Half year results 2017

Standard Life plc

Standard Life

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1. Management report

Growing revenue and financial discipline driving profit and returns to shareholders

Key performance indicators	H1 2017	H1 2016
Assets under administration (AUA)[1]	**£361.9bn**	£357.1bn
Net flows	**(£3.7bn)**	£0.9bn
Operating profit	**£362m**	£341m
Underlying cash generation	**£256m**	£254m
Operating return on equity	**15.5%**	13.8%
Cost/income ratio	**62%**	62%
Interim dividend per share	**7.00p**	6.47p

Other financial highlights	H1 2017	H1 2016
IFRS profit after tax attributable to equity holders	**£292m**	£226m
Basic earnings per share	**14.8p**	11.5p

1 Comparative as at 31 December 2016.

Certain measures, such as operating profit, are not defined under IFRS and are therefore termed alternative performance measures (APMs). Further details on APMs are included in Supplementary information in Section 5.

Standard Life has delivered a strong performance in the first half of 2017 with fee based revenue up 5% and operating profit up 6%. We continue to see the benefits of targeted investments to further our diversification agenda, the success of our newer investment solutions and the ongoing focus on operational efficiency. This has allowed us to grow assets, profits, cash flows and returns to shareholders.

With the proposed merger with Aberdeen Asset Management (Aberdeen) on track for completion on 14 August 2017 we are ready to accelerate the pace of strategic delivery as we open the next chapter of our transformation to a diversified world-class investment company. The proposed merger remains subject to final approval at a Court hearing scheduled for 11 August 2017.

The combined leadership team of Standard Life and Aberdeen has been working well together to ensure ‘Day 1’ readiness. We are well placed to continue to meet changing client and customer needs globally, and to generate growing and sustainable returns for our shareholders.

Creating a diversified world-class investment company

Our ambition is to create a diversified world-class investment company: a global business that manages, administers and advises on investments for our customers and clients.

Our business model is simple. We attract assets by meeting the investment needs of our customers and clients. This includes individual investors in our mutual funds and pensions and savings products, as well as financial advisers, employers and a wide range of institutional clients. By growing the assets we look after for our clients and customers, we aim to grow revenue which, combined with tight cost control, allows us to grow our profits.

Our business is well positioned for the global trends that are shaping the savings and investments landscape. This means we are able to invest for the future to continue to meet the needs of our customers and clients, and to generate growing and sustainable returns for our shareholders.

Growth in assets driving increase in fee based revenue

Assets under administration (AUA) increased by 1% to £361.9bn. Gross inflows were resilient at £20.7bn (H1 2016: £21.8bn) but redemptions increased to £24.4bn (H1 2016: £20.9bn) largely driven by GARS.

Fee based revenue increased by 5% to £836m (H1 2016: £794m), benefiting from asset growth and the diversity of our growth channels with revenue from these channels up 7% to £616m (H1 2016: £577m). Revenue from mature books was broadly stable at £220m (H1 2016: £217m).

Outlook

While optimism across financial markets has increased it is clear that the uncertainty that accompanies economies, markets and politics has remained, including the ongoing Brexit negotiations. This will continue to reinforce the global trends that are shaping the savings and investment landscape. The combined Standard Life Aberdeen business will be even better placed to both take advantage of the opportunities and to deal with the challenges that these trends present.

As we continue to benefit from our strong long-term relationships with a broad and well diversified range of clients and customers, the slowdown in gross inflows which we have seen in the first half of the year is expected to ease as we progress with the merger integration. We also expect to benefit from strong demand for our retail platforms and improving investment performance.

Targeted investments to further our diversification agenda, together with a continued focus on operational efficiency, will increase our pace of strategic delivery. This will help us to continue to meet changing client and customer needs, and generate growing and sustainable returns for our shareholders.

In India, HDFC Life announced in July 2017 that its Board of Directors approved proceeding with an initial public offering (IPO), with Standard Life offering up to 5.43% and HDFC Limited offering up to 9.57% of HDFC Life’s equity shares representing, in aggregate, up to 15% of the paid-up equity share capital of HDFC Life. The IPO is subject to relevant regulatory and other necessary approvals.

The proposed merger with Aberdeen will create the UK’s largest active asset manager and the second largest in Europe.

We expect the proposed merger to accelerate our strategy to create a world-class investment company with compelling benefits including:

- Highly complementary investment capabilities with improved choice and service to clients
- Being positioned to meet global demand for next generation investment solutions
- Global distribution with enhanced proximity to clients
- Scale to invest, attract talent and deliver value for clients
- Truly diversified business and compelling financial benefits

Our people are ready and eager to begin the next chapter in our transformation to a diversified world-class investment company.

AUA and net flows

The increase in AUA from £357.1bn to £361.9bn was driven by positive market movements and investment returns.

AUA	H1 2017 £bn	FY 2016 £bn
Growth	**244.0**	237.6
Mature	**103.5**	104.9
Other	**14.4**	14.6
Total AUA	**361.9**	357.1

Gross inflows remained resilient at £20.7bn (H1 2016: £21.8bn) but redemptions increased to £24.4bn (H1 2016: £20.9bn). This resulted in total net outflows of £3.7bn (H1 2016: net inflows £0.9bn) of which £3.4bn relates to our mature books which are in long-term run-off.

Standard Life Investments growth channels experienced net outflows of £4.6bn (H1 2016: net inflows £1.7bn) largely due to net outflows of £5.6bn (H1 2016: net inflows £0.3bn) from our GARS product following a period of weak short-term investment performance in 2016. Short-term investment performance improved in 2017.

Excluding GARS, Wholesale net inflows doubled to £1.8bn (H1 2016: £0.9bn). Net outflows for Institutional excluding GARS were £0.6bn (H1 2016: net inflows £0.3bn) as we saw a slowdown in investor activity globally.

Pensions and Savings growth channels net inflows increased by 39% to £4.3bn (H1 2016: £3.1bn), driven by strong demand for our Wrap and Elevate adviser platforms and growing contributions into existing Workplace schemes.

Net flows	H1 2017 £bn	H1 2016 £bn
Standard Life Investments growth	**(4.6)**	1.7
Pensions and Savings growth	**4.3**	3.1
Eliminations and other growth	**(0.3)**	(0.7)
Total growth channels	**(0.6)**	4.1
Standard Life Investments third party strategic partner life business	**(1.4)**	(1.4)
Pensions and Savings mature fee	**(1.5)**	(1.5)
Pensions and Savings spread/risk	**(0.5)**	(0.5)
Total mature books	**(3.4)**	(3.4)
Associate and joint venture life businesses	**0.3**	0.2
Total net flows	**(3.7)**	0.9

Further information on AUA and net flows are included in the Supplementary information section of this report. See p15, p26 and p27 for further details on operating profit and reconciliation of operating profit to IFRS profit

Profitability

Operating profit before tax increased by £21m and IFRS profit after tax attributable to equity holders of Standard Life plc increased by £66m.

Operating profit before tax

Operating profit increased by 6% to £362m. Higher fee based revenue was partially offset by increased operating expenses associated with the growth of our business and an expected reduction in spread/risk margin. Operating profit benefited by approximately £15m from lower average Sterling exchange rates in H1 2017 compared to H1 2016.

Operating profit	H1 2017 £m	H1 2016 £m
Fee based revenue	**836**	794
Spread/risk margin	**49**	63
Total operating income	**885**	857
Total operating expenses	**(581)**	(566)
Capital management	**5**	13
Share of associates' and joint ventures' profit before tax	**53**	37
Operating profit before tax	**362**	341

Fee based revenue

Fee based revenue increased by 5% to £836m (H1 2016: £794m) driven by higher average asset levels including the benefit of exchange rate movements and the acquisition of Elevate. Average fee revenue yield reduced mainly due to the change in the composition of the underlying assets in Standard Life Investments, and the growing proportion of newer style propositions in Pensions and Savings.

Fee based revenue from our growth channels increased by 7% to £616m (H1 2016: £577m) and accounts for 74% of total fee based revenue.

Fee based revenue	H1 2017 £m	H1 2016 £m
Growth	**616**	577
Mature	**220**	217
Total fee based revenue	**836**	794

Spread/risk margin

Spread/risk margin decreased by £14m to £49m. H1 2016 included a £22m benefit from an acceleration of payments from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. This reduction was partly offset by the impact of favourable mortality experience, including a £7m reserve release in respect of overseas annuitants.

Total operating expenses

Operating expenses increased by 3% to £581m (H1 2016: £566m) mainly as a result of continuing to grow the 1825 business, the acquisition of Elevate in Q4 2016, and the impact of exchange rate movements.

The cost/income ratio, which is calculated on a rolling 12-month basis and includes our share of associates' and joint ventures' (JVs) profit before tax, remained stable at 62% (FY 2016: 62%). Excluding 1825 and Elevate, absolute expenses fell which helped to reduce the cost/income ratio to 60% (FY 2016: 61%).

Capital management and share of associates' and joint ventures' profit before tax

The contribution from capital management decreased by £8m to £5m. This was impacted by lower expected returns across the pension scheme surplus and assets backing subordinated debt due to lower yields at the start of 2017. Our share of profit from associates and JVs continued to grow, driven by higher profit from HDFC Life of £27m (H1 2016: £17m) which was partly due to the increased percentage ownership. Profit from HDFC Asset Management rose to £20m (H1 2016: £16m).

Operating return on equity

Operating return on equity increased to 15.5% (H1 2016: 13.8%) reflecting higher profits in the period and a lower tax charge.

Operating return on equity continues to be diluted by the impact of the c£1bn pension scheme surplus. Excluding the impact of the pension scheme, operating return on equity increased to 20.6% (H1 2016: 17.0%).

IFRS profit[1]

IFRS profit increased to £292m (H1 2016: £226m) driven by favourable short-term fluctuations in investment return and economic assumption changes, higher fee based revenue and a lower tax charge.

Non-operating loss before tax

Short-term fluctuations in investment return and economic assumption changes generated a profit of £55m (H1 2016: loss £17m) including the benefit from a narrowing of credit spreads. Restructuring and corporate transaction expenses increased to £61m (H1 2016: £36m) and included £39m of expenses related to the proposed merger with Aberdeen.

Other operating profit adjustments in H1 2017 includes a £24m impairment relating to the proposed sale of our wholly owned Hong Kong insurance company to our Chinese life joint venture company, Heng An Standard Life.

Total tax expense

The total tax expense attributable to equity holders' profit was £23m (H1 2016: £49m). This consisted of £31m (H1 2016: £69m) related to operating items and a credit of £8m (H1 2016: credit £20m) for non-operating items. The effective tax rate was 7%[2] (H1 2016: 17%[2]) compared to a UK corporation tax rate of 19.25% (H1 2016: 20%). The low effective tax rate is driven by a one-off deferred tax impact due to a revised transfer pricing approach for our business in Germany, tax paid by joint ventures being included in pre-tax profit and certain UK insurance profits being taxed at a lower rate.

Other

Other represents the share of associates' and joint ventures' tax expense of £7m (H1 2016: £5m).

IFRS profit[1]	H1 2017 £m	H1 2016 £m
Operating profit before tax	**362**	341
Non-operating loss before tax	**(40)**	(61)
Total tax expense	**(23)**	(49)
Other	**(7)**	(5)
Total IFRS profit	**292**	226

Analysis of non-operating loss before tax	H1 2017 £m	H1 2016 £m
Short-term fluctuations in investment return and economic assumption changes	**55**	(17)
Restructuring and corporate transaction expenses	**(61)**	(36)
Other operating profit adjustments	**(34)**	(8)
Non-operating loss before tax	**(40)**	(61)

Underlying cash generation

Underlying cash generation of £256m (H1 2016: £254m) was stable compared to the 6% rise in operating profit before tax due to higher capital expenditure and the inclusion of dividends from our associates and joint ventures which were up by £4m to £12m rather than their increased profits which were up by £16m to £53m.

Reconciliation of underlying cash generation	H1 2017 £m	H1 2016 £m
Underlying performance	**362**	341
Associates and JVs adjustment	**(41)**	(29)
Current tax on underlying performance	**(47)**	(53)
DAC/DIR adjustment	**(6)**	(3)
Fixed and intangible assets adjustment	**(12)**	(2)
Underlying cash generation	**256**	254

Solvency II capital surplus[3]

We are strongly capitalised with a Solvency II capital surplus (Investor view) of £3.5bn (FY 2016: £3.3bn) representing a solvency cover of 220% (FY 2016: 214%). We disclose an Investor view of our solvency position as this provides insight into the solvency capital provided by equity and debt investors.

The Solvency II Investor view capital surplus of £3.5bn would change by £0.2bn or less following a:

- 20% rise or fall in equities, or
- 100bps rise or fall in fixed interest yields, or
- 50bps rise or fall in credit spreads

The Regulatory view solvency cover prescribed by Solvency II regulations is 182% (FY 2016: 177%). The Regulatory view capital surplus excludes £0.5bn (FY 2016: £0.2bn) of capital in subsidiaries that is not deemed to be freely transferrable around the Group. The Regulatory view solvency cover is diluted by the inclusion of £0.8bn (FY 2016: £1.2bn) of capital requirements for with profits funds and our defined benefit pension scheme. These capital requirements are covered in full by capital resources in those funds and therefore are not being supported by investor capital.

Reconciliation of Standard Life Investor view and Regulatory view	30 June 2017[3]				31 December 2016[3]			
	Investor view £bn	Less unrecognised capital £bn	Add with profits funds and pension scheme £bn	Regulatory view £bn	Investor view £bn	Less unrecognised capital £bn	Add with profits funds and pension scheme £bn	Regulatory view £bn
Own funds	**6.4**	**(0.5)**	**0.8**	**6.7**	6.2	(0.2)	1.2	7.2
Solvency capital requirement (SCR)	**(2.9)**	**-**	**(0.8)**	**(3.7)**	(2.9)	-	(1.2)	(4.1)
Solvency II capital surplus	**3.5**	**(0.5)**	**-**	**3.0**	3.3	(0.2)	-	3.1
Solvency cover	**220%**			**182%**	214%			177%

1 After tax attributable to equity holders of Standard Life plc. For further details on our IFRS results, see the Group's IFRS condensed consolidated income statement on p13.

2 Tax expense attributable to equity holders' profits divided by profit before tax expense attributable to equity holders' profits. Includes profit attributable to non-controlling interests.

3 30 June 2017 based on draft regulatory returns. 31 December 2016 based on final regulatory returns. The transitional measure on technical provisions has not been recalculated at 30 June 2017.

Liquidity management

Standard Life plc, the Group holding company, holds substantial cash and liquid resources. At 30 June 2017, Standard Life plc held £327m (H1 2016: £346m) of cash and short-term debt securities, £300m (H1 2016: £301m) of bonds and £202m (H1 2016: £198m) of holdings in pooled investment funds managed by Standard Life Investments.

Dividends received from subsidiaries consisted of £180m (H1 2016: £170m) from Standard Life Assurance Limited, our principal insurance company and £120m (H1 2016: £107m) from Standard Life Investments.

We continue to maintain a strong liquidity position and this was again shown in internal stress testing undertaken during H1 2017.

In May 2017 we extended the maturity date of our syndicated revolving credit facility by a further year to 2022. This £400m facility is held as part of our contingency funding plans and is currently undrawn.

Standard Life plc cash and liquid resources	H1 2017 £m	H1 2016 £m
Opening 1 January	**900**	1,012
Dividends received from subsidiaries	**300**	277
Cash dividends paid to shareholders	**(263)**	(243)
Cash investments in associates and JVs	**-**	(177)
Cash investments in subsidiaries	**-**	(18)
Other[1]	**(108)**	(6)
Closing 30 June	**829**	845

1 Includes £56m of transactions related to the acquisition of shares by the Employee Share Trust and £18m of expenses relating to the proposed merger.

Dividends

Dividend policy

Our progressive dividend policy is to grow the annual dividend from the prior year pence per share payment at a rate that is sustainable over the medium term.

Following completion of the proposed merger with Aberdeen, the combined group intends to adopt a progressive dividend policy with the base dividend being Standard Life's 2016 full year dividend of 19.82p per share.

Proposed dividend

We propose an interim dividend for 2017 of 7.00p per ordinary share which is an increase of 8.2%. This will be paid on 18 October 2017 to shareholders on the register at close of business on the record date of 8 September 2017.

If the merger completes as expected prior to the record date, the dividend will be paid on the revised number of shares. This would equate to a cash payment of an estimated £207m.

The dividend is strongly supported by underlying cash generation. At 30 June 2017 Standard Life plc held £0.8bn of cash and liquid resources and £1.5bn of distributable reserves.

How the dividend is funded

External dividends are funded from the cumulative dividend income that Standard Life plc receives from its subsidiaries. To provide some protection against fluctuations in subsidiary dividends, Standard Life plc holds a buffer of distributable cash and liquid resources. This buffer is dynamic and takes into account expected future subsidiary dividend flows and the risks to those dividends.

Business performance

Our reportable segments have been identified in accordance with the way that we are structured and managed.

Analysis of operating profit[2]

	Standard Life Investments		Pensions and Savings		India and China[3]		Other[4]		Eliminations[5]		Total	
	H1 2017 £m	H1 2016 £m	H1 2017 £m	H1 2016 £m	H1 2017 £m	H1 2016 £m	H1 2017 £m	H1 2016 £m	H1 2017 £m	H1 2016 £m	H1 2017 £m	H1 2016 £m
Fee based revenue	**429**	431	**461**	407	**7**	10	**-**	-	**(61)**	(54)	**836**	794
Spread/risk margin	**-**	-	**49**	63	**-**	-	**-**	-	**-**	-	**49**	63
Total operating income	**429**	431	**510**	470	**7**	10	**-**	-	**(61)**	(54)	**885**	857
Total operating expenses	**(259)**	(271)	**(350)**	(313)	**(7)**	(12)	**(26)**	(24)	**61**	54	**(581)**	(566)
Capital management	**-**	-	**7**	12	**-**	-	**(2)**	1	**-**	-	**5**	13
Share of associates' and joint ventures' profit before tax	**20**	16	**-**	-	**33**	21	**-**	-	**-**	-	**53**	37
Operating profit before tax	**190**	176	**167**	169	**33**	19	**(28)**	(23)	**-**	-	**362**	341
Underlying adjustments	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Underlying performance	**190**	176	**167**	169	**33**	19	**(28)**	(23)	**-**	-	**362**	341
Share of associates' and joint ventures' tax expense	**(5)**	(5)	**-**	-	**(2)**	-	**-**	-	**-**	-	**(7)**	(5)
Non-operating items	**(19)**	(16)	**47**	(37)	**(24)**	-	**(44)**	(8)	**-**	-	**(40)**	(61)
Total tax expense	**(30)**	(32)	**(11)**	(28)	**-**	-	**18**	11	**-**	-	**(23)**	(49)
Profit for the period attributable to equity holders of Standard Life plc	**136**	123	**203**	104	**7**	19	**(54)**	(20)	**-**	-	**292**	226

2 Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumption changes, restructuring and corporate transaction costs, amortisation and impairment of intangible assets acquired in business combinations, gain or loss on the sale of a subsidiary, associate or joint venture and other one-off items which are not indicative of the long-term operating performance of the Group.

3 Our India and China business segment consists of our life associate in India, HDFC Life; our life joint venture in China, Heng An Standard Life; and our wholly owned business in Hong Kong. The results of our Indian asset management associate business, HDFC Asset Management Company (HDFC AMC), are included in the Standard Life Investments segment.

4 Other primarily relates to corporate centre costs and head office related activities.

5 Eliminations primarily relate to revenue and expenses included in both the Pensions and Savings business and Standard Life Investments. Therefore, at a Group level an elimination adjustment is required to remove intra Group impacts.

Standard Life Investments

AUM and net flows

AUM decreased by 1% to £275.2bn (FY 2016: £277.9bn). Net outflows from our GARS products and the run-off of our mature books, were both largely offset by positive market movements.

Growth channels

Gross inflows across our growth channels decreased to £11.7bn (H1 2016: £15.7bn) while net outflows stood at £4.6bn (H1 2016: net inflows £1.7bn).

GARS flows were largely driven by lower demand following a period of weak short-term investment performance in 2016. Despite this GARS attracted gross inflows of £2.9bn (H1 2016: £6.1bn) while net outflows amounted to £5.6bn (H1 2016: net inflows £0.3bn). Wholesale GARS net outflows of £2.4bn (H1 2016: net outflows £1.3bn), were lower relative to the second half of 2016 (net outflows £2.6bn) as short-term investment performance and hence sentiment improved. GARS delivered a return of 4.4%[1] in the year to 30 June 2017. Institutional GARS net outflows were £3.2bn (H1 2016: net inflows £1.6bn).

