propositions. For guidance, we expect two large very low revenue margin mandates, totalling c£2.3bn of AUM, to disinvest in Q3 2014 with a negligible impact on both revenue and profit.

The integration of Ignis has started well and although it is at an early stage we see good momentum in the business. The acquisition enhances the strategic position of Standard Life Investments and will be earnings accretive in its first full year.

Canada continues to build momentum in its fee based propositions. Its reported profitability will continue to be impacted by the weakness in the Canadian Dollar. Should the Canadian Dollar exchange rate seen in the first half of the year persist for the duration of the year we expect a negative impact of c£25m on previous guidance of £180m annual operating profit in Canada.

Our Asia and Emerging Markets business is well positioned for future growth in the attractive international markets in which it operates. We continue to monitor developments in respect of foreign direct investment rules in India.

We look forward to the future with confidence as we continue to capitalise on the strong distribution capabilities of our long-term savings businesses and our global investment expertise. We are innovating and driving efficiency to deliver the right propositions and value for our customers. These strengths, combined with our strong balance sheet, mean we can continue to deliver value for customers and grow returns for our shareholders.

Business highlights

Our goal is to create shareholder value through being a leading customer-driven business focused on long-term savings and investment propositions in our chosen markets. This is underpinned by a simple business model: increasing assets, maximising revenue and lowering unit costs while optimising the balance sheet.

We continue to make good progress in each of our businesses:

Continuing growth from the UK business

- The UK business continues to benefit from structural market changes and careful strategic positioning, as well as its attractive propositions and investment solutions despite recent headwinds to annuity sales
- Underlying business performance up 4% to £165m with fee business contribution up 6% to £178m
- Margin from annuity new business sales was 59% lower reflecting the impact of the UK Budget however the total spread/risk margin of £75m (H1 2013: £78m) benefited from increased profit from ongoing asset and liability management
- We have secured over 1,000 new corporate schemes helped by the success of our recently launched “Good to Go” proposition for SMEs, adding 180,000 new customers (H1 2013: 135,000) including 173,000 (H1 2013: 98,000) through auto enrolment
- Our Wrap platform continued to attract advisers and assets with AUA up 12% to almost £19bn and is fully compliant with regulatory changes, including removal of fund rebates, ahead of the 2016 deadline
- Around 25% of Wrap platform AUA and all “Good to Go” default funds are managed by Standard Life Investments

Strong flows and investment performance driving Standard Life Investments profit

- Standard Life Investments continued to grow profit with strong net inflows driven by excellent investment performance, expanding geographic reach, and increasing diversification by channel and asset class
- Operating profit before tax increased 9% to £104m with a 26% increase in third party revenue to £239m
- EBITDA margin of 35.3% (H1 2013: 38.5%[4]) mainly reflects the acquisition of the private client division of Newton Management Limited and strength of Sterling against many major currencies including the Indian Rupee
- Following the acquisition of Ignis we are targeting an EBITDA margin of 45% by 2017
- Third party net inflows of £4.2bn represents an annualised 8% of opening AUM
- £2.4bn or 57% of third party net inflows from outside the UK, and 62% of third party net inflows from the wholesale channel
- Excellent investment performance with third party AUM above benchmark: one year 87%; three years 89%; and five years 91%
- The acquisition of Ignis, completed on 1 July 2014, enhances Standard Life Investments’ strategic positioning through deepening investment capabilities and broadening the third party client base

Growing our fee based business in Canada

- Canada is progressing well in shifting its business towards fee based products with improvements in efficiency and strong growth in fee revenue
- Continuing to work closely with Standard Life Investments to develop new investment solutions for the Canadian market launching two new mutual funds and 8 corporate pension funds
- Underlying business performance increased 18%[1] to £69m with fee revenue up 21%[1]
- Weakness in the Canadian Dollar impacted underlying performance by £11m
- Canada fee based AUA increased by 10%[1] in the first half of the year to £18.3bn and has grown by almost 50%[1] since 2011
- Higher sales and use of scalable technology delivering lower unit costs with acquisition expenses down 45bps to 218bps (FY 2013: 263bps) and maintenance expenses improving to 84bps (FY 2013: 88bps)

Continued progress in Asia and Emerging Markets

- Operating profit before tax up to £6m (H1 2013: loss of £1m) driven by reduction in losses in wholly owned operations and increase in profit from joint venture businesses to £9m (H1 2013: £5m)
- Wholly owned business benefited from growth in new business and continued diversification of revenue
- HDFC Life continues to lead the private market by net flows and has made a strong start to this year ranking number one by gross sales in the private market

Business segment performance

UK and Europe

Strategy

We continue to strengthen the business by building on our innovative propositions and investment solutions. We remain focused on meeting the needs of our customers in an evolving regulatory and economic environment. Our market-leading solutions make effective use of technology to offer individual customers, advisers, employee benefits consultants and employers the choices and support necessary to meet their long-term savings objectives. This multi-channel approach and ability to leverage the close relationship with Standard Life Investments continues to benefit not only customers but also our business and Standard Life Group as a whole.

Operating profit

	H1 2014 £m	H1 2013[4] £m
Fee based revenue	358	341
Spread/risk margin	75	78
Total income	**433**	419
Acquisition expenses	(88)	(86)
Maintenance expenses	(85)	(84)
Investment management fees to Standard Life Investments	(96)	(87)
Capital management	1	(3)
UK business unit underlying performance	**165**	159
Other operating income	-	-
UK operating profit before tax	**165**	159

- UK operating profit up 4% to £165m (H1 2013: £159m[4]) driven by 6% increase in profit contribution from fee business to £178m
- Europe operating profit up 10% to £23m (H1 2013: £21m)
- 5% increase in UK fee based revenue reflecting growth in fee based AUA to £99.1bn
- Margin from UK annuity new business sales was 59% lower however, total spread/risk margin of £75m (H1 2013: £78m) benefited from increased profit from ongoing asset and liability management
- Small increase in UK acquisition unit costs to 110bps (FY 2013: 106bps[4]) largely reflecting lower Standard Life Investments institutional pension sales
- UK maintenance unit costs continued to improve to 24bps (FY 2013: 25bps[4])

AUA and flows

- UK AUA up 3% to £149.3bn (FY 2013: £145.0bn)
- Europe AUA up 7% to £17.7bn including net inflows of £0.7bn (H1 2013: £0.5bn)
- UK fee retail new net inflows remained stable at £1.5bn with gross inflows up 7% to £3.1bn
- UK corporate net inflows increased by 61% to £860m reflecting our success in securing new schemes and the positive impact of auto enrolment which drove a 15% increase in regular contributions
- Continuing to grow assets managed by Standard Life Investments with MyFolio AUM up 20% to £4.8bn (FY 2013: £4.0bn)

Operational highlights

- Secured discounts from 14 leading fund management groups on almost 300 leading mutual funds
- Number of adviser firms using our platform increased by 4% to 1,286 firms (FY 2013: 1,236) and number of adviser firms with assets on Wrap of greater than £20m up 7% to 245 firms (FY 2013: 228)
- Auto enrolment is progressing well with 1,237 (H1 2013: 51) implementations during the period and 173,000 (H1 2013: 98,000) new employees
- In total, 180,000 (H1 2013: 135,000) employees joined our corporate pension schemes with corporate pension members up to 1.5 million (H1 2013: 1.2 million)
- Secured 1,018 new schemes reflecting the success of our new "Good to Go" propositions for SMEs which attracted 892 new schemes

Standard Life Investments

Strategy

We remain very well positioned to deliver profitable growth. We are increasing our domestic and global presence and expertise across a range of asset classes while delivering consistently strong investment performance and strengthening relationships with our distribution partners. We also continue to leverage our investment expertise to maximise opportunities and revenues for the wider Group.

	H1 2014 £m	H1 2013[4] £m
Fee based revenue	**303**	252
Maintenance expenses	**(210)**	(170)
Share of joint ventures' and associates' profit before tax	**11**	13
Operating profit before tax	**104**	95
Interest, depreciation, amortisation and exchange rate movements[6]	**3**	2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**107**	97

Operating profit

- Operating profit up 9% and EBITDA up 10% driven by a 20% increase in fee based revenue
- EBITDA margin of 35.3% (FY 2013: 38.5%[4]) mainly reflects the acquisition of the private client division of Newton Management Limited and strength of Sterling against many major currencies including the Indian Rupee
- Average fee revenue yield from third party business increased to 47bps (FY 2013: 45bps[4]) benefiting from a continuing shift in mix towards higher margin products
- Maintenance expenses expressed as a proportion of average AUM of 21bps (FY 2013: 20bps[4]), reflecting ongoing development of our investment management capability, expanding distribution and geographic reach and acquisition of the private client division of Newton Management Limited
- Our associate, HDFC AMC, remains the largest mutual fund company in India with AUM of £13.0bn (FY 2013: £10.2bn) contributing £11m (H1 2013: £13m) to operating profit

AUA and flows

- Total AUM increased by 3% to £195.1bn (FY 2013: £189.1bn[4]) in largely subdued investment markets
- Third party AUM increased by £5.6bn or 5% to £108.0bn (FY 2013: £102.4bn[4])
- Third party net inflows of £4.2bn representing an annualised 8% of opening third party AUM
- Increased institutional client base in UK and Europe by 8% to 946 clients
- Expanding geographic reach and diversifying distribution channels with £2.4bn or 57% of net inflows from outside the UK and 62% of net inflows from the wholesale channel
- Assets managed by our Boston office now exceed US$22bn in equities, fixed income and real estate

Operational highlights

- Excellent investment performance with third party AUM above benchmark: one year 87%; three years 89%; and five years 91%
- AUM across our market-leading range of MyFolio risk-based funds of £4.8bn
- Continued investment to expand our geographical footprint with expansion in Boston and Hong Kong
- Strong pipeline of new investment initiatives and further diversification of product offering, including the launch of a Short Duration Credit Fund to meet demand for funds with less vulnerability to a rise in interest rates
- AUM on our Global Equity Unconstrained Fund broke through the £100m mark. The fund has produced top decile performance in its sector over six months, one and five years, and sits in the twelfth percentile over three years.
- Completed the acquisition of Ignis Asset Management on 1 July 2014 for a purchase consideration of £390m, subject to finalisation of the completion process

Business segment performance *(continued)*

Canada

Strategy

We are growing our fee business by capitalising on opportunities created by current market changes and demographic trends. We continue to position ourselves with innovative retirement and investment solutions as well as exceptional levels of customer service. We continue to focus on maximising the value of our back book of spread business, improving its profitability, capital efficiency and risk exposure.

Operating profit

	H1 2014 £m	H1 2013 £m
Fee based revenue	**99**	95
Spread/risk margin	**103**	123
Total income	**202**	218
Acquisition expenses	**(33)**	(37)
Maintenance expenses	**(97)**	(114)
Investment management fees to Standard Life Investments	**(11)**	(11)
Capital management	**8**	12
Business unit underlying performance	**69**	68
Other operating income	**-**	(9)
Operating profit before tax	**69**	59

- Canada underlying performance up 18% in constant currency to £69m, benefiting from growth in fee based business
- Fee revenue increased by 21% in constant currency to £99m reflecting growth in our corporate and retail fee propositions
- Spread/risk margin of £103m was stable on a constant currency basis

AUA and flows

- Total AUA up 7%[1] to £28.3bn driven by net inflows into fee based propositions of £0.4bn and positive market movements
- Fee based assets up 10%[1] to £18.3bn since the start of the year
- Strong position in corporate pensions with fee based net inflows broadly in line with H1 2013
- Market-leading retail segregated funds offering with net inflows up 70%[1]
- Improving sales of mutual funds with positive net flows in Q2 2014
- Leveraging Standard Life Investments expertise in global and multi-asset funds including expanding our mutual fund offering with the launch of Emerging Markets Dividend and Emerging Markets Debt funds

Operational highlights

- Member Financial Services Centre, which helps our customers transition to retirement, is showing good traction with over £110m of net inflows
- Pension in a Box, our corporate pension proposition for SMEs, contributed approximately 7% to our corporate pension sales
- Well placed for the first phase of the Voluntary Retirement Savings Plans (VRSPs) that will include mandatory auto enrolment for Quebec-based businesses with more than five employees
- Expanded the range of funds on our corporate Quality and Choice platform by adding 17 new funds, giving our customers wider choice of fixed income funds
- Made GARS available for registered retail accounts further helping our customers to diversify their retirement investments
- The number of retail advisers offering their customers Standard Life products increased by 503 or 9% to 6,053

Asia and Emerging Markets

Strategy

Our Asia and Emerging Markets business consists of wholly owned operations in Hong Kong, Singapore and Dubai, and life joint ventures in India and China. Our wholly owned businesses focus on meeting the needs of a wide range of customers, developing new propositions and promoting transparency to create a more sustainable and growing business. We continue to work with our joint venture partners on developing our businesses in India and China.

Operating profit/(loss)

	H1 2014 £m	H1 2013 £m
Fee based revenue	**29**	27
Acquisition expenses	**(7)**	(10)
Maintenance expenses	**(25)**	(23)
Total wholly owned	**(3)**	(6)
India and China JV businesses	**9**	5
Operating profit/(loss) before tax	**6**	(1)

- Operating profit from India and China JV businesses increased to £9m (H1 2013: £5m) benefiting from growth in India and financial year end seasonality
- Operating loss before tax from wholly owned operations reduced to £3m (H1 2013: loss £6m) benefiting from growth in new business and continuing diversification of revenue

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

Newswires and online publications

We will hold a conference call for newswires and online publications on 5 August at 07:30 (UK time). Participants should dial +44 (0)20 3059 8125 and quote Standard Life Half year results 2014. A replay facility will be available for seven days after the event. To access the replay please dial +44 (0)121 260 4861 and use pass code 3535396#.

Investors and Analysts

A presentation for investors and analysts will take place on 5 August at 09.00am (UK time) at 200 Aldersgate, St. Paul's, London EC1A 4HD. There will also be a live webcast and teleconference at 09.00am (UK Time), both of which will have the facility to ask questions at the end of the formal presentation. Participants should dial +44 (0)20 3059 8125 and quote Standard Life Half year results 2014. A replay facility will be available for seven days after the event. Participants should dial +44 121 260 4861 followed by 7409369#.

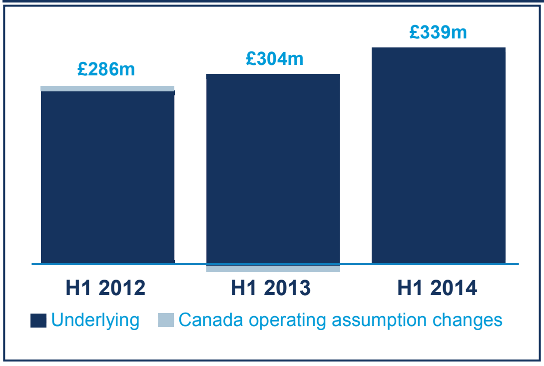
Notes to Editors:

1. In constant currency.
2. Operating profit is IFRS profit before tax adjusted to remove the impact of market driven short-term fluctuations in investment return and economic assumptions, restructuring costs, impairments of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the disposal of a subsidiary, joint venture or associate, changes in Canada insurance contract liabilities due to resolution of prior year tax matters and other significant one-off items outside the control of management.
3. Cash generation is EEV operating capital and cash generation, a measure of the underlying shareholder capital and cash flow of the Group.
4. Restated to reflect Standard Life Wealth's move to be reported as part of Standard Life Investments.
5. As at 31 December 2013.
6. Excludes amortisation of intangibles acquired in business combinations which is excluded from operating profit before tax.
7. For more detailed information on the statutory results of the Group refer to the half year results 2014.

1. Strategic report

1.1 Group key financial performance indicators

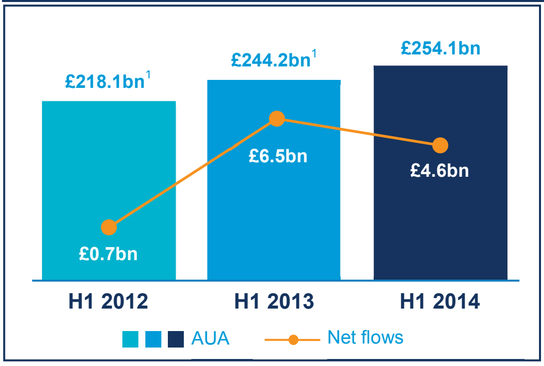
Group operating profit before tax



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

- Group operating profit before tax increased by 12% (16% in constant currency) to £339m, mainly due to higher fee based revenue
- Group underlying performance increased by 8% (13% in constant currency) to £339m (H1 2013: £313m) mainly due to higher fee based revenue. Operating assumption changes had a £nil impact in H1 2014 (H1 2013: loss £9m) on underlying performance.
- Fee based revenue increased by 9% (12% in constant currency) to £758m, with higher asset values and strong demand for our propositions in the UK, Standard Life Investments and Canada.

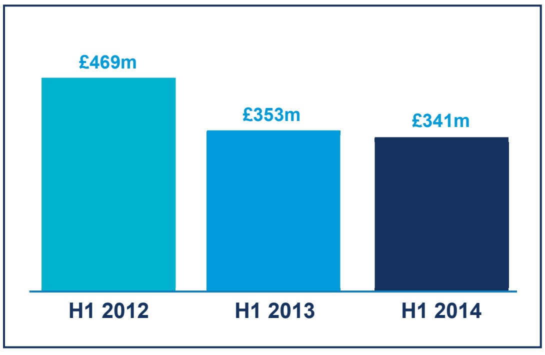
Assets under administration and net flows



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

- Group AUA increased by 4% (5% in constant currency) to £254.1bn, driven by strong net inflows for our new fee based propositions and favourable market movements
- Total net inflows were strong at £4.6bn with Standard Life Investments third party net inflows lower than the particularly high level recorded in H1 2013
- Record level of third party assets in Standard Life Investments at £108.0bn (FY 2013: £102.4bn[2]).

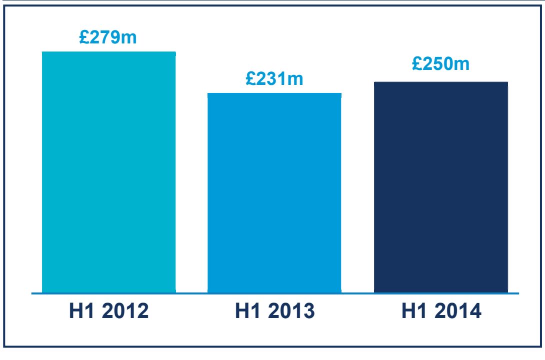
EEV operating profit after tax[3]



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

- EEV operating profit after tax decreased by 3% (increased by 2% in constant currency) to £341m
- New business contribution after tax was 25% lower than H1 2013 mainly due to reduced sales of annuities and institutional pensions in the UK
- Operating experience variances and assumption changes of positive £45m in H1 2014 were similar to H1 2013
- H1 2012 included a benefit of £162m of operating experience variances and assumption changes.

EEV operating capital and cash generation



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

- EEV operating capital and cash generation increased by 8% (13% in constant currency) to £250m largely due to higher benefits from expense variances and reserving changes. This was partly offset by higher new business strain and lower tax variances.
- EEV operating capital and cash generation remains aligned with Group operating profit after tax.

Find out more about these measures in Section 1.2 – Group financial overview and Section 1.5 – Basis of preparation.

1 AUA as at 31 December.
2 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
3 EEV operating profit is now disclosed on an after tax basis, comparatives have been restated.

1.2 Group financial overview

Our financial results demonstrate our ability to deliver sustainable returns for our shareholders. We continue to develop high-quality and innovative solutions that meet the changing needs of our customers. Our financial performance is detailed below.

IFRS and Group operating profit

	H1 2014	H1 2013	Movement
Group operating profit before tax[1]	**£339m**	£304m	12%
IFRS profit after tax attributable to equity holders of Standard Life plc	**£275m**	£129m	113%
Group operating return on equity	**13.0%**	11.4%	1.6% points

IFRS profit

IFRS profit after tax attributable to equity holders increased to £275m (H1 2013: £129m) due to increased Group operating profit before tax and the impact of a fall in yields on the value of debt securities in Canada. This was partially offset by an increased tax charge and adverse exchange rate movements in the period. The tax expense attributable to equity holders' profits in H1 2014 was £76m (H1 2013: £42m). IFRS profit for the period of £285m (H1 2013: £137m) also includes profit attributable to non-controlling interests of £10m (H1 2013: £8m).

Group operating profit before tax

Group operating profit before tax increased by 12% (16% in constant currency) to £339m. Group underlying performance is the same as Group operating profit before tax in H1 2014 and increased by 8% to £339m (H1 2013: £313m).

Movements in Group operating profit before tax include:

- **Fee based revenue** increased by 9% (12% in constant currency) to £758m driven by a strong demand for our fee based products
- **Spread/risk margin** decreased by £15m to £182m largely driven by an adverse exchange movement in Canada. On a constant currency basis, spread/risk was broadly in line with H1 2013.
- **Acquisition expenses** decreased to £149m benefiting from exchange rate movements. On a constant currency basis, acquisition expenses were in line with H1 2013. Acquisition expenses expressed as a proportion of sales improved to 139bps (FY 2013: 145bps).
- **Maintenance expenses** increased to £453m reflecting continued product development and also investment in expanding the global reach of Standard Life Investments. Maintenance expenses expressed as a proportion of average AUA improved further to 39bps (FY 2013: 41bps).
- **Group corporate centre costs** remained stable at £23m (H1 2013: £23m)
- **Capital management** remained broadly stable at £4m (H1 2013: £3m)
- **Our share of profit from our JV and associates** increased to £20m (H1 2013: £18m) and included benefit of one-off items of £3m following modelling changes.

Group operating profit before tax

	H1 2014 £m	H1 2013 £m
Fee based revenue	**758**	694
Spread/risk margin	**182**	197
Total income	**940**	891
Acquisition expenses	**(149)**	(155)
Maintenance expenses	**(453)**	(430)
Group corporate centre costs	**(23)**	(23)
Capital management	**4**	3
Share of JV and associates' PBT	**20**	18
Other	**-**	-
Group operating profit before tax	**339**	304

Group non-operating gain/(loss) before tax

The Group non-operating gain in H1 2014 was £13m (H1 2013: loss £129m). The gains in H1 2014 were due to short-term fluctuations in investment return and economic assumption changes, with gains of £50m (H1 2013: loss £90m) mainly due to a fall in yields on the value of debt securities in Canada. Non-operating restructuring and corporate transaction expenses reduced to £27m (H1 2013: £36m) and mainly relate to business unit restructuring programmes and costs arising from the acquisition of Ignis Asset Management Limited.

Group non-operating gain/(loss) before tax

	H1 2014 £m	H1 2013 £m
Short-term fluctuations in investment return and economic assumption changes	**50**	(90)
Restructuring and corporate transaction expenses	**(27)**	(36)
Other operating profit adjustments	**(10)**	(3)
Group non-operating gain/(loss) before tax	**13**	(129)

Group tax expense

The tax expense attributable to equity holders' profit in H1 2014 was £76m (H1 2013: £42m) of which £73m (H1 2013: £66m) related to operating items and £3m (H1 2013: credit £24m) to non-operating items. The increase in the total tax expense reflects the higher level of IFRS profit attributable to equity holders in H1 2014. The tax attributable to non-operating items in H1 2014 reflects non-operating profit arising in H1 2014 compared to non-operating losses in H1 2013. The effective tax rate in H1 2014 is 21.1% (H1 2013: 23.5%) compared to a UK corporation tax rate for H1 2014 of 21.5% (H1 2013: 23.25%).

[1] Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumptions, restructuring costs, impairment of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the disposal of a subsidiary, joint venture or associate, changes in Canada insurance contract liabilities due to resolution of prior year tax matters and other significant one-off items outside the control of management.

Group operating return on equity

Return on equity measures our success in generating profit relative to our shareholder capital. Group operating return on equity increased to 13.0% (H1 2013: 11.4%) mainly due to the increased operating profit before tax. We will continue to manage our capital position to ensure that we generate sustainable returns for our shareholders.

Assets under administration and new business

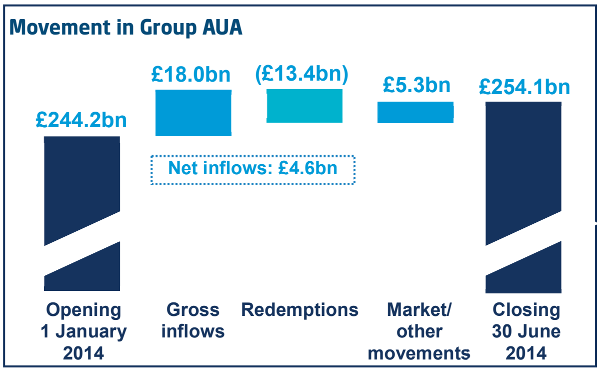
	H1 2014	H1 2013	Movement
Assets under administration	£254.1bn	£244.2bn[1]	4%
Net flows	£4.6bn	£6.5bn	(29%)
PVNBP	£10.9bn	£12.2bn	(11%)

1 Comparative as at 31 December 2013.

Assets under administration and net flows

AUA increased by 4% to £254.1bn benefiting from net inflows across all our businesses and favourable market movements:

- Fee business AUA increased to £218.7bn (FY 2013: £210.1bn) representing 86% of total AUA
- Spread/risk business AUA increased to £23.7bn (FY 2013: £23.5bn) reflecting favourable market movements which were boosted by the fall in yields on debt securities. Net inflows were impacted by lower annuity sales in the UK following the recent Budget announcements.
- Overall net inflows were strong at £4.6bn, particularly into our newer fee based propositions. Standard Life Investments third party net inflows of £4.2bn (H1 2013: £7.4bn) were lower than the particularly high level recorded in H1 2013.



New business

	PVNBP		New business contribution after tax[2]		PVNBP margin		IRR		Undiscounted payback	
	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 %	H1 2013 %	H1 2014 %	H1 2013 %	H1 2014 years	H1 2013 years
UK and Europe	8,950	10,202	91	131	1.0	1.3	17	19	6	5
Canada	1,513	1,528	14	13	0.9	0.9	8	7	9	10
Asia and Emerging Markets	438	491	16	18	3.8	3.7	15	16	7	6
Total	10,901	12,221	121	162	1.1	1.3	14	14	7	7

2 New business contribution is now disclosed on an after tax basis, comparatives have been restated.

- Present value of new business premiums (PVNBP) for the Group reduced by 11% (9% in constant currency) to £10,901m. UK and Europe sales fell by 12%, mainly due to lower sales of institutional pensions.
- Reduced new business contribution in the UK and Europe reflects reduced sales volumes and changes in product mix, with lower sales of annuities following the 2014 Budget and lower sales of institutional pensions. The overall margin was 1.1% compared to 1.3% in H1 2013.
- Total internal rate of return (IRR) for the Group was stable at 14%.

1.2 Group financial overview *continued*

Group operating profit after tax and EEV cash generation

	H1 2014	H1 2013	Movement
Group operating profit after tax	**£265m**	£234m	13%
EEV operating capital and cash generation	**£250m**	£231m	8%

Group operating profit after tax

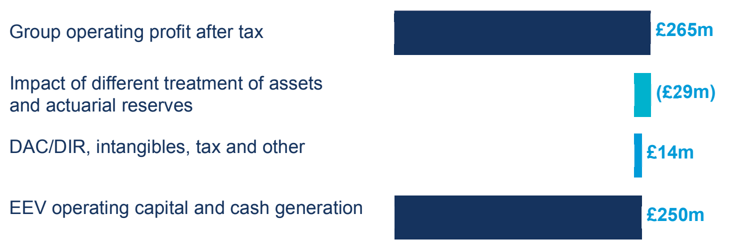
Group operating profit after tax increased by 13% to £265m with Group operating profit before tax up 12% to £339m (H1 2013: £304m). The operating tax expense increased to £73m (H1 2013: £66m) and the share of the joint ventures' and associates' tax expense was £1m (H1 2013: £4m).

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

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

- £29m negative impact from the difference in the treatment of assets and actuarial reserves
- £14m positive impact from the difference in the treatment of deferred acquisition costs (DAC)/deferred income reserve (DIR), intangible assets, tax and other. Other includes the impact of different methodologies in respect of asset management charges. In EEV operating profit this income is included on an expected return basis whereas the actual charges are included in Group operating profit.

Reconciliation of Group operating profit to EEV operating capital and cash generation for the period ended 30 June 2014



Group EEV operating capital and cash generation

Total EEV operating capital and cash generation increased by 8% (13% in constant currency) to £250m (H1 2013: £231m):

- Gross EEV operating capital and cash generation increased by £42m mainly as a result of higher benefits from expense variances and reserving changes, partly offset by lower tax variances
- Outflows from new business strain increased by 18%, partly reflecting lower sales of UK annuities which have cash inflows at the point of sale. As a percentage of PVNBP, new business strain was 1.4% (H1 2013: 1.1%).
- Underlying cash generation, excluding non-recurring items, increased by 5% to £250m (H1 2013: £238m)
- There were no non-recurring items in H1 2014, compared to a loss of £7m in H1 2013 from assumption changes.

Coverage of gross EEV operating capital and cash compared to new business strain decreased to 2.62 (H1 2013: 2.76).

Group cash generation	H1 2014 £m	H1 2013 £m
UK and Europe	288	269
Canada	75	74
Asia and Emerging Markets	30	18
Non-covered	11	1
Gross EEV operating capital and cash generation	**404**	362
New business strain	**(154)**	(131)
EEV operating capital and cash generation	**250**	231
Analysed by:		
Underlying cash generation	**250**	238
Other operating cash generation	**-**	(7)
Total	**250**	231

Liquidity management and dividends

	H1 2014	FY 2013	Movement
Standard Life plc cash and liquid resources	**£757m**	£907m	(17%)
Interim dividend	**£134m**	£124m[1]	8%

1 Comparative as at H1 2013.

Liquidity management

Standard Life plc holds substantial cash and liquid resources. At 30 June 2014, Standard Life plc held £419m (FY 2013: £574m) of cash and short-term debt securities and £338m (FY 2013: £333m) of bonds. The reduction in total Standard Life plc cash and liquid resources at 30 June 2014 was due to the transfer of funds to Standard Life Investments (Holdings) Limited for the acquisition of Ignis Asset Management Limited, which completed on 1 July 2014.

We continue to focus on efficient capital management and cash generation. During H1 2014, subsidiaries remitted £546m to Standard Life plc. This more than covers the payment of both the 2013 final dividend of £252m that was paid in May 2014 and the proposed 2014 interim dividend of £134m that will be paid in November 2014.

Standard Life plc cash and liquid resources	H1 2014 £m	H1 2013 £m	FY 2013 £m
Opening 1 January	**907**	1,064	1,064
Dividends received from subsidiaries	**546**	455	629
Cash dividends paid to shareholders[2]	**(252)**	(532)	(656)
Additional cash investments in subsidiaries	**(411)**	-	(97)
Additional cash investments in associates and joint ventures	**(14)**	(19)	(19)
Other	**(19)**	(42)	(14)
Closing	**757**	926	907

2 H1 2014 reflects the payment of the 2013 final dividend of £252m. FY 2013 reflects the payment of the 2012 final dividend of £230m, the 2012 special dividend of £302m and the 2013 interim dividend of £124m.

The Group maintains a strong liquidity position and this was shown in stress testing undertaken during H1 2014. This liquidity stress testing ensures that we can withstand a scenario of significant falls in asset values combined with unprecedented levels of surrenders and claims.

We also maintain contingency funding plans across the Group to ensure that each business unit is prepared for a liquidity issue. As part of this contingency planning, Standard Life plc, the Group's ultimate holding company, maintains a £500m revolving credit facility with a syndicate of banks which will mature in March 2018. The Group's revolving credit facility remained unutilised during 2014.

Dividends

We propose an interim dividend of 5.60p per share. This represents an increase of 7.3% per share. We will continue to apply our existing progressive dividend policy taking account of market conditions and our financial performance.

Capital management

	H1 2014	FY 2013	Movement
IFRS equity attributable to equity holders of Standard Life plc	**£4,245m**	£4,227m	-
EEV	**£8,358m**	£8,423m	(1%)
Group capital surplus[1]	**£3.7bn**	£3.8bn	(3%)

1 H1 2014 based on estimated regulatory returns. FY 2013 based on final regulatory returns.

Group capital surplus

The Group capital surplus decreased slightly to £3.7bn (FY 2013: £3.8bn) reflecting the payment of the final dividend of £252m in May 2014.

The Group capital surplus remains largely insensitive to a 30% fall in equities from the 30 June 2014 position, with the surplus estimated to reduce by approximately £0.2bn (FY 2013: £0.2bn reduction). Following a 100bps rise in yields, the surplus would be expected to remain unchanged (FY 2013: £0.1bn reduction). Following a 100bps fall in yields the surplus is estimated to reduce by approximately £0.4bn (FY 2013: £0.1bn reduction).

Standard Life Investments (Holdings) Limited completed the acquisition of Ignis Asset Management Limited on 1 July 2014. This is expected to reduce the Group capital surplus by an estimated £0.3bn.

