

Half year results 2018

Standard Life Aberdeen plc

Standard Life  **Aberdeen**

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The Half year results 2018 are published on the Group's website at www.standardlifeaberdeen.com/hyresults

The Half year 2018 press release is also published on www.standardlifeaberdeen.com

Reported and Pro forma results

The merger of Standard Life plc and Aberdeen Asset Management PLC (Aberdeen) completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. Pro forma results for the Group are prepared as if Standard Life Group and Aberdeen had always been merged and are included in these results to assist in explaining trends in financial performance by showing performance for both H1 2018 and H1 2017 for the combined Group. The difference between the Reported results and Pro forma results is the H1 2017 results of Aberdeen which were prior to completion of the merger.

Discontinued operations

Discontinued operations relate to the UK and European insurance business. The proposed sale of this business to Phoenix was announced on 23 February 2018 and approved by shareholders on 25 June 2018. The completion of the sale is subject to regulatory and other necessary approvals.

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 For more information visit our corporate website: www.standardlifeaberdeen.com

1. Management report

Key performance indicators	H1 2018	H1 2017
Adjusted profit before tax		
Continuing operations ^{1,2}	£311m	£355m
Total including Discontinued operations ²	£478m	£521m
Adjusted diluted earnings per share		
Continuing operations ^{1,2}	8.2p	9.7p
Total including Discontinued operations ²	12.8p	15.3p
Cost/income ratio ^{1,2}	69%	68%
Assets under management and administration (AUMA) ^{1,3}	£610.1bn	£626.5bn
Net flows ^{1,2}	(£16.6bn)	(£12.4bn)
Investment performance – 3 years ^{3,4}	53%	63%
Interim dividend per share	7.30p	7.00p

Other financial highlights	H1 2018	H1 2017
IFRS profit before tax ¹	£127m	£94m
IFRS profit after tax attributable to equity holders		
Continuing operations	£111m	£84m
Total including Discontinued operations	£185m	£292m
Diluted earnings per share		
Continuing operations ¹	3.7p	4.3p
Total including Discontinued operations	6.2p	14.8p

¹ Continuing operations excludes the UK and European insurance business. The proposed sale of this business to Phoenix Group Holdings (Phoenix) was announced on 23 February 2018 and is expected to complete in Q3 2018.

² Comparative shown on a Pro forma basis.

³ Comparative as at 31 December 2017.

⁴ Percentage of AUM above benchmark. Calculated on a Pro forma basis and gross of fees. A full definition is included in the Glossary on page 70.

Certain measures, such as adjusted 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. Unless otherwise stated, 2017 comparatives in this Management report are provided on a Pro forma basis. Pro forma results are prepared as if Standard Life Group and Aberdeen had always been merged. Further details of the Reported basis and Pro forma basis are included on page 12.

Conditions for the asset management industry continue to be challenging. However, our gross inflows remain robust and are spread across a diverse range of investment capabilities, and our market-leading adviser platforms continue to grow. Our investment and distribution teams are winning new mandates and we have a good and diverse pipeline of business from around the world. We are actively taking steps to improve our investment performance in key areas and are encouraged by the impact of these initiatives.

We are also pleased by progress on the integration programme and achievement of cost synergies. The sale of our UK and European insurance operations will complete our transformation to a capital light business and enhances our strategic partnership with Phoenix. Our financial strength allows us, subject to necessary regulatory approvals, to return up to £1.75bn of capital to shareholders. We will commence the first tranche of £175m in the next few days. We will still have one of the strongest balance sheets in the sector, which enables us to continue to develop and broaden our areas of strength and focus on delivering long-term performance for our clients.

Building a diversified world-class investment company

On 23 February 2018, we announced the proposed sale of our UK and European insurance operations to Phoenix. The proposed sale was approved by shareholders on 25 June 2018 and, subject to certain regulatory approvals, we expect the transaction to complete later in Q3 2018. We have therefore classified the UK and European insurance business as a discontinued operation.