Growth channel flows excluding GARS

Wholesale gross inflows excluding GARS grew by 9% to £5.0bn (H1 2016: £4.6bn) with good demand across our range of funds, as investor sentiment and our investment performance improved. Net inflows doubled to £1.8bn (H1 2016: £0.9bn). We remain well placed in this market with a top 10 gross sales position[2] in the UK wholesale market for 25 consecutive quarters with a share of gross sales of 4.3%[3] (FY 2016: 4.7%). In terms of net sales, our ranking was 39th[3] (FY 2016: 30th).

Institutional gross inflows excluding GARS, were lower at £3.4bn (H1 2016: £4.5bn) as we saw a slowdown of investor activity globally. This reduction in gross inflows was partly offset by £0.2bn reduction in outflows. Net outflows were £0.6bn (H1 2016: net inflow £0.3bn).

Although we saw net outflows in the period, our Institutional channel remains well positioned for the future with strong consultant support for our increasingly broad product suite which strives to ensure we remain aligned with the changing investment needs of clients globally. This includes our Integrated Liability Plus Solution (ILPS) for small and medium-sized defined benefit pension schemes which now stands at over £0.4bn in AUM with 46 clients from 9 different consultants less than 18 months after launch.

Mature books

Our mature books business, which is in long-term natural run-off, saw overall net outflows of £2.8bn (H1 2016: £2.2bn), with net outflows of £1.4bn (H1 2016: £1.4bn) from the assets managed on behalf of Phoenix Group and net outflows of £1.4bn (H1 2016: £0.8bn) from the life insurance books we manage for Standard Life Group.

Investment performance

Performance in the first half of 2017 was strong with 82% of money weighted growth channel assets ahead of benchmark year-to-date. This performance represents the consistent application of our long-term investment philosophy – Focus on Change. Markets have become more fundamental based rather than being driven by sentiment following the macro-economic and geopolitical events of 2016, leading to improved opportunities for active asset selection. Performance over one year has improved to 85% of money weighted growth channel assets ahead of benchmark, and longer term remains strong over three and five years at 74% and 85% (H1 2016: one year 29%, three years 85%, five years 84%).

Further information on AUM and net flows are included in the Supplementary information section of this report

Flows and AUM	Gross inflows H1 2017 £bn	Gross inflows H1 2016 £bn	Net flows H1 2017 £bn	Net flows H1 2016 £bn	AUM H1 2017 £bn	AUM FY 2016 £bn
Institutional[4]	**5.1**	8.5	**(3.8)**	1.9	**84.4**	87.0
Wholesale[4]	**6.2**	6.7	**(0.6)**	(0.4)	**51.1**	50.1
Wealth	**0.4**	0.5	**(0.2)**	0.2	**6.8**	6.8
Total growth channels	**11.7**	15.7	**(4.6)**	1.7	**142.3**	143.9
Standard Life Group	**1.7**	1.9	**(1.4)**	(0.8)	**90.2**	90.2
Phoenix Group	**-**	-	**(1.4)**	(1.4)	**42.7**	43.8
Total strategic partner life business – mature books	**1.7**	1.9	**(2.8)**	(2.2)	**132.9**	134.0
Total	**13.4**	17.6	**(7.4)**	(0.5)	**275.2**	277.9

Growth channel flows and AUM excluding GARS	Gross inflows H1 2017 £bn	Gross inflows H1 2016 £bn	Net flows H1 2017 £bn	Net flows H1 2016 £bn	AUM H1 2017 £bn	AUM FY 2016 £bn
Institutional[4]	**3.4**	4.5	**(0.6)**	0.3	**54.5**	53.9
Wholesale[4]	**5.0**	4.6	**1.8**	0.9	**39.0**	35.1
Wealth	**0.4**	0.5	**(0.2)**	0.2	**6.8**	6.8
Total growth channels excluding GARS	**8.8**	9.6	**1.0**	1.4	**100.3**	95.8

1 Gross performance (offer-to-offer) based on the £, institutional pooled pension portfolio.

2 Source: Pridham market report Q1 2017.

3 Source: Investment Association Q1 2017.

4 During 2016 Ignis funds were merged into Standard Life Investments funds and are now reported within Institutional and Wholesale. Comparative figures have been restated.

Profitability

Operating profit before tax increased by 8% to £190m following careful management of the cost base and strong performance from our Indian asset management associate. Operating return on equity increased to 39.9% (H1 2016: 34.6%).

Total fee based revenue was broadly flat at £429m with the impact of net outflows being offset by favourable foreign exchange and market movements combined with a robust performance from our mature business. The average revenue yield on growth AUM decreased to 51bps (FY 2016: 53bps) as a result of the change in the composition of the underlying assets. Average revenue yield for mature books remained flat at 16bps (FY 2016: 16bps).

Growth and mature channels	Fee based revenue		Fee revenue yield	
	H1 2017 £m	H1 2016 £m	**H1 2017 bps**	FY 2016 bps
Institutional	**172**	181	**41**	43
Wholesale	**128**	126	**69**	68
Wealth	**24**	24	**72**	73
Total growth channels	**324**	331	**51**	53
Standard Life Group	**73**	66	**16**	16
Phoenix Group	**32**	34	**15**	16
Total strategic partner life business	**105**	100	**16**	16
Total	**429**	431	**33**	34

The cost/income ratio improved to 57% (FY 2016: 58%) as a result of careful cost management, with operating expenses decreasing by 4% to £259m. This demonstrates our ability to continue expanding our investment capabilities and maintaining global reach while exercising financial discipline.

EBITDA, which is closely aligned with operating profit, increased to £195m. Our EBITDA margin remained in line with the 2016 full year at 45% (H1 2016: 42%).

Total IFRS profit[1] increased by 11% to £136m (H1 2016: £123m).

Non-operating items in H1 2017 included costs of £7m to complete the integration of Ignis and £4m relating to the proposed Aberdeen merger.

Profitability	H1 2017 £m	H1 2016 £m
Fee based revenue	**429**	431
Operating expenses	**(259)**	(271)
Share of associates' profit before tax	**20**	16
Operating profit before tax	**190**	176
Interest, depreciation and amortisation	**5**	6
EBITDA	**195**	182
Reversal of interest, depreciation and amortisation	**(5)**	(6)
Non-operating items	**(19)**	(16)
Tax expense[2]	**(35)**	(37)
Total IFRS profit[1]	**136**	123

1 After tax attributable to equity holders of Standard Life plc.

2 Tax expense includes share of associates' tax expense.

Pensions and Savings

AUA and net flows

Pensions and Savings AUA increased by 4% to £189.3bn (FY 2016: £181.5bn). Net inflows of £2.3bn were more than double H1 2016, driven by record growth channel inflows which increased by 39% to £4.3bn.

Growth channels

UK Retail

UK Retail AUA increased by 10% to £69.5bn (FY 2016: £62.9bn), reflecting strong net inflows which increased by 70% to £3.4bn (H1 2016: £2.0bn) and positive market movements.

Gross inflows increased by 63% to £6.7bn (H1 2016: £4.1bn) driven by strong demand for our Wrap and Elevate platforms. This included the benefit from growth in the pension market, boosted by individuals looking to take advantage of high defined benefit transfer values available in the market moving to products providing the flexibility offered by drawdown and pensions freedoms. Total assets in our drawdown propositions increased by 11% to £18.2bn (FY 2016: £16.4bn) reflecting both net inflows and positive market movements.

The Elevate platform was acquired in October 2016 and in the eight months since acquisition its AUA has grown from £11.1bn to £12.1bn. The broad market appeal of Elevate complements our existing Wrap platform which is focused on the wealth management market. Together our platforms have combined AUA of £49.2bn[1], an increase of 11% (FY 2016: £44.2bn).

Retail gross outflows increased to £3.3bn (H1 2016: £2.1bn), representing 5% of opening AUA (H1 2016: 5%), as the size of our proposition grows and customers make use of drawdown functionality.

UK Workplace

UK Workplace AUA increased by 4% to £39.0bn (FY 2016: £37.4bn), with net inflows of £0.8bn. We continue to benefit from growing contributions into existing schemes which provide a steady long-term source of growth. Our success in attracting new flows through auto enrolment has resulted in a 7% increase in regular premiums to £1.6bn. Regular premiums account for 73% of Workplace inflows.

Our Workplace business continues to be a source of growth for our retail channels with £1.1bn of assets transferring to those channels in H1 2017.

Europe growth fee

Europe growth AUA of £11.9bn is up 6% on FY 2016 benefiting from foreign exchange, market movements, and net inflows of £0.1bn.

Mature books

UK mature Retail

UK mature Retail AUA increased slightly to £34.6bn (FY2016: £34.3bn). Net outflows increased by £0.3bn to £1.5bn as a result of higher market levels and an expected rise in maturities from a small category of life insurance products. Net outflows included £0.2bn of transfers to our Active Money Personal Pension product (within our growth channels).

Spread/risk

Spread/risk AUA decreased by 4% to £15.5bn (FY 2016: £16.1bn). Net outflows from scheduled annuity payments were £0.5bn (H1 2016: £0.5bn).

Europe mature fee

Europe mature fee includes our German with profits book which was closed to new business in April 2015. AUA increased by 1% to £10.2bn with net inflows of £0.1bn (H1 2016: £0.1bn).

Further information on AUA and net flows are included in the Supplementary information section of this report

Flows and AUA	Gross inflows		Net flows		AUA	
	H1 2017 £bn	H1 2016 £bn	**H1 2017 £bn**	H1 2016 £bn	**H1 2017 £bn**	FY 2016 £bn
UK Retail[1]	**6.7**	4.1	**3.4**	2.0	**69.5**	62.9
UK Workplace	**2.2**	2.0	**0.8**	0.8	**39.0**	37.4
Europe growth fee[1]	**0.6**	0.7	**0.1**	0.3	**11.9**	11.2
Total growth channels	**9.5**	6.8	**4.3**	3.1	**120.4**	111.5
UK mature Retail	**0.3**	0.4	**(1.5)**	(1.2)	**34.6**	34.3
Spread/risk	**0.1**	0.1	**(0.5)**	(0.5)	**15.5**	16.1
Europe mature fee	**0.4**	0.3	**0.1**	0.1	**10.2**	10.1
Conventional with profits	**-**	-	**(0.1)**	(0.4)	**0.5**	0.6
Total mature books	**0.8**	0.8	**(2.0)**	(2.0)	**60.8**	61.1
Assets not generating revenue from products	**-**	-	**-**	-	**8.1**	8.9
Total Pensions and Savings	**10.3**	7.6	**2.3**	1.1	**189.3**	181.5

1 Platform AUA of £49.2bn (FY 2016: £44.2bn) which relates to Wrap, Elevate and Fundzone comprises of £46.5bn (FY 2016: £41.7bn) reported within UK Retail and £2.7bn (FY 2016: £2.5bn) relating to Wrap International Bond reported within Europe growth fee.

Operating profit

Pensions and Savings operating profit before tax decreased by £2m to £167m (H1 2016: £169m). Strong fee based revenue growth was offset by an expected reduction in the spread/risk margin and the increased operating expenses associated with the growth of our business.

UK

UK operating profit increased by £3m to £154m (H1 2016: £151m). H1 2016 included a £18m spread/risk margin benefit from the transition to Solvency II. Excluding this, UK operating profit increased by £21m.

Fee based revenue

UK fee based revenue increased by £47m to £368m (H1 2016: £321m). Fee based revenue benefited from higher asset levels due to strong net inflows within our growth channels together with positive market movements. The acquisition of Elevate and our continued focus on the growth of our financial advice business, 1825, has enabled us to further diversify our sources of revenue, contributing £26m to the growth in revenue.

UK fee based revenue	**Fee based revenue**		**Fee revenue yield**	
	H1 2017 £m	H1 2016 £m	**H1 2017 bps**	FY 2016 bps
Workplace	**95**	91	**51**	54
Retail	**144**	106	**45**	48
UK growth channels	**239**	197	**47**	50
UK mature books	**129**	124	**75**	77
Total UK fee based revenue	**368**	321	**54**	58

Average fee revenue yield reduced to 54bps (FY 2016: 58bps) reflecting the impact of changes to business mix, including the growing proportion of newer style propositions, and the fact that some elements of revenue do not rise in line with market related AUA growth.

Spread/risk margin

UK spread/risk margin decreased by £4m to £51m. H1 2016 benefited from an £18m payment from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II. This reduction was partly offset by the asset and liability benefit in H1 2017 of £17m (H1 2016: £16m) and the impact of favourable mortality experience, including a £7m reserve release in respect of overseas annuitants.

Operating expenses

UK operating expenses increased by £34m to £272m. The acquisition of Elevate and the growth of 1825 increased operating expenses by £29m. Investment expenses payable to Standard Life Investments of £47m increased by £6m, in line with higher AUA.

The cost/income ratio rose to 63% (FY 2016: 62%). Excluding Elevate and 1825, the cost/income ratio reduced to 59% (FY 2016: 60%) reflecting our continued focus on financial discipline.

Europe

Europe operating profit decreased by £5m to £13m. The H1 2016 spread/risk result included the benefit of a £4m payment from our main with profits fund relating to changes to the Scheme of Demutualisation in response to the transition to Solvency II.

Operating return on equity

Operating return on equity increased to 14.2% (H1 2016: 11.7%) as a result of a lower operating tax charge. Excluding the impact of the c£1bn pension scheme surplus, operating return on equity was 25.7% (H1 2016: 17.5%).

Total IFRS profit[1]

Pensions and Savings total IFRS profit increased by £99m to £203m mainly due to favourable investment variances including the benefit from a narrowing of credit spreads. There were also reductions in restructuring and corporate transaction expenses and the tax expense. The tax expense includes a deferred tax impact due to a revised transfer pricing approach for our business in Germany. This led to a one-off release of deferred tax in Germany, with a partially offsetting increase to the deferred tax expense in the UK.

The Financial Conduct Authority's thematic review into the sale of non-advised annuities showed that a portion of annuity sales that we made since July 2008 did not adequately explain to customers that they may have been eligible for an enhanced annuity. We made a provision of £175m in our FY 2016 accounts for the costs that we may incur in relation to this and we continue to work with the FCA to ensure the successful and timely completion of this exercise.

Profitability	**UK**		**Europe**		**Pensions and Savings**	
	H1 2017 £m	H1 2016 £m	**H1 2017 £m**	H1 2016 £m	**H1 2017 £m**	H1 2016 £m
Fee based revenue	**368**	321	**93**	86	**461**	407
Spread/risk margin	**51**	55	**(2)**	8	**49**	63
Total operating income	**419**	376	**91**	94	**510**	470
Operating expenses	**(272)**	(238)	**(78)**	(75)	**(350)**	(313)
Capital management	**7**	13	**-**	(1)	**7**	12
Operating profit before tax	**154**	151	**13**	18	**167**	169
Underlying adjustments	**-**	-	**-**	-	**-**	-
Underlying performance	**154**	151	**13**	18	**167**	169
Non-operating items[2]	**42**	(32)	**5**	(5)	**47**	(37)
Total tax expense	**(61)**	(16)	**50**	(12)	**(11)**	(28)
Total IFRS profit[1]	**135**	103	**68**	1	**203**	104

1 After tax attributable to equity holders of Standard Life plc.

2 Non-operating items primarily relate to short-term fluctuations in investment return and economic assumption changes of £59m (H1 2016: (£10m)) and restructuring and corporate transaction expenses of (£9m) (H1 2016: (£26m)).

India and China

AUA and net flows

Total AUA increased by 13% to £5.2bn (FY 2016: £4.6bn) reflecting favourable market movements, including the benefit from a lower Sterling exchange rate. HDFC Life AUA increased to £3.9bn (FY 2016: £3.4bn).

Heng An Standard Life (HASL) AUA was £0.6bn (FY 2016: £0.6bn) and Hong Kong increased to £0.7bn (FY 2016: £0.6bn).

Net inflows for our associate and joint venture life businesses increased to £274m (H1 2016: £164m). Net inflows for HDFC Life were up by 77% to £225m, partly due to the increased percentage ownership from 26% to 35% in April 2016. Net inflows in HASL rose to £49m (H1 2016: £36m).

Profitability

Operating profit before tax rose to £33m (H1 2016: £19m) with HDFC Life up £10m to £27m (H1 2016: £17m), including a £3m benefit from our increased percentage ownership. HASL operating profit increased to £6m (H1 2016: £4m). Both our associate and joint venture life businesses continue to benefit from growth in premium income. The operating profit in Hong Kong was £nil (H1 2016: operating loss £2m).

In March 2017 we announced the proposed sale of Standard Life (Asia) Limited (SLA), our wholly owned Hong Kong insurance business to HASL, our Chinese joint venture, subject to regulatory and other approvals being obtained in Mainland China and Hong Kong. The proposed transaction supports our goal to pursue a wider China and Hong Kong strategy leveraging the position we have built through SLA and our interest in HASL. The strengths of HASL and SLA are complementary, with the proposed transaction enhancing HASL's current skills and services while improving the distribution model and range of products of SLA. Upon the completion of the transaction, SLA would become a wholly owned subsidiary of HASL.

The total IFRS profit after tax attributable to equity holders of Standard Life plc was £7m (H1 2016: £19m). H1 2017 includes a non-operating impairment loss of £24m relating to the proposed sale of our wholly owned Hong Kong insurance company to HASL.

Profitability	**H1 2017 £m**	H1 2016 £m
HDFC Life	**27**	17
Heng An Standard Life	**6**	4
Hong Kong	**-**	(2)
Operating profit before tax	**33**	19
Share of associates' and joint ventures' tax expense	**(2)**	-
Non-operating items	**(24)**	-
Total IFRS profit	**7**	19

Note: Results are presented on the basis of Standard Life ownership percentages during 2017 and do not include the 40% share in HDFC Asset Management which is included in the results for Standard Life Investments. HDFC Life ownership was 26% until the end of April 2016 and then 35% from May 2016, HASL ownership is 50% and Hong Kong is 100%.

Creating shareholder value in India

In India, HDFC Life announced in July 2017 that its Board of Directors approved proceeding with an initial public offering (IPO), with Standard Life offering up to 5.43% and HDFC Limited offering up to 9.57% of HDFC Life's equity shares representing, in aggregate, up to 15% of the paid-up equity share capital of HDFC Life. The IPO is subject to relevant regulatory and other necessary approvals.

Following the failure to obtain the requisite regulatory approvals to complete the proposed merger between HDFC Life and Max Life Insurance Company Limited by way of a scheme of arrangement, the parties have confirmed they will not be pursuing the transaction any further via the proposed scheme.

Risk management

Our approach to risk management, delivered through our Enterprise Risk Management (ERM) Framework, remains well embedded in the business and enables us to respond pre-emptively to risks which the Group is exposed to. We are continually looking to raise standards in our risk management as we build a world-class investment company.

Pages 38-41 of our Annual report and accounts 2016 details 13 principal risks which the Group is exposed to. These risks are: Investment Performance; Customer and Client Preferences and Demand; Political Change; Regulatory Change; Strategic Transition and Delivery; Customer and Client Outcomes; IT Failure and Security, including cyber risk; Outsourcer Relationship Management; Change Management; Talent Management; Market Risk; Counterparty Risk and Longevity Risk.

The principal risks currently facing the Group and those that we believe the Group will be exposed to in the second half of 2017 remain the same as those outlined in the Annual report and accounts 2016. However, there have been some further developments within some of our principal risks since publication of the Annual report and accounts 2016 and they are outlined below.

Key developments in relation to our principal risks

Notwithstanding the compelling strategic rationale for the proposed merger with Aberdeen the merger and integration process will heighten our exposure to Strategic Transition and Delivery risk. The Group's success post-merger will be dependent on the ability of its leadership team to integrate the two businesses in an orderly manner without material dis-synergies. There will be numerous challenges associated with the integration and it will be important to manage effectively any known or unanticipated risks. An analysis of the key risks which may impact on the Group, such as asset outflows and operational and cultural integration, were outlined in the prospectus published by Standard Life plc in May 2017.

Markets remain at or near recent highs but continue to be sensitive to geopolitical uncertainty. Delivering superior long-term investment performance through active management is a key priority for attracting and retaining customers and clients. Therefore, maintaining focus on managing investment performance following the proposed merger and during the integration period is essential.

Political uncertainties remain, particularly in relation to the establishment of a minority government following the recent UK General Election and negotiations for the UK's exit from the EU. We continue to engage with key UK and EU policymakers, however, we recognise there is a risk that as a result of negotiations the operating model of our business may need to change to allow us to continue to service our customers and clients, and to distribute products in Europe. Actions are underway and plans are in place to manage the consequences of the negotiations to ensure continuity of service to our customers and clients. Detailed contingency planning and strong risk management will be important in order to achieve the best outcome for our customers, clients and shareholders during and after the UK's exit from the EU.