Group capital surplus and solvency cover[2]	H1 2014 £bn	H1 2013 £bn	FY 2013 £bn
Shareholders' capital resources	**2.9**	2.9	2.9
Capital resources arising from subordinated debt	**1.8**	1.9	1.9
SLAL long-term business funds	**3.5**	3.3	3.6
Group capital resources[3]	**8.2**	8.1	8.4
Group capital resources requirement	**(4.5)**	(4.4)	(4.6)
Group capital surplus	**3.7**	3.7	3.8
Group solvency cover	**184%**	185%	183%

2 H1 2014 and H1 2013 based on estimated regulatory returns. FY 2013 based on final regulatory returns.

3 Net of restricted assets of £1.2bn (H1 2013: £1.2bn, FY 2013: £1.2bn).

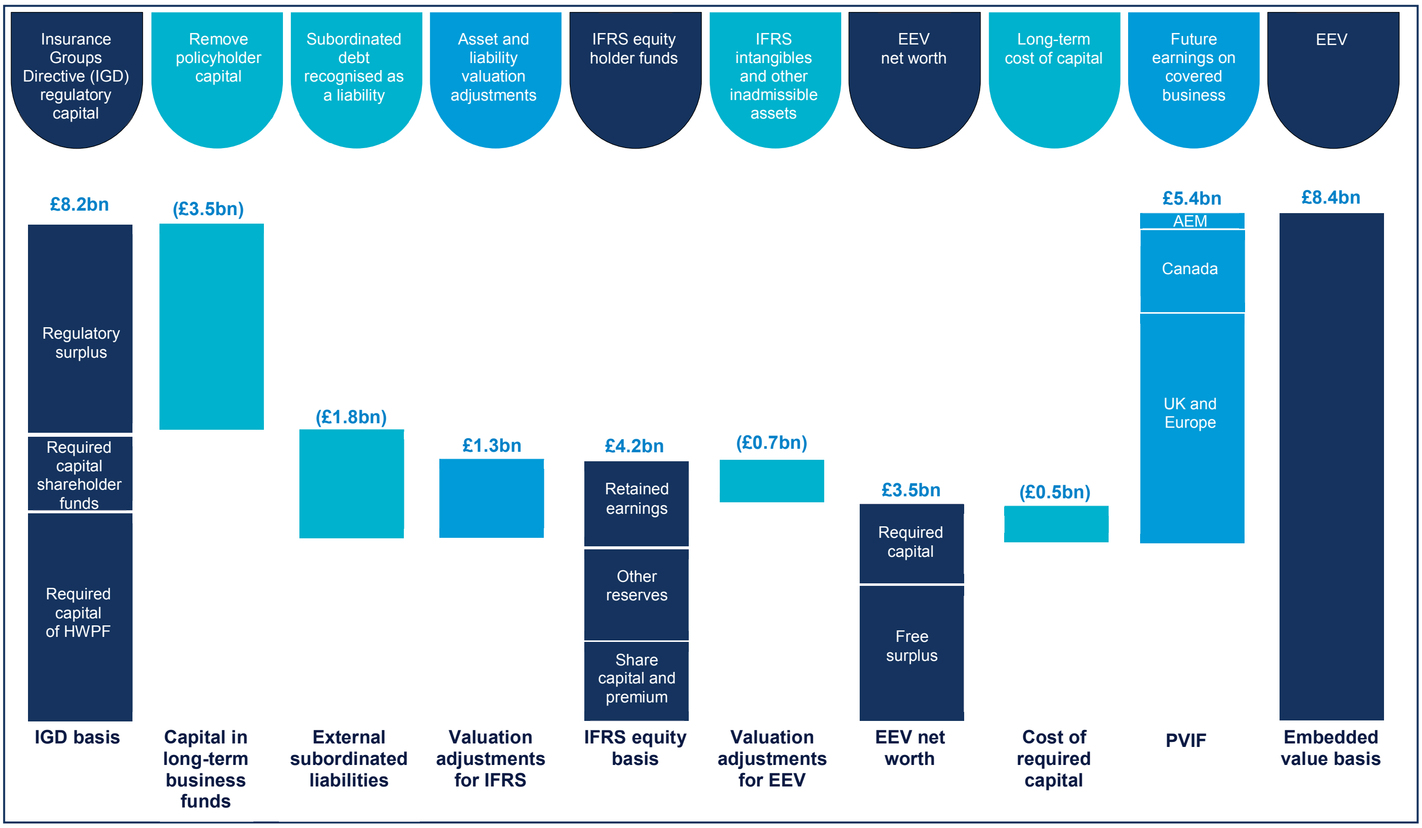
We welcome the positive steps in the development of the Solvency 2 regime and expect our capital position to remain strong following implementation.

1.2 Group financial overview *continued*

Capital management *continued*

Reconciliation of key capital measures

The following diagram illustrates the key differences between regulatory, IFRS and EEV capital measures at 30 June 2014:



Further financial information - EEV

	H1 2014	H1 2013	Movement
EEV per share	**349p**	353p[1]	(1%)
EEV operating profit after tax[2]	**£341m**	£353m	(3%)
EEV profit after tax	**£248m**	£542m	(54%)

[1] Comparative as at 31 December 2013.
[2] EEV operating profit is now disclosed on an after tax basis, comparatives have been restated.

Group embedded value

Group embedded value decreased to £8,358m (FY 2013: £8,423m) representing an EEV per share of 349p. EEV per share increased by 7p before dividend distributions, including EEV operating profit after tax of £341m (14p per share). EEV non-operating loss after tax was £93m (4p per share), including a decrease of £160m (7p per share) from the impact of UK regulations that restrict future charges on qualifying workplace pension schemes.

Movement in embedded value per share

EEV operating profit after tax

EEV operating profit after tax of £341m decreased by 3% (increased by 2% in constant currency).

A reduction in new business contribution was partly offset by increased in-force contribution and higher profits from non-covered business.

EEV operating profit after tax from experience variances and assumption changes of £45m (H1 2013: £48m) included positive £8m expense variances and assumption changes, positive £18m from improved modelling and positive £19m from management actions to increase asset returns and reduce actuarial liabilities.

EEV operating profit after tax

	H1 2014 £m	H1 2013 £m
Contribution from new business	121	162
Contribution from in-force business	182	165
Non-covered business and development costs	(7)	(22)
Operating experience variances and assumption changes	45	48
Total	**341**	353

EEV non-operating profit after tax

Total EEV non-operating loss after tax of £93m (H1 2013: profit £189m) included a £160m loss from the impact of UK regulations that restrict future charges on qualifying workplace pension schemes. The remaining non-operating profit of £67m included favourable investment return and tax variances of £39m (H1 2013: loss £11m), profit from economic assumption changes of £56m (H1 2013: profit £234m), restructuring and corporate transaction expenses of £22m (H1 2013: £29m) and other losses of £6m (H1 2013: loss £5m).

Further financial information – analysis of Group operating profit

The following table provides a more detailed analysis of Group operating profit by business segment.

	UK and Europe[1]		Standard Life Investments[1]		Canada		Asia and Emerging Markets		Other/ Elimination		Total	
	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m
Fee based revenue	449	431	303	252	99	95	29	27	(122)	(111)	758	694
Spread/risk margin	79	83	-	-	103	114	-	-	-	-	182	197
Total income	528	514	303	252	202	209	29	27	(122)	(111)	940	891
Acquisition expenses	(109)	(108)	-	-	(33)	(37)	(7)	(10)	-	-	(149)	(155)
Maintenance expenses	(232)	(223)	(210)	(170)	(108)	(125)	(25)	(23)	122	111	(453)	(430)
Group corporate centre costs	-	-	-	-	-	-	-	-	(23)	(23)	(23)	(23)
Capital management	1	(3)	-	-	8	12	-	-	(5)	(6)	4	3
Share of JV and associates' PBT	-	-	11	13	-	-	9	5	-	-	20	18
Other	-	-	-	-	-	-	-	-	-	-	-	-
Group operating profit before tax	188	180	104	95	69	59	6	(1)	(28)	(29)	339	304
Exclude: Operating assumption and actuarial reserving changes	-	-	-	-	-	9	-	-	-	-	-	9
Group underlying performance	188	180	104	95	69	68	6	(1)	(28)	(29)	339	313
Exclude: Group centre costs/capital management	-	-	-	-	-	-	-	-	28	29	28	29
Business unit underlying performance	188	180	104	95	69	68	6	(1)	-	-	367	342

[1] From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.

Further details on our businesses are included in Section 1.3 – Business segment performance.

1.3 Business segment performance

1.3.1 UK and Europe

Financial highlights[1]

	H1 2014	H1 2013	Movement
Operating profit before tax	**£188m**	£180m	4%
Operating return on equity	**19.8%**	17.3%	2.5% points
Assets under administration	**£167.0bn**	£161.6bn[2]	3%
Net flows	**£1.8bn**	£2.2bn	(18%)
EEV operating profit after tax[3]	**£204m**	£231m	(12%)

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
2 Comparative as at 31 December 2013.
3 EEV operating profit is now disclosed on an after tax basis, comparatives have been restated.

Strategic overview

Our UK and Europe long-term savings and investments business continues to strengthen by building on its innovative propositions and investment solutions. We remain focused on meeting the needs of our customers in an evolving regulatory and economic environment. Our market leading solutions make effective use of technology to offer individual customers, advisers, employee benefits consultants and employers the choice and support necessary to meet their long-term savings objectives. This multi-channel approach and ability to leverage the close relationship with Standard Life Investments continues to benefit customers, our business and Standard Life Group as a whole.

Market update

The first half of 2014 has seen a continuation of the successful rollout of auto enrolment across the UK market, focusing on small and medium-sized enterprises (SMEs). With the Pensions Regulator forecasting that auto enrolment will impact 30,000 SMEs in 2014 alone, the ability of the industry to deal with this unprecedented level of demand continues to be an issue for some providers and an opportunity for Standard Life. Our award winning online Good to Go auto enrolment proposition was launched in December 2013 to capitalise on this unique opportunity. In the first half of the year we have secured over 180,000 new workplace customers through a combination of new scheme wins and auto enrolment. Good to Go Express, a variant of Good to Go was launched in April 2014 to address adviser and employer demand for light touch advice. We are now able to offer all employers, no matter how small, the ability to set up an auto enrolment scheme without external assistance. These innovative yet simple solutions allow us to provide employers with a high quality pension arrangement while enabling advisers to deal with high levels of demand by supporting auto enrolment implementations quickly and easily.

We are pleased to have clarity on the charge cap for workplace pension schemes and we are well placed to meet the cap confirmed by the Department for Work and Pensions (DWP). These changes and those announced in the Budget are consistent with developments we have made in recent years on our propositions, and offer a clear message on value and flexibility for customers. As with auto enrolment and other recent regulatory amendments, we will be ready to support employers and advisers to successfully implement these changes.

The regulatory environment in the UK continues to evolve. In March 2014, significant changes to the UK pension regime were announced in the UK Budget creating additional long-term opportunities in the UK long-term savings market. The changes removed the requirement to purchase an annuity and provide customers with increased flexibility and access to their pension savings upon retirement. We expect that this will result in increased demand for financial guidance and flexible investment propositions that support customers' varying attitudes to risk and lifestyle choices.

We are already leading the way on the education and engagement of customers leading up to retirement, starting initial communication some ten years ahead of retirement. This combined with the strengths of our investment solutions including access to MyFolio and absolute return funds have helped us to create our market leading drawdown proposition with AUA of over £10.0bn. By continuing to work closely with Standard Life Investments, we see significant opportunities to help address the UK savings gap through providing simple, innovative and flexible savings choices to our customers.

We continue to lead the way in the adviser platform market which is estimated to grow to £600bn by 2018. Our scale and close working relationships with advisers ensure our Wrap platform remains a leading proposition with recent developments including offering customers access to a new flexible discretionary fund management service. In April 2014, we announced the completion of our year long programme of work which saw Standard Life Wrap become the first major advised platform to be ready for the total removal of fund rebates ahead of the 2016 deadline. We can now offer both existing and new customers access to discounted clean funds from leading fund management groups at preferential rates. Being ready for the 2016 regulatory deadline now is important, as the transparency and operational efficiencies that these changes have achieved continue to support the 1,286 progressive adviser firms that use our Wrap platform. This allows them to focus on advising their clients rather than dealing with ongoing change and uncertainty.

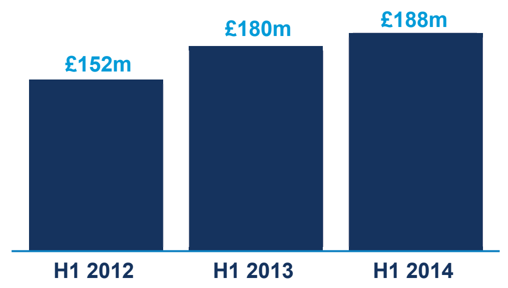
Profitability

Operating profit before tax

	UK		Europe		UK and Europe	
	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m	H1 2014 £m	H1 2013 £m
Fee based revenue	358	341	91	90	449	431
Spread/risk margin	75	78	4	5	79	83
Total income	433	419	95	95	528	514
Acquisition expenses	(88)	(86)	(21)	(22)	(109)	(108)
Maintenance expenses	(181)	(171)	(51)	(52)	(232)	(223)
Capital management	1	(3)	-	-	1	(3)
Operating profit before tax	165	159	23	21	188	180

UK and Europe operating profit before tax and underlying performance increased by £8m to £188m.

UK and Europe operating profit before tax



Movements in the **UK operating profit** from H1 2013 include:

- **Fee based revenue** increased by 5% to £358m mainly driven by higher AUA as our new style propositions continue to attract net inflows while our older style propositions benefit from ongoing increments, market movements and our retention activity. The average revenue yield on fee based business reduced to 64bps (FY 2013: 66bps) reflecting expected changes in business mix including the growing proportion of newer style propositions.
- **Spread/risk margin** decreased by 4% to £75m with the impact of the significant changes announced in the Budget which contributed to a 59% reduction in spread/risk margin from new annuity sales offset by increased profit from ongoing asset and liability management
- **Acquisition expenses** increased by 2% to £88m. Expressed as a percentage of sales, acquisition costs increased to 110bps (FY 2013: 106bps), largely arising from a fall in new business sales, reflecting the impact of the Budget on annuities and the volatility in institutional pension new business.
- **Maintenance expenses** increased by 6% to £181m (H1 2013: £171m) mainly due to a 10% increase in investment management fees paid to Standard Life Investments of £96m (H1 2013: £87m) reflecting higher average market levels. As a proportion of average AUA, maintenance expenses improved to 24bps (FY 2013: 25bps) as we continue to benefit from our scalable business model and cost discipline.

Analysis of UK and Europe operating profit before tax

	H1 2014 £m	H1 2013 £m
UK and Europe underlying performance	188	180
Operating assumption and actuarial reserving changes (Spread/risk margin)	-	-
UK and Europe operating profit before tax	188	180

Europe operating profit increased by 10% to £23m with our businesses in Germany and Ireland both benefiting from ongoing operational efficiencies and asset and liability management in the period.

UK profit contribution[1]

Overall UK profit contribution increased by 4% to £248m (H1 2013: £239m).

Our newer style UK retail propositions continue to show momentum which, combined with the benefits of scalability and growth in direct customers coming from our corporate business, led to a 31% growth in profit contribution to £46m. This, together with the 4% increase in contribution from our older style propositions, helped to drive an overall increase in retail fee based business contribution of 12% to £141m (H1 2013: £126m).

Profit contribution in our corporate business was £5m lower at £37m (H1 2013: £42m). This reflected the transfer of revenue of approximately £8m from former workplace customers to our retail new and old propositions. Profit contribution from spread/risk products remained stable at £70m (H1 2013: £71m) benefiting from effective asset and liability management during the period which together with cost efficiencies offset the impact of decreased new business sales as a direct result of recent Budget announcements.

UK profit contribution[1]	H1 2014 £m	H1 2013 £m
Retail – new	46	35
Retail – old	95	91
Retail fee based business contribution	141	126
Corporate	37	42
Fee based business contribution	178	168
Spread/risk	70	71
UK profit contribution	248	239
Indirect expenses and capital management	(83)	(80)
UK operating profit before tax	165	159

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

1.3 Business segment performance *continued*

1.3.1 UK and Europe *continued*

EEV operating profit

UK and Europe EEV operating profit after tax was lower at £204m (H1 2013: £231m), reflecting the impact of lower new business sales of institutional pensions in the period combined with ongoing impact of lower sales of annuities and an increasing proportion of sales being attributable to lower margin corporate pensions business. There was an EEV non-operating profit impact in the period arising from the £160m provision to reflect future restrictions in the charges on the qualified workplace pension schemes as a result of the recent regulatory changes announced by the DWP. Whilst the £160m EEV provision reflects the impact on future profit from an expected reduction in income, we anticipate the related ban on commission and other changes in market practice to have an offsetting benefit, resulting in no significant net impact on our cash generation in the next few years.

Operating return on equity

UK and Europe operating return on equity of 19.8% (H1 2013: 17.3%) reflects a £16m increase in operating profit after tax to £157m (H1 2013: £141m).

Assets under administration and net flows

UK and Europe AUA increased by 3% to £167.0bn. Fee based business AUA, which accounts for 87% of total AUA, increased by 3% to £145.5bn due to a combination of net inflows and favourable market movements.

In the UK, net flows into our new style retail propositions remained stable at £1.5bn, with an increase of 7% in gross inflows to £3.1bn (H1 2013: £2.9bn) being offset by higher redemptions of £1.6bn (H1 2013: £1.3bn).

Continued activities to improve retention in our older style UK retail business led to a 15% reduction in net outflows and whilst AUA decreased by 1% in the period the business continues to benefit from ongoing increments, transfers of former workplace customers and favourable market movements. We continue to engage with customers with maturing policies or who are approaching retirement to ensure they are aware of their options, with many choosing to continue to save with us.

	Net flows		AUA	
	H1 2014 £bn	H1 2013 £bn	**30 Jun 2014 £bn**	31 Dec 2013 £bn
UK retail new fee business	**1.5**	1.6	**36.2**	33.8
UK retail old fee business	**(1.1)**	(1.3)	**33.0**	33.5
UK retail fee business	**0.4**	0.3	**69.2**	67.3
Corporate pensions	**0.9**	0.5	**29.9**	29.2
UK retail and corporate fee business	**1.3**	0.8	**99.1**	96.5
Institutional pensions	**0.7**	1.9	**26.8**	25.3
Conventional with profits	**(0.5)**	(0.7)	**2.5**	2.9
Europe fee	**0.7**	0.5	**17.1**	16.1
Total fee business	**2.2**	2.5	**145.5**	140.8
UK spread/risk	**(0.4)**	(0.3)	**14.7**	14.6
Europe spread/risk	**-**	-	**0.6**	0.5
Assets not backing products	**-**	-	**6.2**	5.7
Total UK and Europe	**1.8**	2.2	**167.0**	161.6

UK corporate pension AUA increased by £0.7bn or 2% to £29.9bn. Net inflows increased by 61% to £860m (H1 2013: £534m) with our success in securing new schemes and the positive impact of auto enrolment largely reflecting the success of our Good to Go propositions. We continue to work closely with employers, including SMEs with upcoming auto enrolment staging dates, to ensure that their schemes are compliant with all of the changing requirements associated with pension reform and the newly introduced pensions cap requirements.

UK institutional pensions AUA managed by Standard Life Investments increased by 6% to £26.8bn, benefiting from favourable market movements and net inflows of £0.7bn (H1 2013: £1.9bn).

UK spread/risk business AUA increased to £14.7bn (FY 2013: £14.6bn), as the effects of the changes to annuities regulations following the Budget announcement impacted our new annuity sales. It will take some time before long-term trends become clear and whilst a smaller proportion of our customers with small pots are still choosing to annuitise with us, many are instead choosing to defer their decisions.

In our Europe business, fee based AUA grew by 6% to £17.1bn (FY 2013: £16.1bn), driven by net inflows and favourable market movements. Sales and inflows continue to build, driven largely by the quality of our investment propositions and strong relationships with brokers.

Our business model

We have strategically positioned ourselves across the value chain, providing retail, workplace and direct customers with innovative propositions and investments solutions managed by Standard Life Investments including MyFolio funds and Standard Life Wealth's discretionary fund management. Our business model also benefits the wider Group in generating additional revenue margins.

Increasing assets with continued growth in fee business assets

- Total platform AUA increased by 28% to £21.5bn (H1 2013: £16.8bn) with Wrap AUA up 31% to £18.6bn (H1 2013: £14.2bn)
- In Q1 our Wrap platform became the first fully unbundled major advised platform to both new and existing business. The number of adviser firms on our Wrap platform has increased by 8% to 1,286 (H1 2013: 1,192), while the number of adviser firms with assets on Wrap of at least £20m has increased by 28% to 245.
- Auto enrolment continues to progress well with 1,237 implementations completed in the first half of the year (H1 2013: 51), securing access to flexible savings and investment options for 173,000 new employees (H1 2013: 98,000). Contribution levels and opt-out experience at below 10% continues to be in line with our expectations.
- Our market leading SIPP proposition continues to grow with an increase in customers of 26% and AUA up 14% to £24.5bn (H1 2013: £21.5bn)
- Our distribution arrangement with RBS Group for private banking customers continues to grow and RBS is now our largest Wrap customer by assets
- In June 2014 we joined forces with Barclays to launch the fully integrated online auto enrolment solution Barclays Auto Enrolment Advantage to fulfil the need of small companies who have little time or resources to comply with their auto enrolment obligations
- Strong relationships with our brokers, and our market commitment continues to strengthen our reputation and profile in Germany. Our Maxxellence Invest product in particular continues to grow, attracting over £42m of assets (H1 2013: £21m) since launch.

Maximising revenue – meeting demand for auto enrolment and well positioned across the value chain

- We have successfully negotiated with 14 leading fund management groups to offer advisers on our Wrap platform access to more than 290 discounted clean funds, providing fair and transparent pricing to customers. This represents £10.3bn of assets on our platform.
- Our MyFolio risk based funds range, managed by Standard Life Investments continues to secure investment margin for the Group. This popular investment solution makes investment choices simple and flexible for customers and has attracted £4.8bn of AUA (H1 2013: £3.1bn).
- We have secured 1,018 new schemes (H1 2013: 60), helped by the launch of Good to Go Express, a simplified version of our successful six minute auto enrolment solution for SMEs expanding our range of workplace propositions to appeal to an even greater number of employers
- We welcome the freedom afforded to customers by the recent changes to the pensions regime and believe we are well placed to assist customers in making good, well informed decisions about their financial futures. We have been leading the way in engaging with customers up to and at the point of retirement for some time, with our communications and roadshows starting some 10 years before retirement.
- We have seen many customers with pension pots exceeding £30,000 defer their retirement decision. Longer term we expect a growing proportion of our customers to choose to go into drawdown. We have a range of investment solutions to allow our customers to manage market volatility in retirement including Standard Life Investments' market leading range of absolute return funds and MyFolio funds. Our market leading drawdown proposition already exceeds £10.0bn of AUA.
- In Ireland we continue to lead the market in investment bonds with new business sales up 26% to £111m (H1 2013: £88m) with the launch of our five new MyFolio market funds proving to be very popular with retail investors. In Q1 the strength of our investment offering was recognised by the Irish advisor market through the Irish Brokers Association Investment Performance Award.

Lowering unit costs through automation and greater operational efficiency

- We are successfully delivering operational efficiencies and scale through our automated auto enrolment solutions with acquisition costs per member falling as interaction with customers continues to shift towards online solutions and self-servicing. 79% of auto enrolment opt-outs have been processed without any manual or customer service representative interaction.
- Our new direct ISA on Wrap was launched on 24 February offering a simpler new online journey to customers. To date 94% of secured new ISA cases are invested in Standard Life Investments funds. This new customer friendly journey has seen 70% of cases written online using straight through processing contributing to a saving of significant hours of customer service representative processing time.
- We expect to continue to deliver further unit cost reductions through automation and greater operational efficiencies and anticipate that our innovative online Good to Go auto enrolment propositions will continue to help us realise these as we approach further key staging dates across the rest of 2014 and 2015 at a time when the industry is facing possible capacity constraints
- Providing our customers with high quality service remains one of our key priorities and we have continued to invest in both the quality and efficiency of our customer service operations and online operations, launching our webchat functionality in May this year. We continue to maintain a downward trend in unit costs whilst ensuring that our UK business remains equipped to meet future growth demands.

1.3 Business segment performance *continued*

1.3.2 Standard Life Investments

Financial highlights[1]

	H1 2014	H1 2013	Movement
Operating profit before tax	**£104m**	£95m	9%
Operating return on equity	**43.8%**	60.5%	(16.7% points)
Earnings before interest, tax, depreciation and amortisation (EBITDA)[2]	**£107m**	£97m	10%
EBITDA margin[2]	**35.3%**	38.5%	(3.2% points)
Third party assets under management (AUM)	**£108.0bn**	£102.4bn[3]	5%
Total assets under management	**£195.1bn**	£189.1bn[3]	3%
Third party net inflows	**£4.2bn**	£7.4bn	(43%)

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.

2 EBITDA and EBITDA margin are key performance metrics for the investment management industry. These have replaced EBIT and EBIT margin metrics as management believes they are more reflective of the day to day performance of the business.

3 Comparative as at 31 December 2013.

Strategic overview

Standard Life Investments is a leading global active asset manager with an expanding global reach. Our ‘Focus on Change’ investment philosophy lies at the heart of our wide range of investment solutions and is backed by disciplined risk management and a shared commitment to a culture of investment excellence. This has proved itself to be robust and repeatable in both good and challenging market conditions. We have an unbroken record of positive annual net inflows since inception and a strong track record of profitable organic growth. Earnings before interest, tax, depreciation and amortisation have a compound annual growth rate over the last seven years of 16%.

We continue to expand our range of investment solutions, including developments in multi-asset portfolios and fixed income markets. We also continue to broaden the diversity of our AUM with £2.4bn (57%) of third party net inflows coming from outside the UK, including £0.9bn from the US. At a channel level, £2.6bn (62%) of the third party net inflows came from the higher margin wholesale distribution channel.

We will continue to leverage our investment expertise and work closely with the wider Standard Life Group, where the inclusion of Standard Life Investments product capability within Group products has been successful, and with our strategic partners including Sumitomo Mitsui Trust Bank in Japan, HDFC in India and John Hancock in the US, while exploring and capitalising on further global distribution opportunities.

Our ‘Focus on Change’ investment philosophy continues to drive our investment processes, delivering strong performance with 87% of third party AUM funds ahead of benchmark over one year, 89% ahead over three years and 91% ahead over five years. We play a leading role in governance and stewardship. Strong corporate governance along with responsible stewardship of a business’ assets, employees, customers and environment has a fundamental impact on long-term investment returns. During H1 2014, we voted at 1,217 shareholder meetings and undertook 374 Environmental, Social and Governance engagements, promoting high standards of governance and stewardship.

Standard Life Investments is the first designated Worldwide Partner in the history of the Ryder Cup, extending our brand reach and building our global growth strategy. The Ryder Cup's heritage, values and strong team ethos are an excellent match to Standard Life Investments’ core beliefs and ambition.

On 1 July 2014 Standard Life Investments successfully completed the acquisition of Ignis Asset Management Limited from a subsidiary of Phoenix Group Holdings for a purchase consideration of £390m, subject to finalisation of the completion process. The consideration was settled in cash from Standard Life Group’s existing internal resources. The acquisition of Ignis Asset Management Limited complements Standard Life Investments’ strong organic growth and strengthens our strategic positioning. It deepens our investment capabilities, broadens our third party client base and reinforces foundations for building a business in the rapidly developing liability aware market. As part of the transaction, Standard Life Investments entered into a strategic alliance with Phoenix through which Standard Life Investments will provide asset management services to Phoenix’s life company subsidiaries, including the potential to manage future books of assets that Phoenix may acquire.

Market update

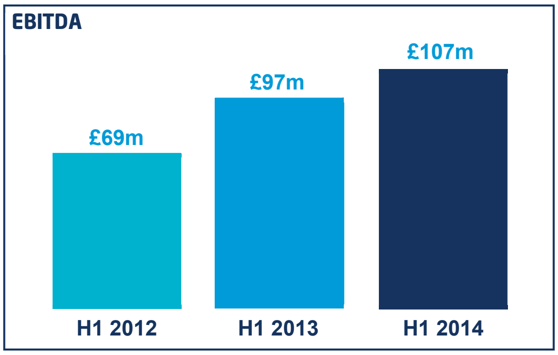
A moderation in global growth during the first quarter of 2014 has failed to dampen expectations that the major economies will continue to improve. In the US, the Federal Reserve has begun to reduce its bond buying programme but the overall position of policymakers remains supportive. Developed equity markets have recently hit new highs, driven by improved earnings and a revival in merger and acquisition activity. More surprisingly, global bond yields have not reacted to the better economic data, with yields falling significantly in H1 2014. However, with Federal Reserve asset purchases set to finish in the autumn, spare capacity being eroded and inflation gradually beginning to rise; this trend could prove short lived. Although many investors still sought income opportunities in a world of low interest rates, they also increasingly began to look for sustainable earnings and growth opportunities in equities and commercial real estate.

Confidence among institutional clients continues to grow and strong inflows have also been recorded across the global wholesale market. The advantages of our strategic positioning have been reflected in Standard Life Investments' ability to attract flows across a range of higher margin products through a broad suite of investment solutions, continuing product innovation and expanding geographic reach.

The recent regulatory change regarding pension decumulation, where pensioners will no longer be compelled to convert their defined contribution pension into an annuity, presents opportunities in the multi-asset and absolute return space.

Profitability

Operating profit before tax	H1 2014 £m	H1 2013 £m
Fee based revenue	303	252
Maintenance expenses	(210)	(170)
Share of joint ventures' and associates' profit before tax	11	13
Standard Life Investments operating profit before tax	**104**	95
Interest, depreciation, amortisation and exchange rate movements[1]	3	2
EBITDA	**107**	97



[1] Excludes amortisation of intangibles acquired in business combinations which is excluded from operating profit before tax.

Operating profit before tax increased by 9% to £104m. **EBITDA** increased by 10% to £107m, with a 3.2% point fall in **EBITDA margin** to 35.3%. Excluding the impact of Standard Life Wealth and after adjusting to reflect constant currency in India, Standard Life Investments EBITDA grew by 13%, with an EBITDA margin of 38.2% (H1 2013: 38.5%). Following the acquisition of Ignis Asset Management Limited, Standard Life Investments is targeting an enhanced EBITDA margin of 45% by 2017.

Results for Standard Life Wealth are now reported as part of Standard Life Investments. This follows the acquisition of the private client division of Newton Management Limited in September 2013, which created a deeper operational and investment link between Standard Life Wealth and Standard Life Investments. We believe that there are substantial opportunities to accelerate the growth of Standard Life Wealth by utilising Standard Life Investments' infrastructure, expertise, distribution and global footprint. Revenue generated by Standard Life Wealth increased from £8m in H1 2013 to £20m in H1 2014 at a revenue yield of 69bps (FY 2013: 68bps).This increase includes the impact on revenue following the acquisition of the private client division of Newton Management Limited. Costs in Standard Life Wealth increased from £6m in H1 2013 to £18m in H1 2014, driven by an increase in the number of permanent employees to 120 at 30 June 2014 (30 June 2013: 45), as a consequence of the acquisition of the private client division of Newton Management Limited.

The key highlights were:

- **Fee based revenue** increased by 20% to £303m. This reflected the shift in mix towards higher margin products such as UK mutual funds and multi-asset investment solutions. The changing mix helped to increase the revenue yield on third party AUM to 47bps (FY 2013: 45bps). This increase includes the benefit to revenue following the acquisition of the private client division of Newton Management Limited in September 2013.
- **Maintenance expenses** increased to £210m reflecting the investment in growing the business and diversifying our sources of revenue both geographically and by product category. We have expanded our geographical footprint and invested in our operational and technology infrastructure while maintaining control of our cost base. This is reflected in the number of employees based in our overseas offices, which increased by 12% compared to H1 2013. The costs also take into account the increased scale of our Wealth business following the acquisition of the private client division of Newton Management Limited.
- **HDFC Asset Management,** our associate business, remains the largest mutual fund provider in India and contributed £11m (H1 2013: £13m) to operating profit before tax. This reduction is mainly due to the weakening Rupee against Sterling.

Operating return on equity

Operating return on equity fell to 43.8% (H1 2013: 60.5%), reflecting the inclusion of the acquired private client division of Newton Management Limited in the results for the first time. The strong result continues to reflect the profitability of our business and an efficient capital base.

Investment performance

Strong growth in the first half of 2014 was underpinned by excellent money weighted average investment performance. 87% of third party AUM funds were ahead of benchmark in the year with 89% ahead over 3 years and 91% over 5 years. Fixed income funds continued to perform strongly, with 100% of funds ahead of benchmark at 1 year. Our suite of multi-asset funds have outperformed their cash benchmark over all longer term time periods since inception.

Assets under management and net flows

We remain focused on meeting the needs of existing clients and securing new business backed by consistently strong investment performance, product innovation, high levels of client service and an expanding global distribution capability.

Third party net inflows continued to be strong at £4.2bn (H1 2013: £7.4bn) amounting to an annualised 8% of opening third party AUM. This continued our unbroken record of positive annual net inflows since inception. Standard Life Wealth continues to develop and aims to gain momentum in the market place, with net inflows of £nil in H1 2014 (H1 2013: £0.3bn), an initial consequence of the acquisition of the private client division of Newton Management Limited.

1.3 Business segment performance *continued*

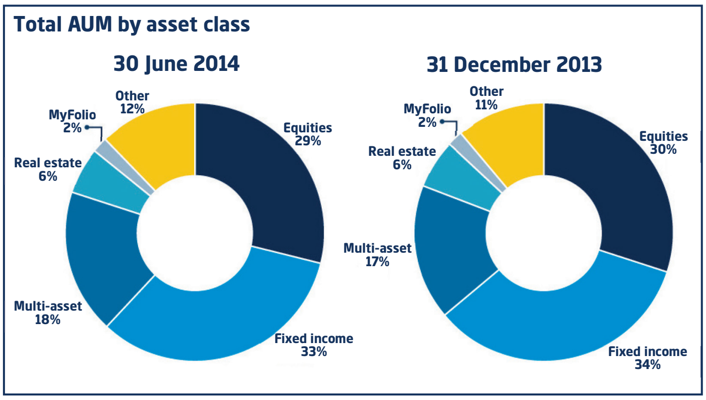
1.3.2 Standard Life Investments *continued*

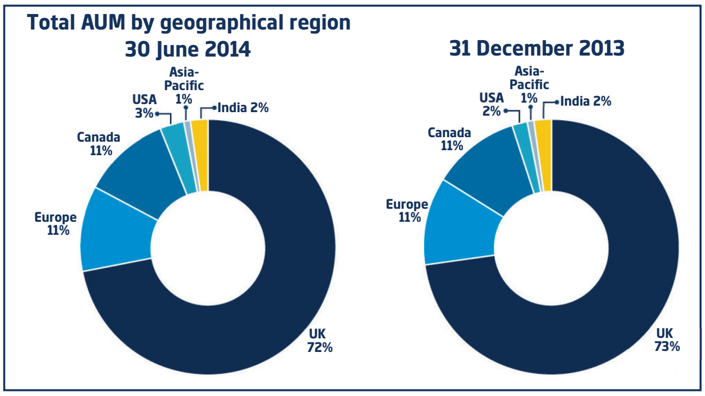
Third party AUM increased to a record £108.0bn (FY 2013: £102.4bn) representing 55% of total AUM (FY 2013: 54%). In-house AUM increased to £87.1bn (FY 2013: £86.7bn). As a result, total AUM reached a record £195.1bn (FY 2013: £189.1bn).