As part of the transaction we will enter into an enhanced strategic partnership with Phoenix, providing us with an additional source of earnings, dividends and AUM growth. We have retained our valuable and fast growing UK retail platforms Wrap and Elevate, as well as our financial planning and advice business 1825.

The general meeting on 25 June 2018 also approved the return of up to £1.75bn in aggregate to shareholders, subject to necessary regulatory approvals. This includes a return of capital of £1bn via a B-share scheme with an ordinary share consolidation, and a return of up to £750m by a share buyback programme. We are commencing the first tranche of £175m of the share buyback programme in the next few days. Completion of the proposed sale to Phoenix is expected in Q3 and the B-share scheme will commence soon after completion.

Resilient AUMA and improved operational efficiency

Total AUMA from continuing operations decreased to £610.1bn (FY 2017: £626.5bn). Assets managed by Aberdeen Standard Investments were £557.1bn (FY 2017: £575.7bn) while Standard Life Pensions and Savings assets under administration increased to £56.3bn (FY 2017: £54.0bn).

Adjusted profit before tax from continuing operations of £311m (H1 2017: £355m) is lower than the same period last year but up on H2 2017 as we start to see the benefit of improved operational efficiency.

Outlook

Market conditions remain challenging, as macroeconomic and political uncertainties continue to affect investor sentiment. These uncertainties are driving investors to look for innovative and outcome orientated 'new active' investment solutions and these will continue to grow in importance in meeting the needs of both institutional and increasingly retail customers. With our broad and diverse range of capabilities, Standard Life Aberdeen is well placed to take advantage of the opportunities and to deal with the challenges that these trends present.

We are making good progress on our integration programme. Our investment and distribution teams are fully integrated and focused on generating positive client outcomes. While net outflows remain a challenge in a tough market, they are concentrated in a narrow range of strategies and we remain focused on supporting our teams and improving performance in GARS, Emerging Markets and Global Equities, while remaining true to our investment style. However, we recognise that a turnaround in performance of these products may take some time and will depend partly on market conditions.

We will maintain our focus on operational efficiency and cost control, including the delivery of merger synergies and the implementation of a simplified global operating model, so that we continue to meet evolving client and customer needs while generating sustainable returns for our shareholders.

AUMA and net flows

Flows and AUMA	Gross inflows		Net flows		AUMA	
	H1 2018 £bn	H1 2017 £bn	H1 2018 £bn	H1 2017 £bn	H1 2018 £bn	FY 2017 £bn
Aberdeen Standard Investments growth	22.8	26.5	(13.6)	(9.0)	291.0	303.9
Pensions and Savings continuing	4.7	5.5	2.5	3.7	56.3	54.0
Eliminations	(1.1)	(1.3)	(0.2)	–	(8.2)	(8.0)
Total growth channels from continuing operations	26.4	30.7	(11.3)	(5.3)	339.1	349.9
Aberdeen Standard Investments mature books	11.0	8.2	(5.6)	(7.4)	266.1	271.8
India and China life	0.6	0.6	0.3	0.3	4.9	4.8
Total from continuing operations	38.0	39.5	(16.6)	(12.4)	610.1	626.5
Discontinued operations¹	4.4	4.8	(1.2)	(1.4)	133.2	134.1
Discontinued eliminations	(2.3)	(2.3)	0.7	1.1	(104.0)	(105.7)
Total including discontinued operations	40.1	42.0	(17.1)	(12.7)	639.3	654.9

¹ Discontinued operations relate to the UK and European insurance business previously reported in the Pensions and Savings segment. Further details are included in Note 4.2.

Assets under management and administration

AUMA from **continuing operations** decreased to £610.1bn (FY 2017: £626.5bn) as a result of net outflows from Aberdeen Standard Investments and adverse market movements. Pensions and Savings continued to attract steady net inflows.

AUMA in the growth channel decreased by 3% to £339.1bn (FY 2017: £349.9bn) and accounts for 56% (FY 2017: 56%) of total AUMA from continuing operations.