Effectively managing conduct risk remains a key focus for the Group. As highlighted in our Annual report and accounts 2016, we will be using procedures agreed with the FCA to review our non-advised annuity sales to Standard Life pension customers from July 2008 to identify whether our customers received sufficient information about enhanced annuity options. Work to date has been focused on the set up of the review and, subject to external dependencies, we expect this review to begin in H2 2017. A robust operational and oversight function has been embedded within the review which operates in accordance with our established ERM Framework. This has a primary focus on conduct risk and putting things right for customers affected. We continue to work with the FCA to ensure the timely and successful completion of this exercise.

We maintain heightened vigilance around growing global cyber threats and continue to enhance our cyber defence capabilities in response to this changing risk environment. Whilst not impacting Standard Life directly, in response to the international ransomware attacks widely reported in May, we took steps to communicate with our people, our customers, clients and our regulator to give comfort that we have appropriate controls in place.

Basis of preparation

Overview

Our Management report for the period to 30 June 2017 has been prepared in line with the Disclosure Guidance 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 included in the Risk management section of the Management report and Note 41 of the Group's Annual report and accounts 2016. Under DTR 4.2.8R the Group is also required to make certain related party disclosures. These are contained in Note 4.17 of the IFRS condensed consolidated financial information. To provide clear and helpful information, we have also considered the voluntary best practice principles of the Guidance on the Strategic report issued by the Financial Reporting Council in 2014. We have also considered the European Securities and Markets Authority (ESMA) guidelines on alternative performance measures issued in October 2015.

The Group's International Financial Reporting Standards (IFRS) 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 alternative performance measures (APMs), which have been used in the Management report, are also useful for both management and investors.

The most important APMs in the Management report include operating profit and underlying cash generation.

All APMs should be read together with the Group's IFRS condensed consolidated income statement, IFRS condensed consolidated statement of financial position and IFRS condensed consolidated statement of cash flows, which are presented in the Financial information section of this report.

Further details on alternative performance measures, financial ratios and assets under administration are included in the Supplementary information section of this report

Going concern

After making enquiries, the Directors are satisfied that the Group has and will maintain sufficient resources to enable it to continue operating for at least 12 months from the date of approval of the Half year results and therefore considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.

IFRS reporting

The financial results, which are unaudited at the half year are prepared on an IFRS 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. The IFRS financial results in the Management report and in Section 4 have been prepared on the basis of the IFRS accounting policies applied by the Group in the Annual report and accounts 2016 as amended for new standards effective from 1 January 2017, as described in Note 4.1 – Accounting policies.

Operating profit

The H1 2017 pro forma reconciliation of consolidated operating profit to IFRS profit for the period, presented in Section 4 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 Note 4.7. Operating profit reporting provides further analysis of the results reported under IFRS and the Directors believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items.

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. For example, statements containing words such as 'may', 'will', 'should', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they are based on information available at the time they are made, including current expectations and assumptions, and relate to future events and circumstances which may be or are beyond Standard Life's control, including among other things: UK domestic and global political, economic and business conditions (such as the United Kingdom's exit from the European Union); market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the impact of inflation and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the impact of competition; the timing, impact and other uncertainties associated with future acquisitions or combinations undertaken by Standard Life (including the proposed merger with Aberdeen) and/or within relevant industries (including in connection with any post-transaction integration); default by counterparties; information technology or data security breaches; natural or man-made catastrophic events; the failure to attract or retain necessary key personnel; the policies and actions of regulatory authorities; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life and its affiliates operate as well as other factors described in the Risk management sections of this Management report and in the Annual report and accounts 2016. These may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life's actual future financial condition, performance and results may differ materially from the plans, goals, strategy and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. Standard Life undertakes no obligation to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make. Past performance is not an indicator of future results and the results of Standard Life in this document may not be indicative of, and are not an estimate, forecast or projection of, Standard Life's future results.

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 and belief that:

- 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, have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the EU
- The interim management report includes a fair review of the information required by:
  - DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the IFRS condensed consolidated financial information and a description of the principal risks and uncertainties for the remaining six months of the year
  - DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so
- As per provision C1 of the UK Corporate Governance Code, the Half year results 2017 taken as a whole, present a fair, balanced and understandable position of the Company's prospects

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Changes to Directors during the period

As previously announced, Paul Matthews resigned as an executive Director on 1 March 2017 and Barry O'Dwyer was appointed as an executive Director on the same date.

By order of the Board

Sir Gerry Grimstone
Chairman

8 August 2017

Luke Savage
Chief Financial Officer

8 August 2017

3. Independent review report to Standard Life plc

Conclusion

We have been engaged by the Company to review the IFRS condensed consolidated financial information in the Half year results for the six months ended 30 June 2017 which comprises the:

- IFRS condensed consolidated income statement
- IFRS condensed consolidated statement of comprehensive income
- IFRS condensed consolidated statement of financial position
- IFRS condensed consolidated statement of changes in equity
- IFRS condensed consolidated statement of cash flows
- Related explanatory notes, which include the pro forma reconciliation of consolidated operating profit to IFRS profit

Based on our review, nothing has come to our attention that causes us to believe that the IFRS condensed consolidated financial information in the Half year results for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules (the DTR) of the UK's Financial Conduct Authority (the UK FCA).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. 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. We read the other information contained in the Half year results and consider whether it contains any apparent misstatements or material inconsistencies with the information in the IFRS condensed consolidated financial information.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Directors' responsibilities

The Half year results 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 DTR of the UK FCA.

As disclosed in Note 4.1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the IFRS condensed consolidated financial information included in the Half year results in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the IFRS condensed consolidated financial information in the Half year results based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Jonathan Mills
for and on behalf of KPMG LLP

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

8 August 2017

4. Financial information

IFRS condensed consolidated income statement

For the six months ended 30 June 2017

	Notes	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Revenue				
Gross earned premium		**1,080**	1,080	2,139
Premium ceded to reinsurers		**(24)**	(25)	(47)
Net earned premium		**1,056**	1,055	2,092
Investment return		**5,703**	6,031	15,376
Fee income		**610**	575	1,186
Other income		**30**	38	75
Total revenue		**7,399**	7,699	18,729
Expenses				
Claims and benefits paid		**2,259**	2,250	4,801
Claim recoveries from reinsurers		**(243)**	(249)	(492)
Net insurance benefits and claims		**2,016**	2,001	4,309
Change in reinsurance assets and liabilities		**223**	(61)	140
Change in insurance and participating contract liabilities		**(922)**	2,941	2,115
Change in unallocated divisible surplus		**(2)**	82	53
Change in non-participating investment contract liabilities		**4,329**	1,560	8,768
Expenses under arrangements with reinsurers		**112**	361	509
Administrative expenses				
Restructuring and corporate transaction expenses	4.4	**61**	31	62
Other administrative expenses		**743**	723	1,494
Total administrative expenses	4.4	**804**	754	1,556
Provision for annuity sales practices		**-**	-	175
Change in liability for third party interest in consolidated funds		**470**	(385)	296
Finance costs		**41**	41	82
Total expenses		**7,071**	7,294	18,003
Share of profit from associates and joint ventures		**46**	32	63
Profit before tax		**374**	437	789
Tax expense attributable to policyholders' returns	4.5	**53**	148	302
Profit before tax expense attributable to equity holders' profits		**321**	289	487
Total tax expense	4.5	**76**	197	370
Less: Tax attributable to policyholders' returns	4.5	**(53)**	(148)	(302)
Tax expense attributable to equity holders' profits	4.5	**23**	49	68
Profit for the period		**298**	240	419
Attributable to:				
Equity holders of Standard Life plc		**292**	226	368
Non-controlling interests		**6**	14	51
		298	240	419
Earnings per share				
Basic (pence per share)	4.6	**14.8**	11.5	18.7
Diluted (pence per share)	4.6	**14.8**	11.4	18.6

The Notes on pages 20 to 46 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 2017

	Notes	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Profit for the period		**298**	240	419
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement gains on defined benefit pension plans		**-**	209	162
Revaluation of owner occupied property		**1**	5	5
Change in unallocated divisible surplus recognised in other comprehensive income		**-**	(5)	(5)
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	4.5	**-**	-	2
Total items that will not be reclassified subsequently to profit or loss		**1**	209	164
Items that may be reclassified subsequently to profit or loss:				
Fair value losses on cash flow hedges		**-**	(1)	-
Fair value gains on available-for-sale financial assets		**-**	14	17
Exchange differences on translating foreign operations		**(3)**	101	173
Change in unallocated divisible surplus recognised in other comprehensive income		**6**	(38)	(62)
Share of other comprehensive income/(expense) of associates and joint ventures		**2**	(4)	(10)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	4.5	**-**	(3)	(3)
Total items that may be reclassified subsequently to profit or loss		**5**	69	115
Other comprehensive income for the period		**6**	278	279
Total comprehensive income for the period		**304**	518	698
Attributable to:				
Equity holders of Standard Life plc		**298**	504	647
Non-controlling interests		**6**	14	51
		304	518	698

The Notes on pages 20 to 46 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 2017

	Notes	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Operating profit/(loss) before tax				
Standard Life Investments		**190**	176	383
Pensions and Savings		**167**	169	362
India and China		**33**	19	36
Other		**(28)**	(23)	(58)
Operating profit before tax	4.3	**362**	341	723
Adjusted for the following items				
Short-term fluctuations in investment return and economic assumption changes		**55**	(17)	8
Restructuring and corporate transaction expenses		**(61)**	(36)	(67)
Impairment of intangible assets acquired in business combinations		**-**	-	(19)
Provision for annuity sales practices		**-**	-	(175)
Other[1]		**(34)**	(8)	(21)
Total non-operating items	4.3	**(40)**	(61)	(274)
Share of associates' and joint ventures' tax expense	4.3	**(7)**	(5)	(13)
Profit attributable to non-controlling interests	4.3	**6**	14	51
Profit before tax expense attributable to equity holders' profits[2]		**321**	289	487
Tax (expense)/credit attributable to				
Operating profit	4.3	**(31)**	(69)	(127)
Non-operating items	4.3	**8**	20	59
Total tax expense attributable to equity holders' profits		**(23)**	(49)	(68)
Profit for the period		**298**	240	419

1 Other non-operating items for the six months ended 30 June 2017 includes £24m (six months ended 30 June 2016: £nil; 12 months ended 31 December 2016: £nil) in relation to the impairment of a disposal group classified as held for sale. Refer Note 4.2 (b) for further details.

2 Profit before tax expense attributable to equity holders' profits consists of profit before tax of £374m (six months ended 30 June 2016: £437m; 12 months ended 31 December 2016: £789m) less tax expense attributable to policyholders' returns of £53m (six months ended 30 June 2016: £148m; 12 months ended 31 December 2016: £302m).

The Group's key alternative performance measure is operating profit. Refer to Note 4.7 for further details.

The Notes on pages 20 to 46 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of financial position
As at 30 June 2017

	Notes	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Assets				
Intangible assets		**566**	557	572
Deferred acquisition costs		**622**	666	651
Investments in associates and joint ventures		**9,880**	7,481	7,948
Investment property	4.13	**10,038**	10,919	9,929
Property, plant and equipment		**117**	91	89
Pension and other post-retirement benefit assets	4.11	**1,107**	1,110	1,093
Deferred tax assets		**57**	36	42
Reinsurance assets		**5,155**	5,583	5,386
Loans	4.13	**197**	468	295
Derivative financial assets	4.13	**2,844**	4,685	3,534
Equity securities and interests in pooled investment funds	4.13	**85,261**	70,862	83,307
Debt securities	4.13	**63,887**	72,128	67,933
Receivables and other financial assets	4.13	**1,597**	3,806	1,255
Current tax recoverable		**226**	202	166
Other assets		**115**	92	94
Assets held for sale	4.13	**757**	188	263
Cash and cash equivalents	4.13	**8,025**	9,171	7,938
Total assets		**190,451**	188,045	190,495
Equity				
Share capital	4.9	**242**	241	242
Shares held by trusts	4.9	**(14)**	(3)	(2)
Share premium reserve	4.9	**635**	629	634
Retained earnings		**2,909**	2,852	2,855
Other reserves		**611**	557	618
Equity attributable to equity holders of Standard Life plc		**4,383**	4,276	4,347
Non-controlling interests		**287**	276	297
Total equity		**4,670**	4,552	4,644
Liabilities				
Non-participating insurance contract liabilities	4.10	**22,894**	22,849	23,422
Non-participating investment contract liabilities		**103,456**	95,738	102,063
Participating contract liabilities	4.10	**30,615**	32,390	31,273
Deposits received from reinsurers		**4,810**	5,178	5,093
Third party interest in consolidated funds	4.14	**16,080**	16,376	16,835
Subordinated liabilities		**1,327**	1,326	1,319
Pension and other post-retirement benefit provisions	4.11	**57**	38	55
Deferred income		**175**	220	198
Deferred tax liabilities		**254**	202	259
Current tax liabilities		**132**	192	113
Derivative financial liabilities	4.14	**894**	3,706	965
Other financial liabilities		**4,135**	5,145	3,916
Provisions	4.12	**217**	41	227
Other liabilities		**95**	92	113
Liabilities of operations held for sale		**640**	-	-
Total liabilities		**185,781**	183,493	185,851
Total equity and liabilities		**190,451**	188,045	190,495

The Notes on pages 20 to 46 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 2017

2017	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		**242**	**(2)**	**634**	**2,855**	**618**	**4,347**	**297**	**4,644**
Profit for the period		-	-	-	292	-	292	6	**298**
Other comprehensive income for the period		-	-	-	2	4	6	-	**6**
Total comprehensive income for the period		**-**	**-**	**-**	**294**	**4**	**298**	**6**	**304**
Dividends paid on ordinary shares	4.8	-	-	-	(263)	-	(263)	-	**(263)**
Issue of share capital	4.9	-	-	1	-	-	1	-	**1**
Reserves credit for employee share-based payments		-	-	-	-	10	10	-	**10**
Transfer to retained earnings for vested employee share-based payments		-	-	-	21	(21)	-	-	**-**
Shares acquired by employee trusts		-	(14)	-	-	-	(14)	-	**(14)**
Shares distributed by employee and other trusts		-	2	-	(2)	-	-	-	**-**
Sale of shares held by trusts		-	-	-	4	-	4	-	**4**
Other movements in non-controlling interests in the period		-	-	-	-	-	-	(16)	**(16)**
Aggregate tax effect of items recognised directly in equity	4.5	-	-	-	-	-	-	-	**-**
30 June		**242**	**(14)**	**635**	**2,909**	**611**	**4,383**	**287**	**4,670**

2016	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		**241**	**(6)**	**628**	**2,162**	**977**	**4,002**	**347**	**4,349**
Profit for the period		-	-	-	226	-	226	14	**240**
Other comprehensive income for the period		-	-	-	205	73	278	-	**278**
Total comprehensive income for the period		**-**	**-**	**-**	**431**	**73**	**504**	**14**	**518**
Dividends paid on ordinary shares	4.8	-	-	-	(243)	-	(243)	-	**(243)**
Issue of share capital	4.9	-	-	1	-	-	1	-	**1**
Reserves credit for employee share-based payments		-	-	-	-	16	16	-	**16**
Transfer to retained earnings for vested employee share-based payments		-	-	-	18	(18)	-	-	**-**
Shares acquired by employee trusts		-	(2)	-	-	-	(2)	-	**(2)**
Shares distributed by employee and other trusts		-	5	-	(5)	-	-	-	**-**
Cancellation of capital redemption reserve		-	-	-	488	(488)	-	-	**-**
Other movements in non-controlling interests in the period		-	-	-	-	-	-	(85)	**(85)**
Aggregate tax effect of items recognised directly in equity	4.5	-	-	-	1	(3)	(2)	-	**(2)**
30 June		**241**	**(3)**	**629**	**2,852**	**557**	**4,276**	**276**	**4,552**

2016	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		**241**	**(6)**	**628**	**2,162**	**977**	**4,002**	**347**	**4,349**
Profit for the year		-	-	-	368	-	368	51	**419**
Other comprehensive income for the year		-	-	-	154	125	279	-	**279**
Total comprehensive income for the year		**-**	**-**	**-**	**522**	**125**	**647**	**51**	**698**
Dividends paid on ordinary shares	4.8	-	-	-	(370)	-	(370)	-	**(370)**
Issue of share capital	4.9	1	-	6	-	-	7	-	**7**
Reserves credit for employee share-based payments		-	-	-	-	30	30	-	**30**
Transfer to retained earnings for vested employee share-based payments		-	-	-	23	(23)	-	-	**-**
Shares acquired by employee trusts		-	(3)	-	-	-	(3)	-	**(3)**
Shares distributed by employee and other trusts		-	7	-	(7)	-	-	-	**-**
Expiry of unclaimed asset trust claim period		-	-	-	41	-	41	-	**41**
Cancellation of capital redemption reserve		-	-	-	488	(488)	-	-	**-**
Other movements in non-controlling interests in the year		-	-	-	-	-	-	(101)	**(101)**
Aggregate tax effect of items recognised directly in equity	4.5	-	-	-	(4)	(3)	(7)	-	**(7)**
31 December		**242**	**(2)**	**634**	**2,855**	**618**	**4,347**	**297**	**4,644**

The Notes on pages 20 to 46 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 2017

	Notes	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Cash flows from operating activities				
Profit before tax		**374**	437	789
Change in operating assets		**665**	(7,066)	(12,995)
Change in operating liabilities		**415**	7,562	12,926
Adjustment for non-cash movements in investment income		**(17)**	104	174
Change in unallocated divisible surplus		**(2)**	82	53
Other non-cash and non-operating items		**39**	56	122
Taxation paid		**(135)**	(161)	(333)
Net cash flows from operating activities		**1,339**	1,014	736
Cash flows from investing activities				
Purchase of property, plant and equipment		**(15)**	(6)	(10)
Proceeds from sale of property, plant and equipment		**-**	-	22
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		**-**	-	(5)
Acquisition of investments in associates and joint ventures		**-**	(179)	(179)
Purchase of intangible assets not acquired through business combinations		**(32)**	(26)	(61)
Net cash flows from investing activities		**(47)**	(211)	(233)
Cash flows from financing activities				
Repayment of other borrowings		**(1)**	(1)	(2)
Capital flows to third party interest in consolidated funds and non-controlling interests		**(848)**	(1,138)	(1,845)
Distributions paid to third party interest in consolidated funds and non-controlling interests		**(56)**	(53)	(109)
Shares acquired by trusts		**(14)**	(2)	(3)
Sale of shares held by trusts		**4**	-	-
Proceeds from issue of shares		**1**	-	6
Interest paid		**(34)**	(35)	(83)
Ordinary dividends paid	4.8	**(263)**	(243)	(370)
Net cash flows from financing activities		**(1,211)**	(1,472)	(2,406)
Net increase/(decrease) in cash and cash equivalents		**81**	(669)	(1,903)
Cash and cash equivalents at the beginning of the period		**7,900**	9,591	9,591
Effects of exchange rate changes on cash and cash equivalents		**33**	201	212
Cash and cash equivalents at the end of the period[1]		**8,014**	9,123	7,900
Supplemental disclosures on cash flows from operating activities				
Interest paid		**2**	1	3
Interest received		**841**	995	1,929
Dividends received		**1,141**	1,205	2,023
Rental income received on investment property		**257**	287	564

[1] Comprises £8,052m (30 June 2016: £9,171m; 31 December 2016: £7,938m) of cash and cash equivalents, including cash and cash equivalents held for sale and (£38m) (30 June 2016: (£48m); 31 December 2016: (£38m)) of overdrafts which are reported in other financial liabilities in the IFRS condensed consolidated statement of financial position.

The Notes on pages 20 to 46 are an integral part of this IFRS condensed consolidated financial information.

Notes to the IFRS condensed consolidated financial information

4.1 Accounting policies

(a) Basis of preparation

The IFRS condensed consolidated half year financial information has been prepared in accordance with the Disclosure 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 2016 have been applied in the preparation of the IFRS condensed consolidated half year financial information.

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

There were no new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations or amendments to existing standards, which were effective by EU endorsement for annual periods beginning on or after 1 January 2017.

(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. Additionally, the comparative figures for the financial year ended 31 December 2016 are not the Company's statutory accounts for that financial year. The statutory accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006. The IFRS condensed consolidated half year financial information has been reviewed, not audited.