Inflows during H1 2014 reflected the diverse nature of our product offering, our expanding global distribution capability and the increasingly international nature of our client base. Assets under management generated from sales in our Boston office broke through $8bn (£4.7bn), with strong net inflows in H1 2014 at £0.9bn (H1 2013: £1.4bn). At an asset class level, we saw a broad mix of net inflows into equities, multi-asset, real estate and cash. In the UK and Europe we increased the institutional client base by 8%.

Our UK wholesale retail business continued to perform well with net inflows into our range of UK mutual funds in H1 2014 at £1.3bn (H1 2013: £1.8bn) and represented a rolling 12 month market share of gross sales at 4.7% (FY 2013: 4.9%). Flows have been strong in MyFolio, equities, real estate and multi-asset strategies.

Our pipeline of institutional business continues to see fixed income, real estate and multi-asset propositions attract considerable interest, increasingly from outside the UK. Two large mandates, totalling approximately £2.3bn, will disinvest in Q3 2014. Due to the very low revenue margin on these mandates (c.4bps) we expect a negligible impact on our profitability. Demand for our mutual funds in the UK and for our SICAV funds in continental Europe and Asia Pacific remains strong.





Our business model

Increasing assets with record third party AUM

- Achieved record third party AUM of £108.0bn driven by third party net inflows of £4.2bn
- Standard Life Wealth contributed AUM of £5.9bn (FY 2013: £5.8bn)
- Assets managed in our Boston office now exceed $22bn in equities, fixed income and real estate
- Our share of the wholesale market in the UK remains strong, with gross sales of 4.7% (2013: 4.9%). UK mutual funds AUM increased by 6% to £20.0bn and represent 19% of third party assets.
- Developing our multi-asset portfolio of products which comprises our suite of global absolute return strategies and balanced funds including the recent launch of the Global Focused Strategies fund
- Global Equity Unconstrained fund broke through the £100m mark. The fund has produced top decile performance in its sector over six months, one and five years, and sits in the twelfth percentile over three years.
- Strong pipeline of new investment initiatives which positions us well to continue to meet the changing demands of our clients through new and innovative investment solutions.

Maximising revenue with continued shift in product mix towards higher margin propositions

- Sales of higher margin products enabled us to broadly maintain the revenue yield on our third party gross sales at 51bps (FY 2013: 53bps) resulting in the average revenue yield on third party assets increasing to 47bps (FY 2013: 45bps)
- Continued to collaborate across the Group to maximise the Group's share of the value chain, for example our market-leading range of MyFolio risk based funds, used extensively within the long-term savings and investments businesses, remains very popular with AUM of £4.8bn
- Short Duration Credit fund was launched in 2014 to take advantage of investment demand for funds with less vulnerability to a rise in interest rates.

Investing to extend geographical footprint and support future growth

- Maintenance expenses expressed as a proportion of average total AUM were 21bps (FY 2013: 20bps). This reflects the ongoing development of our investment capability and expanding distribution and geographic reach.
- Continued investment to extend our geographical footprint with expansion in Boston and Hong Kong
- Investment in core operational and technology infrastructure to support future growth
- Ongoing management of costs, combined with expansion in revenue margins, has resulted in a 16% compound annual growth in EBITDA over the last seven years.

1.3.3 Canada

Financial highlights

	H1 2014	H1 2013	Movement
Operating profit before tax	**£69m**	£59m	17%
Operating return on equity	**9.5%**	7.5%	2.0% points
Assets under administration	**£28.3bn**	£27.4bn[1]	3%
Net flows	**£257m**	£54m	376%
EEV operating profit after tax[2]	**£112m**	£107m	5%

1 Comparative as at 31 December 2013.
2 EEV operating profit is now disclosed on an after tax basis, comparatives have been restated.

Strategic overview

We continue to help our customers fight financial inertia, look forward to their financial future with confidence and take action. We are growing our fee business by capitalising on opportunities created by current market changes and demographic trends. We continue to position ourselves with innovative retirement and investment solutions as well as exceptional levels of customer service.

We are leveraging our pension expertise to bring employer and individual member solutions through innovation in technology and a comprehensive investment platform. We continue to engage directly with corporate pension members making it easier for them to consolidate their assets on our investment platform. We are meeting the growing needs of customers in Canada to diversify their investment strategies globally by leveraging the expertise and worldwide investment management capabilities of Standard Life Investments. Our highly ranked retail sales team is providing advisers with solutions addressing customer needs for income and security, including through our market-leading retail segregated funds offering. We continue to focus on maximising the value of spread business by improving its profitability, capital allocation efficiency and reducing our risk exposures. Technology is helping us to further improve our customer proposition and achieve greater cost efficiencies in our business.

Market update

Strong upward trends in domestic and international equity markets are encouraging higher equity allocations among investors in Canada and our retail business is well positioned with a complete suite of global and Canadian investment funds and solutions aiming to meet the evolving needs of customers.

The Canadian Government began consultations on potential Target Benefit Pension Plans for federally registered businesses and Crown corporations. The new options would encourage employers to offer employees a workplace pension plan with a predictable pension for retirement. We continue to engage with policy makers and employers to develop propositions that meet our customers needs. We expect that demand for innovative retirement solutions will increase with the continued shift away from defined benefit pension plans, particularly by private sector employers.

Defined benefit plan funding is improving and employers are now in a position to take action aimed at reducing the volatility and risk posed by unfunded liabilities of their plans. In January 2014, the Mercer Pension Health Index confirmed that the solvency ratio was at its highest level since June 2001 due to strong equity returns and rising long-term interest rates. Our business is well placed to meet customer demand for pension de-risking and we have developed solutions and communication tools to facilitate hybrid or full defined benefit to defined contribution transition.

The Canadian federal government has named its first Financial Literacy Leader, a position aimed at helping Canadians to be fully equipped with the knowledge and skills necessary to make responsible financial decisions. We strongly believe that financial literacy is a critical issue that must be tackled on many fronts and we support a variety of financial literacy programs across the country such as Junior Achievement of Canada.

The Canadian Dollar to Sterling average exchange rate at H1 2014 has weakened by 14% since H1 2013, reducing reported sterling operating profit significantly. In addition, the closing rate has weakened by 3% since 2013 impacting AUA.

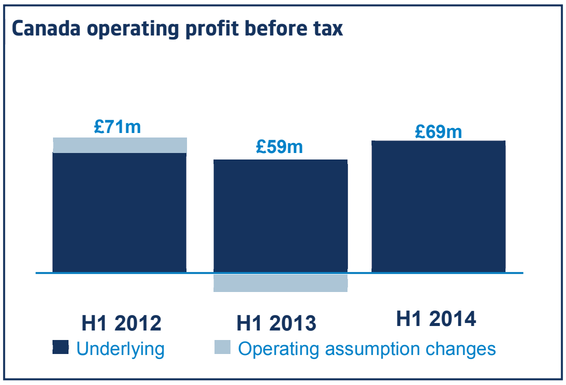
1.3 Business segment performance *continued*

1.3.3 Canada *continued*

Profitability

Operating profit before tax

	H1 2014 £m	H1 2013 £m
Fee based revenue	**99**	95
Spread/risk margin	**103**	114
Total income	**202**	209
Acquisition expenses	**(33)**	(37)
Maintenance expenses	**(108)**	(125)
Capital management	**8**	12
Canada operating profit before tax	**69**	59



Operating profit before tax increased by 17% (37% in constant currency) to £69m (H1 2013: £59m) mainly due to strong fee business contribution. Underlying performance increased by 1% (18% in constant currency) to £69m (H1 2013: £68m).

The key movements in operating profit were:

- **Fee based revenue** increased by 4% (21% in constant currency) to £99m mainly from higher average AUA and new business inflows which offset negative impact of exchange rate movements
- **Spread/risk margin** revenue decreased to £103m due to adverse exchange rate movements. In constant currency, spread/risk margin increased by 4%. Ongoing regular management actions to enhance the investment yields on assets contributed £15m (H1 2013: £20m). H1 2014 had a neutral impact from actuarial reserving changes (H1 2013: loss £9m).
- **Acquisition expenses** decreased by £4m to £33m due to exchange rate movements. On a constant currency basis, acquisition expenses increased by 4% as a result of staff costs inflation and higher sales volumes.
- **Maintenance expenses** decreased by £17m to £108m. On a constant currency basis, maintenance expenses were stable as cost savings initiatives were offset by increased investment to support growth. Maintenance expenses as a proportion of average AUA improved to 84bps (FY 2013: 88bps).
- **Capital management** decreased by £4m due to lower returns following de-risking and lower average corporate surplus assets following the payment of dividends to the holding Company.

Analysis of Canada operating profit before tax

	H1 2014 £m	H1 2013 £m
Underlying Canada performance	**69**	68
Operating assumption and actuarial one off reserving changes (Spread/risk margin)	**-**	(9)
Canada operating profit before tax	**69**	59

EEV operating profit after tax

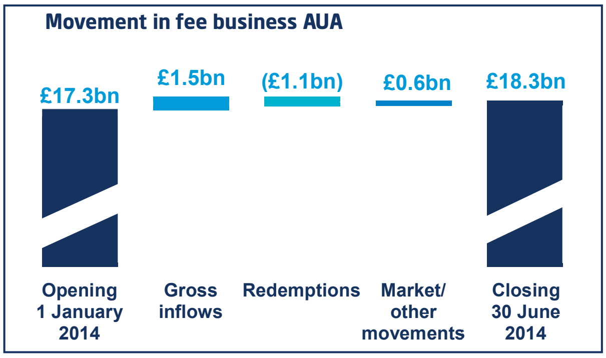
EEV operating profit after tax increased to £112m (H1 2013: £107m) mainly due to favourable expense experience and a decrease in regulatory capital.

Operating return on equity

Operating return on equity increased to 9.5% (H1 2013: 7.5%) reflecting growth in operating profit and a lower capital base.

Assets under administration and net flows

Total AUA increased by 7% in constant currency to £28.3bn reflecting net inflows into our fee propositions and favourable market movements. Fee business AUA increased by 10% in constant currency to £18.3bn benefiting from continued growth in net inflows into retail segregated funds as well as favourable market movements. Net inflows into fee based propositions of £364m were 77% higher in constant currency (H1 2013: £238m), driven by retail segregated funds. Spread/risk AUA increased by 4% in constant currency to £8.5bn as a result of the combination of favourable market movements, partly offset by scheduled annuity payments.



Net flows		H1 2014 £bn	H1 2013 £bn
Corporate pensions fee	F	**0.1**	0.1
Corporate pensions spread/risk	S/R	**(0.1)**	(0.1)
Corporate pensions		**-**	-
Corporate benefits	S/R	**-**	0.1
Retail fee	F	**0.3**	0.1
Retail spread/risk	S/R	**-**	(0.1)
Total Canada		**0.3**	0.1
Fee business		**0.4**	0.2
Spread/risk business		**(0.1)**	(0.1)
Total Canada		**0.3**	0.1

Our business model

We look to further enhance our market position and strengthen our relationships with customers and partners through innovative solutions helping Canadians achieve their long-term savings and investment goals.

Increasing assets with market-leading segregated funds

Corporate

- We have enhanced our Advantage Program to allow members who are no longer with their employer or are retiring to continue to enjoy many benefits of a group retirement plan
- We continue to help our customers transition to retirement with our Member Financial Services Centre showing good traction, with over £110m of net inflows. This dedicated team focuses on delivering retirement income planning services to corporate pension members by proactively contacting members a few years before their planned retirement date.
- We are meeting our customers' needs with the delivery of a new self-serve reporting tool available through our electronic platform. The added capabilities have been well received with 30% average increase in daily report generations.
- We are positioning ourselves to meet the specific needs of small and medium enterprises. Our Pension in a Box proposition, launched at the end of 2013, continues to see good traction, contributing approximately 7% of our corporate pension sales. We are well placed for the first phase of the Voluntary Retirement Savings Plans (VRSPs) that will include mandatory auto enrolment for Quebec-based businesses with more than five employees.
- Our Health Management Solutions roadshow continued to be a good opportunity to further consolidate our leadership position in comprehensive and integrated health provisioning. We also had the chance to showcase our mobile features to our customers.
- We have concluded a strategic alliance with a leading payroll and human resource management services provider to integrate payroll solutions helping small and medium-sized businesses gain easy and efficient access to Pooled Registered Pension Plan and VRSP
- We have added 17 new funds to our Quality and Choice platform to provide customers with a wider choice of fixed income funds to navigate through the expected rising interest rate environment.

Retail

- Our market-leading Canadian retail segregated funds offering have had strong net inflows, increasing 70% in constant currency
- We continue to expand our mutual funds offering with new product launches. In H1 2014, we launched the Emerging Markets Dividend fund and Emerging Markets Debt fund managed by Standard Life Investments.
- The Global Absolute Return Strategies fund was made available for registered retail accounts further helping our customer to diversify their retirement investments
- Global funds managed by Standard Life Investments are helping us re-engage with advisors in the banks advisor channel. As at 30 June 2014, we added 503 new advisors offering their customers Standard Life products.

Maximising revenue by growing fee business and leveraging Standard Life Investments global expertise

- The average revenue yield on our fee business increased to 115bps (FY 2013: 113bps) due to strong new business inflows
- We are securing a greater proportion of the value chain and driving future revenue growth by working closely with Standard Life Investments on distributing global investment products through our retail investment funds offering.

Lowering unit costs by investing in technology to support growth

- Acquisition expenses as a proportion of PVNBP sales improved by 45bps to 218bps (FY 2013: 263bps) due to the impact of higher sales in the period
- We remain committed to providing our customers with high quality services and will continue to invest in technology to position our business to meet future demand.

1.3 Business segment performance *continued*

1.3.4 Asia and Emerging Markets

Financial highlights

	H1 2014	H1 2013	Movement
Operating profit/(loss) before tax	**£6m**	(£1m)	n/a
Operating return on equity	**7.1%**	(1.6%)	8.7% points
Assets under administration	**£2.1bn**	£1.9bn[1]	11%
Net flows	**£151m**	£164m	(8%)
EEV operating profit after tax[2]	**£20m**	£11m	82%

1 Comparative as at 31 December 2013.
2 EEV operating profit is now disclosed on an after tax basis, comparatives have been restated.

Strategic overview

Our Asia and Emerging Markets business consists of wholly owned operations in Hong Kong, Singapore and Dubai, and life joint ventures in India and China.

A key area of focus for the wholly owned business in 2014 is to develop new propositions to meet the needs of our wide range of customers. This requires a refinement of our operational model beyond the current regulatory and market practice and is expected to promote transparency and create a more sustainable business.

The life joint venture business in India, HDFC Life, continues with a strategic focus of meeting the needs of the customer and improving customer experience. In distribution, we continue to strengthen existing relationships while building on the recent growth of alternative channels such as direct and online, in which our joint venture business is a market leader. In China, Heng An Standard Life continues to focus on achieving sustainable growth by offering customers a range of long term assurance solutions and through expanding its targeted distribution channels.

The Asia Advisory Board (AAB) established in 2013, continues to provide guidance and support for all our business across Asia and further opportunities for greater collaboration continue to be explored.

Market update

The economic outlook is positive in Hong Kong, Singapore and Dubai. In Hong Kong, the regulatory landscape continues to evolve and in June 2014, we launched our Harvest Elite product which not only complies with new regulations, but also supports our strategic focus of increasing transparency for our customers.

The Monetary Authority of Singapore (MAS) continues to strengthen the regulatory framework in Singapore and whilst the final requirements following the Financial Advisory Industry Review (FAIR) are still to be announced, we believe our business is well placed to respond. In Dubai, we continue to work with the local regulator to better understand the requirements of new and revised regulations.

The life insurance markets in India and China continue to provide us with attractive opportunities in terms of scale and potential. In India, following the results of the recent elections there is optimism that a stable central government will be able to pursue a shared economic agenda to address India's macroeconomic challenges. This coupled with a growing working population and increasing wealth should continue to drive demand for financial services in India. Also, the life insurance penetration and density rates in India are relatively low and this provides the market with promising growth potential. With HDFC Life's strong market position and brand the management team feel that they are well positioned to benefit from future growth in the insurance market. We continue to monitor developments in respect of foreign direct investment rules in India.

The Chinese economy is showing signs of stabilising after a relatively weak start to the year, a sign that the government's recent policy changes have started to have an impact. The life assurance sector has seen stable growth in premium sales in H1 2014. The local regulator has recently issued guidelines covering investment and bancassurance which are aimed at allowing insurance companies to better manage their risks and enhancing customer protection. Details on new solvency regulations for Chinese insurance companies are expected to be released during the second half of 2014 with the implementation date currently anticipated to be 1 January 2016.

Profitability

Operating profit/(loss) before tax

Operating profit before tax is £6m (H1 2013: loss £1m):

- **Fee based revenue** increased by 7% (16% in constant currency) resulting from growth in new business sales
- Total **expenses** decreased by 3%, however increased by 6% in constant currency reflecting the increased investment in expanding our business into Singapore and Dubai
- The **joint venture businesses'** operating profit increased to £9m (H1 2013: £5m) benefiting from improved underlying performance and including one off items of £3m following modelling changes.

Operating profit/(loss) before tax	H1 2014 £m	H1 2013 £m
Fee based revenue	**29**	27
Acquisition expenses	**(7)**	(10)
Maintenance expenses	**(25)**	(23)
Total wholly owned	**(3)**	(6)
India and China JV businesses	**9**	5
Asia and Emerging Markets operating profit/(loss) before tax	**6**	(1)

EEV operating profit after tax

Total EEV operating profit after tax increased to £20m from £11m in H1 2013. The wholly owned businesses recorded a total EEV operating loss after tax of £3m (H1 2013: loss £3m). EEV operating profit after tax in our joint venture businesses increased to £23m (H1 2013: £14m), including a 27% increase in new business contribution.

Operating return on equity

Operating return on equity for our total Asia and Emerging Markets operations was a positive return of 7.1% (H1 2013: negative return of 1.6%) due to improved operating profit before tax.

Assets under administration and net flows

AUA in the wholly owned businesses increased by 17% in constant currency to £340m, with net inflows increasing to £48m (H1 2013: £39m) driven by increased new business sales.

AUA in the joint venture businesses increased by 13% to £1.8bn (2013: £1.6bn) mainly due to net inflows of £103m (H1 2013: £125m). On a constant currency basis, net inflows in India were broadly in line with H1 2013. In China, net inflows were lower compared to the prior period mainly due to the reduction in sales of low margin single premium business.

Our business model

Increasing assets with enhanced propositions

- In Hong Kong, the Harvest Elite product was launched on 1 June. This further enhances our brand as we continue to deliver more customer focused features supported by our new online goal-based planning tools.
- Following the first anniversary of the opening of our branches in Singapore and Dubai, the asset base continues to grow
- HDFC Life continues to lead the private market in terms of net flows. During the financial year ended 31 March 2014 its net inflows exceeded the six nearest competitors combined. It has also made a strong start to this year ranking number one by gross sales in the private market.

Maximising revenue with growth in new business and continued diversification of revenue

- Revenue for our wholly owned business increased by 7% (16% in constant currency), reflecting strong growth in new business sales, including an increased contribution from Singapore and Dubai
- HDFC Life continues to deliver strong net inflows as it focuses on improving customer experience.

Lowering unit costs with focus on cost efficiencies

- The wholly owned business is now starting to benefit from cost efficiencies following the establishment of the shared function hub in Hong Kong
- HDFC Life's operating expenses as a proportion of premiums received continue to decline and compare favourably among its peer group.

1.4 Principal risks and uncertainties

Our strategic objectives and our performance against them are subject to a number of financial and non-financial risks. The table below sets out the principal risks and uncertainties that affect our business model. Further detail on our risks and our management of these risks is included in Note 3.12 – Risk management.

Find out more about some of the terms used in this report in the glossary.

Our aspirations

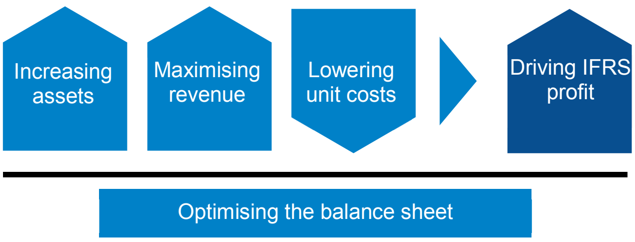
We are in the business of helping our customers to look forward to a well-planned financial future with confidence, through the long-term savings and investments solutions they get from us.

Our goal

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

Our business model

Our strategy is underpinned by a simple business model. Find out more about the strategy of our individual businesses and how they apply our business model in Section 1.3 – Business segment performance.



Group risk strategy

The risk function actively supports the creation of long-term value by ensuring well informed risk-reward decisions are taken in pursuit of the Group's business plan objectives and by ensuring capital is delivered to areas where most value can be created for the risks taken.

Changes in our principal risks and uncertainties

Our principal risks and uncertainties have remained broadly stable during 2014.

Looking ahead we anticipate this trend will continue although increasing regulatory and legislative change may be expected and risks relating to change management are likely to increase reflecting the integration activity that will be undertaken following our acquisition of Ignis Asset Management Limited.

Principal risks and uncertainties	**Adverse fluctuations in financial markets impacts our fee and spread based business and our optimisation of the balance sheet**
Impact	Fee based business – adverse fluctuations in financial markets could cause AUA to decrease in value resulting in reduced fee based revenue. Spread business – adverse fluctuations in financial markets could cause the value of financial assets and financial liabilities in the spread business, or the value of cash flows relating to these, to fluctuate by different amounts. This could result in net losses and an increased capital requirement. The business in Canada is particularly impacted by this risk as there are insufficient long-dated fixed income assets to match the longest dated liabilities. Optimisation of the balance sheet – adverse fluctuations in financial markets could cause a fall in the value of assets held to back shareholders' equity and subordinated debt that has been issued.
Risk mitigation and management	• We continue to employ a combination of cash flow and duration matching techniques when determining the investment portfolio to back liabilities in the spread business. In Canada the focus is on cash flow matching over the short term and duration matching for the longer term. • We also use cash flow matching to manage the mismatch in cash flows between our subordinated debt liabilities and the assets backing them • Hedging is used to reduce our sensitivity to fluctuations in financial markets. This includes managing the level of risk taken within the HWPF in line with Principles and Practices of Financial Management and the need to treat with-profits policyholders fairly, hedging guarantees in our Canadian Segregated Funds and, within certain parameters, reducing currency volatility within the regulatory surplus and the value of dividend receipts from overseas operations.

Counterparty failure impacts our fee and spread based business and our optimisation of the balance sheet	Customer demand for our fee based propositions declines or fails to materialise	Adverse experience regarding our longevity assumptions impacts our spread based business
Fee based business – losses arising from counterparty failure could cause AUA to decrease in value resulting in reduced fee based revenue. Spread business – the business holds cash and cash equivalents, debt securities and commercial mortgages to back liabilities. The business also engages in derivative and reinsurance transactions. This exposes the business to the risk of loss from the failure of one or more of these counterparties. Optimisation of the balance sheet – in optimising the balance sheet, cash is held for liquidity purposes, debt securities are held to back subordinated debt and derivatives are used for hedging purposes. These activities result in exposure to possible losses from counterparty failure.	As a fee based business, increasing AUA is a key component of our business model in order to maximise revenue and drive IFRS profits. This includes assets from retail and workplace customers and institutional clients choosing to place, and keep, their assets with Standard Life. The main impact of customer demand for our propositions declining or failing to materialise would be that AUA in our fee based business decreases, or fails to increase by as much as planned, resulting in reduced fee based revenue.	Annuities are a major component of our spread business and result in risk due to the inherent uncertainties regarding the occurrence, amount and timing of cash flows that are due to our customers. The risk particularly arises where current mortality experience differs from that previously expected, there is more volatility in mortality experience than previously expected or the rate of mortality improvements is greater than expected. Adverse experience in these areas could result in our spread business having larger cash outflows or cash outflows that were not anticipated.
• We manage the risk of loss from money market and derivative counterparties by using internal credit assessments to determine the credit-worthiness of these counterparties • The business uses limits by issuer, sector and credit rating in order to manage the risk of loss from the failure of debt security issuers and commercial mortgage borrowers • Internal credit assessments are also performed for reinsurance counterparties that give rise to material credit exposures to assist in managing the risk of loss from counterparty failure. Counterparty exposures are collateralised where appropriate. • Where appropriate, the Group will additionally seek to overlay restrictions on exposures arising from specific countries that give rise to credit concerns. Such restrictions were implemented in advance of and during the recent global financial crisis.	• We seek to manage the risk that customer demand for our propositions declines or fails to materialise by striving to be a customer focused business providing platforms, business services and investment outsourcing options that are simple, effective and efficient. Standard Life Investments seeks to focus on delivering excellent investment performance across a broad investment spectrum operating through a variety of distribution channels and geographic locations. This helps ensure strong customer demand for our propositions. • The acquisition of Ignis Asset Management Limited announced in March enhances this by deepening the investment capabilities of Standard Life Investments • We carefully monitor customer exits and complaints to understand and address potential drivers for poor persistency.	• We currently have a number of reinsurance arrangements in place which reduce the risk and uncertainty in this area by transferring longevity risk to third party reinsurers • The business also continues to monitor opportunities to implement further reinsurance or capital market transactions to reduce the risk arising in the back-book that has not been reinsured • We monitor emerging research and guidance on longevity, for example from the UK-based Office for National Statistics, the industry-wide Continuous Mortality Investigation and mortality tables produced by the Canadian Institute of Actuaries. This activity allows the business to anticipate developing trends and allows consideration to be given to further back-book management or pricing changes where new business is being written.

1.4 Principal risks and uncertainties *continued*

Principal risks and uncertainties	**Regulatory and legislative changes adversely impact our risk profile and delivery of our strategy**	**Uncertainty for our customers and other stakeholders arising from the forthcoming referendum on Scottish independence impacts our business**
Impact	The Group's businesses are subject to conduct and prudential regulation and the activities of these businesses are subject to legislation. Changes in regulations and legislation may result in the introduction of additional requirements that add to the complexity of our business, increase the cost of meeting additional regulatory demands and require additional capital to be held. Regulatory and legislative changes also have the capacity to impact on our business model through impacting customer demand and preferences for specific propositions, imposing requirements related to our ability to offer certain propositions, the attractiveness of our propositions and the fees we charge our customers for our propositions.	In our 2013 annual report and accounts published on 27 February 2014, Standard Life highlighted a number of material issues which we believed remained uncertain as a result of the Scottish independence referendum which will take place on 18 September 2014. These are material issues which may have implications for our four million UK customers, our shareholders, our people and other stakeholders in our business, and they include: • The currency that an independent Scotland would use • Whether agreement and ratification of an independent Scotland's membership to the European Union would be achieved by the target date (currently 24 March 2016) • The shape and role of the monetary system • The arrangements for financial services regulation and consumer protection in an independent Scotland • The approach to individual taxation, especially around savings and pensions, as a consequence of any constitutional change. We do not believe that further clarity has been provided on any of these issues since our 2013 annual report and accounts was published on 27 February 2014.
Risk mitigation and management	• As part of our emerging risk process, we actively scan the external environment to identify potential sources of regulatory and legislative change amongst other things. Where we identify potential sources of change we assess the situation and seek to manage any risks and maximise opportunities that arise. • This meant that when the charge cap for workplace schemes in the UK was introduced in March, we were well placed to help employers respond as we have been developing our pricing for workplace schemes over a number of years • We aim to mitigate the impact of legislative and regulatory changes by engaging early and constructively in consultations and field testing • Our exposure to the risks and uncertainties arising from the legislative changes announced in the UK Budget affecting annuities is mitigated by our strategic focus on long term savings and investments and our existing propositions which are designed to meet the needs of customers in decumulation.	We are continuing the development of our contingency plans to ensure continuity of our businesses' competitive position and to protect the interests of our customers and other stakeholders.

Failure of a material outsourcing partner increases our cost base and adversely impacts delivery of our strategy	IT security issues, including the results of cyber-attacks, adversely impacts our operational capability and customer confidence	Failure to execute change adversely impacts our risk profile and delivery of our strategy
The Group's business model involves reliance on a number of outsourcing partners for the provision of key services including the outsourcing of certain back office functions related to investment management in the UK. The Group is therefore exposed to the risk that the failure of one or more outsourcing partners results in possible customer or processing disruptions, increased costs from having to perform the activity in-house or in seeking an alternative outsourcing partner to perform the activity. The Group may also suffer delays in establishing the necessary processes to perform the activity in-house or in finding a replacement partner which leads to an inability to conduct business for a period of time.	The systems and processes on which the Group's business model is dependent to serve customers are designed to ensure that the operational risks associated with the Group's activities are appropriately identified and addressed. IT security issues, including the results of cyber-attacks, could still arise and result in the failure of systems and processes. This may lead to the Group incurring increased costs in implementing responses to the IT security issues. In extreme circumstances it is possible that our ability to conduct business may be impacted for a period of time and customer confidence may be damaged.	The Group runs a significant change programme that seeks to ensure we create shareholder value through being a leading, customer centric business focused on long-term savings and investments. It includes change initiatives that are driven by external factors such as customer demand, market conditions, competitor activity and regulatory and legislative changes. Failure to successfully execute change may adversely impact our risk profile, for example through increased costs where changes have been ineffective or inefficient, and may mean we are unable to deliver our strategy.
• The Group outsourcing policy defines the standards that the business must comply with to mitigate the risk of entering into inappropriate outsourced contracts and to implement sufficient controls to ensure risk is managed throughout the lifecycle of the arrangement. As part of the Group policy framework, the business is required to confirm and evidence compliance with the standards contained in this policy on a regular basis. • Policy standards include the requirement to obtain appropriate risk committee approval prior to entering into outsourcing arrangements • The policy also requires that control procedures are in place to identify and monitor any material risk that the Group is exposed to through the outsource service provider, to take into account failure in the provision of the outsourced services and to establish and maintain an exit plan to facilitate transition of the outsourced services back into the business unit or to another provider.	• We have recently implemented a revised Security Operating Model, recognising that our response to security threats continually needs to adapt. The revised Security Operating Model enhances our detection and response capability across the Group. • As new threats are developed by organised crime, hacktivists and others, we act to make sure our security model provides effective defence. For example, we responded to the detection of the Heartbleed virus by immediately mobilising our security teams and assessing our resilience to this threat. • Likewise, as security vendors develop new detective and defensive capability we assess them to see if they meet a need we have • We have increased the level of assurance we have regarding our IT security and our ability to respond to genuine security events through entering into an arrangement with a third party for the provision of a global managed security service.	• We carry out change risk management as part of our operational risk management framework. This provides a robust and established framework under which businesses are required to identify, assess, control and monitor risks associated with change. • Solvency 2 represents one area of change that has required careful management for a number of years. Our change risk management approach in this area means we are now well placed to implement the changes expected to come into force on 1 January 2016. Oversight and management of change risks is provided by the Risk and Capital Committee who receive regular updates on external developments and progress towards Solvency 2 implementation. • The acquisition of Ignis Asset Management Limited is another source of change risk. In order to mitigate this risk, robust governance arrangements have been put in place including a board level committee which provided oversight to the acquisition and continues to provide oversight around the integration.

1.5 Basis of preparation

Overview

Our Strategic report for the period to 30 June 2014 has been prepared in line with the Companies Act 2006 and the Disclosure and Transparency Rules (DTR) issued by the FCA. The DTR incorporates the requirement of the European Union (EU) Transparency Directive for all UK listed companies to report their half year results in accordance with IAS 34 *Interim Financial Reporting*. Under DTR 4.2.7R, the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal risks and uncertainties are detailed in Section 1.4 – Principal risks and uncertainties and Note 41 of the Group's annual report and accounts 2013. Under DTR 4.2.8R the Group is also required to make certain related party disclosures. These are contained in Note 3.16 of the IFRS condensed consolidated financial information. To provide clear and helpful information, we have also considered the voluntary best practice principles of the Reporting statement: Operating and Financial Review (OFR) issued by the Accounting Standards Board (ASB).

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

Going concern

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

IFRS and EEV reporting

The financial results, which are unaudited at the half year, are prepared on both an IFRS basis and an EEV basis. All EU-listed companies are required to prepare consolidated financial statements using IFRS issued by the International Accounting Standards Board (IASB) as endorsed by the EU. EEV measures the net assets of the business plus the present value of future profits expected to arise from in-force long-term life assurance and pensions policies. The IFRS financial results in the Strategic report and in Section 3 have been prepared on the basis of the IFRS accounting policies applied by the Group in the IFRS condensed consolidated financial information section of the annual report and accounts 2013 as amended for new standards effective from 1 January 2014, as described in Note 3.1 – Accounting policies. The EEV basis has been determined in accordance with the EEV Principles and Guidance issued by the Chief Financial Officers (CFO) Forum. The EEV financial results in the Strategic report and in Section 4 have been prepared in accordance with the EEV methodology included in Note 17 to the EEV financial information in the annual report and accounts 2013 and Note 4.1 – Basis of preparation in the half year results 2014.

Group operating profit and EEV operating profit

The H1 2014 reconciliation of consolidated operating profit to IFRS profit for the period, presented in Section 3 of this report, presents profit before tax expense attributable to equity holders adjusted for non-operating items. Further details on the calculation of Group operating profit is presented in the Group accounting policies (jj) – Operating profit in the annual report and accounts 2013. The H1 2014 EEV consolidated income statement in Section 4, presents EEV profit showing both operating and non-operating items. By presenting our results in this way, the Directors believe they are presenting a more meaningful indication of the underlying business performance of the Group.