AUMA was supplemented by three small bolt-on acquisitions which added £4.8bn of assets, accelerating our US capabilities in private markets, closed ended funds and exchange traded funds.

AUMA from **discontinued operations** remained largely stable at £133.2bn (FY 2017: £134.1bn).

There is an element of AUMA which is both administered by Pensions and Savings and also managed by Aberdeen Standard Investments. This AUMA is included in both Pensions and Savings and Aberdeen Standard Investments and to eliminate double-counting, an adjustment is required at Group level. At 30 June 2018 there were £8.2bn (FY 2017: £8.0bn) of eliminations relating to the continuing business and £104.0bn (FY 2017: £105.7bn) relating to discontinued operations.

 Further information on AUMA and net flows is included in the Supplementary information section of this report. Definitions of growth channels and mature books are included in the Glossary.

Gross and net flows

Gross inflows from **continuing operations** remained robust at £38.0bn (H1 2017: £39.5bn), with a decrease in Aberdeen Standard Investments growth channel gross inflows to £22.8bn (H1 2017: £26.5bn) being largely offset by increased mature channel gross inflows of £11.0bn (H1 2017: £8.2bn). Gross inflows in Pensions and Savings continuing operations of £4.7bn (H1 2017: £5.5bn) continue to benefit from the boost in the pensions market from individuals looking to take advantage of high defined benefit transfer values by moving to products providing the flexibility offered by drawdown and pension freedoms.

Aberdeen Standard Investments growth channel net outflows were £13.6bn (H1 2017: £9.0bn), broadly in line with the second half of 2017 (H2 2017: £13.1bn). Net outflows from equities were £7.6bn (H1 2017: £3.4bn, H2 2017: £4.8bn), impacted by continued weaker investment performance. Multi-asset saw net outflows of £4.4bn (H1 2017: £3.8bn). Within this, GARS net outflows of £5.3bn (H1 2017: £5.6bn) continue to conceal more encouraging flows in the broader asset class.

Our mature books, which are in long-term run-off, saw net outflows of £5.6bn (H1 2017: £7.4bn).

Aberdeen Standard Investments total net outflows were £19.2bn (H1 2017: £16.4bn, H2 2017: £20.9bn).

Standard Life Pensions and Savings continuing operations delivered robust net inflows of £2.5bn (H1 2017: £3.7bn) with net inflows into both of our retail platforms, Wrap and Elevate.

India and China life net inflows remained steady at £0.3bn (H1 2017: £0.3bn) with lower net inflows for HDFC Life offset by higher inflows for Heng An Standard Life (HASL).

Profitability

Adjusted profit before tax from continuing operations of £311m is 12% lower than H1 2017 on a Pro forma basis of £355m and 62% higher than H1 2017 on a Reported basis of £192m. IFRS profit attributable to equity holders of Standard Life Aberdeen plc decreased by 36% to £185m.

Adjusted profit before tax from continuing operations

Adjusted profit before tax is a key measure which we believe provides a fuller understanding of the performance of the business by identifying and analysing adjusting items.

Adjusted profit before tax fell by 12% to £311m (H1 2017: £355m, H2 2017: £305m) mainly due to lower fee based revenue partially offset by a reduction in expenses.

On a Reported basis, adjusted profit before tax increased by £119m compared to H1 2017 primarily due to the inclusion of Aberdeen profit in the H1 2018 result.

Fee based revenue

Fee based revenue reduced by 7% to £966m (H1 2017: £1,041m) reflecting the impact of continued net outflows and adverse market movements. Performance fees represent less than 1% of total revenue at £3m (H1 2017: £2m).

Adjusted operating expenses

Adjusted operating expenses reduced to £712m (H1 2017: £739m, H2 2017: £812m) mainly due to lower staff costs including the benefit of merger synergies and careful cost control.

The cost/income ratio, which includes our share of associates' and joint ventures' (JVs) profit before tax was 69% (H1 2017: 68%) reflecting the fall in revenue noted above.