(c) Exchange rates

The income statements and cash flows, and statements of financial position of Group entities that have a different functional currency from the Group's presentation currency have been translated using the following principal exchange rates:

	6 months 2017		6 months 2016		Full year 2016	
	Income statement and cash flows (average rate)	**Statement of financial position (closing rate)**	Income statement and cash flows (average rate)	Statement of financial position (closing rate)	Income statement and cash flows (average rate)	Statement of financial position (closing rate)
Euro	**1.164**	**1.139**	1.286	1.203	1.229	1.171
US Dollar	**1.267**	**1.299**	1.426	1.337	1.356	1.236
Indian Rupee	**83.417**	**83.963**	95.666	90.228	91.058	83.864
Chinese Renminbi	**8.705**	**8.806**	9.327	8.881	8.999	8.587
Hong Kong Dollar	**9.854**	**10.140**	11.069	10.371	10.521	9.580

4.2 Acquisitions and disposals

(a) Aberdeen Asset Management plc

On 6 March 2017, the boards of Standard Life plc and Aberdeen Asset Management plc (Aberdeen) announced that they had reached agreement on the terms of a recommended merger of Standard Life and Aberdeen, through the acquisition by Standard Life of the entire issued ordinary share capital of Aberdeen, to be effected by means of a court-sanctioned scheme of arrangement between Aberdeen and Aberdeen shareholders under Part 26 of the Companies Act 2006. Following completion of the merger, Aberdeen shareholders would own approximately 33.3% and Standard Life shareholders would own approximately 66.7% of the combined group on a diluted basis. On 9 May 2017, Standard Life published a prospectus and circular relating to the proposed merger and gave notice of a general meeting to take place on 19 June 2017. The proposed merger was approved by shareholders of both Standard Life and Aberdeen on 19 June 2017. Completion of the merger is subject to court and other necessary approvals and if approved is expected to complete on 14 August 2017.

(b) Standard Life (Asia) Limited

On 29 March 2017, the Group announced the proposed sale of its wholly owned Hong Kong insurance business, Standard Life (Asia) Limited to Standard Life's Chinese joint venture business, Heng An Standard Life Insurance Company Limited, both of which are reported within the India and China segment. The transaction is subject to obtaining local regulatory and other approvals in mainland China and Hong Kong.

Following the remeasurement of the disposal group to the lower of its carrying amount and its fair value less costs to sell, an impairment loss of £24m has been included in Other administrative expenses in the IFRS condensed consolidated income statement. Fair value has been determined by reference to the expected sale price.

At 30 June 2017, the disposal group was measured at fair value less cost to sell and comprised the following assets and liabilities:

	30 Jun 2017 £m
Assets of operations held for sale	
Equity securities and interests in pooled investment funds	590
Cash and cash equivalents	27
Other assets	34
Total assets of operations held for sale	**651**
Liabilities of operations held for sale	
Non-participating insurance contract liabilities	553
Non-participating investment contract liabilities	65
Other liabilities	12
Total liabilities of operations held for sale	**630**
Net assets of operations held for sale	**21**

4.3 Segmental analysis

The Group's reportable segments have been identified in accordance with the way in which the Group is structured and managed. 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 strategic executive committee.

(a) Basis of segmentation

The Group's reportable segments are as follows:

Standard Life Investments
Standard Life Investments provides a range of investment products for individuals and institutional customers 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.

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

India and China
The businesses included in India and China offer a range of insurance and savings products and comprise our life insurance associate in India, our life insurance joint venture in China and wholly owned operations in Hong Kong, the assets and liabilities of which are classified as held for sale.

Other
This primarily includes the corporate centre and related activities.

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

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

Operating profit is the key alternative performance measure utilised by the Group's management in their evaluation of segmental performance and is therefore also presented by reportable segment.

6 months 2017	Notes	Standard Life Investments £m	Pensions and Savings £m	India and China £m	Other £m	Eliminations £m	Total £m
Fee based revenue		429	461	7	-	(61)	**836**
Spread/risk margin		-	49	-	-	-	**49**
Total operating income		**429**	**510**	**7**	**-**	**(61)**	**885**
Total operating expenses		(259)	(350)	(7)	(26)	61	**(581)**
Capital management		-	7	-	(2)	-	**5**
Share of associates' and joint ventures' profit before tax[1]		20	-	33	-	-	**53**
Operating profit/(loss) before tax		**190**	**167**	**33**	**(28)**	**-**	**362**
Tax on operating profit		(33)	1	-	1	-	**(31)**
Share of associates' and joint ventures' tax expense	4.5	(5)	-	(2)	-	-	**(7)**
Operating profit/(loss) after tax		**152**	**168**	**31**	**(27)**	**-**	**324**
Adjusted for the following items							
Short-term fluctuations in investment return and economic assumption changes	4.7	(1)	59	-	(3)	-	**55**
Restructuring and corporate transaction expenses	4.4	(10)	(9)	-	(42)	-	**(61)**
Other		(8)	(3)	(24)	1	-	**(34)**
Total non-operating items		**(19)**	**47**	**(24)**	**(44)**	**-**	**(40)**
Tax on non-operating items		3	(12)	-	17	-	**8**
Profit/(loss) for the period attributable to equity holders of Standard Life plc		**136**	**203**	**7**	**(54)**	**-**	**292**
Profit attributable to non-controlling interests							**6**
Profit for the period							**298**

[1] Share of associates' and joint ventures' profit before tax 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 operating 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 actuarial reserving changes.

The Group has a widely diversified customer base and is therefore not reliant on any individual customers.

6 months 2016	Notes	Standard Life Investments £m	Pensions and Savings £m	India and China £m	Other £m	Eliminations £m	Total £m
Fee based revenue		431	407	10	-	(54)	**794**
Spread/risk margin		-	63	-	-	-	**63**
Total operating income		**431**	**470**	**10**	**-**	**(54)**	**857**
Total operating expenses		(271)	(313)	(12)	(24)	54	**(566)**
Capital management		-	12	-	1	-	**13**
Share of associates' and joint ventures' profit before tax[1]		16	-	21	-	-	**37**
Operating profit/(loss) before tax		**176**	**169**	**19**	**(23)**	**-**	**341**
Tax on operating profit		(35)	(42)	-	8	-	**(69)**
Share of associates' and joint ventures' tax expense	4.5	(5)	-	-	-	-	**(5)**
Operating profit/(loss) after tax		**136**	**127**	**19**	**(15)**	**-**	**267**
Adjusted for the following items							
Short-term fluctuations in investment return and economic assumption changes	4.7	1	(10)	-	(8)	-	**(17)**
Restructuring and corporate transaction expenses	4.4	(10)	(26)	-	-	-	**(36)**
Other		(7)	(1)	-	-	-	**(8)**
Total non-operating items		**(16)**	**(37)**	**-**	**(8)**	**-**	**(61)**
Tax on non-operating items		3	14	-	3	-	**20**
Profit/(loss) for the period attributable to equity holders of Standard Life plc		**123**	**104**	**19**	**(20)**	**-**	**226**
Profit attributable to non-controlling interests							**14**
Profit for the period							**240**

[1] Share of associates' and joint ventures' profit before tax 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.

Full year 2016	Notes	Standard Life Investments £m	Pensions and Savings £m	India and China £m	Other £m	Eliminations £m	Total £m
Fee based revenue		885	861	17	-	(112)	**1,651**
Spread/risk margin		-	134	-	-	-	**134**
Total operating income		**885**	**995**	**17**	**-**	**(112)**	**1,785**
Total operating expenses		(537)	(655)	(22)	(57)	112	**(1,159)**
Capital management		-	22	-	(1)	-	**21**
Share of associates' and joint ventures' profit before tax[1]		35	-	41	-	-	**76**
Operating profit/(loss) before tax		**383**	**362**	**36**	**(58)**	**-**	**723**
Tax on operating profit		(72)	(71)	-	16	-	**(127)**
Share of associates' and joint ventures' tax expense	4.5	(11)	-	(2)	-	-	**(13)**
Operating profit/(loss) after tax		**300**	**291**	**34**	**(42)**	**-**	**583**
Adjusted for the following items							
Short-term fluctuations in investment return and economic assumption changes	4.7	3	13	-	(8)	-	**8**
Restructuring and corporate transaction expenses	4.4	(23)	(38)	(3)	(3)	-	**(67)**
Impairment of intangible assets acquired in business combinations		(9)	(10)	-	-	-	**(19)**
Provision for annuity sales practices	4.12	-	(175)	-	-	-	**(175)**
Other		(21)	3	-	(3)	-	**(21)**
Total non-operating items		**(50)**	**(207)**	**(3)**	**(14)**	**-**	**(274)**
Tax on non-operating items		9	46	-	4	-	**59**
Profit/(loss) for the year attributable to equity holders of Standard Life plc		**259**	**130**	**31**	**(52)**	**-**	**368**
Profit attributable to non-controlling interests							**51**
Profit for the year							**419**

[1] Share of associates' and joint ventures' profit before tax 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) Total income and expenses

The following table provides a reconciliation of total operating income and total operating expenses, as presented in the analysis of Group operating profit by segment, to total revenue and total expenses respectively, as presented in the IFRS condensed consolidated income statement:

	6 months 2017		6 months 2016		Full year 2016	
	Income	**Expenses**	Income	Expenses	Income	Expenses
	£m	**£m**	£m	£m	£m	£m
Total operating income or operating expenses as presented in the analysis of Group operating profit by segment	**885**	**(581)**	857	(566)	1,785	(1,159)
Net insurance benefits and claims	**2,016**	**(2,016)**	2,001	(2,001)	4,309	(4,309)
Change in reinsurance assets and liabilities	**223**	**(223)**	(61)	61	140	(140)
Change in insurance and participating contract liabilities	**(922)**	**922**	2,941	(2,941)	2,115	(2,115)
Change in unallocated divisible surplus	**(2)**	**2**	82	(82)	53	(53)
Change in non-participating investment contract liabilities	**4,329**	**(4,329)**	1,560	(1,560)	8,768	(8,768)
Expenses under arrangements with reinsurers	**112**	**(112)**	361	(361)	509	(509)
Change in liability for third party interest in consolidated funds	**470**	**(470)**	(385)	385	296	(296)
Other presentation differences	**224**	**(224)**	173	(173)	380	(380)
Tax expense attributable to policyholders' returns	**53**	**-**	148	-	302	-
Non-operating items	**-**	**(40)**	(5)	(56)	-	(274)
Non-controlling interests and capital management	**11**	**-**	27	-	72	-
Total revenue or expenses as presented in the IFRS condensed consolidated income statement	**7,399**	**(7,071)**	7,699	(7,294)	18,729	(18,003)

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of operating income and expenses. Operating income and expenses exclude items which have an equal and opposite effect on IFRS revenue and IFRS expenses in the consolidated income statement, such as investment returns which are for the account of policyholders. Other presentation differences in the above reconciliation generally relate to items included in administrative expenses which are borne by policyholders, for example investment property management expenses, or are directly related to fee income.

4.4 Administrative expenses

	6 months 2017	6 months 2016	Full year 2016
	£m	£m	£m
Restructuring and corporate transaction expenses	**61**	31	62
Interest expense	**3**	3	5
Commission expenses	**72**	73	153
Staff costs and other employee-related costs	**284**	295	596
Impairment of disposal group classified as held for sale	**24**	-	-
Other administrative expenses	**344**	334	695
	788	736	1,511
Acquisition costs deferred during the period	**(27)**	(32)	(51)
Amortisation of deferred acquisition costs	**43**	50	96
Total administrative expenses	**804**	754	1,556

Total restructuring and corporate transaction expenses incurred during the period were £61m (six months ended 30 June 2016: £31m; 12 months ended 31 December 2016: £62m). The expenses mainly relate to the proposed merger with Aberdeen, Ignis integration, Elevate integration and a number of other business unit restructuring programmes.

If the merger with Aberdeen completes, stamp duty of approximately £20m (dependent on the Aberdeen share price at completion) will be recognised in the consolidated income statement on completion.

In December 2014, the Group announced that the UK staff defined benefit pension plan would be closed to future accrual. On 16 April 2016, all employees in the closing plan were transferred to the UK defined contribution plan for future service and employer contributions into the defined contribution plan were amended. Following this restructuring of the pension plans, operating profit for the six months ended 30 June 2016 was increased by £5m (12 months ended 31 December 2016: £5m) so that operating profit reflected the expected long-term pension expense for the period and was therefore more indicative of the long-term operating performance of the Group. As a result for the six months ended 30 June 2016, £5m (12 months ended 31 December 2016: £5m) of pension costs that were included in staff costs in the IFRS condensed consolidated income statement, were included in restructuring and corporate transaction expenses in determining operating profit.

4.5 Tax expense

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Current tax:			
UK	**82**	194	316
Double tax relief	**(1)**	(1)	(3)
Overseas	**14**	14	23
Adjustment to tax expense in respect of prior years	**3**	(2)	(3)
Total current tax	**98**	205	333
Deferred tax:			
Deferred tax (credit)/expense arising from the current periods	**(22)**	(8)	37
Total deferred tax	**(22)**	(8)	37
Total tax expense	**76**	197	370
Attributable to policyholders' investment return	**53**	148	302
Attributable to equity holders' profits	**23**	49	68
Total tax expense	**76**	197	370

The standard UK corporation tax rate for the accounting period is 19.25% (six months ended 30 June 2016: 20%; 12 months ended 31 December 2016: 20%). The UK corporation tax rate was reduced to 19% from 1 April 2017 and will reduce to 17% from 1 April 2020. These changes have been taken into account in the calculation of the UK deferred tax balance at 30 June 2017.

The Group provides additional disclosure in relation to the total tax expense. Certain products are subject to tax on policyholders' investment returns. This tax, 'policyholder tax', is accounted for as an element of income tax. To make the tax expense disclosure more meaningful, we disclose policyholder tax and tax payable on equity holders' profits separately. The policyholder tax expense is the amount payable in the period plus the movement of amounts expected to be payable in future periods by policyholders on their investment return. The remainder of the tax expense is attributed to equity holders as tax payable on equity holders' profit.

The share of associates' and joint ventures' tax expense is £7m (six months ended 30 June 2016: £5m; 12 months ended 31 December 2016: £13m) and is included in profit before tax in the IFRS condensed consolidated income statement in Share of profit from associates and joint ventures.

Certain Group entities are party to claims and proceedings to recover tax suffered in respect of overseas income. These claims and proceedings predominantly relate to assets in policyholder funds, primarily SLAL's Heritage With Profits Fund. There is significant uncertainty on the outcome of these claims and they are not expected to materially impact profit for the period attributable to equity holders or total equity.

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

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Tax relating to defined benefit pension plan deficit	**-**	-	(2)
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	**-**	-	(2)
Current tax on net change in financial assets designated as available-for-sale	**-**	3	3
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	**-**	3	3
Tax relating to other comprehensive income	**-**	3	1

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 2017 £m	6 months 2016 £m	Full year 2016 £m
Tax relating to expiry of unclaimed asset trust claim period	**-**	-	7
Tax expense on reserves for employee share-based payments	**-**	2	-
Tax relating to items taken directly to equity	**-**	2	7

4.6 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 in issue during the period excluding shares owned by the employee trusts that have not vested unconditionally to employees.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue during the period to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees.

Alternative earnings per share is calculated on operating profit after tax.

The following table shows details of basic, diluted and alternative earnings per share for the period:

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Operating profit before tax	**362**	341	723
Tax on operating profit	**(31)**	(69)	(127)
Share of associates' and joint ventures' tax expense	**(7)**	(5)	(13)
Operating profit after tax	**324**	267	583
Total non-operating items	**(40)**	(61)	(274)
Tax on non-operating items	**8**	20	59
Profit attributable to equity holders of Standard Life plc	**292**	226	368

	Millions	Millions	Millions
Weighted average number of ordinary shares outstanding	**1,972**	1,970	1,972
Dilutive effect of share options and awards	**3**	4	6
Weighted average number of diluted ordinary shares outstanding	**1,975**	1,974	1,978

	Pence	Pence	Pence
Basic earnings per share	**14.8**	11.5	18.7
Diluted earnings per share	**14.8**	11.4	18.6
Alternative earnings per share	**16.4**	13.6	29.6
Diluted alternative earnings per share	**16.4**	13.5	29.5

4.7 Operating profit and non-operating items

Operating profit is the Group's key alternative performance 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 corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Impairment of intangible assets acquired in business combinations
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Amortisation of intangibles acquired in business combinations and fair value movements in contingent consideration
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group

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

The components of IFRS profit attributable to market movements and interest rate changes which give rise to variances between actual and expected returns on investments backing equity holder funds, with consistent allowance for the corresponding expected movement in equity holder liabilities, as well as the impact of changes in economic assumptions on equity holder liabilities, are excluded from operating profit. Investments backing equity holder funds include investments backing annuities and subordinated debt, investments from surplus capital in insurance companies, and investments held by holding companies and other non-insurance entities.

For annuities this means that all fluctuations in liabilities and the assets backing those liabilities due to market interest rate (including credit risk) movements over the period are excluded from operating profit.

The expected rates of return for debt securities and equity securities are determined separately. The expected rates of return for equity securities are determined based on the gilt spot rates of an appropriate duration plus an equity risk premium of 3% (2016: 3%). Investments in pooled investment funds which target equity returns over the longer term, including absolute return funds, also use an expected rate of return determined based on the gilt spot rates of an appropriate duration plus a risk premium of 3% (2016: 3%).

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. 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.

The expected rates of return used for both the assets backing subordinated liabilities and the subordinated liabilities themselves include a discount for expected credit defaults. This means that the interest expense included in operating profit for subordinated liabilities is after deducting a margin for own credit risk. Additionally, the effect of the accounting mismatch, where subordinated liabilities are measured at amortised cost and certain assets backing the liabilities are measured at fair value, is also excluded from operating profit.

There have been no actual defaults or impairments of assets backing subordinated liabilities during the six months ended 30 June 2017 or 30 June 2016, or the 12 months ended 31 December 2016. If these were to arise they would be excluded from operating profit.

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 2017, short-term fluctuations in investment return and economic assumption changes resulted in gains of £55m (six months ended 30 June 2016: losses of £17m; 12 months ended 31 December 2016: gains of £8m). Short-term fluctuations in investment return relate principally to the impact of interest rate changes on UK annuity liabilities and the assets backing those liabilities.

(b) Other

In the pro forma reconciliation of consolidated operating profit to IFRS profit for the period ended 30 June 2017 the Other non-operating sub-total includes £24m (six months ended 30 June 2016: £nil; 12 months ended 31 December 2016: £nil) in relation to the impairment of a disposal group classified as held for sale and £10m (six months ended 30 June 2016: £9m; 12 months ended 31 December 2016: £19m) in relation to amortisation of intangible assets acquired through business combinations.

4.8 Dividends on ordinary shares

	6 months 2017	6 months 2016		Full year 2016	
	Pence per share	Pence per share	£m	Pence per share	£m
Dividends relating to reporting period					
Interim dividend (2017 and 2016)	**7.00**	6.47	127	6.47	127
Final dividend (2016)	**-**	-	-	13.35	263
Total	**7.00**	6.47	127	19.82	390
Dividends paid in reporting period					
Current year interim dividend	**-**	-	-	6.47	127
Final dividend for prior year	**13.35**	12.34	243	12.34	243
Total			243		370

Subsequent to 30 June 2017, the Directors have proposed an interim dividend for 2017 of 7.00 pence per ordinary share (interim 2016: 6.47 pence). If the merger with Aberdeen completes as expected prior to the record date, the dividend will be paid on the revised number of shares. This would equate to a cash payment of an estimated £207m. If the merger does not complete prior to the record date, the estimated payment will be £138m. The dividend is expected to be paid on 18 October 2017 and will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2017.

4.9 Issued share capital, share premium and shares held by trusts

(a) Issued share capital

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

	6 months 2017		6 months 2016		Full year 2016	
Issued shares fully paid	**12 2/9p each**	**£m**	12 2/9p each	£m	12 2/9p each	£m
At start of period	**1,978,884,437**	**242**	1,969,937,375	241	1,969,937,375	241
Shares issued in respect of share incentive plans	**285,582**	**-**	197,255	-	460,194	-
Shares issued in respect of share options	**338,450**	**-**	5,332,837	-	8,486,868	1
At end of period	**1,979,508,469**	**242**	1,975,467,467	241	1,978,884,437	242

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

The Company can issue shares to satisfy awards granted under employee incentive plans which have been approved by shareholders.

(b) Share premium

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
At start of period	**634**	628	628
Shares issued in respect of share options	**1**	1	6
At end of period	**635**	629	634

(c) Shares held by trusts

Shares held by trusts relates to shares in Standard Life plc that are held by the Employee Share Trust (EST) and the Unclaimed Asset Trust (UAT).