Forward-looking statements

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

2. Statement of Directors' responsibilities

Each of the Directors, whose names and functions are listed on the Standard Life plc website, **www.standardlife.com**, confirms to the best of his or her knowledge that:

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

As previously announced, Colin Buchan retired as a non-executive Director at the conclusion of the Company's Annual General Meeting on 13 May 2014 and Luke Savage has been appointed as Chief Financial Officer with effect from 18 August 2014.

By order of the Board

Sir Gerry Grimstone
Chairman
5 August 2014

David Nish
Chief Executive
5 August 2014

3. International Financial Reporting Standards (IFRS)
IFRS condensed consolidated income statement
For the six months ended 30 June 2014

	Notes	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Revenue				
Gross earned premium		**2,000**	2,015	4,128
Premium ceded to reinsurers		**(50)**	(44)	(93)
Net earned premium		**1,950**	1,971	4,035
Investment return		**6,314**	6,190	15,593
Fee and commission income		**485**	466	946
Other income		**44**	36	84
Total revenue		**8,793**	8,663	20,658
Expenses				
Claims and benefits paid		**2,718**	3,095	6,278
Claim recoveries from reinsurers		**(283)**	(293)	(583)
Net insurance benefits and claims		**2,435**	2,802	5,695
Change in reinsurance assets and liabilities		**25**	436	683
Change in insurance and participating contract liabilities		**1,903**	(1,370)	(1,320)
Change in unallocated divisible surplus		**4**	(1)	(40)
Change in non-participating investment contract liabilities		**2,484**	5,326	11,892
Expenses under arrangements with reinsurers		**242**	(49)	61
Administrative expenses				
Restructuring and corporate transaction expenses	3.4	**28**	38	75
Other administrative expenses		**846**	847	1,761
Total administrative expenses	3.4	**874**	885	1,836
Change in liability for third party interest in consolidated funds		**338**	319	960
Finance costs		**53**	54	108
Total expenses		**8,358**	8,402	19,875
Share of profit from associates and joint ventures		**17**	23	25
Profit before tax		**452**	284	808
Tax expense attributable to policyholders' returns	3.5	**91**	105	222
Profit before tax expense attributable to equity holders' profits		**361**	179	586
Total tax expense	3.5	**167**	147	312
Less: Tax expense attributable to policyholders' returns	3.5	**(91)**	(105)	(222)
Tax expense attributable to equity holders' profits	3.5	**76**	42	90
Profit for the period		**285**	137	496
Attributable to:				
Equity holders of Standard Life plc		**275**	129	466
Non-controlling interests		**10**	8	30
		285	137	496
Earnings per share				
Basic (pence per share)	3.6	**11.6**	5.5	19.7
Diluted (pence per share)	3.6	**11.5**	5.5	19.6

1 Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of comprehensive income
For the six months ended 30 June 2014

	Notes	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
Profit for the period		**285**	137	496
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement (losses)/gains on defined benefit pension plans		**(14)**	130	101
Revaluation of owner occupied property		**6**	74	68
Equity movements transferred to unallocated divisible surplus		**16**	(47)	(48)
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	3.5	**5**	(13)	(13)
Total items that will not be reclassified subsequently to profit or loss		**13**	144	108
Items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on cash flow hedges		**1**	(1)	-
Net investment hedge		**26**	(8)	63
Fair value gains/(losses) on available-for-sale financial assets		**22**	(27)	(32)
Exchange differences on translating foreign operations		**(77)**	65	(120)
Equity movements transferred to unallocated divisible surplus		**(1)**	(20)	4
Share of other comprehensive income of joint ventures		**2**	1	(3)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	3.5	**(5)**	6	7
Total items that may be reclassified subsequently to profit or loss		**(32)**	16	(81)
Other comprehensive income for the period		**(19)**	160	27
Total comprehensive income for the period		**266**	297	523
Attributable to:				
Equity holders of Standard Life plc		**256**	289	493
Non-controlling interests		**10**	8	30
		266	297	523

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

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

For the six months ended 30 June 2014

	Notes	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
Operating profit before tax				
UK and Europe[1]		**188**	180	375
Standard Life Investments[1]		**104**	95	197
Canada		**69**	59	251
Asia and Emerging Markets		**6**	(1)	(6)
Other		**(28)**	(29)	(66)
Operating profit before tax	3.3	**339**	304	751
Adjusted for the following items:				
Short-term fluctuations in investment return and economic assumption changes		**50**	(90)	(92)
Restructuring and corporate transaction expenses		**(27)**	(36)	(73)
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters		**-**	-	(15)
Other		**(10)**	(3)	(7)
Non-operating profit/(loss) before tax	3.3	**13**	(129)	(187)
Share of joint ventures' and associates' tax expense	3.3	**(1)**	(4)	(8)
Profit attributable to non-controlling interests	3.3	**10**	8	30
Profit before tax expense attributable to equity holders' profits		**361**	179	586
Tax expense attributable to:				
Operating profit	3.3	**(73)**	(66)	(141)
Non-operating items	3.3	**(3)**	24	51
Total tax expense attributable to equity holders' profits		**(76)**	(42)	(90)
Profit for the period		**285**	137	496

1 The split of operating profit before tax for comparative periods presented has been updated to reflect changes in segmental reporting. Refer to Note 3.3 – Segmental analysis (b) Reportable segments – Group operating profit, revenue and asset information.

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

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of financial position
As at 30 June 2014

	Notes	30 June 2014 £m	30 June 2013 restated[1] £m	31 December 2013 restated[1] £m
Assets				
Intangible assets		**299**	220	300
Deferred acquisition costs		**897**	922	905
Investments in associates and joint ventures		**1,885**	2,045	1,784
Investment property	3.12	**9,302**	8,685	8,606
Property, plant and equipment		**206**	227	219
Pension and other post-retirement benefit assets	3.11	**442**	447	432
Deferred tax assets		**91**	144	121
Reinsurance assets		**6,088**	6,490	6,173
Loans	3.12	**2,645**	3,157	2,924
Derivative financial assets	3.12	**2,648**	2,678	1,991
Equity securities and interests in pooled investment funds	3.12	**87,732**	75,587	84,654
Debt securities	3.12	**72,602**	70,734	69,209
Receivables and other financial assets	3.12	**1,891**	4,329	1,107
Other assets		**329**	288	272
Assets held for sale	3.12	**33**	-	121
Cash and cash equivalents	3.12	**9,675**	8,714	10,322
Total assets		**196,765**	184,667	189,140
Equity				
Share capital	3.9(a)	**239**	238	238
Shares held by trusts		**(3)**	(6)	(6)
Share premium reserve		**1,110**	1,110	1,110
Retained earnings		**1,431**	1,189	1,391
Other reserves		**1,468**	1,603	1,494
Equity attributable to equity holders of Standard Life plc		**4,245**	4,134	4,227
Non-controlling interests		**312**	336	333
Total equity		**4,557**	4,470	4,560
Liabilities				
Non-participating insurance contract liabilities	3.10	**29,309**	28,785	28,312
Non-participating investment contract liabilities	3.10	**100,716**	91,606	97,659
Participating contract liabilities	3.10	**30,705**	31,127	30,447
Reinsurance liabilities		**257**	396	316
Deposits received from reinsurers		**5,538**	5,770	5,589
Third party interest in consolidated funds	3.13	**17,994**	14,144	16,058
Borrowings		**136**	224	95
Subordinated liabilities		**1,841**	1,888	1,861
Pension and other post-retirement benefit provisions	3.11	**119**	106	104
Deferred income		**300**	334	316
Deferred tax liabilities		**194**	119	178
Current tax liabilities		**94**	58	55
Derivative financial liabilities		**1,101**	1,399	932
Other financial liabilities		**3,778**	4,122	2,510
Other liabilities		**126**	119	148
Total liabilities		**192,208**	180,197	184,580
Total equity and liabilities		**196,765**	184,667	189,140

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of changes in equity
For the six months ended 30 June 2014

2014	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**238**	**(6)**	**1,110**	**1,391**	**1,494**	**4,227**	**333**	**4,560**
Profit for the period		-	-	-	275	-	275	10	**285**
Other comprehensive income for the period		-	-	-	(7)	(12)	(19)	-	**(19)**
Total comprehensive income for the period		**-**	**-**	**-**	**268**	**(12)**	**256**	**10**	**266**
Distributions to equity holders	3.8	-	-	-	(252)	-	(252)	-	**(252)**
Issue of share capital other than in cash	3.9	1	-	-	-	-	1	-	**1**
Reserves credit for employee share-based payment schemes		-	-	-	-	12	12	-	**12**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	25	(25)	-	-	**-**
Transfer to retained earnings on sale of owner occupied property		-	-	-	4	(4)	-	-	**-**
Shares acquired by employee trusts		-	(2)	-	-	-	(2)	-	**(2)**
Shares distributed by employee trusts		-	5	-	(5)	-	-	-	**-**
Other movements in non-controlling interests in the period		-	-	-	-	-	-	(31)	**(31)**
Aggregate tax effect of items recognised directly in equity	3.5	-	-	-	-	3	3	-	**3**
30 June		**239**	**(3)**	**1,110**	**1,431**	**1,468**	**4,245**	**312**	**4,557**

2013	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**236**	**(7)**	**1,110**	**1,441**	**1,579**	**4,359**	**341**	**4,700**
Profit for the period		-	-	-	129	-	129	8	**137**
Other comprehensive income for the period		-	-	-	124	36	160	-	**160**
Total comprehensive income for the period		**-**	**-**	**-**	**253**	**36**	**289**	**8**	**297**
Distributions to equity holders	3.8	-	-	-	(532)	-	(532)	-	**(532)**
Issue of share capital other than in cash	3.9	2	-	-	-	-	2	-	**2**
Reserves credit for employee share-based payment schemes		-	-	-	-	17	17	-	**17**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	31	(31)	-	-	**-**
Transfer to retained earnings on sale of owner occupied property		-	-	-	-	-	-	-	**-**
Shares acquired by employee trusts		-	(2)	-	-	-	(2)	-	**(2)**
Shares distributed by employee trusts		-	3	-	(4)	-	(1)	-	**(1)**
Other movements in non-controlling interests in the period		-	-	-	-	-	-	(13)	**(13)**
Aggregate tax effect of items recognised directly in equity	3.5	-	-	-	-	2	2	-	**2**
30 June		**238**	**(6)**	**1,110**	**1,189**	**1,603**	**4,134**	**336**	**4,470**

2013	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		**236**	**(7)**	**1,110**	**1,441**	**1,579**	**4,359**	**341**	**4,700**
Profit for the year		-	-	-	466	-	466	30	**496**
Other comprehensive income for the year		-	-	-	90	(63)	27	-	**27**
Total comprehensive income for the year		**-**	**-**	**-**	**556**	**(63)**	**493**	**30**	**523**
Distributions to equity holders	3.8	-	-	-	(636)	(20)	(656)	-	**(656)**
Issue of share capital other than in cash	3.9	2	-	-	-	-	2	-	**2**
Reserves credit for employee share-based payment schemes		-	-	-	-	32	32	-	**32**
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	33	(33)	-	-	**-**
Transfer to retained earnings on sale of owner occupied property		-	-	-	-	-	-	-	**-**
Shares acquired by employee trusts		-	(11)	-	-	-	(11)	-	**(11)**
Shares distributed by employee trusts		-	12	-	(12)	-	-	-	**-**
Other movements in non-controlling interests in the year		-	-	-	-	-	-	(38)	**(38)**
Aggregate tax effect of items recognised directly in equity	3.5	-	-	-	9	(1)	8	-	**8**
31 December		**238**	**(6)**	**1,110**	**1,391**	**1,494**	**4,227**	**333**	**4,560**

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of cash flows
For the six months ended 30 June 2014

	Notes	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Cash flows from operating activities				
Profit before tax		**452**	284	808
Change in operating assets		**(8,646)**	(11,339)	(17,523)
Change in operating liabilities		**6,765**	7,289	13,867
Adjustment for non-cash movements in investment income		**(209)**	(69)	52
Change in unallocated divisible surplus		**4**	(1)	(40)
Non-cash items relating to investing and financing activities		**63**	58	134
Taxation paid		**(139)**	(143)	(197)
Net cash flows from operating activities		**(1,710)**	(3,921)	(2,899)
Cash flows from investing activities				
Purchase of property, plant and equipment		**(3)**	(7)	(17)
Proceeds from sale of property, plant and equipment		**12**	-	-
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		**-**	-	(57)
Acquisition of investments in associates and joint ventures		**(14)**	(19)	(19)
Purchase of intangible assets not acquired through business combinations		**(14)**	(20)	(47)
Net cash flows from investing activities		**(19)**	(46)	(140)
Cash flows from financing activities				
Repayment of other borrowings		**(2)**	(36)	(37)
Capital flows from third party interest in consolidated funds and non-controlling interests		**1,528**	3,155	4,332
Distributions paid to third party interest in consolidated funds and non-controlling interests		**(86)**	(44)	(100)
Shares acquired by trusts		**(2)**	-	(11)
Interest paid		**(56)**	(56)	(112)
Ordinary dividends paid	3.8	**(252)**	(532)	(656)
Net cash flows from financing activities		**1,130**	2,487	3,416
Net (decrease)/increase in cash and cash equivalents		**(599)**	(1,480)	377
Cash and cash equivalents at the beginning of the period		**10,253**	9,889	9,889
Effects of exchange rate changes on cash and cash equivalents		**(92)**	109	(13)
Cash and cash equivalents at the end of the period[2]		**9,562**	8,518	10,253
Supplemental disclosures on cash flows from operating activities				
Interest paid		**6**	5	11
Interest received		**1,085**	1,307	2,626
Dividends received		**1,137**	1,049	2,134
Rental income received on investment properties		**309**	298	591

1 Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

2 Comprises £9,675m (30 June 2013: £8,714m; 31 December 2013: £10,322m) of cash and cash equivalents and (£113m) (30 June 2013: (£196m); 31 December 2013: (£69m)) of overdrafts which are reported in borrowings in the IFRS condensed consolidated statement of financial position.

The Notes on pages 43 to 76 are an integral part of this IFRS condensed consolidated financial information.

Notes to the IFRS condensed consolidated financial information

3.1 Accounting policies

(a) Basis of preparation

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

The accounting policies for recognition, measurement, consolidation and presentation as set out in the Group's annual report and accounts for the year ended 31 December 2013 have been applied in the preparation of the IFRS condensed consolidated half year financial information except as noted below.

(a)(i) New standards, interpretations and amendments to existing standards that have been adopted by the Group

The Group has adopted the following new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2014 unless otherwise stated. The Group's accounting policies have been updated to reflect these.

IFRS 10 *Consolidated Financial Statements* and amendments to IAS 27 *Separate Financial Statements*
IFRS 10 introduces a single consolidation model to be applied to all entities and replaces previous requirements on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements* and Standing Interpretations Committee (SIC) 12 *Consolidation – Special Purpose Entities*. IFRS 10 defines control, determines how to identify if an investor controls an investee and requires an investor to consolidate entities it controls under the new standard. IFRS 10 identifies three elements, all of which must be present for an investor to control an investee, which are as follows:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use that power over the investee to affect the amount of the returns.

The standard has been adopted retrospectively subject to the transition guidance which permits retrospective application only in circumstances when the outcome of the control assessment for individual entities at the date of initial application differs from the outcome under the previous accounting policy. The date of initial application for the Group's financial statements is 1 January 2014.

The application of IFRS 10 has resulted in the consolidation of entities which were previously out of scope of consolidation. The impact of IFRS 10 on the IFRS condensed consolidated income statement and the IFRS condensed consolidated statement of financial position for comparative periods presented is shown in the tables in (a)(ii).

IFRS 11 *Joint Arrangements*
IFRS 11 defines and establishes accounting principles for joint arrangements and replaces previous requirements in IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The standard distinguishes between two types of joint arrangements – joint ventures and joint operations – based on how rights and obligations are shared by the parties to the arrangement. Joint operators should recognise their share of the assets, liabilities, revenue and expenses of the interest in accordance with applicable IFRSs. Joint venturers should apply the equity method of accounting prescribed in IAS 28 *Investments in Associates and Joint Ventures* 2011 to account for their interest. The adoption of IFRS 11 has resulted in six entities which were previously classified as jointly controlled entities under IAS 31 being classified as joint operations. As a result the Group's share of these entities' assets, liabilities, revenues and expenses are now recognised in accordance with applicable IFRS. The standard has been applied retrospectively and the impact on the IFRS condensed consolidated income statement and the IFRS condensed consolidated statement of financial position for comparative periods presented is shown in the tables in (a)(ii).

IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 12 is a single disclosure standard which applies to all entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information to enable users of the financial statements to evaluate the nature, risks and financial effects associated with interests in other entities. The required disclosures are grouped into the following main categories:

- Significant judgements and assumptions
- Interests in subsidiaries
- Interests in joint arrangements and associates
- Interests in unconsolidated structured entities.

The new disclosures are not required under IAS 34 *Interim Reporting* and therefore the adoption of IFRS 12 has had no impact on the IFRS condensed consolidated half year financial information. The required disclosures will be presented in the Group's annual report and accounts for the year ended 31 December 2014.

3.1 Accounting policies *continued*

(a) Basis of preparation *continued*

(a)(i) New standards, interpretations and amendments to existing standards that have been adopted by the Group *continued*

IAS 28 *Investments in Associates and Joint Ventures* (2011)
As noted above IAS 28 (2011) is revised to include joint ventures as well as associates. Additionally, the scope exception within IAS 28 for investments in associates held by venture capital organisations, or mutual funds, unit trusts and similar entities, including investment linked insurance funds, has been removed and as a result the scope of the standard has been widened to include all investments in any entity over which the Group has significant influence. The standard has been revised to allow an entity to elect to measure an investment in associate at fair value through profit or loss (FVTPL) where that investment is held by, or indirectly through, venture capital organisations, or mutual funds, unit trusts and similar entities, including investment linked insurance funds.

The impact of the adoption of IAS 28 (2011) is that a number of equity investments in entities over which the Group has significant influence which were previously out of scope of IAS 28 have now been brought into scope resulting in the reclassification of these investments as investments in associates. Where the FVTPL election is available the Group has continued to measure these investments at FVTPL. All other investments in associates are measured using the equity method. The standard has been applied retrospectively and the impact on the IFRS condensed consolidated income statement and the IFRS condensed consolidated statement of financial position for comparative periods presented is shown in the tables in (a)(ii) below.

Additionally the Group has adopted the following amendments to existing standards which are effective by EU endorsement from 1 January 2014 and management considers the implementation of these amendments has had no significant impact on the Group's financial statements:

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*
- Amendments to IAS 32 *Financial Instruments: Presentation*
- Amendments to IAS 36 *Impairment of Assets.*

The Group has not adopted International Financial Reporting Interpretations Committee (IFRIC) Interpretation 21 *Levies* as it has been endorsed in the EU for annual periods beginning on or after 17 June 2014. The adoption of the IFRIC is not expected to have a significant impact on the consolidated financial statements of the Group.

(a)(ii) Impact of retrospective application of new standards, interpretations and amendments to published standards

The following tables show the impact of the accounting policy changes as a result of the adoption of IFRS 10, IFRS 11 and IAS 28 (2011) on the income statement for the six months ended 30 June 2013 and the 12 months ended 31 December 2013.

6 months 2013	As reported previously £m	Effect of IFRS 10 £m	Effect of IFRS 11 £m	Effect of IAS 28 (2011) £m	Restated £m
Total revenue	**8,687**	**(27)**	**3**	**-**	**8,663**
Effect of restatement analysed as:					
Investment return	6,207	(20)	3	-	6,190
Fee and commission income	473	(7)	-	-	466
Total expenses	**8,429**	**(30)**	**3**	**-**	**8,402**
Effect of restatement analysed as:					
Administrative expenses	879	3	3	-	885
Change in liability for third party interest in consolidated funds	352	(33)	-	-	319
Share of profit from associates and joint ventures	**23**	**-**	**-**	**-**	**23**
Profit before tax	**281**	**3**	**-**	**-**	**284**
Total tax expense	**144**	**3**	**-**	**-**	**147**
Effect of restatement analysed as:					
Tax expense attributable to policyholders' returns	102	3	-	-	105
Profit for the period	**137**	**-**	**-**	**-**	**137**
Other comprehensive income for the period	**160**	**-**	**-**	**-**	**160**
Total comprehensive income for the period	**297**	**-**	**-**	**-**	**297**
Attributable to:					
Equity holders of Standard Life plc	289	-	-	-	289
Non-controlling interests	8	-	-	-	8

Full year 2013	As reported previously £m	Effect of IFRS 10 £m	Effect of IFRS 11 £m	Effect of IAS 28 (2011) £m	Restated £m
Total revenue	**20,545**	**110**	**3**	**-**	**20,658**
Effect of restatement analysed as:					
Investment return	15,449	141	3	-	15,593
Fee and commission income	977	(31)	-	-	946
Total expenses	**19,769**	**103**	**3**	**-**	**19,875**
Effect of restatement analysed as:					
Administrative expenses	1,825	8	3	-	1,836
Change in liability for third party interest in consolidated funds	865	95	-	-	960
Share of profit from associates and joint ventures	**25**	**-**	**-**	**-**	**25**
Profit before tax	**801**	**7**	**-**	**-**	**808**
Total tax expense	**305**	**7**	**-**	**-**	**312**
Effect of restatement analysed as:					
Tax expense attributable to policyholders' returns	215	7	-	-	222
Profit for the period	**496**	**-**	**-**	**-**	**496**
Other comprehensive income for the period	**27**	**-**	**-**	**-**	**27**
Total comprehensive income for the period	**523**	**-**	**-**	**-**	**523**
Attributable to:					
Equity holders of Standard Life plc	493	-	-	-	493
Non-controlling interests	30	-	-	-	30

The following tables show the impact of the accounting policy changes as a result of the adoption of IFRS 10, IFRS 11 and IAS 28 (2011) on the statement of financial position for the six months ended 30 June 2013 and the 12 months ended 31 December 2013.

At 30 June 2013	As reported previously £m	Effect of IFRS 10 £m	Effect of IFRS 11 £m	Effect of IAS 28 (2011) £m	Restated £m
Total assets	**180,351**	**4,315**	**1**	**-**	**184,667**
Effect of restatement analysed as:					
Investment in associates and joint ventures	360	-	(64)	1,749	2,045
Investment property	8,623	-	62	-	8,685
Derivative financial assets	2,358	320	-	-	2,678
Equity securities and interests in pooled investment funds	81,725	(4,389)	-	(1,749)	75,587
Debt securities	63,691	7,043	-	-	70,734
Receivables and other financial assets	3,886	443	-	-	4,329
Other assets	285	2	1	-	288
Cash and cash equivalents	7,816	896	2	-	8,714
Total equity	**4,470**	**-**	**-**	**-**	**4,470**
Total liabilities	**175,881**	**4,315**	**1**	**-**	**180,197**
Effect of restatement analysed as:					
Third party interest in consolidated funds	10,364	3,780	-	-	14,144
Borrowings	218	6	-	-	224
Derivative financial liabilities	1,185	214	-	-	1,399
Other financial liabilities	3,806	315	1	-	4,122

3.1 Accounting policies *continued*

(a) Basis of preparation *continued*

(ii) Impact of retrospective application of new standards, interpretations and amendments to published standards *continued*

At 31 December 2013	As reported previously £m	Effect of IFRS 10 £m	Effect of IFRS 11 £m	Effect of IAS 28 (2011) £m	Restated £m
Total assets	**184,605**	**4,528**	**7**	**-**	**189,140**
Effect of restatement analysed as:					
Investment in associates and joint ventures	328	-	(60)	1,516	1,784
Investment property	8,545	-	61	-	8,606
Derivative financial assets	1,767	224	-	-	1,991
Equity securities and interests in pooled investment funds	90,316	(4,146)	-	(1,516)	84,654
Debt securities	62,039	7,170	-	-	69,209
Receivables and other financial assets	1,042	65	-	-	1,107
Other assets	269	2	1	-	272
Cash and cash equivalents	9,104	1,213	5	-	10,322
Total equity	**4,560**	**-**	**-**	**-**	**4,560**
Total liabilities	**180,045**	**4,528**	**7**	**-**	**184,580**
Effect of restatement analysed as:					
Third party interest in consolidated funds	11,803	4,255	-	-	16,058
Borrowings	95	-	-	-	95
Derivative financial liabilities	795	137	-	-	932
Other financial liabilities	2,367	136	7	-	2,510

In addition to the above, the Group has restated comparative periods presented in the cash flow statement. The overall impact is a decrease in net cash flows from operating activities for the six months ended 30 June 2013 of £636m and the 12 months ended 31 December 2013 of £612m, and an increase in net cash flows from financing activities for the six months ended 30 June 2013 of £1,500m and the 12 months ended 31 December 2013 of £1,832m. There was no impact on cash flows from investing activities.

(b) IFRS condensed consolidated half year financial information

This IFRS condensed consolidated half year financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2013 were approved by the Board of Directors on 27 February 2014 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. This IFRS condensed consolidated half year financial information has been reviewed, not audited.

3.2 Business combinations

On 27 September 2013, Standard Life Wealth Limited (SLW), a wholly owned subsidiary of the Company, acquired the private client division of Newton Management Limited. The consideration transferred of £76m included £31m of contingent consideration, of which a liability with a fair value of £15m remained at 31 December 2013. The liability was settled in full in the six months to 30 June 2014 by a cash payment of £14m. The movement in fair value of £1m has been included in other income in the IFRS condensed consolidated income statement.

3.3 Segmental analysis

(a) Basis of segmentation

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

UK and Europe
UK and Europe provide a broad range of long-term savings and investment products to individual and corporate customers in the UK, Germany, Austria and Ireland.

Standard Life Investments
Standard Life Investments provides a range of investment products for individual, institutional and private clients through a number of different investment vehicles. Investment management services are also provided by Standard Life Investments to the Group's other reportable segments. This segment includes the Group's share of the results of HDFC Asset Management Company Limited.

Canada
The operations in Canada provide long-term savings, investments and insurance solutions to individuals, and group benefit and retirement plan members.

Asia and Emerging Markets
The businesses included in Asia and Emerging Markets offer a range of savings and investment products and comprise wholly owned operations in Hong Kong, Singapore and Dubai and investments in joint ventures in India and China.

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

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

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

The key performance metrics of the Group include operating profit and assets under administration (AUA), which are analysed in the tables that follow by reportable segment.

In November 2013, the Group announced that the results of Standard Life Wealth Limited (SLW) would be managed and reported as part of the Standard Life Investments segment from 1 January 2014. As a consequence, the results of SLW are now presented within the Standard Life Investments segment. Previously this business was managed as part of the UK and Europe segment. Comparative amounts for 30 June 2013 and 31 December 2013 have been prepared on the same basis to allow more meaningful comparison.

3.3 Segmental analysis *continued*

(b) Reportable segments - Group operating profit, revenue and asset information *continued*

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

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

6 months 2014	Notes	UK and Europe[1] £m	Standard Life Investments[1] £m	Canada £m	Asia and Emerging Markets £m	Other £m	Elimination £m	Total £m
Fee based revenue		449	303	99	29	-	(122)	**758**
Spread/risk margin		79	-	103	-	-	-	**182**
Total income		**528**	**303**	**202**	**29**	**-**	**(122)**	**940**
Acquisition expenses		(109)	-	(33)	(7)	-	-	**(149)**
Maintenance expenses		(232)	(210)	(108)	(25)	-	122	**(453)**
Group corporate centre costs		-	-	-	-	(23)	-	**(23)**
Capital management		1	-	8	-	(5)	-	**4**
Share of joint ventures' and associates' profit before tax[2]		-	11	-	9	-	-	**20**
Operating profit/(loss) before tax		**188**	**104**	**69**	**6**	**(28)**	**-**	**339**
Tax on operating profit		(31)	(21)	(17)	-	(4)	-	**(73)**
Share of joint ventures' and associates' tax expense	3.5	-	(3)	-	2	-	-	**(1)**
Operating profit/(loss) after tax		**157**	**80**	**52**	**8**	**(32)**	**-**	**265**
Adjusted for the following items:								
Short-term fluctuations in investment return and economic assumption changes	3.7	6	1	50	(1)	(6)	-	**50**
Restructuring and corporate transaction expenses		(21)	(4)	(1)	-	(1)	-	**(27)**
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters	3.7	-	-	-	-	-	-	**-**
Other		(9)	-	-	-	(1)	-	**(10)**
Total non-operating items		**(24)**	**(3)**	**49**	**(1)**	**(8)**	**-**	**13**
Tax on non-operating items		10	-	(14)	-	1	-	**(3)**
Profit for the period attributable to equity holders of Standard Life plc		**143**	**77**	**87**	**7**	**(39)**	**-**	**275**
Profit attributable to non-controlling interests								**10**
Profit for the period								**285**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
2 Share of joint ventures' and associates' profit before tax primarily comprises the Group's share of results of HDFC Standard Life Insurance Company Limited, Heng An Standard Life Insurance Company Limited and HDFC Asset Management Company Limited.

Each operating segment reports total income as its measure of revenue in its analysis of operating profit. Fee based revenue consists of income generated primarily from asset management charges, premium based charges and transactional charges. Spread/risk margin reflects the margin earned on spread/risk business and includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes.

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

6 months 2013	Notes	UK and Europe[1] £m	Standard Life Investments[1] £m	Canada £m	Asia and Emerging Markets £m	Other £m	Elimination £m	Total £m
Fee based revenue		431	252	95	27	-	(111)	**694**
Spread/risk margin		83	-	114	-	-	-	**197**
Total income		**514**	**252**	**209**	**27**	**-**	**(111)**	**891**
Acquisition expenses		(108)	-	(37)	(10)	-	-	**(155)**
Maintenance expenses		(223)	(170)	(125)	(23)	-	111	**(430)**
Group corporate centre costs		-	-	-	-	(23)	-	**(23)**
Capital management		(3)	-	12	-	(6)	-	**3**
Share of joint ventures' and associates' profit before tax[2]		-	13	-	5	-	-	**18**
Operating profit/(loss) before tax		**180**	**95**	**59**	**(1)**	**(29)**	**-**	**304**
Tax on operating profit		(39)	(21)	(4)	-	(2)	-	**(66)**
Share of joint ventures' and associates' tax expense	3.5	-	(3)	(1)	-	-	-	**(4)**
Operating profit/(loss) after tax		**141**	**71**	**54**	**(1)**	**(31)**	**-**	**234**
Adjusted for the following items:								
Short-term fluctuations in investment return and economic assumption changes	3.7	(51)	1	(32)	(2)	(6)	-	**(90)**
Restructuring and corporate transaction expenses		(25)	(3)	(1)	(3)	(4)	-	**(36)**
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters	3.7	-	-	-	-	-	-	**-**
Other		(3)	-	-	-	-	-	**(3)**
Total non-operating items		**(79)**	**(2)**	**(33)**	**(5)**	**(10)**	**-**	**(129)**
Tax on non-operating items		12	-	9	1	2	-	**24**
Profit for the period attributable to equity holders of Standard Life plc		**74**	**69**	**30**	**(5)**	**(39)**	**-**	**129**
Profit attributable to non-controlling interests								**8**
Profit for the period								**137**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.

2 Share of joint ventures' and associates' profit before tax primarily comprises the Group's share of results of HDFC Standard Life Insurance Company Limited, Heng An Standard Life Insurance Company Limited and HDFC Asset Management Company Limited.

3.3 Segmental analysis *continued*

(b) Reportable segments - Group operating profit, revenue and asset information *continued*

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

Full year 2013	Notes	UK and Europe[1] £m	Standard Life Investments[1] £m	Canada £m	Asia and Emerging Markets £m	Other £m	Elimination £m	Total £m
Fee based revenue		906	542	194	54	-	(237)	**1,459**
Spread/risk margin		162	-	351	-	-	-	**513**
Total income		**1,068**	**542**	**545**	**54**	**-**	**(237)**	**1,972**
Acquisition expenses		(227)	-	(76)	(22)	-	-	**(325)**
Maintenance expenses		(469)	(367)	(234)	(43)	-	237	**(876)**
Group corporate centre costs		-	-	-	-	(53)	-	**(53)**
Capital management		3	-	16	-	(13)	-	**6**
Share of joint ventures' and associates' profit before tax[2]		-	22	-	5	-	-	**27**
Operating profit/(loss) before tax		**375**	**197**	**251**	**(6)**	**(66)**	**-**	**751**
Tax on operating profit		(47)	(41)	(50)	-	(3)	-	**(141)**
Share of joint ventures' and associates' tax expense	3.5	-	(7)	(1)	-	-	-	**(8)**
Operating profit/(loss) after tax		**328**	**149**	**200**	**(6)**	**(69)**	**-**	**602**
Adjusted for the following items:								
Short-term fluctuations in investment return and economic assumption changes	3.7	(11)	1	(70)	(2)	(10)	-	**(92)**
Restructuring and corporate transaction expenses		(48)	(13)	(2)	(5)	(5)	-	**(73)**
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters	3.7	-	-	(15)	-	-	-	**(15)**
Other		(5)	-	-	-	(2)	-	**(7)**
Total non-operating items		**(64)**	**(12)**	**(87)**	**(7)**	**(17)**	**-**	**(187)**
Tax on non-operating items		12	2	32	1	4	-	**51**
Profit for the year attributable to equity holders of Standard Life plc		**276**	**139**	**145**	**(12)**	**(82)**	**-**	**466**
Profit attributable to non-controlling interests								**30**
Profit for the year								**496**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.

2 Share of joint ventures' and associates' profit before tax primarily comprises the Group's share of results of HDFC Standard Life Insurance Company Limited, Heng An Standard Life Insurance Company Limited and HDFC Asset Management Company Limited.