We are targeting to achieve over £350m of annualised efficiency savings. The merger integration continues to progress well and remains on track to achieve at least £250m of annual cost savings. In addition, we expect the sale of the UK and European insurance business to enable an additional £100m of efficiency savings by the end of 2020 as we implement our simplified operating model.

Share of associates' and joint ventures' profit before tax

Our share of profit before tax from associates and joint ventures increased by 13% to £60m (H1 2017: £53m) driven by higher profits from HDFC Asset Management of £26m (H1 2017: £20m). Higher profits from HASL, our Chinese life joint venture, were partly offset by a lower contribution from HDFC Life reflecting a reduction in our shareholding following the IPO in November 2017 and adverse movements in exchange rates.

The combined value of our residual shareholding in HDFC Asset Management following the IPO and our shareholding in HDFC Life at 6 August 2018 was c£4.5bn.

Adjusted profit before tax from discontinued operations

Adjusted profit before tax from discontinued operations was £167m (H1 2017: £166m) as growth in fee based revenue was offset by higher expenses. See page 10 for further information.

Profitability	H1 2018 £m	Pro forma basis H1 2017 £m	Reported basis H1 2017 £m
Fee based revenue	966	1,041	520
Spread/risk margin	—	—	—
Total adjusted operating income	966	1,041	520
Total adjusted operating expenses	(712)	(739)	(390)
Adjusted operating profit	254	302	130
Capital management	(3)	—	9
Share of associates' and joint ventures' profit before tax	60	53	53
Adjusted profit before tax from continuing operations	311	355	192
Adjusted profit before tax from discontinued operations	167	166	166
Adjusted profit before tax	478	521	358
Total adjusting items	(240)		(36)
Share of associates' and joint ventures' tax expense	(18)		(7)
Profit attributable to non-controlling interests (preference shares)	(3)		—
Tax expense	(32)		(23)
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	185		292



As disclosed in our Annual report and accounts 2017, the Group renamed 'operating profit before tax' as 'adjusted profit before tax' and changes to the basis of calculation were also made. Comparatives have been restated. Refer to Note 4.3 in Section 4 of this report for more information. This report includes results for comparative periods on both a Reported basis and on a Pro forma basis. See page 12 for more information.

Comparatives have also been restated to reflect the classification of the UK and European insurance business within the Pensions and Savings reportable segment as discontinued operations. Refer to Note 4.2 for more information.

For further details on our IFRS results, see the Group's IFRS condensed consolidated income statement on page 15.

IFRS profit

(H1 2017 on a Reported basis)

IFRS profit before tax increased to £127m (H1 2017: £94m) due to the inclusion of Aberdeen adjusted profit in H1 2018, partly offset by increased amortisation as a result of the intangible assets added by the merger.

IFRS profit from continuing operations	H1 2018 £m	H1 2017 £m
Adjusted profit before tax	311	192
Total adjusting items	(166)	(91)
Share of associates' and joint ventures' tax expense	(18)	(7)
Profit before tax	127	94
Tax expense	(13)	(10)
Profit for the period	114	84

Adjusting items are shown in the table below.

Restructuring and corporate transaction expenses were £59m (H1 2017: £57m). H1 2018 includes Aberdeen integration and merger related costs of £52m (H1 2017: £39m). Further details on restructuring and corporate transaction expenses are provided in the Supplementary information section.

The amortisation and impairment of intangible assets acquired in business combinations increased to £108m (H1 2017: £10m). This includes an amortisation charge of £84m on the intangible assets recognised as a result of the merger.

Other adjusting items in H1 2017 related to the £24m impairment from the proposed sale of our wholly owned Hong Kong insurance company to our Chinese life joint venture company, Heng An Standard Life.

The loss in adjusting items from discontinued operations of £74m (H1 2017: profit £55m) included short-term fluctuations in investment return and economic assumption changes which generated a loss of £61m (H1 2017: profit £59m), primarily relating to credit spread widening in H1 2018 compared to narrowing in H1 2017. See page 10 for further information on adjusting items from discontinued operations.