The EST purchases shares in the Company for delivery to employees under employee incentive plans. Purchased shares are recognised as a deduction from equity at the price paid for them. Where new shares are issued to the EST the price paid is the nominal value of the shares. When shares are distributed from the trust their corresponding value is released to retained earnings.

In July 2006, Standard Life demutualised and former members of the mutual company were allocated shares in the new listed Company. Some former members were yet to claim their shares and the UAT held these on their behalf. There was an off-setting obligation to deliver these shares which was also recognised in the shares held by trusts reserve. The shares and the off-setting obligation were both measured at £nil. The claim entitlement period for the UAT expired on 9 July 2016. Shares remaining in the UAT after 9 July 2016 continue to be measured at £nil.

The number of shares held in trust at 30 June 2017 was as follows:

	6 months 2017	6 months 2016	Full year 2016
Number of shares held in trust			
Employee Share Trust	**11,123,356**	2,363,153	1,287,431
Unclaimed Asset Trust	**188,646**	13,750,053	12,999,801

On expiry of the claim period on 9 July 2016, the entitlement to the unclaimed shares remaining in the UAT transferred to the Company. During the period to 30 June 2017, 11,719,073 shares were transferred from the UAT to the EST for £nil consideration. An amount equivalent to the fair value of the shares as at the date of transfer was donated by the Company to the Standard Life Foundation.

4.10 Insurance contracts, participating investment contracts and reinsurance contracts

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Non-participating insurance contract liabilities	**23,447**	22,849	23,422
Less: Non-participating contract liabilities classified as held for sale	**(553)**	-	-
	22,894	22,849	23,422

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Participating insurance contract liabilities	**14,769**	16,201	15,151
Participating investment contract liabilities	**15,300**	15,581	15,537
Unallocated divisible surplus	**546**	608	585
Participating contract liabilities	**30,615**	32,390	31,273

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the six months ended 30 June 2017 and the six months ended 30 June 2016 arising from changes in estimates are set out below:

6 months 2017	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
Changes in						
Methodology/modelling	(11)	-	11	-	-	-
Economic assumptions	(2)	(86)	47	(41)	7	(34)
Non-economic assumptions	1	-	(4)	(3)	-	(3)
6 months 2016						
Changes in						
Methodology/modelling	(48)	-	11	(37)	53	16
Economic assumptions	(332)	1,667	88	1,423	(330)	1,093
Non-economic assumptions	-	(9)	-	(9)	6	(3)

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.

Economic assumptions reflect changes in fixed income yields, leading to small changes in valuation interest rates for non-participating business, and other market movements.

Economic assumptions also include the effect of changes in the inflation scenarios that are used to value inflation linked annuities. This change has resulted in a decrease in non-participating insurance contract liabilities, largely offset by an increase in participating liabilities.

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the year ended 31 December 2016 was as follows:

2016	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
1 January	**14,283**	**21,206**	**14,716**	**50,205**	**(5,515)**	**44,690**
Expected change	(1,335)	(662)	(881)	(2,878)	374	**(2,504)**
Methodology/modelling changes	(45)	1	3	(41)	53	**12**
Effect of changes in						
Economic assumptions	(465)	1,901	194	1,630	(384)	**1,246**
Non-economic assumptions	(23)	(104)	47	(80)	50	**(30)**
Effect of						
Economic experience	1,193	413	1,426	3,032	41	**3,073**
Non-economic experience	88	(358)	(106)	(376)	6	**(370)**
New business	-	794	34	828	-	**828**
Total change in contract liabilities	**(587)**	**1,985**	**717**	**2,115**	**140**	**2,255**
Foreign exchange adjustment	1,455	231	104	1,790	(11)	**1,779**
31 December	**15,151**	**23,422**	**15,537**	**54,110**	**(5,386)**	**48,724**

4.11 Pension and other post-retirement benefit provisions

The UK staff defined benefit pension plan was closed to future accrual in April 2016. From April 2016, all UK employees accrue pension through a defined contribution plan.

The trustees of the defined benefit pension plan set the investment strategy to protect the ratio of plan assets to the trustees' measure of technical provisions. Technical provisions represent the trustees' prudent view of the amount of assets needed to pay future benefits. The investment strategy does not aim to protect the IAS 19 surplus or ratio of plan assets to the IAS 19 measure of liabilities.

(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 2017 £m	6 months 2016 £m	Full year 2016 £m
Current service cost	**25**	26	49
Interest income	**(15)**	(17)	(33)
Administrative expenses	**1**	1	3
Expense recognised in the IFRS condensed consolidated income statement	**11**	10	19

An additional pension contribution of 6% of pensionable salary into the defined contribution plan for eligible members of the defined benefit plan was made on 16 April 2016. This contribution was accrued over the vesting period and was included in current service cost for the six months ended 30 June 2016 and the 12 months ended 31 December 2016.

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

	30 June 2017			30 June 2016			31 December 2016		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Present value of funded obligation	**(2,762)**	**(121)**	**(2,883)**	(2,972)	(96)	(3,068)	(3,207)	(117)	(3,324)
Present value of unfunded obligation	**-**	**(10)**	**(10)**	-	(9)	(9)	-	(10)	(10)
Fair value of plan assets	**4,465**	**74**	**4,539**	4,718	67	4,785	4,927	72	4,999
Effect of limit on plan surplus	**(596)**	**-**	**(596)**	(636)	-	(636)	(627)	-	(627)
Net asset/(liability)	**1,107**	**(57)**	**1,050**	1,110	(38)	1,072	1,093	(55)	1,038

(c) Principal assumptions

The principal economic assumptions for the UK plan which are based in part on current market conditions are as follows:

	30 Jun 2017 %	30 Jun 2016 %	31 Dec 2016 %
Discount rate	**2.70**	2.80	2.70
Rates of inflation			
Consumer Price Index (CPI)	**2.15**	1.85	2.25
Retail Price Index (RPI)	**3.15**	2.85	3.25

4.12 Provisions

(a) Provisions

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Provision for annuity sales practices	**164**	-	175
Legal provisions	**16**	16	16
Other provisions	**37**	25	36
Total provisions	**217**	41	227

Other provisions comprise obligations in respect of compensation, staff entitlements, vacant property and reorganisations.

Provision for annuity sales practices relating to enhanced annuities

On 14 October 2016, the Financial Conduct Authority (FCA) published the findings of its thematic review of non-advised annuity sales practices. Standard Life has been a participant in that review. The FCA looked at whether firms provided sufficient information to their customers about their potential eligibility for enhanced annuities.

At the request of the FCA, Standard Life will conduct a review of non-advised annuity sales (with a purchase price above a minimum threshold) to customers eligible to receive an enhanced annuity from 1 July 2008 until such date as Standard Life can demonstrate its compliance with the applicable regulatory standards. The purpose of this review is to identify whether these customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and, where appropriate, provide redress to customers who have suffered loss as a result of not having received sufficient information. Standard Life has been working with the FCA regarding the process for conducting this past business review.

The Group has provided for an estimate of the redress payable to customers, which may comprise both lump sum payments and enhancements to future annuity payments, the costs of conducting the review and other related expenses.

During the year to 31 December 2016, the Group established a provision of £175m for annuity sales practices relating to enhanced annuities. At 30 June 2017 £11m of the provision had been utilised. There were no additional amounts charged to the income statement in respect of provisions for annuity sales practices relating to enhanced annuities during the six months ended 30 June 2017.

The Group has in place liability insurance and is seeking for up to £100m of the financial impact of the provision to be mitigated by this insurance. Discussions are ongoing with our insurers and, as a result, no insurance recovery has been recognised as an asset in these financial statements.

The Group expects the majority of the outflows associated with this provision, including outflows relating to establishing any reserves for future annuity payments, to have occurred by the end of 2018.

The Group has not provided for any possible FCA-levied financial penalty relating to the review. Disclosure of related contingent liabilities is included in Note 4.15.

4.13 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 Group's Annual report and accounts for the year ended 31 December 2016. Key developments in the Group's principal risks in the six months to 30 June 2017 are discussed in the Risk management section of the Management report.

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 2016. 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 2016 and no changes have been made to the Group's qualitative risk appetites. The business continues to be managed through a range of risk, capital and profit metrics.

On 29 March 2017, the Group announced the proposed sale of Standard Life (Asia) Limited. Refer to Note 4.2. The assets and liabilities of this business were classified as held for sale from this date. Comparatives at 30 June 2016 and 31 December 2016 have not been updated to reflect the sale. The transaction does not impact the classification of the Group's assets and liabilities within the risk segments.

The assets and liabilities 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 and liabilities to which the shareholder is directly exposed. For the purposes of this note, the shareholder refers to the equity holders of the Company.

Participating business
Participating business refers to the assets and liabilities of the participating funds of the life operations of the Group. It includes the liabilities for insurance features and financial guarantees contained within contracts held in the Heritage With Profits Fund that invest in unit linked funds. It does not include the liabilities for insurance features contained in contracts invested in the German With Profits Fund or German Smoothed Managed With Profits Fund. Such liabilities are included in shareholder business.

Unit linked funds
Unit linked funds refers to the assets and liabilities of the unit linked funds of the life operations of the Group. It does not include the cash flows (such as asset management charges or investment expenses) arising from the unit linked fund contracts or the liabilities for insurance features or financial guarantees contained within the unit linked fund contracts. Such cash flows and liabilities are included in shareholder business or participating business.

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

(b) Investment property and financial assets

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

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

	Shareholder business		Participating business		Unit linked funds		TPICF and NCI[1]		Total	
	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments in associates[2]	**38**	30	**823**	847	**7,500**	5,605	**916**	894	**9,277**	7,376
Investment property	**-**	-	**1,723**	1,716	**5,871**	5,727	**2,444**	2,486	**10,038**	9,929
Loans	**26**	52	**125**	134	**46**	102	**-**	7	**197**	295
Derivative financial assets	**16**	19	**1,606**	2,211	**972**	1,025	**250**	279	**2,844**	3,534
Equity securities and interests in pooled investment funds	**68**	58	**9,403**	8,478	**68,850**	67,452	**6,940**	7,319	**85,261**	83,307
Debt securities	**8,355**	8,384	**26,481**	28,193	**23,917**	25,885	**5,134**	5,471	**63,887**	67,933
Receivables and other financial assets	**663**	515	**133**	97	**653**	533	**148**	110	**1,597**	1,255
Assets held for sale	**118**	27	**8**	224	**627**	12	**4**	-	**757**	263
Cash and cash equivalents	**1,004**	963	**1,493**	1,336	**4,571**	4,636	**957**	1,003	**8,025**	7,938
Total	**10,288**	10,048	**41,795**	43,236	**113,007**	110,977	**16,793**	17,569	**181,883**	181,830

30 June 2016	Shareholder business £m	Participating business £m	Unit linked funds £m	TPICF and NCI[1] £m	Total £m
Investments in associates[2]	24	679	5,470	782	**6,955**
Investment property	-	2,007	6,062	2,850	**10,919**
Loans	57	247	155	9	**468**
Derivative financial assets	12	2,923	1,333	417	**4,685**
Equity securities and interests in pooled investment funds	49	7,932	57,169	5,712	**70,862**
Debt securities	8,252	29,058	28,491	6,327	**72,128**
Receivables and other financial assets	745	200	2,194	667	**3,806**
Assets held for sale	62	-	72	54	**188**
Cash and cash equivalents	677	2,159	5,224	1,111	**9,171**
Total	**9,878**	**45,205**	**106,170**	**17,929**	**179,182**

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

2 Comprises investments in associates at FVTPL.

The shareholder is exposed to the impact of market movements such as 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, risk management and 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 funds and TPICF and NCI. Assets of the unit linked 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 £3,990m (30 June 2016: £3,396m; 31 December 2016: £3,779m) 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 reinsured 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 are provided in the sections that follow.

Investment property

The shareholder business is not exposed to significant property price risk. The participating business is subject to property price risk due to changes in the value and return on holdings in investment property. This risk arises from various direct and indirect holdings which are controlled through the use of portfolio limits.

The table below analyses investment property held by the participating business by country and sector.

Participating business

	Office			Industrial			Retail			Other			Total		
	30 Jun 2017	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**	£m	£m	**£m**	£m	£m
UK	**419**	623	404	**224**	213	206	**808**	863	841	**6**	5	6	**1,457**	1,704	1,457
Belgium	**-**	14	12	**-**	-	-	**7**	10	9	**-**	-	-	**7**	24	21
France	**-**	-	-	**-**	-	-	**-**	-	-	**2**	2	2	**2**	2	2
Germany	**93**	81	85	**6**	5	6	**19**	17	18	**-**	-	-	**118**	103	109
Ireland	**-**	-	-	**-**	-	-	**-**	-	-	**32**	29	32	**32**	29	32
Netherlands	**68**	60	64	**39**	30	31	**-**	-	-	**-**	-	-	**107**	90	95
Spain	**-**	55	-	**-**	-	-	**-**	-	-	**-**	-	-	**-**	55	-
Total	**580**	833	565	**269**	248	243	**834**	890	868	**40**	36	40	**1,723**	2,007	1,716

There is no direct 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 on the holdings in its equity security portfolio. Exposures to equity securities are primarily controlled 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 based on the ultimate parent country of risk.

	Shareholder business			Participating business			Total		
	30 Jun 2017	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016
	£m	£m	£m	**£m**	£m	£m	**£m**	£m	£m
UK	**6**	6	6	**3,734**	3,311	3,545	**3,740**	3,317	3,551
Australia	**1**	-	1	**23**	19	21	**24**	19	22
Belgium	**1**	-	-	**57**	70	63	**58**	70	63
Canada	**1**	-	-	**40**	62	49	**41**	62	49
Denmark	**2**	1	2	**198**	156	172	**200**	157	174
Finland	**2**	1	2	**38**	67	44	**40**	68	46
France	**4**	3	4	**578**	431	461	**582**	434	465
Germany	**3**	2	3	**548**	455	495	**551**	457	498
Greece	**-**	-	-	**1**	-	1	**1**	-	1
Ireland	**1**	1	1	**212**	157	183	**213**	158	184
Italy	**2**	1	1	**63**	74	73	**65**	75	74
Japan	**2**	1	1	**177**	119	124	**179**	120	125
Mexico	**-**	-	-	**-**	1	-	**-**	1	-
Netherlands	**3**	2	2	**390**	357	335	**393**	359	337
Norway	**-**	-	-	**17**	19	19	**17**	19	19
Portugal	**-**	-	-	**69**	62	65	**69**	62	65
Russia	**1**	-	-	**-**	-	-	**1**	-	-
Spain	**2**	1	1	**160**	99	127	**162**	100	128
Sweden	**3**	2	2	**273**	208	204	**276**	210	206
Switzerland	**3**	2	2	**466**	476	453	**469**	478	455
US	**30**	11	22	**2,045**	1,560	1,680	**2,075**	1,571	1,702
Other	**1**	14	8	**246**	175	241	**247**	189	249
Total	**68**	48	58	**9,335**	7,878	8,355	**9,403**	7,926	8,413

In addition to the equity securities analysed above, the shareholder business has interests in pooled investment funds of £nil (30 June 2016: £1m; 31 December 2016: £nil) and investments in associates at FVTPL of £38m (30 June 2016: £24m; 31 December 2016: £30m). The participating business has interests in pooled investment funds of £68m (30 June 2016: £54m; 31 December 2016: £123m) and investments in associates at FVTPL of £823m (30 June 2016: £679m; 31 December 2016: £847m).

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 through the use of investment mandates including setting exposure limits by issuer, sector and credit rating.

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

Shareholder business

	Government, provincial and municipal[1]			Banks			Other financial institutions			Other corporate			Other[2]			Total		
	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
UK	486	543	594	453	423	426	1,303	1,236	1,205	1,973	1,879	2,006	-	-	-	4,215	4,081	4,231
Australia	-	-	-	124	128	107	7	15	17	15	12	17	-	-	-	146	155	141
Austria	27	30	29	-	-	-	-	-	-	-	-	-	-	-	-	27	30	29
Belgium	-	-	-	1	1	1	-	-	-	42	22	23	-	-	-	43	23	24
Canada	-	-	-	80	75	105	-	-	-	1	1	1	-	-	-	81	76	106
Denmark	-	-	-	30	26	26	-	-	-	16	16	16	-	-	-	46	42	42
Finland	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
France	216	242	240	397	215	344	4	3	3	312	352	347	-	-	-	929	812	934
Germany	11	404	31	79	105	167	1	2	1	312	268	285	-	-	-	403	779	484
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	1	-	-	-	-	6	4	6	-	-	-	6	5	6
Italy	-	-	-	28	27	28	-	-	-	84	82	82	-	-	-	112	109	110
Japan	-	-	-	2	1	36	-	-	-	24	24	25	-	-	-	26	25	61
Mexico	3	-	-	-	-	-	-	-	-	105	111	115	-	-	-	108	111	115
Netherlands	23	23	22	293	273	331	-	-	-	37	28	35	-	-	-	353	324	388
Norway	-	-	-	-	28	25	-	-	-	41	41	42	-	-	-	41	69	67
Portugal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Russia	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-
Spain	-	-	-	105	55	55	-	-	-	46	45	45	-	-	-	151	100	100
Sweden	-	-	-	64	89	115	1	1	1	48	51	48	-	-	-	113	141	164
Switzerland	-	-	-	106	105	55	-	-	-	7	7	7	-	-	-	113	112	62
US	39	20	14	200	252	226	103	88	89	435	413	450	-	-	-	777	773	779
Other	60	42	46	359	152	204	61	55	58	14	13	14	169	223	219	663	485	541
Total	867	1,304	976	2,321	1,956	2,251	1,480	1,400	1,374	3,518	3,369	3,564	169	223	219	8,355	8,252	8,384

1 Government, provincial and municipal includes debt securities which are issued by or explicitly guaranteed by the national government.

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 2017	30 Jun 2016	31 Dec 2016	30 Jun 2017	30 Jun 2016	31 Dec 2016	30 Jun 2017	30 Jun 2016	31 Dec 2016	30 Jun 2017	30 Jun 2016	31 Dec 2016	30 Jun 2017	30 Jun 2016	31 Dec 2016	30 Jun 2017	30 Jun 2016	31 Dec 2016
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK	10,447	10,709	10,952	704	872	885	1,749	1,967	1,934	1,784	1,823	1,875	-	-	-	14,684	15,371	15,646
Australia	-	-	6	157	311	206	44	50	50	37	38	38	-	-	-	238	399	300
Austria	362	355	392	-	4	4	12	-	10	-	-	-	-	-	-	374	359	406
Belgium	725	590	691	5	11	10	-	-	-	63	50	57	-	-	-	793	651	758
Canada	27	3	3	42	139	67	19	9	10	3	3	4	-	-	-	91	154	84
Denmark	4	5	3	13	22	23	-	-	-	13	18	14	-	-	-	30	45	40
Finland	200	113	194	7	78	69	-	-	-	-	4	4	-	-	-	207	195	267
France	2,037	2,106	2,009	342	420	450	33	28	29	358	372	364	-	-	-	2,770	2,926	2,852
Germany	3,088	3,456	3,118	75	377	196	107	125	120	223	217	199	-	-	-	3,493	4,175	3,633
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	1	1	25	-	7	4	11	11	11	14	18	18	-	-	-	26	37	58
Italy	18	90	49	23	31	31	15	9	11	29	55	46	-	-	-	85	185	137
Japan	17	24	21	163	172	172	-	-	-	-	-	-	-	-	-	180	196	193
Mexico	-	-	-	-	-	-	-	-	-	52	62	56	-	-	-	52	62	56
Netherlands	474	543	467	157	391	328	36	51	36	45	39	48	-	-	-	712	1,024	879
Norway	5	17	-	6	88	24	-	-	-	61	66	65	-	-	-	72	171	89
Portugal	-	-	-	-	-	-	-	-	-	5	4	4	-	-	-	5	4	4
Russia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	2	2	13	12	8	4	4	7	5	26	46	38	-	-	-	44	63	60
Sweden	-	1	-	269	378	367	8	6	10	22	18	12	-	-	-	299	403	389
Switzerland	-	-	-	147	224	150	63	62	63	53	55	62	-	-	-	263	341	275
US	22	95	106	452	552	432	148	155	151	478	537	499	-	-	-	1,100	1,339	1,188
Other	83	45	98	292	285	247	32	83	48	138	128	139	418	417	347	963	958	879
Total	17,512	18,155	18,147	2,866	4,370	3,669	2,281	2,563	2,488	3,404	3,553	3,542	418	417	347	26,481	29,058	28,193

1 Government, provincial and municipal includes debt securities which are issued by or explicitly guaranteed by the national government.

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 for business units specifying the proportion of the value of the total portfolio loans that can be represented by a single counterparty or a group of related counterparties and requires each business unit to implement appropriate portfolio limits and benchmarks for the assets.