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

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

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

30 June 2014	UK and Europe[1] £bn	Standard Life Investments[1] £bn	Canada £bn	Asia and Emerging Markets £bn	Other £bn	Elimination[2] £bn	Total £bn
Fee based	146	108	18	-	-	(53)	**219**
Spread/risk	15	-	9	-	-	-	**24**
Assets not backing products in long-term savings business	6	-	1	-	-	-	**7**
Joint ventures	-	-	-	2	-	-	**2**
Other corporate assets	-	1	-	-	1	-	**2**
Total assets under administration	**167**	**109**	**28**	**2**	**1**	**(53)**	**254**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
2 In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments AUA and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

30 June 2013	UK and Europe[1] £bn	Standard Life Investments[1] £bn	Canada £bn	Asia and Emerging Markets £bn	Other £bn	Elimination[2] £bn	Total £bn
Fee based	132	95	17	-	-	(48)	**196**
Spread/risk	15	-	10	-	-	-	**25**
Assets not backing products in long-term savings business	6	-	2	-	-	-	**8**
Joint ventures	-	-	-	2	-	-	**2**
Other corporate assets	-	1	-	-	1	-	**2**
Total assets under administration	**153**	**96**	**29**	**2**	**1**	**(48)**	**233**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
2 In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments AUA and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

31 December 2013	UK and Europe[1] £bn	Standard Life Investments[1] £bn	Canada £bn	Asia and Emerging Markets £bn	Other £bn	Elimination[2] £bn	Total £bn
Fee based	141	102	17	-	-	(50)	**210**
Spread/risk	15	-	8	-	-	-	**23**
Assets not backing products in long-term savings business	6	-	2	-	-	-	**8**
Joint ventures	-	-	-	2	-	-	**2**
Other corporate assets	-	1	-	-	1	(1)	**1**
Total assets under administration	**162**	**103**	**27**	**2**	**1**	**(51)**	**244**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK and Europe. Comparatives have been restated.
2 In order to be consistent with the presentation of new business information, certain products are included in both Standard Life Investments AUA and other segments. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments.

3.3 Segmental analysis *continued*

(c) Total revenue by geographical location

Total revenue as presented in the IFRS condensed consolidated income statement split by geographical location in which it was earned is as follows:

	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
UK	**4,320**	6,504	14,543
Canada	**2,625**	1,307	3,834
Rest of the world	**1,848**	852	2,281
Total	**8,793**	8,663	20,658

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

3.4 Administrative expenses

	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Restructuring and corporate transaction expenses	**28**	38	75
Interest expense	**8**	7	16
Commission expenses	**178**	184	381
Staff costs and other employee-related costs	**339**	328	679
Other administrative expenses	**330**	325	693
	883	882	1,844
Acquisition costs deferred during the period	**(90)**	(76)	(165)
Impairment of deferred acquisition costs	**-**	4	6
Amortisation of deferred acquisition costs	**81**	75	151
Total administrative expenses	**874**	885	1,836

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

Total restructuring costs incurred during the period of £28m (six months ended 30 June 2013: £38m; 12 months ended 31 December 2013: £75m), includes £4m (six months ended 30 June 2013: £3m; 12 months ended 31 December 2013: £11m) in respect of acquisitions as discussed in Note 3.2 – Business combinations and Note 3.17 – Events after the reporting period. The remaining costs relate to a number of business unit restructuring programmes. Of the restructuring costs, £27m (six months ended 30 June 2013: £36m; 12 months ended 31 December 2013: £73m) is adjusted when determining operating profit before tax, with the remaining £1m (six months ended 30 June 2013: £2m; 12 months ended 31 December 2013: £2m) incurred by the Heritage With Profits Fund.

In addition to interest expense of £8m (six months ended 30 June 2013: £7m; 12 months ended 31 December 2013: £16m), there was interest expense of £53m (six months ended 30 June 2013: £54m; 12 months ended 31 December 2013: £108m) incurred in respect of subordinated liabilities and £15m (six months ended 30 June 2013: £17m; 12 months ended 31 December 2013: £33m) in respect of deposits from reinsurers. For the six months ended 30 June 2014, total interest expense is £76m (six months ended 30 June 2013: £78m; 12 months ended 31 December 2013: £157m).

3.5 Tax expense

The tax expense is attributed as follows:

	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Tax expense attributable to policyholders' returns	**91**	105	222
Tax expense attributable to equity holders' profits	**76**	42	90
Total tax expense	**167**	147	312

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's UK profit for this accounting period was subject to a rate of 21.5% (six months ended 30 June 2013: 23.25%; 12 months ended 31 December 2013: 23.25%). The Finance Act 2013 further reduced the UK corporation tax rate to 20% with effect from 1 April 2015. These rates have been applied in calculating the UK deferred tax position at 30 June 2014.

The share of tax of associates and joint ventures is £1m (six months ended 30 June 2013: £4m; 12 months ended 31 December 2013: £8m) and is included in profit before tax in the IFRS condensed consolidated income statement in Share of profit from associates and joint ventures.

The total tax expense is split as follows:

	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Current tax:			
UK	**104**	63	148
Overseas	**19**	15	36
Adjustment to tax expense in respect of prior years	**(2)**	(27)	(42)
Total current tax	**121**	51	142
Deferred tax:			
Deferred tax expense arising from the current periods	**46**	96	170
Total deferred tax	**46**	96	170
Total tax expense attributable to operations	**167**	147	312
Attributable to equity holders' profits	**76**	42	90

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

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

	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
Deferred tax (credit)/charge on remeasurement of defined benefit pension plans	**(5)**	7	8
Deferred tax on revaluation of owner occupied property	**-**	6	5
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	**(5)**	13	13
Current tax on net change in financial assets designated as available-for-sale	**5**	(6)	(7)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	**5**	(6)	(7)
Tax relating to each component of other comprehensive income	**-**	7	6

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

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

	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
Tax credit on reserves for employee share-based payments	**(3)**	(2)	(8)
Tax relating to items taken directly to equity	**(3)**	(2)	(8)

3.6 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the 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 2014	6 months 2013	Full year 2013
Profit attributable to equity holders of Standard Life plc (£m)	**275**	129	466
Weighted average number of ordinary shares outstanding (millions)	**2,379**	2,355	2,362
Basic earnings per share (pence per share)	**11.6**	5.5	19.7

(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 be 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 could be issued, or purchased, assuming the exercise of the share options.

	6 months 2014	6 months 2013	Full year 2013
Profit attributable to equity holders of Standard Life plc (£m)	**275**	129	466
Weighted average number of ordinary shares outstanding for diluted earnings per share (millions)	**2,384**	2,359	2,378
Diluted earnings per share (pence per share)	**11.5**	5.5	19.6

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 2013: four million; 12 months ended 31 December 2013: 16 million).

(c) Alternative earnings per share

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

(c)(i) Basic alternative earnings per share

	6 months 2014 £m	6 months 2014 p per share	6 months 2013 £m	6 months 2013 p per share	Full year 2013 £m	Full year 2013 p per share
Operating profit before tax	**339**	**14.2**	304	12.9	751	31.8
Tax on operating profit	**(73)**	**(3.1)**	(66)	(2.8)	(141)	(6.0)
Share of joint ventures' and associates' tax expense	**(1)**	**-**	(4)	(0.2)	(8)	(0.3)
Operating profit after tax	**265**	**11.1**	234	9.9	602	25.5
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	**50**	**2.1**	(90)	(3.9)	(92)	(4.0)
Restructuring and corporate transaction expenses	**(27)**	**(1.2)**	(36)	(1.5)	(73)	(3.1)
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters	**-**	**-**	-	-	(15)	(0.6)
Other	**(10)**	**(0.4)**	(3)	(0.1)	(7)	(0.3)
Total non-operating items	**13**	**0.5**	(129)	(5.5)	(187)	(8.0)
Tax on non-operating items	**(3)**	**-**	24	1.1	51	2.2
Profit attributable to equity holders of Standard Life plc	**275**	**11.6**	129	5.5	466	19.7

(c)(ii) Diluted alternative earnings per share

	6 months 2014 £m	6 months 2014 p per share	6 months 2013 £m	6 months 2013 p per share	Full year 2013 £m	Full year 2013 p per share
Operating profit before tax	**339**	**14.2**	304	12.9	751	31.6
Tax on operating profit	**(73)**	**(3.1)**	(66)	(2.8)	(141)	(6.0)
Share of joint ventures' and associates' tax expense	**(1)**	**-**	(4)	(0.2)	(8)	(0.3)
Operating profit after tax	**265**	**11.1**	234	9.9	602	25.3
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	**50**	**2.0**	(90)	(3.9)	(92)	(3.9)
Restructuring and corporate transaction expenses	**(27)**	**(1.2)**	(36)	(1.5)	(73)	(3.1)
Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters	**-**	**-**	-	-	(15)	(0.6)
Other	**(10)**	**(0.4)**	(3)	(0.1)	(7)	(0.3)
Total non-operating items	**13**	**0.4**	(129)	(5.5)	(187)	(7.9)
Tax on non-operating items	**(3)**	**-**	24	1.1	51	2.2
Profit attributable to equity holders of Standard Life plc	**275**	**11.5**	129	5.5	466	19.6

3.7 Non-operating items

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

Operating profit is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from operating profit and are presented within profit before tax. 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.

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

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

	2014		2013	
	UK %	**Canada %**	UK %	Canada %
Equity securities	**6.01**	**8.60**	4.74	8.60
Property	**5.01**	**8.60**	3.74	8.60

In respect of debt securities at fair value through profit or loss, 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. For debt securities classified as available-for-sale that support liabilities measured at amortised cost, the expected rate of return is the effective interest rate adjusted for an allowance, established at initial recognition, for expected defaults. If debt securities classified as available-for-sale are sold, any gain or loss is amortised within the expected return over the period to the earlier of the maturity date of the sold debt security, or the redemption date of the supported liability.

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.

For the six months ended 30 June 2014, short-term fluctuations in investment return and economic assumption changes resulted in gains of £50m (six months ended 30 June 2013: losses of £90m; 12 months ended 31 December 2013: losses of £92m). Short-term fluctuations in investment return relate principally to the investment volatility in Canada non-segregated funds and UK annuities, and in respect of the Group's subordinated liabilities, and assets backing those liabilities.

Changes in Canada insurance contract liabilities due to resolution of prior years' tax matters
The Group's Canada insurance contract liabilities are measured according to the Canadian Asset Liability Method (CALM). That valuation includes an allowance for the difference between the undiscounted deferred taxes recognised under IAS 12 *Income Taxes* relating directly to the insurance contract liabilities and the discounted value of those deferred taxes.

Hence when management or the Canadian tax authorities successfully challenge a historic tax position which results in a change in the difference between the undiscounted and discounted deferred taxes relating directly to the tax treatment of insurance contract liabilities, a change in insurance contract liabilities is recognised in the IFRS condensed consolidated income statement thus impacting profit before tax. This change in insurance contract liabilities is removed when determining operating profit before tax. As this amount unwinds under CALM in future years, the associated change in insurance contract liabilities is also excluded from operating profit before tax.

Normal finalisation of prior years' tax charges are not excluded from operating profit where they are routine and part of normal operations.

3.8 Dividends

Subsequent to 30 June 2014, the Directors have proposed an interim dividend for 2014 of 5.60 pence per ordinary share (interim 2013: 5.22 pence), an estimated £134m in total (interim 2013: £124m). The dividend will be paid on 21 October 2014. This dividend will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2014. During the six months ended 30 June 2014 a final dividend for the year ended 31 December 2013 of 10.58 pence per ordinary share (final 2012: 9.80 pence) totalling £252m (final 2012: £230m) was paid. The Company also paid a special dividend of 12.80 pence per share totalling £302m in respect of the year ended 31 December 2012 on 21 May 2013.

3.9 Issued share capital and shares held by trusts

(a) Issued share capital

The movement in the issued ordinary share capital of the Company was:

Issued shares of 10p each fully paid	6 months 2014 Number	6 months 2014 £m	6 months 2013 Number	6 months 2013 £m	Full year 2013 Number	Full year 2013 £m
At start of period	**2,376,616,730**	**238**	2,357,978,652	236	2,357,978,652	236
Shares issued in respect of share incentive plans	**153,768**	**-**	166,617	-	283,126	-
Shares issued in respect of share options	**13,896,549**	**1**	18,217,800	2	18,354,952	2
At end of period	**2,390,667,047**	**239**	2,376,363,069	238	2,376,616,730	238

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 2014, the Company allotted 153,768 ordinary shares to Group employees under the share incentive plans (six months ended 30 June 2013: 166,617; 12 months ended 31 December 2013: 283,126).

The Group also operates a long-term incentive plan (LTIP) for executives and senior management and a Sharesave (Save-as-you-earn) scheme for all eligible employees. During the six months ended 30 June 2014, 13,836,439 ordinary shares were issued on exercise of share options in respect of the LTIP (six months ended 30 June 2013: 18,169,290; 12 months ended 31 December 2013: 18,169,290) and 60,110 ordinary shares were issued on exercise of share options in respect of the Sharesave scheme (six months ended 30 June 2013: 48,510; 12 months ended 31 December 2013: 185,662).

(b) Shares held by trusts

The Employee Share Trust (EST) purchases and holds shares in the Company for delivery to employees under various employee share schemes. Shares purchased by the EST are presented as a deduction from equity in the IFRS condensed consolidated statement of financial position. Share-based liabilities to employees may also be settled by the issue of new shares. The number of shares held by the EST at 30 June 2014 were 2,916,212 (30 June 2013: 10,227,298; 31 December 2013: 3,112,350).

Shares held by trusts also include shares held by the Unclaimed Asset Trust (UAT). The shares held by the UAT are those not yet claimed by the eligible members of The Standard Life Assurance Company (SLAC) following its demutualisation on 10 July 2006. The number of shares held by the UAT at 30 June 2014 were 24,521,450 (30 June 2013: 25,111,596; 31 December 2013: 24,859,996). The corresponding obligation to deliver these shares to eligible members of SLAC is also included in the shares held by trusts reserve.

3.10 Insurance contracts, investment contracts and reinsurance contracts

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Non-participating insurance contract liabilities	**29,309**	28,785	28,312
Non-participating investment contract liabilities	**100,716**	91,606	97,659
Non-participating contract liabilities	**130,025**	120,391	125,971
Participating insurance contract liabilities	**15,240**	15,645	15,060
Participating investment contract liabilities	**14,764**	14,762	14,707
Unallocated divisible surplus	**701**	720	680
Participating contract liabilities	**30,705**	31,127	30,447

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

3.10 Insurance contracts, investment contracts and reinsurance contracts *continued*

The movements in insurance contracts, investment contracts and reinsurance contracts during the six months ended 30 June 2014, and the six months ended 30 June 2013 arising from changes in estimates are set out below:

6 months 2014	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Non-participating investment contracts £m	Reinsurance contracts £m	Net £m
Changes in:						
Methodology/modelling	**(15)**	**(30)**	**5**	**-**	**-**	**(40)**
Non-economic assumptions	**-**	**-**	**(2)**	**-**	**-**	**(2)**
Economic assumptions	**57**	**459**	**(75)**	**-**	**(139)**	**302**
6 months 2013						
Changes in:						
Methodology/modelling	14	(5)	(14)	-	-	(5)
Non-economic assumptions	-	10	-	-	(8)	2
Economic assumptions	15	(457)	(95)	-	152	(385)

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the year ended 31 December 2013 was as follows:

2013	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurance contracts £m	Net £m
At 1 January	**15,919**	**29,050**	**14,993**	**59,962**	**(6,531)**	**53,431**
Expected change	(1,585)	(952)	(880)	(3,417)	475	(2,942)
Methodology/modelling changes	(51)	68	(21)	(4)	-	(4)
Effect of changes in:						
Economic assumptions	14	(598)	(145)	(729)	216	(513)
Non-economic assumptions	24	(89)	(59)	(124)	31	(93)
Effect of:						
Economic experience	491	164	666	1,321	(5)	1,316
Non-economic experience	107	(711)	111	(493)	(26)	(519)
New business	28	2,078	20	2,126	(8)	2,118
Total change in contract liabilities	**(972)**	**(40)**	**(308)**	**(1,320)**	**683**	**(637)**
Contract reclassification	-	6	-	6	-	6
Foreign exchange adjustment	113	(704)	22	(569)	(9)	(578)
At 31 December	**15,060**	**28,312**	**14,707**	**58,079**	**(5,857)**	**52,222**
Reinsurance assets					(6,173)	
Reinsurance liabilities					316	
					(5,857)	

The change in non-participating investment contract liabilities during the year ended 31 December 2013 was as follows:

	2013 £m
At 1 January	**84,201**
Contributions	13,740
Initial charges and reduced allocations	(4)
Account balances paid on surrender and other terminations in the year	(10,498)
Change in non-participating investment contracts recognised in the IFRS condensed consolidated income statement	11,892
Foreign exchange adjustment	(1,243)
Contract reclassification	(6)
Recurring management charges	(423)
At 31 December	**97,659**

3.11 Defined benefit and defined contribution plans

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

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

	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
Current service cost	**(36)**	(35)	(70)
Interest income	**8**	6	14
Past service cost and losses on settlement	**-**	(1)	-
Charge recognised in the IFRS condensed consolidated income statement	**(28)**	(30)	(56)

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

	30 June 2014				30 June 2013				31 December 2013			
	UK £m	Canada £m	Other £m	Total £m	UK £m	Canada £m	Other £m	Total £m	UK £m	Canada £m	Other £m	Total £m
Present value of funded obligation	**(2,456)**	**(232)**	**(73)**	**(2,761)**	(2,197)	(217)	(69)	(2,483)	(2,327)	(209)	(76)	(2,612)
Present value of unfunded obligation	**-**	**(69)**	**(7)**	**(76)**	-	(66)	(7)	(73)	-	(64)	(7)	(71)
Fair value of plan assets	**3,140**	**204**	**58**	**3,402**	2,885	192	61	3,138	2,992	192	60	3,244
Effect of limit on plan surplus	**(242)**	**-**	**-**	**(242)**	(241)	-	-	(241)	(233)	-	-	(233)
Net asset/(liability) in the IFRS condensed consolidated statement of financial position	**442**	**(97)**	**(22)**	**323**	447	(91)	(15)	341	432	(81)	(23)	328

(c) Principal assumptions

The principal economic assumptions for the plans are as follows:

	30 June 2014		30 June 2013		31 December 2013	
	UK %	Canada %	UK %	Canada %	UK %	Canada %
Discount rate	**4.35**	**4.20**	4.75	4.60	4.60	4.80
Rates of inflation:						
Consumer Price Index (CPI)	**2.80**	**2.00**	2.90	2.00	2.90	2.00
Retail Price Index (RPI) (UK only)	**3.60**	**-**	3.70	-	3.70	-
Salary inflation (Canada only)	**-**	**3.50**	-	3.50	-	3.50

3.12 Risk management

(a) Overview

The Group's strategic objectives and performance against them is subject to a number of financial and non-financial risks. The principal risks and uncertainties that affect the business model are set out in detail in the Strategic report section 1.4 – Principal risks and uncertainties.

The Group's IFRS condensed consolidated half year financial information does not include all financial risk management information and disclosures required in the Group's annual report and accounts. This note should therefore be read in conjunction with the Group's annual report and accounts for the year ended 31 December 2013. The information presented in this note has been prepared on the same basis as that presented in the Group's annual report and accounts.

There have been no significant changes to the Group's risk management framework since 31 December 2013 and no changes have been made to the Group's qualitative risk appetites. During the six months ended 30 June 2014, economic capital resources have continued to be used as a key risk metric for managing risk exposures against quantitative risk limits, however the Group has transitioned away from using excess working capital as a key metric. The business continues to be managed through a range of risk, capital and profit metrics.

As noted in Note 3.1 – Accounting policies (a) Basis of preparation, the IFRS condensed consolidated financial information for comparative periods presented has been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. The tables throughout this note have been restated to reflect this.

(b) Investment property and financial assets

The values of the Group's holdings of investment properties and financial assets are impacted by the Group's exposure to adverse fluctuations in financial markets (referred to as market risk) and counterparty failure (referred to as credit risk).

The assets on the Group's IFRS condensed consolidated statement of financial position can be split into four categories (risk segments) which give the shareholder different exposures to these risks as follows:

Shareholder business
Shareholder business refers to the assets to which the shareholder is directly exposed. For the purposes of this financial information the shareholder refers to the equity holders of Standard Life plc.

Participating business
Participating business refers to the assets of the participating funds of the life operations of the Group.

Unit linked and segregated funds
Unit linked and segregated funds refer to the assets of the UK and Europe unit linked funds, Canada segregated funds and Asia and Emerging Markets unit linked funds.

Third party interest in consolidated funds and non-controlling interests (TPICF and NCI)
Third party interest in consolidated funds and non-controlling interests refers to the assets recorded on the IFRS condensed consolidated statement of financial position which belong to third parties. The Group controls the entities that own the assets but the Group does not own 100% of the equity or units of the relevant entities.

The total Group holding in investment property and financial assets has been presented below based on the risk segment.

30 June 2014	Shareholder business £m	Participating business £m	Unit linked and segregated funds £m	TPICF and NCI[1] £m	Total £m
Investments in associates[2]	4	375	1,105	101	**1,585**
Investment property	482	2,117	5,205	1,498	**9,302**
Loans	2,367	187	91	-	**2,645**
Derivative financial assets	67	899	1,127	555	**2,648**
Equity securities and interests in pooled investment funds	215	10,235	69,141	8,141	**87,732**
Debt securities	12,009	27,230	26,542	6,821	**72,602**
Receivables and other financial assets	629	168	859	235	**1,891**
Assets held for sale	33	-	-	-	**33**
Cash and cash equivalents	1,443	1,400	5,111	1,721	**9,675**
Total	**17,249**	**42,611**	**109,181**	**19,072**	**188,113**

1 Third party interest in consolidated funds and non-controlling interests.
2 Comprises investments in associates at FVTPL and loans to associates.

30 June 2013 (restated)[1]	Shareholder business £m	Participating business £m	Unit linked and segregated funds £m	TPICF and NCI[2] £m	Total £m
Investments in associates[3]	23	366	1,316	36	**1,741**
Investment property	600	2,011	4,728	1,346	**8,685**
Loans	2,752	216	189	-	**3,157**
Derivative financial assets	65	792	1,233	588	**2,678**
Equity securities and interests in pooled investment funds	204	10,080	59,335	5,968	**75,587**
Debt securities	12,306	28,039	25,120	5,269	**70,734**
Receivables and other financial assets	874	790	2,124	541	**4,329**
Assets held for sale	-	-	-	-	**-**
Cash and cash equivalents	1,169	1,190	4,783	1,572	**8,714**
Total	**17,993**	**43,484**	**98,828**	**15,320**	**175,625**

1 Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.
2 Third party interest in consolidated funds and non-controlling interests.
3 Comprises investments in associates at FVTPL and loans to associates.

31 December 2013 (restated)[1]	Shareholder business £m	Participating business £m	Unit linked and segregated funds £m	TPICF and NCI[2] £m	Total £m
Investments in associates[3]	7	354	1,098	44	**1,503**
Investment property	491	1,995	4,830	1,290	**8,606**
Loans	2,549	199	176	-	**2,924**
Derivative financial assets	111	661	832	387	**1,991**
Equity securities and interests in pooled investment funds	172	10,952	66,475	7,055	**84,654**
Debt securities	11,816	26,939	24,775	5,679	**69,209**
Receivables and other financial assets	471	97	441	98	**1,107**
Assets held for sale	29	-	59	33	**121**
Cash and cash equivalents	959	1,049	6,032	2,282	**10,322**
Total	**16,605**	**42,246**	**104,718**	**16,868**	**180,437**

1 Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.
2 Third party interest in consolidated funds and non-controlling interests.
3 Comprises investments in associates at FVTPL and loans to associates.

3.12 Risk management *continued*

(b) Investment property and financial assets *continued*

The shareholder is exposed to the impact of market movements in property prices, interest rates and foreign exchange rates and the impact of defaults and movements in credit spreads on the value of assets held by the shareholder business. Appropriate risk oversight and risk mitigation actions are in place. The shareholder is also exposed to the market and credit risk that the assets of the participating funds of the life operations of the Group are not sufficient to meet their obligations. In this situation, the shareholder would be exposed to the full shortfall in the funds.

No further analysis is provided on the assets of the remaining risk segments – unit linked and segregated funds and TPICF and NCI. Assets of the unit linked and segregated funds are managed in accordance with the mandates of the particular funds and the financial risks of the assets are expected to be borne by the policyholder. The unit linked business includes £4,515m (30 June 2013: £4,289m; 31 December 2013: £4,412m) of assets that are held as reinsured external fund links. Under certain circumstances the shareholder may be exposed to losses relating to the default of the insured external fund links. These exposures are actively monitored and managed by the Group and the Group considers the circumstances under which losses may arise to be very remote.

The shareholder is not exposed to market and credit risk from assets in respect of TPICF and NCI since the financial risks of the assets are borne by third parties.

Further information on the investment property and financial assets of the shareholder and participating business at the reporting date is provided below.

Investment property

The Group is subject to property price risk due to changes in the value and return on holdings in investment properties. This risk arises from various direct and indirect holdings which are controlled through the use of portfolio limits.

The tables below analyse investment property held by the shareholder and participating businesses by country and sector.

Shareholder business

	Office			Industrial			Retail			Other			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
Canada	**348**	421	359	**45**	59	45	**-**	-	-	**89**	120	87	**482**	600	491
Total	**348**	421	359	**45**	59	45	**-**	-	-	**89**	120	87	**482**	600	491

Participating business

	Office			Industrial			Retail			Other			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
UK	**598**	537	550	**285**	260	266	**1,007**	968	946	**-**	-	-	**1,890**	1,765	1,762
Canada	**47**	51	49	**19**	21	19	**5**	5	4	**15**	17	14	**86**	94	86
Belgium	**13**	14	14	**-**	-	-	**-**	-	-	**-**	-	-	**13**	14	14
France	**-**	-	-	**4**	4	4	**-**	-	-	**2**	2	2	**6**	6	6
Spain	**122**	132	127	**-**	-	-	**-**	-	-	**-**	-	-	**122**	132	127
Total	**780**	734	740	**308**	285	289	**1,012**	973	950	**17**	19	16	**2,117**	2,011	1,995

There is no exposure to residential property in the shareholder and participating businesses.

Equity securities

The Group is subject to equity price risk due to daily changes in the market value and returns in the holdings in its equity security portfolio. Exposure to equity securities are primarily managed through the use of investment mandates including constraints based on appropriate equity indices.

The following table analyses equity securities held by the shareholder and participating businesses by country.

	Shareholder business			Participating business			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
UK	**3**	8	-	**4,438**	4,732	5,055	**4,441**	4,740	5,055
Canada	**148**	141	134	**252**	205	224	**400**	346	358
Australia	**1**	1	-	**33**	38	31	**34**	39	31
Austria	**-**	-	-	**25**	4	4	**25**	4	4
Belgium	**-**	-	-	**101**	95	131	**101**	95	131
Denmark	**-**	-	-	**166**	90	117	**166**	90	117
Finland	**-**	-	-	**62**	39	67	**62**	39	67
France	**-**	2	-	**546**	559	659	**546**	561	659
Germany	**-**	1	-	**503**	454	457	**503**	455	457
Greece	**-**	-	-	**9**	1	6	**9**	1	6
Ireland	**-**	1	-	**132**	142	135	**132**	143	135
Italy	**-**	-	-	**72**	103	85	**72**	103	85
Japan	**1**	1	1	**124**	107	124	**125**	108	125
Mexico	**-**	-	-	**6**	6	6	**6**	6	6
Netherlands	**-**	-	-	**454**	306	414	**454**	306	414
Norway	**-**	-	-	**101**	86	78	**101**	86	78
Portugal	**-**	-	-	**30**	37	22	**30**	37	22
Russia	**-**	-	-	**5**	5	5	**5**	5	5
Spain	**-**	-	-	**222**	128	205	**222**	128	205
Sweden	**-**	1	-	**278**	290	294	**278**	291	294
Switzerland	**-**	1	-	**597**	524	608	**597**	525	608
US	**26**	24	24	**1,814**	1,862	1,977	**1,840**	1,886	2,001
Other	**11**	23	13	**263**	241	243	**274**	264	256
Total	**190**	204	172	**10,233**	10,054	10,947	**10,423**	10,258	11,119

In addition to the equity securities analysed above, the shareholder business has interests in pooled investment funds of £25m (30 June 2013: £nil; 31 December 2013: £nil). The participating business has interests in pooled investment funds of £2m (30 June 2013: £26m; 31 December 2013: £5m).

Debt securities

The Group is exposed to interest rate risk and credit risk through its holdings in debt securities. The Group manages its exposure to debt securities by setting exposure limits by name of issuer, sector and credit rating.

At 30 June 2014, the total shareholder business holding of debt securities was £12,009m (30 June 2013: £12,306m; 31 December 2013: £11,816m), of which 96% (30 June 2013: 96%; 31 December 2013: 96%) was rated as investment grade. The total participating business holding of debt securities at 30 June 2014 was £27,230m (30 June 2013: £28,039m; 31 December 2013: 26,939m), of which 97% (30 June 2013: 96%; 31 December 2013: 97%) was rated as investment grade. This shows the high quality of the debt securities held.

3.12 Risk management *continued*

(b) Investment property and financial assets *continued*

The following tables show the shareholder and participating businesses' exposure to credit risk from debt securities analysed by credit rating and country.

Shareholder business

	Government, provincial and municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m
AAA	**673**	958	682	**98**	141	98	**50**	83	38	**77**	140	120	**205**	175	201	**1,103**	1,497	1,139
AA	**1,403**	1,713	1,414	**636**	457	674	**179**	238	186	**532**	412	433	**31**	-	-	**2,781**	2,820	2,707
A	**1,174**	1,258	1,079	**1,269**	1,335	1,439	**1,014**	890	1,004	**2,738**	2,736	2,696	**-**	-	-	**6,195**	6,219	6,218
BBB	**-**	3	-	**163**	110	135	**94**	63	90	**1,201**	1,096	1,058	**-**	-	-	**1,458**	1,272	1,283
Below BBB	**-**	4	-	**4**	15	4	**-**	38	-	**15**	32	16	**-**	-	-	**19**	89	20
Not rated	**-**	-	-	**-**	-	-	**17**	98	79	**13**	15	14	**29**	-	-	**59**	113	93
Internally rated	**4**	4	4	**-**	-	-	**330**	206	270	**51**	16	13	**9**	70	69	**394**	296	356
Total	**3,254**	3,940	3,179	**2,170**	2,058	2,350	**1,684**	1,616	1,667	**4,627**	4,447	4,350	**274**	245	270	**12,009**	12,306	11,816

	Government, provincial and municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m
UK	**354**	385	360	**491**	513	507	**955**	727	889	**1,254**	855	955	**69**	70	69	**3,123**	2,550	2,780
Canada	**2,534**	3,155	2,463	**300**	185	354	**283**	258	265	**1,949**	2,137	1,929	**-**	-	-	**5,066**	5,735	5,011
Australia	**-**	-	-	**79**	98	108	**14**	14	17	**10**	8	4	**-**	-	-	**103**	120	129
Austria	**22**	21	20	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**22**	21	20
Belgium	**-**	-	-	**7**	27	27	**-**	-	-	**11**	5	10	**-**	-	-	**18**	32	37
Denmark	**-**	-	-	**16**	4	4	**-**	-	-	**15**	15	15	**-**	-	-	**31**	19	19
Finland	**-**	-	-	**50**	75	45	**-**	-	-	**-**	-	-	**-**	-	-	**50**	75	45
France	**24**	22	22	**211**	237	236	**16**	16	-	**440**	402	432	**-**	-	-	**691**	677	690
Germany	**303**	317	302	**97**	68	84	**1**	18	1	**301**	332	328	**-**	-	-	**702**	735	715
Greece	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Ireland	**-**	-	-	**-**	-	-	**3**	9	3	**-**	-	-	**-**	-	-	**3**	9	3
Italy	**-**	-	-	**34**	29	34	**-**	-	-	**72**	69	71	**-**	-	-	**106**	98	105
Japan	**-**	-	-	**135**	85	110	**29**	28	30	**30**	20	29	**-**	-	-	**194**	133	169
Mexico	**1**	1	-	**-**	-	-	**-**	-	-	**83**	78	82	**-**	-	-	**84**	79	82
Netherlands	**-**	-	-	**366**	391	398	**-**	18	-	**6**	21	14	**-**	-	-	**372**	430	412
Norway	**-**	-	-	**-**	-	-	**-**	-	-	**37**	35	37	**-**	-	-	**37**	35	37
Portugal	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Russia	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Spain	**-**	-	-	**2**	8	9	**-**	2	-	**26**	38	39	**-**	-	-	**28**	48	48
Sweden	**-**	-	-	**12**	15	26	**1**	12	1	**59**	57	59	**-**	-	-	**72**	84	86
Switzerland	**-**	-	-	**77**	80	54	**-**	11	-	**7**	11	22	**-**	-	-	**84**	102	76
US	**13**	12	12	**273**	175	229	**381**	501	456	**318**	350	314	**-**	-	-	**985**	1,038	1,011
Other	**3**	27	-	**20**	68	125	**1**	2	5	**9**	14	10	**205**	175	201	**238**	286	341
Total	**3,254**	3,940	3,179	**2,170**	2,058	2,350	**1,684**	1,616	1,667	**4,627**	4,447	4,350	**274**	245	270	**12,009**	12,306	11,816

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

2 This balance primarily consists of securities held in supranationals.

Participating business

	Government, provincial and municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
AAA	**3,226**	10,665	2,959	**402**	649	400	**371**	870	419	**28**	128	39	**248**	177	237	**4,275**	12,489	4,054
AA	**13,658**	7,143	14,114	**1,255**	641	935	**779**	1,144	791	**583**	280	561	**5**	-	6	**16,280**	9,208	16,407
A	**126**	127	123	**1,189**	1,119	1,109	**1,392**	1,671	1,403	**1,442**	1,021	1,344	**-**	-	-	**4,149**	3,938	3,979
BBB	**16**	8	11	**335**	232	320	**487**	411	481	**773**	622	799	**-**	-	-	**1,611**	1,273	1,611
Below BBB	**-**	4	-	**201**	201	205	**84**	149	48	**222**	229	220	**-**	-	-	**507**	583	473
Not rated	**1**	14	1	**5**	6	5	**129**	244	118	**169**	95	174	**1**	-	-	**305**	359	298
Internally rated	**-**	-	-	**-**	-	-	**84**	183	81	**19**	6	35	**-**	-	1	**103**	189	117
Total	**17,027**	17,961	17,208	**3,387**	2,848	2,974	**3,326**	4,672	3,341	**3,236**	2,381	3,172	**254**	177	244	**27,230**	28,039	26,939

	Government, provincial and municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
UK	**11,332**	12,637	11,725	**861**	923	938	**2,242**	3,166	2,252	**1,707**	930	1,644	**1**	-	1	**16,143**	17,656	16,560
Canada	**323**	358	322	**166**	23	80	**55**	50	50	**58**	64	58	**-**	-	-	**602**	495	510
Australia	**-**	-	-	**173**	142	160	**63**	75	62	**24**	18	19	**-**	-	-	**260**	235	241
Austria	**206**	253	212	**35**	26	27	**-**	-	-	**-**	-	-	**-**	-	-	**241**	279	239
Belgium	**383**	272	590	**18**	15	15	**-**	-	-	**20**	16	21	**-**	-	-	**421**	303	626
Denmark	**6**	6	6	**13**	29	17	**-**	-	-	**26**	44	30	**-**	-	-	**45**	79	53
Finland	**74**	211	77	**175**	109	102	**25**	25	25	**8**	8	6	**-**	-	-	**282**	353	210
France	**1,749**	1,343	1,645	**359**	307	260	**146**	246	150	**306**	314	314	**-**	-	-	**2,560**	2,210	2,369
Germany	**2,450**	2,214	2,244	**275**	342	298	**168**	219	153	**185**	157	202	**-**	-	-	**3,078**	2,932	2,897
Greece	**-**	-	-	**-**	-	-	**-**	2	-	**-**	2	-	**-**	-	-	**-**	4	-
Ireland	**1**	-	1	**14**	4	10	**12**	21	11	**13**	9	15	**-**	-	-	**40**	34	37
Italy	**2**	6	6	**29**	30	17	**66**	130	69	**118**	63	128	**-**	-	-	**215**	229	220
Japan	**22**	25	22	**277**	66	210	**-**	11	-	**10**	-	11	**-**	-	-	**309**	102	243
Mexico	**-**	-	-	**-**	-	-	**-**	-	-	**66**	51	56	**-**	-	-	**66**	51	56
Netherlands	**356**	499	255	**270**	272	212	**42**	83	40	**13**	32	29	**-**	-	-	**681**	886	536
Norway	**65**	97	66	**56**	72	67	**13**	12	12	**59**	58	58	**-**	-	-	**193**	239	203
Portugal	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
Russia	**-**	-	-	**-**	-	-	**-**	-	-	**7**	-	8	**-**	-	-	**7**	-	8
Spain	**12**	5	4	**22**	23	24	**-**	4	-	**65**	82	82	**-**	-	-	**99**	114	110
Sweden	**4**	4	4	**101**	95	125	**16**	5	16	**18**	27	18	**-**	-	-	**139**	131	163
Switzerland	**-**	-	-	**104**	9	10	**52**	67	47	**50**	12	52	**-**	-	-	**206**	88	109
US	**2**	4	2	**334**	278	327	**252**	388	283	**381**	329	355	**-**	-	-	**969**	999	967
Other	**40**	27	27	**105**	83	75	**174**	168	171	**102**	165	66	**253**	177	243	**674**	620	582
Total	**17,027**	17,961	17,208	**3,387**	2,848	2,974	**3,326**	4,672	3,341	**3,236**	2,381	3,172	**254**	177	244	**27,230**	28,039	26,939

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

2 This balance primarily consists of securities held in supranationals.

Loans

The Group is exposed to interest rate risk and credit risk from loans issued. The Group manages its exposure by setting portfolio limits by individual business unit. These limits specify the proportion of the value of the total portfolio of mortgage loans and mortgage bonds that are represented by a single, or group of related counterparties, geographic area, employment status, or economic sector, risk rating and loan to value percentage.