The shareholder business holding of loans of £26m (30 June 2016: £57m; 31 December 2016: £52m) primarily comprises bank deposits of more than three months maturity.

The participating business holding of loans of £125m (30 June 2016: £247m; 31 December 2016: £134m) comprises bank deposits of more than three months maturity and UK mortgages.

4.14 Fair value 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)

(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 instrument measured at fair value is given below. These methods and assumptions include those used to fair value assets and liabilities held for sale, including the individual assets and liabilities of operations held for sale.

Investments in associates at FVTPL, equity securities and interests in pooled investment funds and amounts seeded into funds classified as held for sale

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 categorised 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 categorised 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 and owner occupied property

The fair value of investment property and all owner occupied property is based on valuations provided by external property valuation experts. The fair value of investment property is measured based on each property's highest and best use from a market participant's perspective and considers the potential uses of the property that are physically possible, legally permissible and financially feasible. No adjustment has been made for vacant possession for the Group's owner occupied property.

In the UK and Europe, valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards. These are predominantly produced using an income capitalisation approach. The income capitalisation approach is based on capitalising an annual net income stream using an appropriate yield. The annual net income is based on both current and estimated future net income. The yield and future net income used is determined by considering recent transactions involving property with similar characteristics to the property being valued. Where it is not possible to use an income capitalisation approach, for example on property with no rental income, a market comparison approach is used by considering recent transactions involving property with similar characteristics to the property being valued. In both approaches where appropriate, adjustments will be made by the valuer to reflect differences between the characteristics of the property being valued and the recent market transactions considered.

As income capitalisation and market comparison valuations generally include significant unobservable inputs including unobservable adjustments to recent market transactions, these assets are categorised as level 3 within the fair value hierarchy.

Derivative financial assets and derivative financial liabilities

The majority of the Group's derivatives are over-the-counter derivatives which are measured at fair value using a range of valuation models including discounting future cash flows and option valuation techniques. The inputs are observable market data and over-the-counter derivatives are therefore categorised as level 2 in 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 2017, 30 June 2016 and 31 December 2016, the residual credit risk is considered immaterial and no credit risk adjustment has been made.

Debt securities
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 categorised 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 categorised 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 categorised 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 categorised 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 categorisation 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.

Contingent consideration asset and contingent consideration liabilities
A contingent consideration asset was recognised during 2014 in respect of a purchase price adjustment mechanism relating to the acquisition of Ignis. The fair value of the asset is calculated using a binomial tree option pricing model. The main inputs are management fee income and expected probabilities of payouts. These are considered unobservable and as a result the asset is classified as level 3 in the fair value hierarchy.

Contingent consideration liabilities have also been recognised in respect of acquisitions made during 2016. The valuations are based on the unobservable assumptions regarding expected movements in assets under advice and therefore the liabilities are classified as level 3 in the fair value hierarchy.

Non-participating investment contract liabilities
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 categorised as level 1 or 2 and as such, the inputs into the valuation of the liabilities are observable. Therefore, the liabilities are categorised within level 2 of the fair value hierarchy.

Liabilities in respect of third party interest in consolidated funds
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 categorised 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 categorised as level 3.

(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.

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Fair value hierarchy Level 1		Level 2		Level 3	
	30 Jun 2017 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	31 Dec 2016 £m	**30 Jun 2017 £m**	31 Dec 2016 £m	**30 Jun 2017 £m**	31 Dec 2016 £m	**30 Jun 2017 £m**	31 Dec 2016 £m	**30 Jun 2017 £m**	31 Dec 2016 £m
Investments in associates at FVTPL	**9,277**	7,376	**8**	-	**9,285**	7,376	**9,108**	7,211	**2**	2	**175**	163
Investment property	**10,038**	9,929	**26**	228	**10,064**	10,157	**-**	-	**-**	-	**10,064**	10,157
Owner occupied property	**77**	58	**8**	8	**85**	66	**-**	-	**-**	-	**85**	66
Derivative financial assets	**2,844**	3,534	**-**	-	**2,844**	3,534	**851**	844	**1,993**	2,690	**-**	-
Equity securities and interests in pooled investment vehicles	**85,261**	83,307	**656**	27	**85,917**	83,334	**85,170**	82,539	**-**	-	**747**	795
Debt securities	**63,887**	67,933	**11**	-	**63,898**	67,933	**26,874**	28,721	**36,084**	38,344	**940**	868
Contingent consideration asset	**10**	10	**-**	-	**10**	10	**-**	-	**-**	-	**10**	10
Total assets at fair value	**171,394**	172,147	**709**	263	**172,103**	172,410	**122,003**	119,315	**38,079**	41,036	**12,021**	12,059

30 June 2016	As recognised in the consolidated statement of financial position line item £m	Classified as held for sale £m	Total £m	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m
Investments in associates at FVTPL	6,955	52	7,007	6,871	-	136
Investment property	10,919	126	11,045	-	-	11,045
Owner occupied property	58	-	58	-	-	58
Derivative financial assets	4,685	-	4,685	1,034	3,651	-
Equity securities and interests in pooled investment vehicles	70,862	10	70,872	70,126	-	746
Debt securities	72,128	-	72,128	30,170	41,087	871
Contingent consideration asset	15	-	15	-	-	15
Total assets at fair value	**165,622**	**188**	**165,810**	**108,201**	**44,738**	**12,871**

There were no significant transfers between levels 1 and 2 during the period (six months ended 30 June 2016: none; 12 months ended 31 December 2016: £98m transferred from level 1 to level 2). Refer to 4.14 (b)(iii) for details of movements in level 3.

The table that follows presents an analysis of the Group's assets measured at fair value by level of the fair value hierarchy for each risk segment as set out in Note 4.13.

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Fair value hierarchy: Level 1		Level 2		Level 3	
	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m
Shareholder business												
Investments in associates at FVTPL	**38**	30	**6**	-	**44**	30	**19**	10	**2**	2	**23**	18
Investment property	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Owner occupied property	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial assets	**16**	19	**-**	-	**16**	19	**3**	2	**13**	17	**-**	-
Equity securities and interests in pooled investment funds	**68**	58	**61**	27	**129**	85	**122**	78	**-**	-	**7**	7
Debt securities	**8,355**	8,384	**11**	-	**8,366**	8,384	**783**	928	**6,728**	6,704	**855**	752
Contingent consideration asset	**10**	10	**-**	-	**10**	10	**-**	-	**-**	-	**10**	10
Total shareholder business	**8,487**	8,501	**78**	27	**8,565**	8,528	**927**	1,018	**6,743**	6,723	**895**	787
Participating business												
Investments in associates at FVTPL	**823**	847	**-**	-	**823**	847	**671**	702	**-**	-	**152**	145
Investment property	**1,723**	1,716	**-**	216	**1,723**	1,932	**-**	-	**-**	-	**1,723**	1,932
Owner occupied property	**30**	30	**8**	8	**38**	38	**-**	-	**-**	-	**38**	38
Derivative financial assets	**1,606**	2,211	**-**	-	**1,606**	2,211	**334**	480	**1,272**	1,731	**-**	-
Equity securities and interests in pooled investment funds	**9,403**	8,478	**-**	-	**9,403**	8,478	**9,131**	8,159	**-**	-	**272**	319
Debt securities	**26,481**	28,193	**-**	-	**26,481**	28,193	**16,451**	16,994	**9,945**	11,083	**85**	116
Total participating business	**40,066**	41,475	**8**	224	**40,074**	41,699	**26,587**	26,335	**11,217**	12,814	**2,270**	2,550
Unit linked funds												
Investments in associates at FVTPL	**7,500**	5,605	**2**	-	**7,502**	5,605	**7,502**	5,605	**-**	-	**-**	-
Investment property	**5,871**	5,727	**26**	12	**5,897**	5,739	**-**	-	**-**	-	**5,897**	5,739
Owner occupied property	**47**	28	**-**	-	**47**	28	**-**	-	**-**	-	**47**	28
Derivative financial assets	**972**	1,025	**-**	-	**972**	1,025	**412**	281	**560**	744	**-**	-
Equity securities and interests in pooled investment funds	**68,850**	67,452	**591**	-	**69,441**	67,452	**69,231**	67,252	**-**	-	**210**	200
Debt securities	**23,917**	25,885	**-**	-	**23,917**	25,885	**8,435**	9,434	**15,482**	16,451	**-**	-
Total unit linked funds	**107,157**	105,722	**619**	12	**107,776**	105,734	**85,580**	82,572	**16,042**	17,195	**6,154**	5,967
TPICF and NCI[1]												
Investments in associates at FVTPL	**916**	894	**-**	-	**916**	894	**916**	894	**-**	-	**-**	-
Investment property	**2,444**	2,486	**-**	-	**2,444**	2,486	**-**	-	**-**	-	**2,444**	2,486
Owner occupied property	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Derivative financial assets	**250**	279	**-**	-	**250**	279	**102**	81	**148**	198	**-**	-
Equity securities and interests in pooled investment funds	**6,940**	7,319	**4**	-	**6,944**	7,319	**6,686**	7,050	**-**	-	**258**	269
Debt securities	**5,134**	5,471	**-**	-	**5,134**	5,471	**1,205**	1,365	**3,929**	4,106	**-**	-
Total TPICF and NCI[1]	**15,684**	16,449	**4**	-	**15,688**	16,449	**8,909**	9,390	**4,077**	4,304	**2,702**	2,755
Total	**171,394**	172,147	**709**	263	**172,103**	172,410	**122,003**	119,315	**38,079**	41,036	**12,021**	12,059

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

30 June 2016	As recognised in the consolidated statement of financial position line item £m	Classified as held for sale £m	Total £m	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m
Shareholder business						
Investments in associates at FVTPL	24	52	**76**	60	-	16
Investment property	-	-	**-**	-	-	-
Owner occupied property	-	-	**-**	-	-	-
Derivative financial assets	12	-	**12**	2	10	-
Equity securities and interests in pooled investment funds	49	10	**59**	53	-	6
Debt securities	8,252	-	**8,252**	1,293	6,227	732
Contingent consideration asset	15	-	**15**	-	-	15
Total shareholder business	**8,352**	**62**	**8,414**	**1,408**	**6,237**	**769**
Participating business						
Investments in associates at FVTPL	679	-	**679**	559	-	120
Investment property	2,007	-	**2,007**	-	-	2,007
Owner occupied property	58	-	**58**	-	-	58
Derivative financial assets	2,923	-	**2,923**	581	2,342	-
Equity securities and interests in pooled investment funds	7,932	-	**7,932**	7,623	-	309
Debt securities	29,058	-	**29,058**	17,114	11,826	118
Total participating business	**42,657**	**-**	**42,657**	**25,877**	**14,168**	**2,612**
Unit linked funds						
Investments in associates at FVTPL	5,470	-	**5,470**	5,470	-	-
Investment property	6,062	72	**6,134**	-	-	6,134
Owner occupied property	-	-	**-**	-	-	-
Derivative financial assets	1,333	-	**1,333**	338	995	-
Equity securities and interests in pooled investment funds	57,169	-	**57,169**	56,990	-	179
Debt securities	28,491	-	**28,491**	10,060	18,413	18
Total unit linked funds	**98,525**	**72**	**98,597**	**72,858**	**19,408**	**6,331**
TPICF and NCI[1]						
Investments in associates at FVTPL	782	-	**782**	782	-	-
Investment property	2,850	54	**2,904**	-	-	2,904
Owner occupied property	-	-	**-**	-	-	-
Derivative financial assets	417	-	**417**	113	304	-
Equity securities and interests in pooled investment funds	5,712	-	**5,712**	5,460	-	252
Debt securities	6,327	-	**6,327**	1,703	4,621	3
Total TPICF and NCI[1]	**16,088**	**54**	**16,142**	**8,058**	**4,925**	**3,159**
Total	**165,622**	**188**	**165,810**	**108,201**	**44,738**	**12,871**

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

(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.

	As recognised in the consolidated statement of financial position line item			Fair value hierarchy Level 1			Level 2			Level 3		
	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m
Non-participating investment contract liabilities	**103,452**	95,734	102,059	**-**	-	-	**103,452**	95,734	102,059	**-**	-	-
Liabilities in respect of third party interest in consolidated funds	**16,080**	16,376	16,835	**-**	-	-	**14,857**	15,133	15,607	**1,223**	1,243	1,228
Derivative financial liabilities	**894**	3,706	965	**193**	365	185	**701**	3,341	780	**-**	-	-
Contingent consideration liabilities	**14**	-	15	**-**	-	-	**-**	-	-	**14**	-	15
Total liabilities at fair value	**120,440**	115,816	119,874	**193**	365	185	**119,010**	114,208	118,446	**1,237**	1,243	1,243

There were no transfers between levels 1 and 2 during the six months ended 30 June 2017 (six months ended 30 June 2016: none; 12 months ended 31 December 2016: none). Refer to 4.14 (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 4.13.

	As recognised in the consolidated statement of financial position line item			Fair value hierarchy Level 1			Level 2			Level 3		
	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m	**30 Jun 2017 £m**	30 Jun 2016 £m	31 Dec 2016 £m
Shareholder business												
Derivative financial liabilities	**13**	62	12	**1**	2	1	**12**	60	11	**-**	-	-
Contingent consideration liabilities	**14**	-	15	**-**	-	-	**-**	-	-	**14**	-	15
Total shareholder business	**27**	62	27	**1**	2	1	**12**	60	11	**14**	-	15
Participating business												
Derivative financial liabilities	**87**	150	39	**31**	31	20	**56**	119	19	**-**	-	-
Total participating business	**87**	150	39	**31**	31	20	**56**	119	19	**-**	-	-
Unit linked funds												
Non-participating investment contract liabilities	**103,452**	95,734	102,059	**-**	-	-	**103,452**	95,734	102,059	**-**	-	-
Derivative financial liabilities	**624**	2,610	714	**132**	266	130	**492**	2,344	584	**-**	-	-
Total unit linked funds	**104,076**	98,344	102,773	**132**	266	130	**103,944**	98,078	102,643	**-**	-	-
TPICF and NCI[1]												
Liabilities in respect of third party interest in consolidated funds	**16,080**	16,376	16,835	**-**	-	-	**14,857**	15,133	15,607	**1,223**	1,243	1,228
Derivative financial liabilities	**170**	884	200	**29**	66	34	**141**	818	166	**-**	-	-
Total TPICF and NCI[1]	**16,250**	17,260	17,035	**29**	66	34	**14,998**	15,951	15,773	**1,223**	1,243	1,228
Total	**120,440**	115,816	119,874	**193**	365	185	**119,010**	114,208	118,446	**1,237**	1,243	1,243

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

In addition to the tables above there are £65m (30 June 2016: £nil; 31 December 2016: £nil) of non-participating investment contract liabilities in the unit linked funds segment and £11m (30 June 2016: £nil; 31 December 2016: £nil) of liabilities in respect of third party interest in consolidated funds in the TPICF and NCI segment classified as held for sale at 30 June 2017. These are categorised as level 2 in the fair value hierarchy.

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

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

	Investments in associates at FVTPL		Investment property		Owner occupied property		Equity securities and interests in pooled investment funds		Debt securities		Liabilities in respect of third party interest in consolidated funds	
	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m	30 Jun 2017 £m	31 Dec 2016 £m
At start of period	**163**	86	**9,929**	9,991	**58**	55	**795**	819	**868**	787	**(1,228)**	(1,307)
Reclassified (to)/from held for sale	**-**	-	**(26)**	(191)	**-**	(8)	**-**	-	**-**	-	**-**	-
Total gains/(losses) recognised in the consolidated income statement	**13**	10	**229**	(302)	**-**	(1)	**(1)**	80	**18**	34	**(18)**	19
Purchases[1]	**26**	103	**234**	1,755	**1**	1	**77**	109	**103**	183	**-**	(19)
Settlement	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**23**	81
Sales	**(30)**	(39)	**(327)**	(1,337)	**-**	(22)	**(122)**	(242)	**(60)**	(97)	**-**	-
Transfers in to level 3[2]	**-**	-	**-**	-	**-**	-	**8**	5	**27**	-	**-**	-
Transfers out of level 3[2]	**-**	-	**-**	-	**-**	-	**-**	(33)	**(16)**	(39)	**-**	-
Transfers between investment property and owner occupied property	**-**	-	**(17)**	(28)	**17**	28	**-**	-	**-**	-	**-**	-
Foreign exchange adjustment	**3**	3	**8**	44	**-**	-	**(10)**	57	**-**	-	**-**	(2)
Total gains recognised on revaluation of owner occupied property within other comprehensive income	**-**	-	**-**	-	**1**	5	**-**	-	**-**	-	**-**	-
Other	**-**	-	**8**	(3)	**-**	-	**-**	-	**-**	-	**-**	-
At end of period	**175**	163	**10,038**	9,929	**77**	58	**747**	795	**940**	868	**(1,223)**	(1,228)

2016	Investments in associates at FVTPL £m	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	**86**	**9,991**	**55**	**819**	**787**	**(1,307)**
Reclassified (to)/from held for sale	-	(87)	-	-	-	-
Total gains/(losses) recognised in the consolidated income statement	7	(472)	(2)	(6)	35	53
Purchases[1]	68	1,645	-	59	100	(19)
Settlement	-	-	-	-	-	30
Sales	(29)	(199)	-	(153)	(35)	-
Transfers in to level 3[2]	-	-	-	9	6	-
Transfers out of level 3[2]	-	-	-	(17)	(22)	-
Foreign exchange adjustment	3	36	-	35	-	-
Total gains recognised on revaluation of owner occupied property within other comprehensive income	-	-	5	-	-	-
Other	1	5	-	-	-	-
30 June	**136**	**10,919**	**58**	**746**	**871**	**(1,243)**

[1] Purchases of investment property for the periods ended 31 December 2016 and 30 June 2016 included £1,289m relating to the merger of property investment vehicles.

[2] Transfers are deemed to have occurred at the end of the calendar quarter in which they arose.

In addition to the above, the Group had a contingent consideration asset with a fair value of £10m at 30 June 2017 (30 June 2016: £15m; 31 December 2016: £10m) and contingent consideration liabilities with a fair value of £14m (30 June 2016: £nil; 31 December 2016: £15m). There were no settlements during the period. Movements in the fair value of contingent consideration assets and liabilities are recognised in the consolidated income statement.

For the six months ended 30 June 2017, gains of £198m (six months ended 30 June 2016: losses of £349m; 12 months ended 31 December 2016: losses of £119m) were recognised in the IFRS condensed consolidated income statement in respect of assets and liabilities held at fair value classified as level 3 at the period end. Of this amount gains of £216m (30 June 2016: losses of £400m; 31 December 2016: losses of £137m) were recognised in investment return, losses of £nil (30 June 2016: losses of £2m, 31 December 2016: losses of £1m) were recognised in other administrative expenses and losses of £18m (30 June 2016: gains of £53m; 31 December 2016: gains of £19m) were recognised in change in liability for third party interest in consolidated funds.

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 on the statement of financial position to changes in key assumptions

Effect of changes of significant unobservable assumptions to reasonable possible alternative assumptions

For the majority of level 3 investments, other than commercial mortgages and unquoted corporate bonds, 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 following table 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.
- Unquoted corporate bonds are valued using internal models on an individual instrument basis. Sensitivities are determined by adjusting internally estimated credit spreads.
- Commercial mortgage valuations are obtained from internal models on an individual instrument basis. Sensitivities are determined by adjusting the spread added to the current base rate.

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 2017	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,478	Income capitalisation	Equivalent yield Estimated rental value per square metre per annum	3.4% to 8.9% (5.3%) £16 to £1,711 (£319)
Investment property (hotels)	608	Income capitalisation	Equivalent yield Estimated rental value per room per annum	4.0% to 6.5% (5.2%) £995 to £13,750 (£5,569)
Investment property and owner occupied property	63	Market comparison	Estimated value per square metre	£2 to £10,932 (£3,246)
Equity securities and interests in pooled investment funds and investments in associates at FVTPL (private equity investments)	922	Adjusted net asset value	Adjustment to net asset value[1]	N/A
Debt securities (commercial mortgages)	447	Discounted cash flow	Credit spread	1.9% to 2.6% (2.1%)
Debt securities (unquoted corporate bonds)	449	Discounted cash flow	Credit spread	0.2% to 1.8% (1.6%)
Debt securities (infrastructure loans)	16	Discounted cash flow	Credit spread	1.4% (1.4%)
Debt securities (other)	28	Single broker	Single broker indicative price[2]	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.

30 June 2016	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	10,380	Income capitalisation	Equivalent yield	3.5% to 9.2% (5.4%)
			Estimated rental value per square metre per annum	£10 to £2,422 (£342)
Investment property (hotels)	569	Income capitalisation	Equivalent yield	4.6% to 7.9% (5.9%)
			Estimated rental value per room per annum	£995 to £13,750 (£5,895)
Investment property and owner occupied property	154	Market comparison	Estimated value per square metre	£2 to £8,945 (£2,854)
Equity securities and interests in pooled investment funds and investments in associates at FVTPL (private equity investments)	882	Adjusted net asset value	Adjustment to net asset value[1]	N/A
Debt securities (commercial mortgages)	442	Discounted cash flow	Credit spread	1.9% to 2.6% (2.1%)
Debt securities (unquoted corporate bonds)	371	Discounted cash flow	Credit spread	0.2% to 3.9% (1.9%)
Debt securities (other)	58	Single broker	Single broker indicative price[2]	N/A

31 December 2016	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,567	Income capitalisation	Equivalent yield	3.6% to 9.1% (5.4%)
			Estimated rental value per square metre per annum	£29 to £2,422 (£336)
Investment property (hotels)	596	Income capitalisation	Equivalent yield	4.6% to 7.1% (5.7%)
			Estimated rental value per room per annum	£990 to £13,750 (£5,462)
Investment property and owner occupied property	60	Market comparison	Estimated value per square metre	£2 to £12,807 (£4,081)
Equity securities and interests in pooled investment funds and investments in associates at FVTPL (private equity investments)	958	Adjusted net asset value	Adjustment to net asset value[1]	N/A
Debt securities (commercial mortgages)	451	Discounted cash flow	Credit spread	1.9% to 2.6% (2.1%)
Debt securities (unquoted corporate bonds)	373	Discounted cash flow	Credit spread	0.2% to 4.3% (1.9%)
Debt securities (infrastructure loans)	11	Discounted cash flow	Credit spread	1.3% (1.3%)
Debt securities (other)	33	Single broker	Single broker indicative price[2]	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.

(c) Assets and liabilities not carried at fair value

The table below presents estimated fair values by level of the fair value hierarchy of 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.

	As recognised in the consolidated statement of financial position line item			Fair value		
	30 Jun 2017	30 Jun 2016	31 Dec 2016	**30 Jun 2017**	30 Jun 2016	31 Dec 2016
	£m	£m	£m	**£m**	£m	£m
Assets						
Loans secured by mortgages	**63**	80	73	**71**	77	86
Liabilities						
Non-participating investment contract liabilities	**4**	4	4	**4**	4	4
Subordinated notes	**500**	499	499	**558**	512	530
Subordinated guaranteed bonds	**519**	520	502	**626**	548	577
Mutual Assurance Capital Securities	**308**	307	318	**340**	320	334

The estimated fair values of the subordinated liabilities are based on the quoted market offer price. The estimated fair values of the other instruments detailed above are calculated by discounting the expected future cash flows at current market rates.

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 2016. The carrying value of participating investment contract liabilities at 30 June 2017 was £15,300m (30 June 2016: £15,581m; 31 December 2016: £15,537m). The carrying value of all other financial assets and liabilities measured at amortised cost approximates their fair value.

4.15 Contingent liabilities and contingent assets

(a) Annuity sales practices relating to enhanced annuities

As discussed in Note 4.12, at the request of the Financial Conduct Authority (FCA), Standard Life is conducting a past business review of non-advised annuity sales. The purpose of the review is to identify whether relevant customers received sufficient information about enhanced annuities to make the right decisions about their purchase, and where appropriate provide redress to customers who have suffered loss as a result of not having received sufficient information. In relation to this review, the FCA is carrying out an investigation and it is possible that the FCA may impose a financial penalty on Standard Life. At this stage it is not possible to determine an estimate of the financial effect, if any, of this contingent liability. The Group is also considering whether the FCA's enhanced annuities review could have implications for other past annuity sales practices.

Note 4.12 also provides disclosure of potential insurance recoveries relating to redress payable to customers, the costs of conducting the review and other related expenses. Any FCA levied financial penalties cannot be covered by such liability insurance.

(b) Legal proceedings, complaints and regulations

The Group is subject to regulation in all of the territories in which it operates insurance and investment businesses. In the UK, where the Group primarily operates, the FCA has broad powers, including powers to investigate marketing and sales practices.

The Group, like other financial organisations, is subject to legal proceedings, complaints and regulatory discussions, reviews and challenges in the normal course of its business. All such material matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. Where it is concluded that it is more likely than not that a material outflow will be made a provision is established based on management's best estimate of the amount that will be payable. In some cases it will not be possible to form a view, for example because the facts are unclear or because further time is needed to properly investigate, and no provisions are held for such matters. It is not possible to predict with certainty the extent and timing of the financial impact of legal proceedings, complaints and related regulatory matters.

4.16 Commitments

(a) Capital commitments

As at 30 June 2017, capital expenditure that was authorised and contracted for, but not provided and incurred, was £260m (30 June 2016: £340m; 31 December 2016: £286m) in respect of investment property. Of this amount, £199m (30 June 2016: £289m; 31 December 2016: £220m) and £61m (30 June 2016: £51m; 31 December 2016: £66m) 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 £449m (30 June 2016: £371m; 31 December 2016: £453m) in respect of unrecognised financial instruments to customers and third parties. Of this amount £357m (30 June 2016: £333m; 31 December 2016: £363m) is committed by consolidated private equity funds. These commitments will be funded through contractually agreed additional investments both by the Group, through its controlling interests, and the funds' non-controlling interests. The level of funding provided by each will not necessarily be in line with the current ownership profile of the funds.

(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 Jun 2017	30 Jun 2016	31 Dec 2016
	£m	£m	£m
Not later than one year	**34**	45	32
Later than one year and no later than five years	**92**	79	70
Later than five years	**93**	112	102
Total operating lease commitments	**219**	236	204

4.17 Related party transactions

(a) Transactions with related parties

In the normal course of business, the Group enters into transactions with related parties that relate to insurance and investment management business. Transactions with related parties carried out by the Group during the period were as follows:

	6 months 2017	6 months 2016	Full year 2016
	£m	£m	£m
Sales to			
Associates	**10,307**	4,710	9,328
Other related parties	**21**	37	66
	10,328	4,747	9,394
Purchases from			
Associates	**11,640**	5,066	9,782
Joint ventures	**-**	-	1
	11,640	5,066	9,783

Sales to and purchases from associates primarily relate to transactions with Group managed investment vehicles which are classified as associates measured at FVTPL.

Sales to other related parties include management fees received from non-consolidated investment vehicles managed by Standard Life Investments and from the Group's defined benefit pension plans.

The Group's defined benefit pension plans have assets of £1,041m (30 June 2016: £1,595m; 31 December 2016: £1,028m) invested in investment vehicles managed by the Group.

Refer to Note 4.2 (b) for details of the proposed sale of a subsidiary to our joint venture business.

(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. Key management personnel includes only Directors of Standard Life plc.

During the six months ended 30 June 2017, key management personnel and their close family members contributed £1m (six months ended 30 June 2016: £2m; 12 months ended 31 December 2016: £2m) to products sold by the Group. At 30 June 2017, the total value of key management personnel's investments in Group products was £22m (30 June 2016: £21m; 31 December 2016: £21m).

4.18 Events after the reporting date

HDFC Standard Life Insurance Company Limited (HDFC Life), the Group's associate Indian life business, announced in July 2017 that its Board of Directors approved proceeding with an initial public offering (IPO), with Standard Life (Mauritius Holdings) 2006 Limited offering up to 5.43% and HDFC Limited offering up to 9.57% of HDFC Life's equity shares representing, in aggregate, up to 15% of the paid-up equity share capital of HDFC Life. The IPO is subject to relevant regulatory and other necessary approvals. It is not possible to estimate the financial effect of the transaction if it completes as it is dependent on a number of unknown factors including the number of shares that might be sold and the consideration per share.

5. Supplementary Information

5.1 Alternative performance measures

We assess our performance using a variety of measures that are not defined under IFRS and are therefore termed alternative performance measures (APMs). The APMs that we use may not be directly comparable with similarly named measures used by other companies.

We have presented below reconciliations from these APMs to the most appropriate measure prepared in accordance with IFRS.

Full definitions for APMs are included in the Glossary

Operating profit

Operating profit is a key APM used by our management to evaluate performance.

Operating profit reporting provides further analysis of the results reported under IFRS and the Directors believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items. Operating profit is a key performance indicator, and is consistent with the way that financial performance is measured by management and reported to the Board and strategic executive committee.

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Fee based revenue	836	794	1,651
Spread/risk margin	49	63	134
Total operating income	885	857	1,785
Total operating expenses	(581)	(566)	(1,159)
Capital management	5	13	21
Share of associates' and joint ventures' profit before tax	53	37	76
Operating profit before tax	362	341	723
Tax on operating profit	(31)	(69)	(127)
Share of associates' and joint ventures' tax expense	(7)	(5)	(13)
Operating profit after tax	324	267	583
Total non-operating items	(40)	(61)	(274)
Tax on non-operating items	8	20	59
Total IFRS profit attributable to equity holders of Standard Life plc	292	226	368

Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes. Operating profit also excludes restructuring and corporate transaction costs, amortisation and impairment of intangibles acquired in business combinations, and certain one-off items. Further details on operating profit and non-operating items are included in Notes 4.3(b)(i) and 4.7 of the IFRS condensed consolidated financial information section of this report.

As set out in the table above, the key components of operating profit before tax are total operating income (which is broken down into fee based revenue and spread/risk margin), total operating expenses and share of associates' and joint ventures' profit before tax. These components provide a meaningful analysis of our operating results. A reconciliation of total operating income and total operating expenses (as presented in the analysis of operating profit above) to total revenue and total expenses respectively (as presented in the IFRS condensed consolidated income statement) is included in Note 4.3(b)(ii) of the IFRS condensed consolidated financial information section of this report.

Underlying performance

Underlying performance is calculated as operating profit before tax after excluding the impact of spread/risk operating actuarial assumption changes and specific management actions in the reporting period. It therefore removes certain volatile items from operating profit and supports an understanding of the underlying operating performance of the business.

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Operating profit before tax	362	341	723
Underlying adjustments			
Operating assumption changes	-	-	(42)
Underlying performance	362	341	681

Underlying cash generation

This is an APM which presents a shareholder view of underlying cash earnings. Underlying cash generation adjusts underlying performance for certain non-cash items as set out below. It provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to shareholders. The IFRS condensed consolidated statement of cash flows includes policyholder cash flows, and therefore does not present a shareholder view, and does not exclude underlying adjustments and non-operating items.

		6 months 2017	6 months 2016	Full year 2016
		£m	£m	£m
Operating profit before tax		**362**	341	723
Underlying adjustments		**-**	-	(42)
Underlying performance		**362**	341	681
Associates and joint ventures adjustment	(a)	**(41)**	(29)	(60)
Current tax on underlying performance	(b)	**(47)**	(53)	(106)
DAC/DIR adjustment	(c)	**(6)**	(3)	(2)
Fixed and intangible assets adjustment	(d)	**(12)**	(2)	(11)
Underlying cash generation		**256**	254	502

Further details on the reconciling items between underlying performance and underlying cash generation are included below.

(a) Associates and Joint Ventures (JVs) adjustment

Underlying cash generation includes dividends received from associates and joint ventures and reflects the regular receipt of dividends in recent years from our Indian associates HDFC Life and HDFC Asset Management.

	6 months 2017	6 months 2016	Full year 2016
	£m	£m	£m
Exclude share of associates' and joint ventures' profit before tax	**(53)**	(37)	(76)
Dividends received from associates and joint ventures	**12**	8	16
Associates and joint ventures adjustment	**(41)**	(29)	(60)

(b) Current tax on underlying performance

Current tax on underlying performance excludes tax on non-operating and underlying adjustments, excludes current tax attributable to policyholders, and excludes deferred tax charges/credits.

	6 months 2017	6 months 2016	Full year 2016
	£m	£m	£m
Total current tax	**(98)**	(205)	(333)
Current tax expense attributable to policyholders' returns	**61**	156	264
Current tax credit relating to non-operating profit items	**(10)**	(4)	(44)
Current tax expense attributable to underlying adjustments	**-**	-	7
Current tax on underlying performance	**(47)**	(53)	(106)

(c) Deferred acquisition costs (DAC)/Deferred income reserve (DIR) adjustment

The DAC/DIR non-cash adjustment adds back existing business DAC/DIR amortisation included in underlying performance for the period and deducts the equivalent new business DAC/DIR additions for the period.

	6 months 2017	6 months 2016	Full year 2016
	£m	£m	£m
Amortisation of deferred acquisition costs	**43**	50	96
Acquisition costs deferred during the period	**(27)**	(32)	(51)
Amortisation of deferred income	**(28)**	(30)	(61)
Fee income deferred during the period	**5**	8	15
Adjustments for HWPF and GWPF DAC/DIR not included in shareholder view	**1**	1	(1)
DAC/DIR adjustment	**(6)**	(3)	(2)

(d) Fixed and intangible assets adjustment

The fixed and intangible assets adjustment adds back depreciation and amortisation that is included within underlying performance for the period and deducts additions for the period where the depreciation or amortisation of those additions will be included within underlying performance. The following table reconciles equipment and intangible asset movements in the Group financial statements to the fixed and intangible asset adjustment.

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Depreciation of equipment	6	7	14
Amortisation and impairment of intangible assets	38	34	64
Amortisation of intangible assets acquired through business combinations (non-operating)	(9)	(11)	(19)
Additions of equipment[1]	(15)	(6)	(9)
Additions of intangible assets	(32)	(26)	(89)
Additions of intangible assets acquired through business combinations (not amortised through operating profit)	-	-	28
Fixed and intangible assets adjustment	(12)	(2)	(11)

1 Excludes equipment acquired through business combinations.

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA is an APM reported by Standard Life Investments, which is commonly used by asset management businesses to measure profitability and therefore provides useful information on operating performance. EBITDA for Standard Life Investments adjusts operating profit by removing net interest expense, depreciation and amortisation.

Standard Life Investments	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
EBITDA	195	182	395
Interest, depreciation and amortisation	(5)	(6)	(12)
Operating profit before tax	190	176	383
Share of associates' and joint ventures' tax expense	(5)	(5)	(11)
Total non-operating items	(19)	(16)	(50)
Total tax expense	(30)	(32)	(63)
Total IFRS profit attributable to equity holders of Standard Life plc	136	123	259

5.2 Financial ratios

We also use a number of financial ratios to help assess our performance and these are also not defined under IFRS. Details of our main financial ratios and how they are calculated are presented below.

Operating return on equity

Operating return on equity is a measure that highlights our ability to generate operating profit relative to our shareholder capital. Operating return on equity represents the annualised post-tax operating profit expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders.

	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
Operating profit after tax	324	267	583
Opening IFRS equity attributable to equity holders of Standard Life plc	4,347	4,002	4,002
External final dividend payment – time apportioned	(153)	(142)	(142)
External interim dividend payment – time apportioned	-	-	(21)
Adjusted IFRS equity	4,194	3,860	3,839
Operating return on equity (%)	15.5	13.8	15.2

Cost/income ratio

Cost/income ratio is a measure that highlights our efficiency and is calculated as operating expenses divided by operating income on a rolling 12-month basis, and includes the share of associates' and joint ventures' profit before tax.

	12 months to 30 June 2017 £m	12 months to 30 June 2016 £m	Full year 2016 £m
Operating expenses	**(1,174)**	(1,148)	(1,159)
Fee based revenue	**1,693**	1,612	1,651
Spread/risk margin	**120**	168	134
Share of associates' and joint ventures' profit before tax	**92**	63	76
Total operating income and share of associates' and joint ventures' profit before tax	**1,905**	1,843	1,861
Cost/income ratio (%)	**62**	62	62

Fee revenue yield (bps)

The average revenue yield on fee based business is a measure which illustrates the average margin earned on the assets that we administer. It is calculated as a rolling 12-month fee based revenue divided by a rolling 12-month monthly average AUA.

	Standard Life Investments growth channels		UK Pensions and Savings	
	12 months to 30 June 2017	Full year 2016	12 months to 30 June 2017	Full year 2016
Fee based revenue (£m)	**673**	680	**711**	664
Average fee based assets under administration (£bn)[1]	**132.9**	129.4	**130.8**	115.2
Fee revenue yield (bps)	**51**	53	**54**	58

1 Excludes AUA from conventional with profits for the UK Pensions and Savings business and HDFC Asset Management for Standard Life Investments.

EBITDA margin

EBITDA margin is a measure reported by Standard Life Investments and is commonly used by asset management businesses to measure profit in relation to revenue. It is calculated as EBITDA divided by fee based revenue.

Standard Life Investments	6 months 2017 £m	6 months 2016 £m	Full year 2016 £m
EBITDA	**195**	182	395
Fee based revenue	**429**	431	885
EBITDA margin (%)	**45**	42	45

5.3 Assets under administration and net flows

Assets under administration (AUA) is a measure of the total assets we administer. It includes Standard Life Investments assets under management (AUM), as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager.

AUA represents the IFRS gross assets of the Group, adjusted to include third party AUA which is not included on the consolidated statement of financial position, and excluding certain assets which do not constitute AUA. The assets excluded are primarily reinsurance assets, deferred acquisition costs and intangible assets.

As an investment company, AUA and net flows are key drivers of shareholder value.

Assets under administration
6 months ended 30 June 2017

		Opening AUA at 1 Jan 2017 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2017 £bn
	Total growth channels	237.6	19.3	(19.9)	(0.6)	7.0	244.0
	Total mature books fee	88.8	0.7	(3.6)	(2.9)	2.1	88.0
	Total mature books spread/risk	16.1	0.1	(0.6)	(0.5)	(0.1)	15.5
	Total other	14.6	0.6	(0.3)	0.3	(0.5)	14.4
	Total AUA	**357.1**	**20.7**	**(24.4)**	**(3.7)**	**8.5**	**361.9**
Growth channels	Institutional	87.0	5.1	(8.9)	(3.8)	1.2	84.4
Growth channels	Wholesale	50.1	6.2	(6.8)	(0.6)	1.6	51.1
Growth channels	Wealth	6.8	0.4	(0.6)	(0.2)	0.2	6.8
Growth channels	**Standard Life Investments**	**143.9**	**11.7**	**(16.3)**	**(4.6)**	**3.0**	**142.3**
Growth channels	UK Workplace	37.4	2.2	(1.4)	0.8	0.8	39.0
Growth channels	UK Retail[1]	62.9	6.7	(3.3)	3.4	3.2	69.5
Growth channels	**UK Pensions and Savings**	**100.3**	**8.9**	**(4.7)**	**4.2**	**4.0**	**108.5**
Growth channels	Europe growth fee[1]	11.2	0.6	(0.5)	0.1	0.6	11.9
Growth channels	**Pensions and Savings**	**111.5**	**9.5**	**(5.2)**	**4.3**	**4.6**	**120.4**
Growth channels	Hong Kong	0.6	-	-	-	0.1	0.7
Growth channels	Eliminations[2]	(18.4)	(1.9)	1.6	(0.3)	(0.7)	(19.4)
Growth channels	**Total growth channels**	**237.6**	**19.3**	**(19.9)**	**(0.6)**	**7.0**	**244.0**
Mature books	UK mature Retail	34.3	0.3	(1.8)	(1.5)	1.8	34.6
Mature books	Europe mature fee	10.1	0.4	(0.3)	0.1	-	10.2
Mature books	Third party strategic partner life business	43.8	-	(1.4)	(1.4)	0.3	42.7
Mature books	Other fee including CWP	0.6	-	(0.1)	(0.1)	-	0.5
Mature books	**Total mature books fee**	**88.8**	**0.7**	**(3.6)**	**(2.9)**	**2.1**	**88.0**
Mature books	Spread/risk	16.1	0.1	(0.6)	(0.5)	(0.1)	15.5
Mature books	**Total mature books**	**104.9**	**0.8**	**(4.2)**	**(3.4)**	**2.0**	**103.5**
	Associate and joint venture life businesses	4.0	0.6	(0.3)	0.3	0.2	4.5
	Other[3]	11.2	-	-	-	(0.6)	10.6
	Other Eliminations[2]	(0.6)	-	-	-	(0.1)	(0.7)
	Total	**357.1**	**20.7**	**(24.4)**	**(3.7)**	**8.5**	**361.9**

1 Platform AUA (Wrap, Elevate and Fundzone) of £49.2bn (FY 2016: £44.2bn) comprises £46.5bn (FY 2016: £41.7bn) reported within UK Retail and £2.7bn (FY 2016: £2.5bn) relating to Wrap International Bond reported within Europe growth fee.