The shareholder business holding of loans of £2,367m (30 June 2013: £2,752m; 31 December 2013: £2,549m) primarily comprises the Canadian non-segregated funds commercial mortgage book. This mortgage book is deemed to be of very high quality. The Canadian mortgage book has an average loan to value of 39% (30 June 2013: 39%; 31 December 2013: 39%).

The participating business holding of loans of £187m (30 June 2013: £216m; 31 December 2013: £199m) primarily comprises of UK mortgages. These mortgage books are deemed to be of very high quality.

3.13 Fair value hierarchy of assets and liabilities

(a) Determination of fair value hierarchy

To provide further information on the approach used to determine and measure the fair value of certain assets and liabilities, the following fair value hierarchy categorisation has been used:

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market exists where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

Level 3: Fair values measured using inputs that are not based on observable market data (unobservable inputs).

As noted in Note 3.1 – Accounting policies (a) Basis of preparation, the IFRS condensed consolidated financial information for comparative periods presented has been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. The tables throughout this note have been restated to reflect this.

(b) Methods and assumptions used to determine fair value of assets and liabilities

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is given below.

Investments in associates at FVTPL – 30 June 2014: £1,585m (30 June 2013: £1,741m; 31 December 2013: £1,503m) and equity securities and interests in pooled investment funds – 30 June 2014: £87,732m (30 June 2013: £75,587m; 31 December 2013: £84,654m)

Investments in associates at FVTPL are valued in the same manner as the Group's equity securities and interests in pooled investment funds.

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. These instruments are generally considered to be quoted in an active market and are therefore treated as level 1 instruments within the fair value hierarchy.

Unlisted equities are valued using an adjusted net asset value. The Group's exposure to unlisted equity securities primarily relates to private equity investments. The majority of the Group's private equity investments are carried out through European fund of funds structures, where the Group receives valuations from the investment managers of the underlying funds.

The valuations received from investment managers of the underlying funds are reviewed and where appropriate adjustments are made to reflect the impact of changes in market conditions between the date of the valuation and the end of the reporting period. The valuation of these securities is largely based on inputs that are not based on observable market data, and accordingly these instruments are treated as level 3 instruments within the fair value hierarchy. Where appropriate, reference is made to observable market data.

Where pooled investment funds have been seeded and the investments in the fund have been classified as held for sale, the costs to sell are assumed to be negligible. The fair value of pooled investment funds held for sale is calculated as equal to the observable unit price.

Investment property – 30 June 2014: £9,302m (30 June 2013: £8,685m; 31 December 2013: £8,606m), investment property held for sale – 30 June 2014: £nil (30 June 2013: £nil; 31 December 2013: £92m) and owner occupied property – 30 June 2014: £163m (30 June 2013: £182m; 31 December 2013: £172m)

The fair value of investment property and owner occupied property is valued by external property valuation experts. The current use is considered the best indicator of the highest and best use of the Group's property from a market participants' perspective. No adjustment is made for vacant possession for the Group's owner occupied property.

In UK and Europe valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards and predominantly an income capitalisation method is used. In Canada all valuations are completed in accordance with International Valuation Standards (IVS) and predominantly a discounted cash flow method is used. Both valuation techniques are income approaches as they consider the income that an asset will generate over its useful life and estimate fair value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate.

The determination of the fair value of investment property and all owner occupied property requires the use of estimates such as future cash flows from the assets for example, future rental income and discount rates applicable to those assets.

Where it is not possible to use an income approach a market approach will be used whereby comparisons are made to recent transactions with similar characteristics and locations to those of the Group's assets. Where appropriate, adjustments will be made by the valuer to reflect any differences.

Where an income approach, or a market approach with significant unobservable adjustments, has been used, valuations are predominantly based on unobservable inputs and accordingly these assets are categorised as level 3 within the fair value hierarchy. Where a market approach valuation does not include significant unobservable adjustments, these assets are categorised as level 2.

Derivative financial assets – 30 June 2014: £2,648m (30 June 2013: £2,678m; 31 December 2013: £1,991m) and derivative financial liabilities – 30 June 2014: £1,101m (30 June 2013: £1,399m; 31 December 2013: £932m)
The majority of the Group's derivatives are over-the-counter (OTC) derivatives which are fair valued using valuation techniques based on observable market data and are therefore treated as level 2 investments within the fair value hierarchy.

Exchange traded derivatives are valued using prices sourced from the relevant exchange. They are considered to be instruments quoted in an active market and are therefore categorised as level 1 instruments within the fair value hierarchy.

Non-performance risk arising from the credit risk of each counterparty has been considered on a net exposure basis in line with the Group's risk management policies. At 30 June 2014, 30 June 2013 and 31 December 2013, the residual credit risk is considered immaterial and no credit risk adjustment has been made.

Debt securities – 30 June 2014: £72,602m (30 June 2013: £70,734m; 31 December 2013: £69,209m)
For debt securities, the Group has determined a hierarchy of pricing sources. The hierarchy consists of reputable external pricing providers who generally use observable market data. If prices are not available from these providers or are considered to be stale, the Group has established procedures to arrive at an internal assessment of the fair value. These procedures are based largely on inputs that are not based on observable market data. A further analysis by category of debt security is as follows:

- **Government, including provincial and municipal, and supranational institution bonds**
  These instruments are valued using prices received from external pricing providers who generally base the price on quotes received from a number of market participants. They are treated as level 1 or level 2 instruments within the fair value hierarchy depending upon the nature of the underlying pricing information used for valuation purposes.
- **Corporate bonds listed or quoted in an established over-the-counter market including asset backed securities**
  These instruments are generally valued using prices received from external pricing providers who generally consolidate quotes received from a panel of banks into a composite price. As the market becomes less active the quotes provided by some banks may be based on modelled prices rather than on actual transactions. These sources are based largely on observable market data, and therefore these instruments are treated as level 2 instruments within the fair value hierarchy. When prices received from external pricing providers are based on a single broker indicative quote, the instruments are treated as level 3 instruments.

  For instruments for which prices are either not available from external pricing providers or the prices provided are considered to be stale, the Group performs its own assessment of the fair value of these instruments. This assessment is largely based on inputs that are not based on observable market data, principally single broker indicative quotes, and accordingly these instruments are treated as level 3 instruments within the fair value hierarchy.
- **Other corporate bonds including unquoted bonds, commercial paper and certificates of deposit**
  These instruments are valued using models. For unquoted bonds the model uses inputs from comparable bonds and includes credit spreads which are obtained from brokers or estimated internally. Commercial paper and certificates of deposit are valued using standard valuation formulas. The classification of these instruments within the fair value hierarchy will be either level 2 or 3 depending upon the nature of the underlying pricing information used for valuation purposes.
- **Commercial mortgages**
  These instruments are valued using models. The models use a discount rate adjustment technique which is an income approach. The key inputs for the valuation models are contractual future cash flows, which are discounted using a discount rate that is determined by adding a spread to the current base rate. The spread is derived from a pricing matrix which incorporates data on current spreads for similar assets and which may include an internal underwriting rating. These inputs are generally observable with the exception of the spread adjustment arising from the internal underwriting rating. The classification of these instruments within the fair value hierarchy will be either level 2 or 3 depending on whether the spread is adjusted by an internal underwriting rating.

Non-participating investment contract liabilities – 30 June 2014: £98,448m (30 June 2013: £89,005m; 31 December 2013: £95,267m)
The fair value of the non-participating investment contract liabilities is calculated equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets and liabilities in which these funds are invested. The underlying assets and liabilities are predominately classified as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are classified within level 2 of the fair value hierarchy.

3.13 Fair value hierarchy of assets and liabilities *continued*

(b) Methods and assumptions used to determine fair value of assets and liabilities *continued*

Liabilities in respect of third party interest in consolidated funds – 30 June 2014: £17,994m (30 June 2013: £14,144m; 31 December 2013: £16,058m)

The fair value of liabilities in respect of third party interest in consolidated funds is calculated equal to the fair value of the underlying assets and liabilities in the funds. Thus, the value of these liabilities is dependent on the methods and assumptions set out above in relation to the underlying assets in which these funds are invested. When the underlying assets and liabilities are valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 2. Where the underlying assets and liabilities are not valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 3.

Contingent consideration liability – 30 June 2014: £nil (30 June 2013: £nil; 31 December 2013: £15m)

Contingent consideration was recognised as a result of business combinations in the year to 31 December 2013 as discussed in Note 3.2 – Business combinations, and was valued using a valuation model. The inputs into the model included unobservable inputs due to assumptions made regarding expected movements in assets under management and therefore the liability was classified as level 3 in the fair value hierarchy.

(b)(i) Fair value hierarchy for assets measured at fair value in the statement of financial position

The table below presents the Group's assets measured at fair value by level of the fair value hierarchy.

	Level 1			Level 2			Level 3			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
Investments in associates at FVTPL	**1,585**	1,741	1,503	**-**	-	-	**-**	-	-	**1,585**	1,741	1,503
Investment property	**-**	-	-	**65**	97	64	**9,237**	8,588	8,542	**9,302**	8,685	8,606
Owner occupied property	**-**	-	-	**1**	1	1	**162**	181	171	**163**	182	172
Derivative financial assets	**746**	703	624	**1,902**	1,975	1,367	**-**	-	-	**2,648**	2,678	1,991
Equity securities and interests in pooled investment vehicles	**86,683**	74,438	83,588	**-**	-	-	**1,049**	1,149	1,066	**87,732**	75,587	84,654
Debt securities	**22,353**	23,311	22,199	**49,029**	46,041	45,711	**1,220**	1,382	1,299	**72,602**	70,734	69,209
Assets held for sale	**13**	-	29	**20**	-	-	**-**	-	92	**33**	-	121
Total assets at fair value	**111,380**	100,193	107,943	**51,017**	48,114	47,143	**11,668**	11,300	11,170	**174,065**	159,607	166,256

There were no significant transfers between levels 1 and 2 during the period (six months ended 30 June 2013: none; 12 months ended 31 December 2013: none). Refer to 3.13 (b)(iii) for details of movements in level 3.

All transfers between fair value hierarchy levels are deemed to occur on the last day of the quarter in which they arise.

The table that follows presents an analysis of the Group's financial assets measured at fair value by level of the fair value hierarchy for each risk segment as set out in Note 3.12 – Risk management.

	Level 1			Level 2			Level 3			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m
Shareholder business												
Investments in associates at FVTPL	4	23	7	-	-	-	-	-	-	4	23	7
Investment property	-	-	-	65	97	64	417	503	427	482	600	491
Owner occupied property	-	-	-	1	1	1	35	55	45	36	56	46
Derivative financial assets	1	5	1	66	60	110	-	-	-	67	65	111
Equity securities and interests in pooled investment funds	187	198	164	-	-	-	28	6	8	215	204	172
Debt securities	907	910	904	10,176	10,408	9,980	926	988	932	12,009	12,306	11,816
Assets held for sale	13	-	29	20	-	-	-	-	-	33	-	29
Total shareholder business	1,112	1,136	1,105	10,328	10,566	10,155	1,406	1,552	1,412	12,846	13,254	12,672
Participating business												
Investments in associates at FVTPL	375	366	354	-	-	-	-	-	-	375	366	354
Investment property	-	-	-	-	-	-	2,117	2,011	1,995	2,117	2,011	1,995
Owner occupied property	-	-	-	-	-	-	127	126	126	127	126	126
Derivative financial assets	249	258	213	650	534	448	-	-	-	899	792	661
Equity securities and interests in pooled investment funds	9,572	9,362	10,281	-	-	-	663	718	671	10,235	10,080	10,952
Debt securities	16,391	17,223	16,405	10,828	10,602	10,359	11	214	175	27,230	28,039	26,939
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-
Total participating business	26,587	27,209	27,253	11,478	11,136	10,807	2,918	3,069	2,967	40,983	41,414	41,027
Unit linked and segregated funds												
Investments in associates at FVTPL	1,105	1,316	1,098	-	-	-	-	-	-	1,105	1,316	1,098
Investment property	-	-	-	-	-	-	5,205	4,728	4,830	5,205	4,728	4,830
Owner occupied property	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	332	300	276	795	933	556	-	-	-	1,127	1,233	832
Equity securities and interests in pooled investment funds	69,097	59,271	66,421	-	-	-	44	64	54	69,141	59,335	66,475
Debt securities	4,807	5,005	4,634	21,509	19,948	19,976	226	167	165	26,542	25,120	24,775
Assets held for sale	-	-	-	-	-	-	-	-	59	-	-	59
Total unit linked and segregated funds	75,341	65,892	72,429	22,304	20,881	20,532	5,475	4,959	5,108	103,120	91,732	98,069
Third party interest in consolidated funds and non-controlling interests												
Investments in associates at FVTPL	101	36	44	-	-	-	-	-	-	101	36	44
Investment property	-	-	-	-	-	-	1,498	1,346	1,290	1,498	1,346	1,290
Owner occupied property	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	164	140	134	391	448	253	-	-	-	555	588	387
Equity securities and interests in pooled investment funds	7,827	5,607	6,722	-	-	-	314	361	333	8,141	5,968	7,055
Debt securities	248	173	256	6,516	5,083	5,396	57	13	27	6,821	5,269	5,679
Assets held for sale	-	-	-	-	-	-	-	-	33	-	-	33
Total third party interest in consolidated funds and non-controlling interests	8,340	5,956	7,156	6,907	5,531	5,649	1,869	1,720	1,683	17,116	13,207	14,488
Total	111,380	100,193	107,943	51,017	48,114	47,143	11,668	11,300	11,170	174,065	159,607	166,256

3.13 Fair value hierarchy of assets and liabilities *continued*

(b) Methods and assumptions used to determine fair value of assets and liabilities *continued*

(b)(ii) Fair value hierarchy for liabilities measured at fair value in the statement of financial position

The table below presents the Group's liabilities measured at fair value by level of the fair value hierarchy.

	Level 1			Level 2			Level 3			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
Non-participating investment contract liabilities	**-**	-	-	**98,448**	89,005	95,267	**-**	-	-	**98,448**	89,005	95,267
Liabilities in respect of third party interest in consolidated funds	**-**	-	-	**16,715**	12,925	14,812	**1,279**	1,219	1,246	**17,994**	14,144	16,058
Derivative financial liabilities	**207**	274	436	**894**	1,125	496	**-**	-	-	**1,101**	1,399	932
Contingent consideration liability	**-**	-	-	**-**	-	-	**-**	-	15	**-**	-	15
Total financial liabilities at fair value	**207**	274	436	**116,057**	103,055	110,575	**1,279**	1,219	1,261	**117,543**	104,548	112,272

There were no transfers between levels 1 and 2 during the six months ended 30 June 2014 (six months ended 30 June 2013: none; 12 months ended 31 December 2013: none). Refer to 3.13 (b)(iii) for details of movements in level 3.

The table that follows presents an analysis of the Group's financial liabilities measured at fair value by level of the fair value hierarchy for each risk segment as set out in Note 3.12 – Risk management.

	Level 1			Level 2			Level 3			Total		
	30 Jun 2014 £m	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m	**30 Jun 2014 £m**	30 Jun 2013 £m	31 Dec 2013 £m
Shareholder business												
Derivative financial liabilities	**2**	-	5	**19**	35	36	**-**	-	-	**21**	35	41
Contingent consideration liability	**-**	-	-	**-**	-	-	**-**	-	15	**-**	-	15
Total shareholder business	**2**	-	5	**19**	35	36	**-**	-	15	**21**	35	56
Participating business												
Derivative financial liabilities	**5**	60	53	**44**	62	81	**-**	-	-	**49**	122	134
Total participating business	**5**	60	53	**44**	62	81	**-**	-	-	**49**	122	134
Unit linked and segregated funds												
Non-participating investment contract liabilities	**-**	-	-	**98,448**	89,005	95,267	**-**	-	-	**98,448**	89,005	95,267
Derivative financial liabilities	**147**	144	256	**543**	687	263	**-**	-	-	**690**	831	519
Total unit linked and segregated funds	**147**	144	256	**98,991**	89,692	95,530	**-**	-	-	**99,138**	89,836	95,786
Third party interest in consolidated funds and non-controlling interests												
Liabilities in respect of third party interest in consolidated funds	**-**	-	-	**16,715**	12,925	14,812	**1,279**	1,219	1,246	**17,994**	14,144	16,058
Derivative financial liabilities	**53**	70	122	**288**	341	116	**-**	-	-	**341**	411	238
Total third party interest in consolidated funds and non-controlling interests	**53**	70	122	**17,003**	13,266	14,928	**1,279**	1,219	1,246	**18,335**	14,555	16,296
Total	**207**	274	436	**116,057**	103,055	110,575	**1,279**	1,219	1,261	**117,543**	104,548	112,272

(b)(iii) Reconciliation of movements in level 3 instruments

The movements during the period of level 3 assets and liabilities held at fair value are analysed below.

6 months 2014	Investment Property[1] £m	Owner occupied property £m	Equity securities and interests in pooled investment funds £m	Debt securities £m	Liabilities in respect of third party interest in consolidated funds £m
1 January	**8,634**	**171**	**1,066**	**1,299**	**(1,246)**
Total gains/(losses) recognised in the income statement	395	1	56	41	(68)
Purchases	531	-	60	290	5
Settlement	-	-	-	-	30
Sales	(280)	(13)	(117)	(122)	-
Transfers in to level 3	-	-	1	-	-
Transfers out of level 3	-	-	-	(258)	-
Foreign exchange adjustment	(48)	(2)	(17)	(30)	-
Total gains recognised in revaluation of owner occupied property within other comprehensive income	-	5	-	-	-
Other	5	-	-	-	-
30 June	**9,237**	**162**	**1,049**	**1,220**	**(1,279)**

1 Includes investment property held for sale of £nil (30 June 2013: £nil; 31 December 2013: £92m).

6 months 2013	Investment Property £m	Owner occupied property £m	Equity securities and interests in pooled investment funds £m	Debt securities £m	Liabilities in respect of third party interest in consolidated funds £m
1 January	**8,530**	**111**	**1,118**	**1,402**	**(1,205)**
Total gains/(losses) recognised in the income statement	45	(3)	38	(108)	(10)
Purchases	264	-	48	258	-
Settlement	-	-	-	-	(4)
Sales	(288)	-	(98)	(145)	-
Transfers in to level 3	-	-	10	15	-
Transfers out of level 3	-	-	-	(51)	-
Foreign exchange adjustment	25	-	33	11	-
Total gains recognised in revaluation of owner occupied property within other comprehensive income	-	73	-	-	-
Other	12	-	-	-	-
30 June	**8,588**	**181**	**1,149**	**1,382**	**(1,219)**

3.13 Fair value hierarchy of assets and liabilities *continued*

(b) Methods and assumptions used to determine fair value of financial assets and liabilities *continued*

(b)(iii) Reconciliation of movements in level 3 instruments *continued*

Full year 2013	Investment Property[1] £m	Owner occupied property £m	Equity securities and interests in pooled investment funds £m	Debt securities £m	Liabilities in respect of third party interest in consolidated funds £m
1 January	**8,530**	**111**	**1,118**	**1,402**	**(1,205)**
Total gains/(losses) recognised in the income statement	315	(8)	89	(77)	(45)
Purchases	615	-	93	402	7
Settlement	-	-	-	-	(3)
Sales	(712)	-	(244)	(227)	-
Transfers in to level 3	-	-	15	194	-
Transfers out of level 3	-	-	(9)	(312)	-
Foreign exchange adjustment	(103)	(4)	5	(83)	-
Total gains recognised in revaluation of owner occupied property within other comprehensive income	-	73	-	-	-
Other	(11)	(1)	(1)	-	-
31 December	**8,634**	**171**	**1,066**	**1,299**	**(1,246)**

1 Includes investment property held for sale of £92m which had an opening fair value at 1 January 2013 of £76m.

In addition to the above, the Group carried a contingent consideration liability with a fair value of £15m at 31 December 2013 (30 June 2013: £nil). This liability was settled in full during the period for £14m. The movement in fair value was recognised in the IFRS condensed consolidated income statement.

As at 30 June 2014, £414m of total gains (30 June 2013: losses of £48m; 31 December 2013: gains of £149m) were recognised in the consolidated income statement in respect of assets and liabilities held at fair value classified as level 3 at the period end. Of this amount £482m of gains (30 June 2013: losses of £38m; 31 December 2013: gains of £194m) were recognised in investment return and £68m of losses (30 June 2013: losses of £10m; 31 December 2013: losses of £45m) were recognised in change in liability for liabilities in respect of third party interest in consolidated funds in the IFRS condensed consolidated income statement.

Transfers of equity securities and interests in pooled investment funds and debt securities into level 3 generally arise when external pricing providers stop providing a price or where the price provided is considered stale. Transfers of equity securities and interests in pooled investment funds and debt securities out of level 3 arise when acceptable prices become available from external pricing providers.

(b)(iv) Sensitivity of level 3 instruments measured at fair value to changes in key assumptions

Effect of changes of significant unobservable assumptions to reasonable possible alternative assumptions
For the majority of level 3 investments, the Group does not use internal models to value the investments but rather obtains valuations from external parties. The Group reviews the appropriateness of these valuations on the following basis:

- For investment property and owner occupied property (including property that is classified as held for sale), the valuations are obtained from external valuers and are assessed on an individual property basis. The principal assumptions will differ depending on the valuation technique employed and sensitivities are determined by flexing the key inputs listed in the table below using knowledge of the investment property market.
- Private equity fund valuations are provided by the respective managers of the underlying funds and are assessed on an individual investment basis, with an adjustment made for significant movements between the date of the valuation and the end of the reporting period. Sensitivities are determined by comparison to the private equity market.
- Corporate bonds are predominantly valued using single broker indicative quotes obtained from third party pricing. Sensitivities are determined by flexing the single quoted prices provided using a sensitivity to yield movements.

The shareholder is directly exposed to movements in the value of level 3 investments held by the shareholder business (to the extent they are not offset by opposite movements in investment and insurance contract liabilities). Movements in level 3 investments held by the other risk segments are offset by an opposite movement in investment and insurance contract liabilities and therefore the shareholder is not directly exposed to such movements unless they are sufficiently severe to cause the assets of the participating business to be insufficient to meet the obligations to policyholders. Changing unobservable inputs in the measurement of the fair value of level 3 financial assets to reasonably possible alternative assumptions would not have a significant impact on profit for the period or total assets.

The table below presents quantitative information about the significant unobservable inputs for level 3 instruments:

30 June 2014	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	8,011	Income capitalisation	Equivalent yield	4.0% to 13.6% (5.8%)
			Estimated rental value by Square metre	£11 to £9,100 (£547)
Investment property and owner occupied property	1,284	Discounted cash flow	Internal rate of return	6.0% to 10.8% (7.4%)
			Terminal capitalisation rate	5.3% to 9.5% (6.6%)
Investment property and owner occupied property	104	Market comparison	Estimated value per square metre	£2 to £10,000 (£1,607)
Equity securities and interests in pooled investment funds (private equity investments)	1,049	Adjusted net asset value	Adjustment to net asset value[1]	N/A
Debt securities (corporate bonds)	1,169	Single broker	Single broker indicative price[2]	N/A
Debt securities (commercial mortgages)	51	Discounted cash flow	Internal underwriting rating	N/A

[1] A Group level adjustment is made for significant movements in private equity values.
[2] Debt securities which are valued using single broker indicative quotes are disclosed in level 3 in the fair value hierarchy. No adjustment is made to these prices.

31 December 2013	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	7,450	Income capitalisation	Equivalent yield	4.1% to 13.5% (6.1%)
			Estimated rental value by Square metre	£11 to £9,100 (£503)
Investment property and owner occupied property	1,275	Discounted cash flow	Internal rate of return	6.0% to 10.8% (7.4%)
			Terminal capitalisation rate	5.7% to 9.3% (6.3%)
Investment property and owner occupied property	80	Market comparison	Estimated value per square metre	£2 to £10,000 (£2,139)
Equity securities and interests in pooled investment funds (private equity investments)	1,066	Adjusted net asset value	Adjustment to net asset value[1]	N/A
Debt securities (corporate bonds)	1,299	Single broker	Single broker indicative price[2]	N/A
Debt securities (commercial mortgages)	-	Discounted cash flow	Internal underwriting rating	N/A

[1] A Group level adjustment is made for significant movements in private equity values.
[2] Debt securities which are valued using single broker indicative quotes are disclosed in level 3 in the fair value hierarchy. No adjustment is made to these prices.

3.13 Fair value hierarchy of assets and liabilities *continued*

(c) Fair value of assets and liabilities measured at amortised cost

The table below presents estimated fair values of financial assets and liabilities whose carrying value does not approximate fair value. Fair values of assets and liabilities are based on observable market inputs where available, or are estimated using other valuation techniques.

	Carrying value			Fair value		
	30 June 2014 £m	30 June 2013 £m	31 Dec 2013 £m	**30 June 2014 £m**	30 June 2013 £m	31 Dec 2013 £m
Assets						
Loans secured by mortgages	**2,449**	2,901	2,705	**2,535**	3,006	2,779
Liabilities						
Subordinated notes	**721**	747	728	**777**	762	795
Subordinated guaranteed bonds	**519**	519	502	**599**	568	571
Mutual Assurance Capital Securities	**601**	622	631	**646**	645	674
Non-participating investment contract liabilities	**2,268**	2,601	2,392	**2,354**	2,658	2,545

Loans measured at amortised cost primarily include commercial mortgages within the Group's commercial mortgage portfolio. The fair value of these loans is estimated using a discount rate adjustment technique which is an income approach. The key inputs for the valuation model are contractual future cash flows, which are then discounted using a discount rate that is determined by adding a spread to the current risk free rate from government bonds with terms that match the mortgage loans' terms. The spread is derived from market information available on current mortgage rates which is considered to be observable.

The estimated fair values for subordinated liabilities are based on the quoted market offer price.

It is not possible to reliably calculate the fair value of participating investment contract liabilities. The assumptions and methods used in the calculation of these liabilities are set out in Note 33 of the Group's annual report and accounts for the year ended 31 December 2013. The carrying value of participating investment contract liabilities at 30 June 2014 was £14,764m (30 June 2013: £14,762m; 31 December 2013: £14,707m).

The carrying value of all other financial assets and liabilities measured at amortised cost approximates their fair value.

3.14 Provisions and contingent liabilities

(a) Legal proceedings and regulations

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

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

(b) Issued share capital

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

(c) Other

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

3.15 Commitments

(a) Capital commitments

As at 30 June 2014 capital expenditure that was authorised and contracted for, but not provided and incurred, was £425m (30 June 2013: £225m; 31 December 2013: £383m) in respect of investment properties. Of this amount, £378m (30 June 2013: £183m; 31 December 2013: £332m) and £47m (30 June 2013: £42m; 31 December 2013: £51m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Commitments to extend credit with an original term to maturity of one year or less	**89**	20	66
Other commitments	**299**	326	326

Included in other commitments is £278m (30 June 2013: £299m; 31 December 2013: £284m) committed by certain subsidiaries which are not fully owned by the Group. These commitments are funded through contractually agreed additional investments in the subsidiary by the Group and the non-controlling interests. The levels of funding are not necessarily in line with the relevant percentage holdings.

(c) Operating lease commitments

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

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

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Not later than one year	**29**	30	31
Later than one year and no later than five years	**55**	71	58
Later than five years	**64**	76	69
Total operating lease commitments	**148**	177	158

3.16 Related party transactions

(a) Transactions with related parties

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

	6 months 2014 £m	6 months 2013 restated[1] £m	Full year 2013 restated[1] £m
Sales to:			
Associates	**100**	407	610
Joint ventures	**1**	12	13
Other related parties	**4**	4	8
	105	423	631
Purchases from:			
Associates	**204**	407	620
Joint ventures	**14**	24	24
	218	431	644

[1] Comparative periods presented have been restated to reflect retrospective application of changes to accounting policies as a result of new IFRSs adopted in the period. Refer to Note 3.1 – Accounting policies (a) Basis of preparation.

Sales to other related parties include management fees received from non-consolidated investment vehicles managed by Standard Life Investments.

The Group's defined benefit pension plans have assets of £797m (30 June 2013: £789m; 31 December 2013: £782m) invested in investment vehicles managed by the Group.

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

All transactions between key management personnel and their close family members and the Group during the period are on terms which are equivalent to those available to all employees of the Group.

During the six months ended 30 June 2014, key management personnel and their close family members contributed £0.6m (six months ended 30 June 2013: £2.5m; 12 months ended 31 December 2013: £3.0m) to products sold by the Group.

3.17 Events after the reporting period

On 1 July 2014, Standard Life Investments Holdings Limited (SLIH), a wholly owned subsidiary of the Company acquired the entire share capital of Ignis Asset Management Limited (IAML). IAML is the holding company of the Ignis Asset Management group (Ignis) which provides asset management services to The Phoenix Group, a closed life assurance fund consolidator, as well as to third party clients, including retail, wholesale and institutional investors in the UK and overseas.

The acquisition of Ignis will complement Standard Life Investments' strong organic growth and strengthen its strategic positioning. It will deepen its investment capabilities, broaden Standard Life Investments' third party client base and reinforce its foundation for building a business in the rapidly developing liability aware market.

The new business will be reported in the Group's Standard Life Investments reportable segment.

The purchase consideration will be between £370m and £390m. The final purchase consideration will be determined through a completion process which is not expected to finalise until September 2014. The consideration will include a contingent element determined by levels of assets under management retained over the next 10 years.

As the final purchase consideration has not been determined, the initial accounting for the acquisition is incomplete. The required disclosures will be made in the annual report and accounts for the year ended 31 December 2014.