2 Certain products are included in both Pensions and Savings growth AUA and Standard Life Investments growth AUM. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments. Comprises £19.4bn (FY 2016: £18.4bn) related to growth channel business eliminations and £0.7bn (FY 2016: £0.6bn) related to other consolidation/eliminations.

3 Other comprises Assets that do not generate revenue from products of £8.1bn (FY 2016: £8.9bn) and Other corporate assets of £2.5bn (FY 2016: £2.3bn).

Assets under administration
6 months ended 30 June 2016

		Opening AUA at 1 Jan 2016 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2016 £bn
	Total growth channels	198.3	20.6	(16.5)	4.1	6.5	208.9
	Total mature books fee	82.0	0.7	(3.6)	(2.9)	7.8	86.9
	Total mature books spread/risk	14.9	0.1	(0.6)	(0.5)	1.7	16.1
	Total other	12.2	0.4	(0.2)	0.2	3.7	16.1
	Total AUA	**307.4**	**21.8**	**(20.9)**	**0.9**	**19.7**	**328.0**
Growth channels	Institutional[1]	76.8	8.5	(6.6)	1.9	4.7	83.4
Growth channels	Wholesale[1]	47.2	6.7	(7.1)	(0.4)	0.8	47.6
Growth channels	Wealth	6.5	0.5	(0.3)	0.2	-	6.7
Growth channels	**Standard Life Investments**	**130.5**	**15.7**	**(14.0)**	**1.7**	**5.5**	**137.7**
Growth channels	UK Workplace	33.0	2.0	(1.2)	0.8	0.2	34.0
Growth channels	UK Retail[2]	42.6	4.1	(2.1)	2.0	1.1	45.7
Growth channels	**UK Pensions and Savings**	**75.6**	**6.1**	**(3.3)**	**2.8**	**1.3**	**79.7**
Growth channels	Europe growth fee[2]	9.6	0.7	(0.4)	0.3	0.5	10.4
Growth channels	**Pensions and Savings**	**85.2**	**6.8**	**(3.7)**	**3.1**	**1.8**	**90.1**
Growth channels	Hong Kong	0.5	-	-	-	0.1	0.6
Growth channels	Eliminations[3]	(17.9)	(1.9)	1.2	(0.7)	(0.9)	(19.5)
Growth channels	**Total growth channels**	**198.3**	**20.6**	**(16.5)**	**4.1**	**6.5**	**208.9**
Mature books	UK mature Retail	32.7	0.4	(1.6)	(1.2)	1.1	32.6
Mature books	Europe mature fee	8.4	0.3	(0.2)	0.1	1.8	10.3
Mature books	Third party strategic partner life business	39.6	-	(1.4)	(1.4)	4.8	43.0
Mature books	Other fee including CWP	1.3	-	(0.4)	(0.4)	0.1	1.0
Mature books	**Total mature books fee**	**82.0**	**0.7**	**(3.6)**	**(2.9)**	**7.8**	**86.9**
Mature books	Spread/risk	14.9	0.1	(0.6)	(0.5)	1.7	16.1
Mature books	**Total mature books**	**96.9**	**0.8**	**(4.2)**	**(3.4)**	**9.5**	**103.0**
	Associate and joint venture life businesses[4]	2.3	0.4	(0.2)	0.2	1.0	3.5
	Other[5]	10.4	-	-	-	2.8	13.2
	Other Eliminations[3]	(0.5)	-	-	-	(0.1)	(0.6)
	Total	**307.4**	**21.8**	**(20.9)**	**0.9**	**19.7**	**328.0**

1 During 2016 a number of Ignis funds were merged with other SLI funds. Comparatives have been restated.

2 Platform AUA (Wrap and Fundzone) of £28.9bn comprises £26.7bn reported within UK Retail and £2.2bn relating to Wrap International Bond reported within Europe growth fee.

3 Certain products are included in both Pensions and Savings growth AUA and Standard Life Investments growth AUM. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments. Comprises £19.5bn (FY 2015: £17.9bn) related to growth channel business eliminations and £0.6bn (FY 2015: £0.5bn) related to other consolidation/eliminations.

4 Market and other movements includes £0.8bn relating to the stake increase in HDFC Life in April 2016.

5 Other comprises Assets that do not generate revenue from products of £10.5bn (FY 2015: £7.7bn) and Other corporate assets of £2.7bn (FY 2015: £2.7bn).

5.4 Standard Life Investments assets under management and net flows

	6 months ended 30 June 2017	Opening AUM at 1 Jan 2017 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUM at 30 Jun 2017 £bn
Growth AUM	UK	100.6	7.9	(11.4)	(3.5)	2.7	99.8
Growth AUM	Europe	16.2	1.2	(1.8)	(0.6)	0.4	16.0
Growth AUM	North America	12.7	1.0	(2.2)	(1.2)	(0.3)	11.2
Growth AUM	Asia Pacific	3.8	0.6	(0.9)	(0.3)	-	3.5
Growth AUM	India	10.6	1.0	-	1.0	0.2	11.8
Growth AUM	**By geography of client**	**143.9**	**11.7**	**(16.3)**	**(4.6)**	**3.0**	**142.3**
Growth AUM	Equities	17.9	2.0	(2.1)	(0.1)	2.2	20.0
Growth AUM	Fixed income	32.0	1.4	(2.3)	(0.9)	0.9	32.0
Growth AUM	Multi-asset[1]	51.5	3.5	(8.6)	(5.1)	(1.0)	45.4
Growth AUM	Real estate	10.3	0.5	(0.8)	(0.3)	0.7	10.7
Growth AUM	MyFolio	10.5	1.5	(0.7)	0.8	0.4	11.7
Growth AUM	Other[2]	21.7	2.8	(1.8)	1.0	(0.2)	22.5
Growth AUM	**By asset class**	**143.9**	**11.7**	**(16.3)**	**(4.6)**	**3.0**	**142.3**
Growth AUM	Institutional	87.0	5.1	(8.9)	(3.8)	1.2	84.4
Growth AUM	Wholesale	50.1	6.2	(6.8)	(0.6)	1.6	51.1
Growth AUM	Wealth	6.8	0.4	(0.6)	(0.2)	0.2	6.8
Growth AUM	**By channel**	**143.9**	**11.7**	**(16.3)**	**(4.6)**	**3.0**	**142.3**
	Standard Life Group	90.2	1.7	(3.1)	(1.4)	1.4	90.2
	Phoenix Group	43.8	-	(1.4)	(1.4)	0.3	42.7
	Strategic partner life business AUM	**134.0**	**1.7**	**(4.5)**	**(2.8)**	**1.7**	**132.9**
	Standard Life Investments AUM	**277.9**	**13.4**	**(20.8)**	**(7.4)**	**4.7**	**275.2**

	6 months ended 30 June 2016	Opening AUM at 1 Jan 2016 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUM at 30 Jun 2016 £bn
Growth AUM	UK[3]	94.3	8.9	(7.9)	1.0	1.6	96.9
Growth AUM	Europe	14.2	2.5	(3.1)	(0.6)	2.7	16.3
Growth AUM	North America	11.7	3.0	(2.5)	0.5	0.3	12.5
Growth AUM	Asia Pacific	3.3	0.5	(0.5)	-	0.4	3.7
Growth AUM	India	7.0	0.8	-	0.8	0.5	8.3
Growth AUM	**By geography of client**	**130.5**	**15.7**	**(14.0)**	**1.7**	**5.5**	**137.7**
Growth AUM	Equities	16.9	1.6	(2.2)	(0.6)	(0.6)	15.7
Growth AUM	Fixed income[3]	27.1	2.9	(2.7)	0.2	3.5	30.8
Growth AUM	Multi-asset[1,3]	50.5	6.6	(6.0)	0.6	0.9	52.0
Growth AUM	Real estate[3]	10.3	0.7	(0.8)	(0.1)	0.6	10.8
Growth AUM	MyFolio	8.1	1.2	(0.5)	0.7	0.1	8.9
Growth AUM	Other[2,3]	17.6	2.7	(1.8)	0.9	1.0	19.5
Growth AUM	**By asset class**	**130.5**	**15.7**	**(14.0)**	**1.7**	**5.5**	**137.7**
Growth AUM	Institutional[3]	76.8	8.5	(6.6)	1.9	4.7	83.4
Growth AUM	Wholesale[3]	47.2	6.7	(7.1)	(0.4)	0.8	47.6
Growth AUM	Wealth	6.5	0.5	(0.3)	0.2	-	6.7
Growth AUM	**By channel**	**130.5**	**15.7**	**(14.0)**	**1.7**	**5.5**	**137.7**
	Standard Life Group	83.1	1.9	(2.7)	(0.8)	6.0	88.3
	Phoenix Group	39.6	-	(1.4)	(1.4)	4.8	43.0
	Strategic partner life business AUM	**122.7**	**1.9**	**(4.1)**	**(2.2)**	**10.8**	**131.3**
	Standard Life Investments AUM	**253.2**	**17.6**	**(18.1)**	**(0.5)**	**16.3**	**269.0**

1 Comprises absolute return strategies, enhanced diversification strategies, risk-based portfolios and traditional balanced portfolios.

2 Comprises cash, private equity, liquidity funds and Wealth. Net inflows from India cash funds £0.4bn (H1 2016: net inflows £0.5bn), net inflows from liquidity funds of £0.7bn (H1 2016: £nil).

3 During 2016 Ignis funds were merged into Standard Life Investments funds. Comparative figures have been restated.

5.5 Assets under administration by reporting segment

An analysis of AUA by reportable segment is included below.

30 June 2017	Standard Life Investments £bn	Pensions and Savings £bn	India and China £bn	Other £bn	Eliminations[1] £bn	Total £bn
Assets under administration						
Fee based	173.2	165.7	0.7	-	(19.4)	**320.2**
Spread/risk	-	15.5	-	-	-	**15.5**
Assets not generating revenue from products	-	8.1	-	-	-	**8.1**
Associate and joint venture businesses	11.8	-	4.5	-	-	**16.3**
Other corporate assets	1.2	-	-	1.3	(0.7)	**1.8**
Total assets under administration	**186.2**	**189.3**	**5.2**	**1.3**	**(20.1)**	**361.9**

31 December 2016	Standard Life Investments £bn	Pensions and Savings £bn	India and China £bn	Other £bn	Eliminations[1] £bn	Total £bn
Assets under administration						
Fee based	177.1	156.5	0.6	-	(18.4)	**315.8**
Spread/risk	-	16.1	-	-	-	**16.1**
Assets not generating revenue from products	-	8.9	-	-	-	**8.9**
Associate and joint venture businesses	10.6	-	4.0	-	-	**14.6**
Other corporate assets	1.1	-	-	1.2	(0.6)	**1.7**
Total assets under administration	**188.8**	**181.5**	**4.6**	**1.2**	**(19.0)**	**357.1**

1 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.

6. Glossary

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

Articles
The Articles of Association detail the provisions relating to the regulation of a company in terms of the rights of its members and the authority of its directors.

Assets under administration (AUA)
AUA is a measure of the total assets we administer. It includes Standard Life Investments assets under management (AUM), as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager. AUA within our associates and joint ventures based on our ownership percentages of these businesses is also included.

AUA represents the IFRS gross assets of the Group, adjusted to include third party AUA which is not included on the consolidated statement of financial position, and excluding certain assets which do not constitute AUA. The assets excluded are primarily reinsurance assets, deferred acquisition costs and intangible assets.

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 it receives a fee. AUM within our Indian asset management associate is included based on our ownership percentage of that business.

Auto enrolment
The UK Government introduced auto enrolment to help people save for their retirement. Employers have to automatically enrol eligible employees into a qualifying workplace pension scheme. This pension scheme needs to meet the standards set by the Pensions Regulator.

Board
The Board of Directors of the Company.

Capital management
Capital management is a component of operating profit and relates to the return from the net assets of the shareholder business, net of costs of financing. This includes the net assets in defined benefit staff pension plans and net assets relating to the financing of subordinated liabilities. The measure excludes short-term fluctuations in investment return.

Capital surplus
This is a regulatory measure of our financial strength. From 1 January 2016 our capital surplus is measured on a Solvency II basis.

Chief Operating Decision Maker
The strategic executive committee.

Company
Standard Life plc.

Cost/income ratio
This is an efficiency measure that is calculated as operating expenses divided by operating income on a rolling 12-month basis, and includes the share of associates' and joint ventures' profit before tax.

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.

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.

Drawdown (flexible income)
Drawdown, also known as flexible income, allows the policyholder to withdraw pension income as and when they request it. The remainder of the pension fund remains invested, giving it the potential for growth.

Earnings before interest, tax, depreciation and amortisation (EBITDA)
EBITDA is defined as earnings before interest, taxation, depreciation, amortisation, restructuring costs, other non-operating items and non-controlling interests.

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, such as share options awarded to employees.

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

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

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/revenue
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 our major indirect exposure to rising or falling markets coming from higher or lower AMCs.

Fee revenue yield (bps)
The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets that we administer. It is calculated as a rolling 12-month fee based revenue divided by a rolling 12-month monthly average fee based AUA.

Global absolute return strategies (GARS)
A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Standard Life Investments. The investment objective is to target a level of return over a rolling three-year period equivalent to cash plus 5% a year (gross of fees), and to do so with as little risk as possible.

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.

Growth channels
We aim to drive the increase in our assets, revenue and profit via our growth channels. This comprises Standard Life Investments Institutional and Wholesale, UK Workplace and Retail, Europe (excluding Germany with profits), Hong Kong and Standard Life Wealth.

Heritage With Profits Fund (HWPF)
The Heritage With Profits Fund contains all 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 funds outside the HWPF. The HWPF also contains increments to this 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 prepared in accordance with IFRS as endorsed by the EU.

Investment performance
Investment performance is measured as a money weighted percentage of our growth channel assets which are outperforming their respective benchmarks. This measurement covers our Equities, Fixed Income and Multi-asset funds. Benchmarks differ by fund and are defined in each fund's fact sheet.

Investor view
The investor view of Solvency II adjusts the regulatory position for the impact from unrecognised capital and with profit funds/defined benefit pension plans.

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

Liability aware
Liability aware is a framework for proactively managing the various liability risks and requirements that are faced by defined benefit pension plans and insurance companies.

Mature book/business
Mature books are expected to provide a stable and consistent contribution to our profit. This includes UK mature Retail, Standard Life Investments Strategic Partner Life books and spread/risk based business. It also includes the with profits business in Germany which closed to new business in April 2015.

Net flows
Net flows represent gross inflows less gross outflows or redemptions. Gross inflows are new funds from clients and customers. Gross outflows or redemptions is the money withdrawn by clients or customers during the period, including annuity payments.

Operating expenses
Operating expenses is a component of operating profit and relates to the day-to-day expenses of managing our business.

Operating income
Operating income is a component of operating profit and consists of fee based revenue and spread/risk margin.

Operating profit
Operating profit is the Group's key alternative performance 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 corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Impairment of intangible assets acquired in business combinations
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Amortisation of intangibles acquired in business combinations and fair value movements in contingent consideration
- Items which are one-off in nature and which, due to their size or nature, are not indicative of the long-term operating performance of the business

Operating return on equity (RoE)
The annualised post-tax operating profit expressed as a percentage of the opening IFRS equity, adjusted for time apportioned dividends paid to equity holders.

Own funds
Under Solvency II, the capital resources available to meet solvency capital requirements are called own funds.

Platform
An investment platform (e.g. Wrap or Elevate) 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.

Recourse cash flows (RCF)
Certain cash flows arising in the Heritage With Profits Fund (HWPF) on specified blocks of UK and Ireland business, which are transferred out of the fund annually 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.

Scheme of Demutualisation or 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), which 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.

Solvency II
Solvency II is an EU-wide initiative that brings consistency to how EU insurers manage capital and risk. Solvency II was implemented on 1 January 2016.

Solvency capital requirement (SCR)
Under Solvency II, insurers are required to identify their key risks – for example that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. This amount of capital is referred to as the Solvency capital requirement or SCR.

Solvency cover
Solvency II Own funds divided by the Solvency capital requirement.

Spread/risk business
Spread/risk business mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment, for example, 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 is a component of operating profit and 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. Spread/risk margin excludes the impact of economic assumption changes, which are not included in determining operating profit.

Standard Life Investments Institutional
Standard Life Investments Institutional sell to institutions (including corporates, pension schemes, local authorities, government agencies and insurance companies) either directly or through intermediaries.

Standard Life Investments Wholesale
Standard Life Investments Wholesale sell retail products through wholesale distributors including third party fund supermarkets, global financial institutions and private banks.

Strategic executive committee
Responsible for the day-to-day running of the business and comprises; Chief Executive, Chief Executive – Pensions and Savings, Chief Financial Officer, Chief Investment Officer, Chief Operating Officer, Chief People Officer, Chief Risk Officer, Group General Counsel and the Global Client Director.

Strategic partner life business
A measure of the assets that Standard Life Investments manages on behalf of Standard Life Group companies and under other long-term life book partnership agreements with third party companies such as Phoenix Group.

Subordinated liabilities
Subordinated liabilities are debts of a company which, in the event of liquidation, rank below its other debts but above share capital.

Technical provisions
The best estimate market consistent value of our policyholder liabilities is referred to as technical provisions. The calculation is discounted to recognise the time value of money and includes a risk margin, calculated in accordance with Solvency II regulations.

Third party (excluding strategic partner life business)
A measure of the assets that Standard Life Investments manages on behalf of individual customers and institutional clients, for which it receives a fee. This measure excludes the assets that are managed on behalf of strategic partners in life assurance books.

Transitional measure on technical provisions
Solvency II regulations allow insurers to smooth the introduction of new rules for calculating policyholder liabilities. This relief includes a deduction from the amount of Solvency II technical provisions, based on the difference between technical provisions under the previous regulatory framework and Solvency II. The deduction decreases over the course of 16 years from 1 January 2016.

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 growth and mature categories. Retail growth includes the products, platforms, investment solutions and services of our UK Retail business that we continue to market actively to our customers. Retail mature includes business that was predominantly written before demutualisation.

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

Underlying cash generation
This presents a shareholder view of underlying cash earnings. The IFRS consolidated statement of cash flows includes policyholder cash flows, and does not exclude underlying adjustments and non-operating items.

Underlying cash generation adjusts underlying performance for certain non-cash items. Adjustments are made for deferred acquisition costs/deferred income reserve, fixed/intangible assets and the Asian joint ventures and associates. Depreciation/amortisation that would normally be included in operating profit is replaced with the cash movement in the period. The measure is stated net of current (cash) tax on underlying performance. A reconciliation of underlying performance to underlying cash generation is included in this report. Reconciliations between underlying performance, operating profit and profitability on an IFRS basis are also included in this report.

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

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.

7. Shareholder information

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For shareholder services call:
0345 113 0045*

Secretary
Kenneth A Gilmour

Registrar
Capita Registrars Limited

Auditors
KPMG LLP

Solicitors
Slaughter and May

Brokers
JP Morgan Cazenove
Goldman Sachs

Shareholder services
We offer a wide range of shareholder services. For more information, please:

- Contact our registrar, Capita, on 0345 113 0045* if calling from the UK. International numbers can be found on the back page.
- Visit our share portal at **www.standardlifeshareportal.com**

Sign up for Ecommunications
Signing up means:

- You'll receive an email when documents like the Annual report and accounts, Half year results and AGM guide are available on our website
- Voting instructions for the Annual General Meeting (AGM) will be sent to you electronically

Set up a share portal account
Having a share portal account means you can:

- Manage your account at a time that suits you
- Download your documents when you need them

To find out how to sign up, visit **www.standardlifeshareportal.com**

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

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 visit **www.mpsonline.org.uk**

Financial calendar

2017

Half year results 2017	08 August
Ex-dividend date for 2017 interim dividend	07 September
Record date for 2017 interim dividend	08 September
Last date for DRIP elections for 2017 interim dividend	27 September
Dividend payment date for 2017 interim dividend	18 October

Analysis of registered shareholdings at 30 June 2017

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1,000	62,187	61.49	26,295,741	1.33
1,001 - 5,000	34,093	33.71	69,124,213	3.49
5,001 - 10,000	2,854	2.82	19,158,553	0.97
10,001 - 100,000	1,508	1.49	34,680,343	1.75
#100,000+	500	0.49	1,830,249,619	92.46
Total	**101,142**	**100**	**1,979,508,469**	**100**

These figures include the Company-sponsored nominee – the Standard Life Share Account which had 1,050,255 participants holding 744,218,941 shares.

Notes

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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.

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 30 June 2017 (unless otherwise indicated).

This document has been published by Standard Life plc for information only. It is based on our understanding as at August 2017 and does not provide financial or legal advice.

Standard Life plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

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