4. European Embedded Value

EEV consolidated income statement

For the six months ended 30 June 2014

	Covered business £m	Non-covered business £m	6 months 2014 £m	Covered business £m	Non-covered business £m	6 months 2013 £m	Full Year 2013 £m
UK and Europe	**197**	**7**	**204**	228	3	231	381
Standard Life Investments[1]	**43**	**37**	**80**	36	35	71	149
Canada	**113**	**(1)**	**112**	110	(3)	107	287
Asia and Emerging Markets	**20**	**-**	**20**	14	(3)	11	14
Group corporate centre costs	**-**	**(18)**	**(18)**	-	(17)	(17)	(40)
Other	**-**	**(14)**	**(14)**	-	(14)	(14)	(29)
Look through elimination[1]	**(43)**	**-**	**(43)**	(36)	-	(36)	(79)
EEV operating profit after tax	**330**	**11**	**341**	352	1	353	683
EEV non-operating items							
Long-term investment return and tax variances	**39**	**-**	**39**	(11)	-	(11)	234
Non-operating assumption changes	**(104)**	**-**	**(104)**	234	-	234	143
Restructuring and corporate transaction expenses	**(17)**	**(5)**	**(22)**	(21)	(8)	(29)	(58)
Other EEV non-operating items	**-**	**(6)**	**(6)**	-	(5)	(5)	(14)
EEV non-operating (loss)/profit after tax	**(82)**	**(11)**	**(93)**	202	(13)	189	305
Total EEV profit/(loss) after tax	**248**	**-**	**248**	554	(12)	542	988

[1] Standard Life Investments non-covered EEV operating profit after tax of £37m (six months ended 30 June 2013: £35m; 12 months ended 31 December 2013: £70m) represents operating profit after tax of £80m (six months ended 30 June 2013: £71m; 12 months ended 31 December 2013: £149m) after excluding post-tax profits of £43m (six months ended 30 June 2013: £36m; 12 months ended 31 December 2013: £79m) which have been generated by life and pensions covered business. Standard Life Investments operating profit after tax relating to third party business was £74m (six months ended 30 June 2013: £60m; 12 months ended 31 December 2013: £128m).

EEV earnings per share (EPS)

For the six months ended 30 June 2014

	6 months 2014	6 months 2013	Full year 2013
EEV operating profit after tax (£m)	**341**	353	683
Basic EPS (pence)	**14.3**	15.0	28.9
Weighted average number of ordinary shares outstanding (millions)	**2,379**	2,355	2,362
Diluted EPS (pence)	**14.3**	15.0	28.7
Weighted average number of ordinary shares outstanding for diluted earnings per share (millions)	**2,384**	2,359	2,378

EEV consolidated statement of comprehensive income
For the six months ended 30 June 2014

	6 months 2014 £m	6 months 2013 £m	Full year 2013 £m
EEV profit after tax	**248**	542	988
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement (losses)/gains on defined benefit pension plans[1]	**(14)**	130	101
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss[1]	**5**	(7)	(8)
Other	**-**	5	(22)
Total items that will not be reclassified subsequently to profit or loss	**(9)**	128	71
Items that may be reclassified subsequently to profit or loss:			
Fair value losses on cash flow hedges[1]	**1**	(1)	-
Net investment hedge[1]	**26**	(8)	63
Fair value gains/(losses) on non-covered business financial assets designated as available-for-sale	**9**	(15)	(18)
Exchange differences on translating foreign operations[2]	**(102)**	67	(201)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	**(2)**	3	3
Total items that may be reclassified subsequently to profit or loss	**(68)**	46	(153)
EEV other comprehensive income for the year	**(77)**	174	(82)
Total EEV comprehensive income for the year	**171**	716	906

1 Consistent with the IFRS consolidated statement of comprehensive income.
2 Exchange differences for the six months ended 30 June 2014 primarily relate to Canada (loss £71m) and Europe (loss £23m).

EEV consolidated statement of financial position
As at 30 June 2014

	Covered business £m	Non-covered business £m	30 June 2014 £m	Covered business £m	Non-covered business £m	30 June 2013 £m	31 December 2013 £m
UK and Europe	**4,229**	**544**	**4,773**	4,276	607	4,883	5,079
Standard Life Investments	**-**	**828**	**828**	-	297	297	405
Canada	**2,001**	**3**	**2,004**	2,290	-	2,290	2,095
Asia and Emerging Markets	**371**	**-**	**371**	350	-	350	333
Group corporate centre	**-**	**310**	**310**	-	517	517	444
Other	**-**	**72**	**72**	-	7	7	67
Total Group embedded value	**6,601**	**1,757**	**8,358**	6,916	1,428	8,344	8,423
Analysed by:							
Net worth	**1,755**	**1,757**	**3,512**	2,060	1,428	3,488	3,544
Present value of in-force (excluding TVOG)	**5,468**	**-**	**5,468**	5,616	-	5,616	5,553
Time value of options and guarantees (TVOG)	**(117)**	**-**	**(117)**	(152)	-	(152)	(100)
Cost of required capital	**(505)**	**-**	**(505)**	(608)	-	(608)	(574)
Total EEV net assets	**6,601**	**1,757**	**8,358**	6,916	1,428	8,344	8,423
IFRS equity			**4,245**			4,134	4,227
Additional retained earnings on an EEV basis			**4,113**			4,210	4,196
Total Group embedded value			**8,358**			8,344	8,423
Diluted closing number of ordinary shares outstanding (millions)			**2,392**			2,370	2,389
EEV per share (pence)			**349**			352	353

Notes to the EEV consolidated 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 by the CFO Forum of European Insurance Companies. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the cost of holding required capital and the value of free surplus. The total profit recognised over the lifetime of a policy is the same as under International Financial Reporting Standards (IFRS) but the timing of recognition of profits is different.

EEV includes the net assets of the businesses that are owned by equity holders of Standard Life plc (the Company) plus the present value of future profits expected to arise from in-force long-term insurance policies (PVIF) where these future profits are attributable to equity holders.

A detailed description of EEV methodology is provided in Note 17 – EEV methodology included in the EEV financial information within the annual report and accounts 2013. There have been no significant changes to EEV methodology from that adopted in the previous reporting period, except as noted below.

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

EEV operating profit and EEV profit

Until 31 December 2013, EEV operating profit and EEV profit were disclosed on both a before and after tax basis. EEV profit before tax was derived by grossing up profit after tax at the long-term rate of corporation tax appropriate for each territory. From 1 January 2014, EEV profit and related metrics (including new business contribution and EEV operating profit) are only disclosed on an after tax basis and comparative amounts have been restated. Where EEV operating profit before tax has been included within the company's incentive arrangements, targets have been restated to an after tax basis.

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 Group 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 – *Operating segments*. The EEV segmentation has been prepared in a consistent manner, whilst also distinguishing between covered and non-covered business.

In November 2013, the Group announced that the results of Standard Life Wealth Limited (SLW) would be managed and reported as part of the Standard Life Investments segment from 1 January 2014. As a consequence, the results of SLW are now presented within the Standard Life Investments segment. Previously, this business was managed as part of the UK and Europe segment and reported within UK and Europe non-covered business. Comparative amounts for 30 June 2013 and 31 December 2013 have been prepared on the same basis to allow more meaningful comparison.

Standard Life Savings Limited

Standard Life Savings Limited, which was previously treated as a non-covered entity within UK and Europe with a look through in covered business relating to mutual funds profits, was transferred to covered business on the closing EEV consolidated statement of financial position at 31 December 2013. From 1 January 2014, there is no longer a look through and transfer back of net worth in respect of Standard Life Savings Limited.

Pensions Act 2014

The Pensions Act 2014 contains powers to allow the UK government to restrict charges in defined contribution workplace pensions, including a cap on management charges in default funds and the cessation of active member discounts for qualifying workplace pension schemes. The EEV results for the six months to 30 June 2014 include a provision of £160m (post-tax loss) within EEV non-operating profit, representing our best estimate of the reduction in EEV that will result from these regulatory changes.

Events after the reporting period

As explained in Note 3.17 to the IFRS condensed consolidated financial information, on 1 July 2014, Standard Life Investments Holdings Limited (SLIH), a wholly owned subsidiary of the Company, acquired the entire share capital of Ignis Asset Management Limited (IAML). The final purchase consideration will be determined through a completion process which is not expected to finalise until September 2014. The required disclosures will be made in the annual report and accounts for the year ended 31 December 2014. The acquired business will be reported as non-covered business within the Standard Life Investments segment in the EEV consolidated financial information.

4.2 Analysis of movement in EEV

6 months to 30 June 2014	Covered UK and Europe £m	Covered Canada £m	Covered Asia and Emerging Markets £m	Total non-covered £m	Total £m	Pence per share p
Opening EEV	**4,538**	**2,094**	**333**	**1,458**	**8,423**	**353**
New business contribution	91	14	16	-	121	
Contribution from in-force business	112	59	11	-	182	
Operating experience variances and assumption changes	1	44	-	-	45	
Development costs	(7)	(4)	(7)	-	(18)	
Non-covered business	-	-	-	11	11	
EEV operating profit after tax	**197**	**113**	**20**	**11**	**341**	**14**
EEV non-operating (loss)/profit after tax	(151)	66	3	(11)	(93)	(4)
EEV profit after tax	**46**	**179**	**23**	**-**	**248**	
Non-trading adjustments	(355)	(272)	15	299	(313)	(14)
Closing EEV	**4,229**	**2,001**	**371**	**1,757**	**8,358**	**349**

6 months to 30 June 2013	Covered UK and Europe £m	Covered Canada £m	Covered Asia and Emerging Markets £m	Total non-covered £m	Total £m	Pence per share p
Opening EEV	**4,103**	**2,317**	**297**	**1,425**	**8,142**	**343**
New business contribution	131	13	18	-	162	
Contribution from in-force business	90	65	10	-	165	
Operating experience variances and assumption changes	16	37	(5)	-	48	
Development costs	(9)	(5)	(9)	-	(23)	
Non-covered business	-	-	-	1	1	
EEV operating profit after tax	**228**	**110**	**14**	**1**	**353**	**15**
EEV non-operating profit/(loss) after tax	230	(23)	(5)	(13)	189	8
EEV profit/(loss) after tax	**458**	**87**	**9**	**(12)**	**542**	
Non-trading adjustments	(285)	(114)	44	15	(340)	(14)
Closing EEV	**4,276**	**2,290**	**350**	**1,428**	**8,344**	**352**

Lower new business contribution in UK and Europe is partly due to lower sales of annuities following the 2014 Budget and lower sales of institutional pensions.

The contribution from in-force business has increased due to higher opening in-force and higher expected rates of return.

Operating experience variances and assumption changes profit after tax of £45m comprise operating experience variances profit after tax of £26m and operating assumption changes profit after tax of £19m. Operating experience variances include £18m in Canada from improved modelling and £12m favourable maintenance expense variances, of which £7m is in the UK and Europe and £7m is in Canada. Operating assumption changes of £19m include £15m in Canada from management actions to increase asset returns and reduce actuarial liabilities.

Development expenses of £18m have fallen by £5m from the comparable period, reflecting lower costs in all segments.

Non-covered business EEV operating profit after tax of £11m includes non-covered SLI profit after tax of £37m and Group corporate centre costs after tax of £18m.

EEV non-operating loss after tax of £93m includes a £160m loss from the impact of UK regulations that restrict charges in qualifying workplace pension schemes. The remaining non-operating profit of £67m includes favourable investment return and tax variances of £39m, profit from economic assumption changes of £56m, restructuring and corporate transaction expenses loss of £22m and other losses of £6m. Restructuring and corporate transaction expenses primarily relate to business unit restructuring programmes and costs arising from the acquisition of Ignis Asset Management Limited.

Non-trading adjustments include distributions to equity holders of £252m.

4.3 Analysis of movement in net worth

(a) Covered and non-covered business

	6 months 2014				6 months 2013				Full Year 2013
	Total covered		Non-covered	Total Group	Total covered		Non-covered	Total Group	Total Group
	Free surplus £m	Required capital £m	Free surplus £m	EEV net worth £m	Free surplus £m	Required capital £m	Free surplus £m	EEV net worth £m	EEV net worth £m
Opening EEV net worth	843	1,243	1,458	3,544	944	1,348	1,425	3,717	3,717
Expected return	311	26	-	337	328	3	-	331	632
New business strain	(210)	56	-	(154)	(189)	58	-	(131)	(266)
Other operating movement	152	(96)	11	67	41	(11)	1	31	216
EEV operating capital and cash generation	253	(14)	11	250	180	50	1	231	582
EEV non-operating capital and cash generation	(32)	21	(11)	(22)	14	(79)	(13)	(78)	(148)
Total EEV capital and cash generation	221	7	-	228	194	(29)	(12)	153	434
Internal capital transfers	(446)	-	446	-	(399)	-	399	-	-
Distributions to equity holders	-	-	(252)	(252)	-	-	(532)	(532)	(656)
Look through transfers	(51)	-	51	-	(44)	-	44	-	-
Foreign exchange differences	(14)	(35)	1	(48)	9	17	-	26	(121)
Remeasurement (losses)/gains on defined benefit pension plans	(18)	-	4	(14)	29	-	101	130	101
Other non-trading adjustments	5	-	49	54	(9)	-	3	(6)	69
Closing EEV net worth	540	1,215	1,757	3,512	724	1,336	1,428	3,488	3,544
Analysed by:									
UK and Europe	268	280	544	1,092	297	250	607	1,154	1,282
Standard Life Investments	-	-	828	828	-	-	297	297	405
Canada	233	882	3	1,118	377	1,037	-	1,414	1,274
AEM	39	53	-	92	50	49	-	99	72
Other	-	-	382	382	-	-	524	524	511
Closing EEV net worth	540	1,215	1,757	3,512	724	1,336	1,428	3,488	3,544

4.3 Analysis of movement in net worth *continued*

(b) Covered business operating net worth movement analysis

	6 months 2014				6 months 2013				Full year 2013
	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	Total £m
Free surplus movement:									
Expected return	227	50	34	311	229	70	29	328	626
New business strain	(113)	(60)	(37)	(210)	(103)	(55)	(31)	(189)	(386)
Other operating movement	58	99	(5)	152	36	19	(14)	41	269
Total	172	89	(8)	253	162	34	(16)	180	509
Required capital movement:									
Expected return	2	22	2	26	2	-	1	3	6
New business strain	7	45	4	56	10	44	4	58	120
Other operating movement	1	(96)	(1)	(96)	2	(15)	2	(11)	(52)
Total	10	(29)	5	(14)	14	29	7	50	74
Operating net worth movement:									
Expected return	229	72	36	337	231	70	30	331	632
New business strain	(106)	(15)	(33)	(154)	(93)	(11)	(27)	(131)	(266)
Other operating movement	59	3	(6)	56	38	4	(12)	30	217
Total	182	60	(3)	239	176	63	(9)	230	583

4.4 Analysis of movement in PVIF (including TVOG and cost of required capital)

	6 months 2014				6 months 2013				Full year 2013
	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	Total £m
Opening EEV PVIF	3,797	821	261	4,879	3,384	815	226	4,425	4,425
PVIF generated from new business	197	29	50	276	224	24	45	293	524
Expected movement in PVIF	(117)	(13)	(26)	(156)	(141)	(5)	(20)	(166)	(322)
Other PVIF operating movement	(65)	37	(1)	(29)	(31)	28	(2)	(5)	(101)
Total PVIF operating movement	15	53	23	91	52	47	23	122	101
PVIF non-operating movement	(111)	40	1	(70)	268	4	(5)	267	454
Foreign exchange differences	(20)	(28)	(6)	(54)	25	10	7	42	(81)
Other PVIF movement	-	-	-	-	-	-	-	-	(20)
Closing EEV PVIF	3,681	886	279	4,846	3,729	876	251	4,856	4,879

4.5 PVNBP, new business contribution and margin

	6 months 2014				6 months 2013				Full year 2013
	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	UK and Europe £m	Canada £m	Asia and Emerging Markets £m	Total £m	Total £m
PVNBP – Fee	8,848	1,127	215	10,190	9,999	1,074	210	11,283	21,280
PVNBP – Spread/Risk and Other	102	386	223	711	203	454	281	938	1,623
PVNBP – Total	**8,950**	**1,513**	**438**	**10,901**	10,202	1,528	491	12,221	22,903
New business contribution – Fee	81	10	7	98	107	5	10	122	185
New business contribution – Spread/Risk and Other	10	4	9	23	24	8	8	40	73
NBC - Total	**91**	**14**	**16**	**121**	131	13	18	162	258
PVNBP margin – Fee	0.9	0.9	3.2	1.0	1.1	0.5	5.1	1.1	0.9
PVNBP margin – Spread/Risk and Other	10.1	1.1	4.3	3.4	11.6	1.8	2.7	4.2	4.5
PVNBP margin – Total	**1.0**	**0.9**	**3.8**	**1.1**	1.3	0.9	3.7	1.3	1.1

4.6 Monetisation profile of closing PVIF[1] and new business PVIF[1]

	In-force						New business					
6 months 2014	PVIF £m	1-5 £m	6-10 £m	11-15 £m	16-20 £m	21+ £m	PVIF £m	1-5 £m	6-10 £m	11-15 £m	16-20 £m	21+ £m
UK and Europe	6,422	1,930	1,482	1,048	708	1,254	340	110	75	55	40	60
Canada	4,057	583	504	459	382	2,129	132	22	18	16	14	62
AEM	441	184	100	72	44	41	78	33	18	9	9	9
Total undiscounted	**10,920**	**2,697**	**2,086**	**1,579**	**1,134**	**3,424**	**550**	**165**	**111**	**80**	**63**	**131**
Total discounted	**5,468**	**2,341**	**1,362**	**776**	**422**	**567**	**306**	**147**	**72**	**39**	**23**	**25**

1 PVIF excludes TVOG and cost of required capital.

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

6 months 2014	UK and Europe £m	Standard Life Investments £m	Canada £m	Asia and Emerging Markets £m	Other £m	Total £m
Operating profit/(loss) before tax	188	104	69	6	(28)	**339**
Tax on operating profit	(31)	(24)	(17)	2	(4)	**(74)**
Operating profit/(loss) after tax[1]	**157**	**80**	**52**	**8**	**(32)**	**265**
Impact of different treatment of assets and actuarial reserves	(26)	-	(1)	(2)	-	**(29)**
DAC and DIR[2], intangibles, tax and other	15	-	8	(9)	-	**14**
Look through to investment management	43	(43)	-	-	-	**-**
EEV operating capital and cash generation	**189**	**37**	**59**	**(3)**	**(32)**	**250**
EEV operating profit after tax – PVIF[3]	15	-	53	23	-	**91**
EEV operating profit/(loss) after tax	**204**	**37**	**112**	**20**	**(32)**	**341**

1 Group operating profit after tax consists of: Group operating profit before tax of £339m, tax charge on operating profit of (£73m) and share of joint ventures' and associates' tax expense of (£1m).
2 Deferred acquisition costs (DAC) and deferred income reserve (DIR).
3 Including TVOG and cost of required capital.

4.7 Reconciliation of operating profit to EEV operating capital and cash generation *continued*

6 months 2013	UK and Europe £m	Standard Life Investments £m	Canada £m	Asia and Emerging Markets £m	Other £m	Total £m
Operating profit/(loss) before tax	180	95	59	(1)	(29)	**304**
Tax on operating profit	(39)	(24)	(5)	-	(2)	**(70)**
Operating profit/(loss) after tax	**141**	**71**	**54**	**(1)**	**(31)**	**234**
Impact of different treatment of assets and actuarial reserves	(31)	-	-	1	-	**(30)**
DAC and DIR, intangibles, tax and other	34	-	5	(12)	-	**27**
Look through to investment management	35	(36)	1	-	-	**-**
EEV operating capital and cash generation	**179**	**35**	**60**	**(12)**	**(31)**	**231**
EEV operating profit after tax – PVIF	52	-	47	23	-	**122**
EEV operating profit/(loss) after tax	**231**	**35**	**107**	**11**	**(31)**	**353**

Full year 2013	UK and Europe £m	Standard Life Investments £m	Canada £m	Asia and Emerging Markets £m	Other £m	Total £m
Operating profit/(loss) before tax	375	197	251	(6)	(66)	**751**
Tax on operating profit	(47)	(48)	(51)	-	(3)	**(149)**
Operating profit/(loss) after tax	**328**	**149**	**200**	**(6)**	**(69)**	**602**
Impact of different treatment of assets and actuarial reserves	(30)	-	(4)	(2)	-	**(36)**
DAC and DIR, intangibles, tax and other	33	-	5	(22)	-	**16**
Look through to investment management	78	(79)	1	-	-	**-**
EEV operating capital and cash generation	**409**	**70**	**202**	**(30)**	**(69)**	**582**
EEV operating profit/(loss) after tax – PVIF	(28)	-	85	44	-	**101**
EEV operating profit/(loss) after tax	**381**	**70**	**287**	**14**	**(69)**	**683**

4.8 Reconciliation of EEV net assets to IFRS net assets and IGD regulatory capital resources

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
Net assets on an EEV basis	**8,358**	8,344	8,423
Present value of in-force life and pensions business net of cost of capital	**(4,846)**	(4,856)	(4,879)
EEV net worth	**3,512**	3,488	3,544
Adjustment of long-term debt to market value	**113**	67	100
Sterling reserves	**100**	57	55
Valuation movement in available-for-sale assets backing investment contract liabilities	**(2)**	(8)	(10)
Deferred acquisition costs net of deferred income reserve	**431**	412	423
Deferred tax differences	**40**	72	65
Adjustment for share of joint ventures	**20**	23	20
Other	**31**	23	30
Net assets attributable to equity holders on an IFRS basis	**4,245**	4,134	4,227
Valuation adjustments for IGD	**(1,338)**	(1,194)	(1,278)
External subordinated liabilities	**1,841**	1,888	1,861
Capital in long-term business funds	**3,445**	3,254	3,590
IGD regulatory capital resources[1]	**8,193**	8,082	8,400

[1] 31 December 2013 based on final regulatory returns, 30 June 2014 and 30 June 2013 based on estimated regulatory returns.

4.9 Time Value of Options and Guarantees (TVOG)

	30 June 2014 £m	30 June 2013 £m	31 December 2013 £m
UK and Europe	**(54)**	(96)	(55)
Canada	**(56)**	(49)	(40)
Asia and Emerging Markets	**(7)**	(7)	(5)
Total	**(117)**	(152)	(100)

UK and Europe TVOG reflects the value of shareholder exposure to with profit policyholder guarantees. The total comprises £42m for guarantees in the HWPF and £12m for guarantees in the GWPF. The value of this exposure has decreased by £1m during 2014, comprising a post-tax operating loss of £8m and a post-tax non-operating profit of £9m. The operating loss consists of a loss of £7m from revised investment mix and a loss of £1m from new business, whilst the non-operating profit largely reflects favourable market movements.

The table above also shows the value of TVOG in Canada and Asia and Emerging Markets, which are in addition to the UK and Europe TVOG. Where material, these values are calculated using an economic scenario generator similar to that used for the UK and Europe TVOG calculation, although market observed data is not always available at all durations.

The Canada TVOG grew by £16m, mainly due to new business written in the period.

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

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

Volatilities		**30 June 2014**		30 June 2013		31 December 2013	
		UK Sterling	**Euro**	UK Sterling	Euro	UK Sterling	Euro
	Option term	**Swap term (years)**		Swap term (years)		Swap term (years)	
Swaption-implied volatilities	**(years)**	**10**	**20**	10	20	10	20
	10	**17.9%**	**20.8%**	18.1%	19.7%	17.7%	19.2%
	15	**16.9%**	**19.5%**	16.1%	19.2%	16.4%	18.2%
	20	**15.7%**	**17.6%**	14.6%	17.5%	14.9%	17.1%
	25	**14.5%**	**n/a**	13.5%	n/a	13.7%	n/a

		30 June 2014		30 June 2013		31 December 2013	
Equity-implied volatilities	**Option term (years)**	**UK equities**	**European equities**	UK equities	European equities	UK equities	European equities
	10	**20.4%**	**20.1%**	25.7%	23.6%	22.3%	22.8%
	15	**21.5%**	**20.3%**	26.2%	23.5%	22.6%	22.7%
	20	**22.2%**	**20.4%**	26.7%	24.2%	23.0%	23.3%
	25	**23.2%**	**21.1%**	27.6%	24.6%	23.9%	23.6%

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

For the UK and Europe, the model is calibrated to property-implied volatility of 15% for 30 June 2014 (30 June 2013: 15%; 31 December 2013: 15%).

4.10 Principal economic assumptions – deterministic calculations – covered business

	30 June 2014 In-force business %	30 June 2014 New business %	30 June 2013 In-force business %	30 June 2013 New business %	31 December 2013 In-force business %	31 December 2013 New business %
Risk-free rate:						
UK / SLIL	**2.78**	**3.01**	2.42	1.74	3.01	1.74
Europe	**1.25**	**1.94**	1.73	1.32	1.94	1.32
Canada	**2.74**	**3.16**	2.83	2.32	3.16	2.32
Hong Kong	**1.88**	**1.92**	1.65	0.91	1.92	0.91
India[1]	**8.30**		7.98		8.01	
China[1]	**4.37**		3.93		4.94	
Corporate bond returns, excluding Canada[2]:						
UK	**3.41**	**3.76**	3.00	2.34	3.76	2.34
Hong Kong	**2.48**	**2.73**	2.44	1.66	2.73	1.66
Total investment returns (annuities):						
UK non index-linked annuities	**3.94**	[3]	4.19	[3]	4.26	[3]
UK index-linked annuities	**3.49**	[3]	3.44	[3]	3.69	[3]
Equity returns:						
Canada	**8.60**		8.60		8.60	
Other	**Risk-free rate + 3%pa**		Risk-free rate + 3%pa		Risk-free rate + 3%pa	
Property returns:						
Canada	**8.60**		8.60		8.60	
Other	**Risk-free rate + 2%pa**		Risk-free rate + 2%pa		Risk-free rate + 2%pa	
Risk discount rate risk margin:						
UK HWPF	**4.10**	**2.90**	4.50	2.50	4.10	2.70
UK PBF	**2.40**	**3.40**	2.30	2.60	2.40	3.10
Europe HWPF	**2.80**	**2.50**	2.50	3.30	2.80	2.50
Europe PBF	**1.50**	**1.60**	1.30	1.50	1.50	1.60
SLIL	**2.40**	**2.60**	2.20	2.10	2.20	2.30
Canada	**4.00**	**2.70**	3.60	2.70	3.40	2.70
Hong Kong	**2.90**	**2.90**	2.90	2.90	2.90	2.90
Risk discount rate:						
UK HWPF	**6.88**	**5.91**	6.92	4.24	7.11	4.44
UK PBF	**5.18**	**6.41**	4.72	4.34	5.41	4.84
Europe HWPF	**4.05**	**4.44**	4.23	4.62	4.74	3.82
Europe PBF	**2.75**	**3.54**	3.03	2.82	3.44	2.92
SLIL	**5.18**	**5.61**	4.62	3.84	5.21	4.04
Canada	**6.74**	**5.86**	6.43	5.02	6.56	5.02
Hong Kong	**4.78**	**4.82**	4.55	3.81	4.82	3.81
Expense inflation:						
UK / SLIL	**3.88**	**4.00**	3.64	3.39	4.00	3.39
Europe (Germany)	**1.37**	**1.60**	1.59	1.87	1.60	1.87
Europe (Ireland)	**2.46**	**2.69**	2.56	2.84	2.69	2.84
Canada[4]	**1.50**	**1.50**	1.50	1.50	1.50	1.50
Hong Kong	**2.50**	**2.50**	2.50	2.50	2.50	2.50

1 The PVIF and cost of required capital of the Asian joint ventures are calculated using a 'risk neutral' approach whereby projected investment returns and discount rates are based on risk free rates.

2 For Canada, with the exception of available-for-sale (AFS) assets used to back investment contract liabilities at amortised cost, current holdings are assumed to yield in future years the earned rate for the year preceding the valuation and future reinvestments are assumed to be in a mixture of government and corporate bonds. For AFS assets used to back investment contract liabilities at amortised cost, yields are calculated at acquisition and subsequent changes are ignored.

3 For UK immediate annuity new business, economic assumptions are updated every quarter.

4 This represents the current rate. The rate in subsequent years is based on a moving 30-year bond yield less a 2% deduction, subject to a floor of 1.50%.

Risk discount rate risk margins have been updated at 30 June 2014 to reflect the impact of market movements. Allowances for non-market risk are unchanged from those used at 31 December 2013, these are reviewed once a year and any changes will be reflected in the annual report and accounts for the year ended 31 December 2014.

5. Independent review report to Standard Life plc

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements, defined below, in the half year results of Standard Life plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that;

- The IFRS condensed consolidated interim financial information are 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 Conduct Authority.
- The EEV consolidated financial information is not prepared, in all material respects, in accordance with the EEV basis set out in Note 4.1.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The interim financial statements, which are prepared by Standard Life plc, comprise:

IFRS condensed consolidated interim financial information, including:

- The IFRS condensed consolidated statement of financial position as at 30 June 2014
- The IFRS condensed consolidated income statement and statement of comprehensive income for the period then ended
- The IFRS condensed consolidated statement of cash flows for the period then ended
- The IFRS condensed consolidated statement of changes in equity for the period then ended
- The explanatory notes to the IFRS condensed consolidated interim financial information.

EEV consolidated financial information, including:

- The European Embedded Value (EEV) consolidated income statement, the EEV earnings per share statement, the EEV consolidated statement of comprehensive income, the EEV consolidated statement of financial position, and related notes.

As disclosed in Note 3.1, the financial reporting framework that has been applied in the preparation of the full IFRS annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The IFRS condensed consolidated interim financial information included in the half year results have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 4.1, EEV consolidated financial information has been prepared on the European Embedded Value (EEV) basis.

What a review of interim financial statements involves

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.

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 information in the interim financial statements.

Responsibilities for interim financial statements and the review

Our responsibilities and those of the directors

The half year results, including the interim financial statements, 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 Conduct Authority and, in respect of the EEV consolidated financial information in accordance with the EEV basis set out in Note 4.1.

Our responsibility is to express to the Company a conclusion on the interim financial statements 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 purposes of, in relation to the IFRS condensed consolidated interim financial information, complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and, in relation to the EEV consolidated financial information, as set out in our engagement letter dated 31 July 2014 and for no other purposes. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
5 August 2014

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

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

6. Supplementary information

6.1 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 on the consolidated statement of financial position. In addition, certain assets are excluded, for example deferred acquisition costs, intangibles and reinsurance assets.

Group assets under administration (summary)
Six months ended 30 June 2014

	Opening AUA at 1 Jan 2014 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2014 £bn
Total AUA:						
Fee business	210.1	17.1	(12.1)	5.0	3.6	218.7
Spread/risk business	23.5	0.7	(1.2)	(0.5)	0.7	23.7
Other (incl. joint ventures)	10.6	0.2	(0.1)	0.1	1.0	11.7
Total AUA	**244.2**	**18.0**	**(13.4)**	**4.6**	**5.3**	**254.1**
Fee business:						
UK retail new[1]	33.8	3.1	(1.6)	1.5	0.9	36.2
UK retail old	33.5	0.3	(1.4)	(1.1)	0.6	33.0
Corporate	29.2	1.8	(0.9)	0.9	(0.2)	29.9
UK retail and corporate	**96.5**	**5.2**	**(3.9)**	**1.3**	**1.3**	**99.1**
Institutional pensions	25.3	2.1	(1.4)	0.7	0.8	26.8
Conventional with profits	2.9	-	(0.5)	(0.5)	0.1	2.5
UK	**124.7**	**7.3**	**(5.8)**	**1.5**	**2.2**	**128.4**
Europe[1]	16.1	1.3	(0.6)	0.7	0.3	17.1
Standard Life Investments third party[1]	102.4	11.9	(7.7)	4.2	1.4	108.0
Canada retail	4.3	0.6	(0.3)	0.3	0.1	4.7
Canada corporate	13.0	0.9	(0.8)	0.1	0.5	13.6
Canada	**17.3**	**1.5**	**(1.1)**	**0.4**	**0.6**	**18.3**
Asia and Emerging Markets (wholly owned)	0.3	-	-	-	-	0.3
Consolidation/eliminations[1,2]	(50.7)	(4.9)	3.1	(1.8)	(0.9)	(53.4)
Total fee business	**210.1**	**17.1**	**(12.1)**	**5.0**	**3.6**	**218.7**
Spread/risk business:						
UK	14.6	0.2	(0.6)	(0.4)	0.5	14.7
Europe	0.5	-	-	-	0.1	0.6
Canada	8.4	0.5	(0.6)	(0.1)	0.1	8.4
Total spread/risk business	**23.5**	**0.7**	**(1.2)**	**(0.5)**	**0.7**	**23.7**
Other (incl. joint ventures)	**10.6**	**0.2**	**(0.1)**	**0.1**	**1.0**	**11.7**
Group assets under administration	**244.2**	**18.0**	**(13.4)**	**4.6**	**5.3**	**254.1**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK & Europe. Comparatives have been restated.

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

6.1 Group assets under administration and net flows *continued*

Group assets under administration (summary)
Six months ended 30 June 2013

	Opening AUA at 1 Jan 2013 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2013 £bn
Total AUA:						
Fee business	180.7	17.9	(11.1)	6.8	9.0	196.5
Spread/risk business	25.7	0.8	(1.2)	(0.4)	(0.5)	24.8
Other (incl. joint ventures)	11.7	0.2	(0.1)	0.1	(0.3)	11.5
Total AUA	**218.1**	**18.9**	**(12.4)**	**6.5**	**8.2**	**232.8**
Fee business:						
UK retail new[1]	27.6	2.9	(1.3)	1.6	1.3	30.5
UK retail old	31.7	0.3	(1.6)	(1.3)	2.1	32.5
Corporate	24.5	1.6	(1.1)	0.5	1.5	26.5
UK retail and corporate	**83.8**	**4.8**	**(4.0)**	**0.8**	**4.9**	**89.5**
Institutional pensions	21.3	3.2	(1.3)	1.9	0.8	24.0
Conventional with profits	4.1	0.1	(0.8)	(0.7)	0.1	3.5
UK	**109.2**	**8.1**	**(6.1)**	**2.0**	**5.8**	**117.0**
Europe[1]	13.9	1.1	(0.6)	0.5	0.8	15.2
Standard Life Investments third party[1]	84.8	13.2	(5.8)	7.4	3.3	95.5
Canada retail	3.9	0.5	(0.4)	0.1	0.2	4.2
Canada corporate	12.0	0.9	(0.8)	0.1	0.7	12.8
Canada	**15.9**	**1.4**	**(1.2)**	**0.2**	**0.9**	**17.0**
Asia and Emerging Markets (wholly owned)	0.2	-	-	-	0.1	0.3
Consolidation/eliminations[1,2]	(43.3)	(5.9)	2.6	(3.3)	(1.9)	(48.5)
Total fee business	**180.7**	**17.9**	**(11.1)**	**6.8**	**9.0**	**196.5**
Spread/risk business:						
UK	15.3	0.3	(0.6)	(0.3)	(0.3)	14.7
Europe	0.5	-	-	-	0.1	0.6
Canada	9.9	0.5	(0.6)	(0.1)	(0.3)	9.5
Total spread/risk business	**25.7**	**0.8**	**(1.2)**	**(0.4)**	**(0.5)**	**24.8**
Other (incl. joint ventures)	**11.7**	**0.2**	**(0.1)**	**0.1**	**(0.3)**	**11.5**
Group assets under administration	**218.1**	**18.9**	**(12.4)**	**6.5**	**8.2**	**232.8**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK & Europe. Comparatives have been restated.

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

Group assets under administration (summary)
12 months ended 31 December 2013

	Opening AUA at 1 Jan 2013 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 31 Dec 2013 £bn
Total AUA:						
Fee business	180.7	33.7	(23.4)	10.3	19.1	210.1
Spread/risk business	25.7	1.6	(2.5)	(0.9)	(1.3)	23.5
Other (incl. joint ventures)	11.7	0.4	(0.2)	0.2	(1.3)	10.6
Total AUA	**218.1**	**35.7**	**(26.1)**	**9.6**	**16.5**	**244.2**
Fee business:						
UK retail new[1]	27.6	5.5	(2.7)	2.8	3.4	33.8
UK retail old	31.7	0.6	(3.2)	(2.6)	4.4	33.5
Corporate	24.5	4.3	(2.3)	2.0	2.7	29.2
UK retail and corporate	**83.8**	**10.4**	**(8.2)**	**2.2**	**10.5**	**96.5**
Institutional pensions	21.3	5.2	(3.3)	1.9	2.1	25.3
Conventional with profits	4.1	0.1	(1.6)	(1.5)	0.3	2.9
UK	**109.2**	**15.7**	**(13.1)**	**2.6**	**12.9**	**124.7**
Europe[1]	13.9	2.5	(1.2)	1.3	0.9	16.1
Standard Life Investments third party[1]	84.8	23.2	(12.8)	10.4	7.2	102.4
Canada retail	3.9	1.0	(0.7)	0.3	0.1	4.3
Canada corporate	12.0	1.8	(1.5)	0.3	0.7	13.0
Canada	**15.9**	**2.8**	**(2.2)**	**0.6**	**0.8**	**17.3**
Asia and Emerging Markets (wholly owned)	0.2	0.1	(0.1)	-	0.1	0.3
Consolidation/eliminations[1,2]	(43.3)	(10.6)	6.0	(4.6)	(2.8)	(50.7)
Total fee business	**180.7**	**33.7**	**(23.4)**	**10.3**	**19.1**	**210.1**
Spread/risk business:						
UK	15.3	0.6	(1.3)	(0.7)	0.0	14.6
Europe	0.5	-	-	-	-	0.5
Canada	9.9	1.0	(1.2)	(0.2)	(1.3)	8.4
Total spread/risk business	**25.7**	**1.6**	**(2.5)**	**(0.9)**	**(1.3)**	**23.5**
Other (incl. joint ventures)	**11.7**	**0.4**	**(0.2)**	**0.2**	**(1.3)**	**10.6**
Group assets under administration	**218.1**	**35.7**	**(26.1)**	**9.6**	**16.5**	**244.2**

[1] From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK & Europe. Comparatives have been restated.

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

6.1 Group assets under administration and net flows *continued*

Group assets under administration
Six months ended 30 June 2014

	Fee (F) – Spread/risk (S/R)	Opening AUA at 1 Jan 2014 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2014 £bn
UK							
UK retail new fee business [1]	F	33.8	3.1	(1.6)	1.5	0.9	36.2
UK retail old fee business	F	33.5	0.3	(1.4)	(1.1)	0.6	33.0
UK retail fee business		**67.3**	**3.4**	**(3.0)**	**0.4**	**1.5**	**69.2**
Corporate pensions	F	29.2	1.8	(0.9)	0.9	(0.2)	29.9
UK retail and corporate fee business		**96.5**	**5.2**	**(3.9)**	**1.3**	**1.3**	**99.1**
Institutional pensions	F	25.3	2.1	(1.4)	0.7	0.8	26.8
Conventional with profits	F	2.9	-	(0.5)	(0.5)	0.1	2.5
UK total fee business	F	**124.7**	**7.3**	**(5.8)**	**1.5**	**2.2**	**128.4**
Annuities	S/R	14.6	0.2	(0.6)	(0.4)	0.5	14.7
Assets not backing products		5.7	-	-	-	0.5	6.2
UK long-term savings		**145.0**	**7.5**	**(6.4)**	**1.1**	**3.2**	**149.3**
Europe							
Fee[1]	F	16.1	1.3	(0.6)	0.7	0.3	17.1
Spread/risk	S/R	0.5	-	-	-	0.1	0.6
Europe long-term savings		**16.6**	**1.3**	**(0.6)**	**0.7**	**0.4**	**17.7**
UK and Europe long-term savings		**161.6**	**8.8**	**(7.0)**	**1.8**	**3.6**	**167.0**
Canada							
Corporate pensions fee	F	13.0	0.9	(0.8)	0.1	0.5	13.6
Corporate pensions spread/risk	S/R	3.2	0.1	(0.2)	(0.1)	-	3.1
Corporate pensions		**16.2**	**1.0**	**(1.0)**	**-**	**0.5**	**16.7**
Corporate benefits	S/R	0.5	0.2	(0.2)	-	-	0.5
Retail fee	F	4.3	0.6	(0.3)	0.3	0.1	4.7
Retail spread/risk	S/R	4.7	0.2	(0.2)	-	0.1	4.8
Asset not backing products		1.7	-	-	-	(0.1)	1.6
Canada long-term savings		**27.4**	**2.0**	**(1.7)**	**0.3**	**0.6**	**28.3**
Asia and Emerging Markets							
Wholly owned long-term savings	F	0.3	-	-	-	-	0.3
Joint ventures long-term savings		1.6	0.2	(0.1)	0.1	0.1	1.8
Asia and Emerging Markets long-term savings		**1.9**	**0.2**	**(0.1)**	**0.1**	**0.1**	**2.1**
Total worldwide long-term savings		**190.9**	**11.0**	**(8.8)**	**2.2**	**4.3**	**197.4**
Other corporate assets		2.0	-	-	-	0.5	2.5
Standard Life Investments third party assets under management[1]		102.4	11.9	(7.7)	4.2	1.4	108.0
Consolidation and elimination adjustments[1,2,3]		(51.1)	(4.9)	3.1	(1.8)	(0.9)	(53.8)
Group assets under administration		**244.2**	**18.0**	**(13.4)**	**4.6**	**5.3**	**254.1**

1 From 1 January 2014, Standard Life Wealth is reported as part of Standard Life Investments, previously it was reported in UK & Europe. Comparatives have been restated.

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

3 Consolidation and elimination adjustments closing AUA includes Standard Life Investments third party insurance contracts of £36.6bn (31 December 2013: £35.3bn), UK mutual funds and other £15.3bn (31 December 2013: £14.0bn) and Canada mutual funds of £1.5bn (31 December 2013: £1.5bn).

Group assets under administration net flows
15 months ended 30 June 2014

	Net flows				
	3 months to 30 Jun 2014 £bn	3 months to 31 Mar 2014 £bn	3 months to 31 Dec 2013 £bn	3 months to 30 Sept 2013 £bn	3 months to 30 Jun 2013 £bn
Fee business	**2.4**	2.6	2.1	1.4	3.8
Spread/risk business	**(0.2)**	(0.3)	(0.2)	(0.3)	(0.1)
Other (incl. joint ventures)	**-**	0.1	-	0.1	-
Total	**2.2**	2.4	1.9	1.2	3.7
Fee business:					
UK retail new	**0.7**	0.8	0.4	0.8	0.8
UK retail old	**(0.5)**	(0.6)	(0.6)	(0.7)	(0.6)
Corporate	**0.4**	0.5	1.1	0.4	0.2
UK retail and corporate	**0.6**	0.7	0.9	0.5	0.4
Institutional pensions	**0.7**	-	0.2	(0.2)	0.9
Conventional with profits	**(0.3)**	(0.2)	(0.3)	(0.5)	(0.4)
UK	**1.0**	0.5	0.8	(0.2)	0.9
Europe	**0.3**	0.4	0.3	0.5	0.3
Standard Life Investments third party	**2.2**	2.0	1.6	1.4	4.2
Canada	**0.1**	0.3	0.3	0.1	-
Asia and Emerging Markets (wholly owned)	**-**	-	(0.1)	0.1	-
Consolidation/eliminations	**(1.2)**	(0.6)	(0.8)	(0.5)	(1.6)
Total fee business	**2.4**	2.6	2.1	1.4	3.8
Spread/risk business:					
UK	**(0.2)**	(0.2)	(0.2)	(0.2)	(0.1)
Europe	**-**	-	-	-	-
Canada	**-**	(0.1)	-	(0.1)	-
Total spread/risk business	**(0.2)**	(0.3)	(0.2)	(0.3)	(0.1)
Total other (incl. joint ventures)	**-**	0.1	-	0.1	-
Total Group net flows	**2.2**	2.4	1.9	1.2	3.7

Standard Life Investments assets under management net flows
15 months ended 30 June 2014

	Net flows				
	3 months to 30 Jun 2014 £bn	3 months to 31 Mar 2014 £bn	3 months to 31 Dec 2013 £bn	3 months to 30 Sept 2013 £bn	3 months to 30 Jun 2013 £bn
UK	**1.4**	0.4	0.6	0.7	1.8
Europe	**0.1**	0.5	0.2	0.2	1.1
Canada	**0.2**	0.2	0.3	0.2	0.2
US	**0.3**	0.6	0.3	0.5	0.8
Asia Pacific	**-**	0.1	0.1	-	0.2
India	**0.2**	0.2	0.1	(0.2)	0.1
Total third party net flows	**2.2**	2.0	1.6	1.4	4.2
Equities	**(0.1)**	0.2	(0.2)	-	(0.2)
Fixed income	**-**	-	(0.2)	0.2	0.5
Multi asset	**1.4**	1.3	1.0	1.1	3.1
Real estate	**0.2**	-	0.1	0.1	0.1
MyFolio	**0.4**	0.4	0.4	0.3	0.4
Other	**0.3**	0.1	0.5	(0.3)	0.3
Total third party net flows	**2.2**	2.0	1.6	1.4	4.2
Wholesale	**1.0**	1.6	0.8	1.2	1.5
Institutional	**0.9**	0.6	0.5	0.3	2.4
Wealth	**0.1**	(0.1)	-	0.2	0.1
India cash funds	**0.2**	(0.1)	0.3	(0.3)	0.2
Total third party net flows	**2.2**	2.0	1.6	1.4	4.2
Total asset management net flows	**1.5**	1.5	1.0	0.4	3.6

6.2 Investment operations

Six months ended 30 June 2014

Third party assets under management by geography

		Opening AUM at 1 Jan 2014 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Net movement in AUM £bn	Closing AUM at 30 Jun 2014 £bn
UK	Wholesale	**19.6**	4.1	(2.5)	1.6	-	1.6	**21.2**
	Institutional	**42.9**	2.4	(2.2)	0.2	0.7	0.9	**43.8**
	Wealth	**5.8**	0.3	(0.3)	-	0.1	0.1	**5.9**
		68.3	**6.8**	**(5.0)**	**1.8**	**0.8**	**2.6**	**70.9**
Europe	Wholesale	**3.8**	1.0	(0.8)	0.2	(0.6)	(0.4)	**3.4**
	Institutional	**6.6**	0.5	(0.1)	0.4	0.1	0.5	**7.1**
		10.4	**1.5**	**(0.9)**	**0.6**	**(0.5)**	**0.1**	**10.5**
Canada	Wholesale	**3.8**	0.6	(0.3)	0.3	0.4	0.7	**4.5**
	Institutional	**9.8**	0.7	(0.6)	0.1	0.1	0.2	**10.0**
		13.6	**1.3**	**(0.9)**	**0.4**	**0.5**	**0.9**	**14.5**
US	Institutional	**4.2**	**1.5**	**(0.6)**	**0.9**	**0.1**	**1.0**	**5.2**
Asia Pacific	Wholesale	**1.1**	0.4	(0.2)	0.2	(0.2)	-	**1.1**
	Institutional	**0.7**	-	(0.1)	(0.1)	-	(0.1)	**0.6**
		1.8	**0.4**	**(0.3)**	**0.1**	**(0.2)**	**(0.1)**	**1.7**
India	Wholesale	**2.9**	0.3	-	0.3	0.6	0.9	**3.8**
	Cash funds	**1.2**	0.1	-	0.1	0.1	0.2	**1.4**
		4.1	**0.4**	**-**	**0.4**	**0.7**	**1.1**	**5.2**
Total	Wholesale	**31.2**	6.4	(3.8)	2.6	0.2	2.8	**34.0**
	Institutional	**64.2**	5.1	(3.6)	1.5	1.0	2.5	**66.7**
	Wealth	**5.8**	0.3	(0.3)	-	0.1	0.1	**5.9**
	Cash funds	**1.2**	0.1	-	0.1	0.1	0.2	**1.4**
Total third party AUM		**102.4**	**11.9**	**(7.7)**	**4.2**	**1.4**	**5.6**	**108.0**

Third party assets under management by asset class

	Opening AUM at 1 Jan 2014 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Net movement in AUM £bn	Closing AUM at 30 Jun 2014 £bn
Equities	**19.5**	1.7	(1.6)	0.1	0.6	0.7	**20.2**
Fixed Income	**26.8**	1.9	(1.9)	-	0.8	0.8	**27.6**
Multi Asset[1]	**31.4**	5.7	(3.0)	2.7	(0.1)	2.6	**34.0**
Real Estate	**6.8**	0.5	(0.3)	0.2	0.3	0.5	**7.3**
MyFolio	**4.0**	1.0	(0.2)	0.8	-	0.8	**4.8**
Other[2]	**13.9**	1.1	(0.7)	0.4	(0.2)	0.2	**14.1**
Total third party AUM	**102.4**	**11.9**	**(7.7)**	**4.2**	**1.4**	**5.6**	**108.0**
Total AUM	**189.1**	**14.4**	**(11.4)**	**3.0**	**3.0**	**6.0**	**195.1**

1 Comprises suite of global absolute return strategies and balanced funds.
2 Comprises cash, private equity and Standard Life Wealth.

Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2014. 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.

Six months ended 30 June 2013

Third party assets under management by geography

		Opening AUM at 1 Jan 2013 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Net movement in AUM £bn	Closing AUM at 30 Jun 2013 £bn
UK	Wholesale	**14.9**	3.5	(1.6)	1.9	0.6	2.5	**17.4**
	Institutional	**39.4**	3.5	(2.0)	1.5	1.5	3.0	**42.4**
	Wealth	**1.8**	0.4	(0.1)	0.3	-	0.3	**2.1**
		56.1	**7.4**	**(3.7)**	**3.7**	**2.1**	**5.8**	**61.9**
Europe	Wholesale	**2.4**	1.2	(0.6)	0.6	0.4	1.0	**3.4**
	Institutional	**5.6**	0.9	(0.1)	0.8	0.2	1.0	**6.6**
		8.0	**2.1**	**(0.7)**	**1.4**	**0.6**	**2.0**	**10.0**
Canada	Wholesale	**3.6**	0.4	(0.4)	-	0.2	0.2	**3.8**
	Institutional	**9.4**	0.9	(0.6)	0.3	0.1	0.4	**9.8**
		13.0	**1.3**	**(1.0)**	**0.3**	**0.3**	**0.6**	**13.6**
US	Institutional	**2.0**	**1.5**	**(0.1)**	**1.4**	**0.2**	**1.6**	**3.6**
Asia Pacific	Wholesale	**0.4**	0.7	(0.1)	0.6	0.1	0.7	**1.1**
	Institutional	**0.8**	-	(0.2)	(0.2)	0.1	(0.1)	**0.7**
		1.2	**0.7**	**(0.3)**	**0.4**	**0.2**	**0.6**	**1.8**
India	Wholesale	**3.3**	0.1	-	0.1	(0.1)	-	**3.3**
	Cash funds	**1.2**	0.1	-	0.1	-	0.1	**1.3**
		4.5	**0.2**	**-**	**0.2**	**(0.1)**	**0.1**	**4.6**
Total	Wholesale	**24.6**	5.9	(2.7)	3.2	1.2	4.4	**29.0**
	Institutional	**57.2**	6.8	(3.0)	3.8	2.1	5.9	**63.1**
	Wealth	**1.8**	0.4	(0.1)	0.3	-	0.3	**2.1**
	Cash funds	**1.2**	0.1	-	0.1	-	0.1	**1.3**
Total third party AUM		**84.8**	**13.2**	**(5.8)**	**7.4**	**3.3**	**10.7**	**95.5**

Third party assets under management by asset class

	Opening AUM at 1 Jan 2013 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Net movement in AUM £bn	Closing AUM at 30 Jun 2013 £bn
Equities	**18.3**	1.0	(1.7)	(0.7)	1.4	0.7	**19.0**
Fixed Income	**27.3**	2.7	(1.5)	1.2	(0.9)	0.3	**27.6**
Multi Asset[1]	**22.1**	7.4	(1.9)	5.5	1.8	7.3	**29.4**
Real Estate	**6.6**	0.3	(0.2)	0.1	-	0.1	**6.7**
MyFolio	**2.2**	1.0	(0.2)	0.8	0.1	0.9	**3.1**
Other[2]	**8.3**	0.8	(0.3)	0.5	0.9	1.4	**9.7**
Total third party AUM	**84.8**	**13.2**	**(5.8)**	**7.4**	**3.3**	**10.7**	**95.5**
Total AUM	**169.5**	**15.8**	**(10.1)**	**5.7**	**5.7**	**11.4**	**180.9**

1 Comprises suite of global absolute return strategies and balanced funds.
2 Comprises cash, private equity and Standard Life Wealth.

Funds denominated in foreign currencies have been translated to Sterling using the closing exchange rates at 30 June 2013. 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.

6.3 Long-term savings operations new business

Six months ended 30 June 2014

		Single premiums		New regular premiums		PVNBP[1]			
	Fee (F) – Spread/risk (S/R)	6 months to 30 Jun 2014 £m	6 months to 30 Jun 2013 £m	6 months to 30 Jun 2014 £m	6 months to 30 Jun 2013 £m	6 months to 30 Jun 2014 £m	6 months to 30 Jun 2013 £m	Change %	Change in constant currency %
UK									
Retail new fee business	F	2,832	2,769	42	37	3,043	2,964	3%	3%
Retail old fee business	F	131	125	9	8	153	143	7%	7%
UK retail fee business		2,963	2,894	51	45	3,196	3,107	3%	3%
Corporate pensions	F	554	518	495	499	2,634	2,818	(7%)	(7%)
UK retail and corporate fee business		3,517	3,412	546	544	5,830	5,925	(2%)	(2%)
Institutional pensions	F	2,007	3,085	1	10	2,011	3,120	(36%)	(36%)
UK total fee business		5,524	6,497	547	554	7,841	9,045	(13%)	(13%)
Spread/risk	S/R	94	186	-	-	95	187	(49%)	(49%)
UK long-term savings		5,618	6,683	547	554	7,936	9,232	(14%)	(14%)
Europe									
Fee	F	843	760	18	18	1,007	954	6%	8%
Spread/risk	S/R	7	15	-	-	7	16	(56%)	(56%)
Europe long-term savings		850	775	18	18	1,014	970	5%	7%
UK and Europe long-term savings		6,468	7,458	565	572	8,950	10,202	(12%)	(12%)
Canada									
Corporate pensions fee	F	206	172	18	16	522	575	(9%)	5%
Corporate pensions spread/risk	S/R	54	46	2	3	84	118	(29%)	(17%)
Corporate pensions		260	218	20	19	606	693	(13%)	1%
Corporate benefits	S/R	-	-	18	17	199	261	(24%)	(12%)
Retail fee	F	605	499	-	-	605	499	21%	40%
Retail spread/risk	S/R	103	75	-	-	103	75	37%	60%
Canada long-term savings		968	792	38	36	1,513	1,528	(1%)	15%
Asia and Emerging Markets									
Wholly owned long-term savings	F	9	9	32	30	215	210	2%	11%
Joint ventures long-term savings		32	44	43	54	223	281	(21%)	(7%)
Asia and Emerging Markets long-term savings		41	53	75	84	438	491	(11%)	1%
Total worldwide long-term savings		7,477	8,303	678	692	10,901	12,221	(11%)	(9%)

1 Present value of new business premiums (PVNBP) is the industry measure of insurance new business sales under the EEV methodology, calculated as 100% of single premiums plus the expected present value of new regular premiums.

New business gross sales for overseas operations are calculated using average exchange rates.

7. Glossary

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

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

Assets under administration (AUA)
A measure of the total assets that the Group administers on behalf of individual 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 on the consolidated statement of financial position.

Assets under management (AUM)
A measure of the total assets that Standard Life Investments manages on behalf of individual customers and institutional clients, for which they receive a fee.

Assumptions
Variables applied to data used to project expected outcomes.

Board
The board of Directors of the Company.

Burnthrough costs
Burnthrough costs are an estimate of the value of the potential shareholder support that could be required to meet policyholder benefits in a participating fund. It is usually the case that shareholders participate in the profit or surpluses generated within a participating fund only to a limited extent. However, there could be unfavourable outcomes in the future when the assets of the participating fund are no longer sufficient to pay the benefits of the policyholders of that fund. This would be described as a 'burnthrough event' and could require some level of financial support from shareholders. The burnthrough cost is normally calculated by projecting a large number of possible future economic outcomes, taking an average over all of these outcomes.

Business unit underlying performance
Business unit underlying performance is operating profit before tax after excluding the impact of spread/risk operating actuarial assumption changes, specific management actions, group centre costs and group centre capital management in the reporting period.

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 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.

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 consolidated financial information.

Deferred acquisition costs (DAC)
The method of accounting whereby acquisition costs on long-term business are deferred on the consolidated 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 on the consolidated 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 profit for the year attributable to equity holders of Standard Life plc divided by the total dividend for that financial period.

Earnings before interest, tax, depreciation and amortisation (EBITDA)
EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, foreign exchange gains and losses, fair value movements on certain derivatives, restructuring costs and non-controlling interest.

EBITDA margin
This is an industry measure of performance for investment management companies. It is calculated as EBITDA divided by net 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.

Effective tax rate
Tax expense/ (credit) attributable to equity holders' profits divided by profit before tax attributable to equity holders' profits expressed as a percentage.

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 and the Revised Interim Transitional Guidance issued in September 2012. EEV reports the value of business in-force based on a set of best estimate assumptions, allowing for the impact of uncertainty inherent in future assumptions, the costs of holding required capital, the value of free surplus and TVOG (see TVOG).

EEV operating profit after tax
Covered business EEV operating profit after tax represents profit generated from new business sales and the in-force book of business, based on closing non-economic and opening economic assumptions.

Non-covered business EEV operating profit after tax represents operating profit after tax.

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

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

Non-covered business EEV operating capital and cash generation represents non-covered operating profit after tax.

Executive team
The executive team is responsible for the day-to-day running of the Group and comprises: the Chief Executive, Chief Executive – UK and Europe, President and Chief Executive Officer – Canada, Chief Executive – Standard Life Investments, the Group Company Secretary and General Counsel, the Group Operations Officer, Chief Financial Officer and the Chief Risk Officer.

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

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

Fair value through profit or loss (FVTPL)
FVTPL is an IFRS measurement basis permitted for assets and liabilities which meet certain criteria. Gains or losses on assets or liabilities measured at FVTPL are recognised directly in the income statement.

Fee based business
Fee based business is a component of operating profit and is made up of products where we generate revenue primarily from asset management charges (AMCs), premium based charges and transactional charges. AMCs are earned on products such as SIPP, corporate pensions and mutual funds, and are calculated as a percentage fee based on the assets held. Investment risk on these products rests principally with the customer, with the major indirect Group exposure to rising or falling markets coming from higher or lower AMCs.

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

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

Global Absolute Return Strategies (GARS)
A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Standard Life Investments. Their investment objective is to deliver consistent positive returns at a level exceeding the risk-free rate by an average of 5% per annum, and to do so with as little risk as possible.

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

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

Group underlying performance
Group underlying performance is Group operating profit before tax after excluding the impact of spread/ risk operating actuarial assumption changes and specific management actions in the reporting period.

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. The HWPF also contains increments to existing business.

Individual Capital Assessment (ICA)
The process by which the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) requires insurance companies to make an assessment of the regulated company's own capital requirements, which is then reviewed and agreed by the FCA and PRA.

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

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

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

Investment grade
Debt securities with a credit rating of BBB or higher.

Key performance indicators (KPI)
This is a measure by reference to which the development, performance or position of the business can be measured effectively.

Look through
EEV covered business profits include the profits and losses arising in Group companies providing investment management and other services, where these relate to covered business. This is referred to as the ‘look through’ into service companies.

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

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

Net flows
Net flows represent gross inflows less redemptions. For long-term savings business, gross inflows are premiums and deposits recognised in the period on a regulatory basis (excluding any switches between funds). Redemptions are claims and annuity payments (excluding any reinsurance transactions and switches between funds).

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

New business contribution (NBC)
The expected present value of all future post tax cash flows attributable to the equity holder from new business, as included within EEV operating profit after tax.

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.

Non-covered business
Mainly includes Standard Life Investments third party and other businesses not associated with the life assurance and pensions business. Non-covered business excludes Standard Life Investments 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 profit/(loss) under EEV.

Non-participating/non-profit policy
A policy, including a unit linked policy, which is not a participating/with profits policy.

Operating profit
The Group’s chosen supplementary measure of performance is operating profit. This is a non-Generally Accepted Accounting Principles (GAAP) measure. Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes. It is calculated based on expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movements in equity holder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on equity holder liabilities except where they are directly related to a significant management action, are excluded from operating profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from operating profit and is presented within profit before tax.

Operating profit also excludes the impact of the following items:

- Restructuring costs and significant corporate transaction expenses
- Impairment of intangible assets
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Amortisation of intangibles acquired in business combinations
- Where Canadian insurance contract liabilities have changed as a result of a challenge, by either management or a tax authority, to an uncertain tax treatment which has resulted in a change in deferred tax assets for prior years
- Items which are one-off in nature and outside the control of management and which, due to their size or nature, are not indicative of the long-term operating performance of the Group.

Participating/with profits policy
A policy where, in addition to guaranteed benefits specified in the policy, additional bonuses may be payable from relevant surplus. The declaration of such bonuses (usually annually) reflects, amongst other things, the overall investment performance of the fund of which the policy forms part.

Personal pension plan
An individual pension arrangement with particular tax advantages whereby individuals who are self-employed or those who are not members of employer-sponsored pension scheme arrangements can make provision for retirement or provide benefits for their dependents in a tax efficient manner.

Present value of in-force business (PVIF)
The present value of the projected future distributable profits after tax attributable to equity holders from the covered business in-force at the valuation date, adjusted where appropriate to take account of TVOG (see TVOG).

Present value of new business premiums (PVNBP)
The industry measure of insurance new business sales under the EEV methodology. It is calculated as 100% of single premiums plus the expected present value of new regular premiums.

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

Proprietary Business Fund
The Proprietary Business Fund in Standard Life Assurance Limited (SLAL) contains, amongst other things, most new insurance business written after demutualisation in the UK, Ireland and Germany and certain classes of business – pension contribution insurance policies, income protection plan policies and a number of SIPP policies written before demutualisation.

PVNBP margin
PVNBP margin is NBC expressed as a percentage of PVNBP.

Recourse cash flow (RCF)
Certain cash flows arising in the HWPF on specified blocks of UK and Irish business, which are transferred out of the fund on a monthly basis and accrue to the ultimate benefit of equity holders, as determined by the Scheme of Demutualisation.

Regular premium
A regular premium contract (as opposed to a single premium contract), is one where the policyholder agrees at inception to make regular payments throughout the term of the contract.

Required capital
The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to equity holders is restricted.

Return on equity (RoE)
The annualised post-tax profit on an IFRS basis expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders. Operating RoE is based on operating profit after tax and total RoE is based on IFRS profit after tax attributable to equity holders.

Scheme of Demutualisation (the Scheme)
The scheme pursuant to Part VII of, and Schedule 12 to, the Financial Services and Markets Act 2000, under which substantially all of the long-term business of SLAC was transferred to Standard Life Assurance Limited on 10 July 2006.

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

Single premium
A single premium contract (as opposed to a regular premium contract), involves the payment of one premium at inception with no obligation for the policyholder to make subsequent additional payments.

SIPP
A self invested personal pension which provides the policyholder with greater choice and flexibility as to the range of investments made, how those investments are managed, the administration of those assets and how retirement benefits are taken.

SLAC
The Standard Life Assurance Company (renamed The Standard Life Assurance Company 2006 on 10 July 2006).

SLAL
Standard Life Assurance Limited.

SLIL
Standard Life International Limited.

Spread/risk based business
Spread/risk based business is a component of operating profit and mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment. A good example of this product line is annuities. The ‘spread’ referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Spread/risk margin
Spread/risk margin reflects the margin earned on spread/risk business. This includes net earned premiums, claims and benefits paid, net investment return using long-term assumptions and reserving changes.

Time value of options and guarantees (TVOG)
Represents the potential additional cost to equity holders where a financial option or guarantee exists which affects policyholder benefits and is exercisable at the option of the policyholder.

Total shareholder return
This is a measure of the overall return to shareholders and includes the movement in the share price and any dividends paid and reinvested.

UK corporate
UK corporate provides workplace pensions, savings and benefits to UK employers and employees. These are sold through corporate benefit consultants, independent financial advisers, or directly to employers.

UK retail
This relates to business where we have a relationship with the customer either directly or through an independent financial adviser. We analyse this type of business into new and old categories. Retail new includes the products, platforms, investment solutions and services of our UK retail business that we continue to market actively to our customers. Retail old includes business that was predominantly written before demutualisation.

Undiscounted payback period
A measure of capital efficiency that measures the time at which the value of expected undiscounted cash flows (after tax) is sufficient to recover the capital invested to support the writing of new business.

Unit linked policy
A policy where the benefits are determined by reference to the investment performance of a specified pool of assets referred to as the unit linked fund.

Wrap platform
An investment platform which is essentially a trading platform enabling investment funds, pensions, direct equity holdings and some life assurance contracts to be held in the same administrative account rather than as separate holdings.

8. Shareholder information

Registered office

Company registration number: SC286832
Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland
Phone: **0800 634 7474** or **0131 225 2552**

For shareholder services call **0845 113 0045**

Registrar

Capita Registrars Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Brokers

JP Morgan Cazenove
Deutsche Bank

Shareholder services

We offer a wide range of shareholder services, some details of which are set out below. If you need any further information about any of these services, please:

- contact our registrar, Capita, on **0845 113 0045** if calling from the UK. International numbers for Capita can be found on the last page of this report
- visit our share portal at **www.standardlifeshareportal.com**

Sign up for ecommunications

You can choose to receive your shareholder communications electronically. Just go to **www.standardlife.com/shareholders** to find out how. Signing up means:

- you'll receive an email when documents like the Annual Report and Accounts 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

Set up a share portal account

Just go to **www.standardlifeshareportal.com** to find out how. Having a share portal account means you can:

- manage your account at a time that suits you
- download your dividend tax vouchers when you need them
- view your Standard Life Share Account statement

Preventing unsolicited mail

By law, the Company has to make certain details from its share register publicly available. Because of this, it is possible that some registered shareholders could receive unsolicited mail or phone calls. You could also be targeted by fraudulent 'investment specialists'. Remember, if it sounds too good to be true, it probably is. You can find more information about share scams at the Financial Conduct Authority website **www.fca.org.uk/consumers/scams**

If you are a certificated shareholder, your name and address may appear on a public register. Using a nominee company to hold your shares can help protect your privacy. You can transfer your shares into the Company-sponsored nominee – the Standard Life Share Account – by contacting Capita, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please contact:

Mailing Preference Service (MPS)
DMA House
70 Margaret Street
London
W1W 8SS

You can also register online at **www.mpsonline.org.uk**

Analysis of registered shareholdings as at 30 June 2014

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	57,668	54.18	26,783,049	1.120
1,001-5,000	42,032	39.49	89,286,979	3.735
5,001-10,000	4,095	3.85	27,551,564	1.153
10,001-100,000	2,113	1.99	47,844,497	2.001
*100,001+	521	0.49	2,199,200,958	91.991
Total	**106,429**	**100**	**2,390,667,047**	**100**

* These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,108,979 participants holding 934,802,155 shares, and the Unclaimed Asset Trust, which had 71,795 participants holding 26,825,795 shares.

Financial calendar for 2014

Ex-dividend date for 2014 interim dividend	10 September 2014
Record date for 2014 interim dividend	12 September 2014
Last date for DRIP elections for 2014 interim dividend	24 September 2014
Interim dividend payment date	21 October 2014
2014 Q3 trading results and interim management statement	29 October 2014

Contact details

We want to make sure you have answers to all your questions.

	Visit	Mail	Phone
UK and Ireland If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com**	**questions@standardlifeshares.com** **Address:** Standard Life Shareholder Services 34 Beckenham Road Beckenham Kent BR3 4TU	**0845 113 0045** **+44 (0)20 3367 8224** **(01) 431 9829**
Germany and Austria If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com/de**	**fragen@standardlifeshares.de** **Address:** Standard Life Aktionärsservice Postfach 20 01 43 60605 Frankfurt am Main Germany	**+49 (0)6196 76 93 130**
Canada If you have any questions about voting at the Annual General Meeting, dividends or your shareholding, please contact our registrar:	**www.standardlifeshareportal.com** (English) **www.standardlifeshareportal.com/fr** (French)	**questions@standardlifeshares.ca** **Address:** Standard Life Shareholder Services PO Box 4636 Station A Toronto M5W 7A4	**1-866-982-9939**

www.standardlife.com