Analysis of adjusting items (H1 2017 shown on a Reported basis)	H1 2018 £m	H1 2017 £m
Restructuring and corporate transaction expenses	(59)	(57)
Amortisation and impairment of intangible assets acquired in business combinations	(108)	(10)
Other	1	(24)
Total adjusting items from continuing operations	(166)	(91)
Discontinued operations	(74)	55
Total adjusting items	(240)	(36)

Tax expense from continuing operations

(H1 2017 on a Reported basis)

The IFRS tax expense was £13m (H1 2017: £10m) including a credit of £35m (H1 2017: credit £21m) relating to adjusting items. The effective tax rate on total IFRS profit is 10% (H1 2017: 11%) compared to a UK corporation tax rate of 19% (H1 2017: 19.25%). The effective tax rate is lower than the UK corporation tax rate due to a one-off deferred tax adjustment and the tax effect of accounting for associates and joint ventures. These impacts are partially offset by non-deductible costs.

The effective tax rate on adjusted profit is 21% (H1 2017: 20%). This reflects the tax on associates and joint ventures being at a higher rate than the UK Corporation tax rate. The effective tax rate on adjusted profit excluding associates and joint ventures is 19% (H1 2017: 22%).

Earnings per share from continuing operations

Adjusted diluted earnings per share of 8.2p increased by 0.4p compared to H1 2017 on a Reported basis of 7.8p, and decreased by 1.5p compared to H1 2017 on a Pro forma basis of 9.7p.



See pages 17 and 39 for further details on adjusted profit and reconciliation of adjusted profit to IFRS profit

Adjusted cash generation from continuing operations

This measure provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to our shareholders. Adjusted cash generation was as follows:

Analysis of adjusted cash generation	H1 2018 £m	H1 2017 £m
Aberdeen Standard Investments	225	241
Standard Life Pensions and Savings	6	4
India and China life	—	—
Other	(32)	(23)
Adjusted cash generation from continuing operations	199	222

Liquidity management

At 30 June 2018, Standard Life Aberdeen plc held £1.0bn (H1 2017: £0.8bn) of cash and liquid resources, comprising £551m (H1 2017: £327m) of cash and short-term debt securities, £290m (H1 2017: £304m) of bonds and £199m (H1 2017: £202m) of holdings in pooled investment funds.

Dividends received from subsidiaries comprised £312m (H1 2017: £180m) from Standard Life Assurance Limited (SLAL), £140m (H1 2017: £120m) from Aberdeen Standard Investments entities and £9m (H1 2017: £nil) relating to dividends from HDFC Life. The SLAL dividend represents higher profits in 2017 compared to 2016 and was the last dividend paid before the proposed sale of SLAL to Phoenix.

Cash investments in subsidiaries primarily relates to acquisitions in the period.

Holding company cash and liquid resources	H1 2018 £m	H1 2017 £m
Opening 1 January	1,195	900
Dividends received from subsidiaries	461	300
Cash dividends paid to shareholders	(420)	(263)
Cash investments in subsidiaries, associates and joint ventures	(135)	–
Expenses	(57)	(51)
Acquisition of shares by Employee Share Trust	(29)	(56)
Other	25	(1)
Closing	1,040	829

At 30 June 2018 Standard Life Aberdeen plc held distributable reserves of £1.3bn.

Staff pension scheme

The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £1.0bn at 30 June 2018 (31 Dec 2017: £1.1bn). Further details are provided in Note 4.13.

Dividends

Proposed dividend

We propose an interim dividend for 2018 of 7.30p per share which is an increase of 4.3%. This will be paid on 25 September 2018 to shareholders on the register at close of business on 17 August 2018. The expected cost of the interim dividend is approximately £214m.

How the dividend is funded

External dividends are funded from the cumulative dividend income that Standard Life Aberdeen plc receives from its subsidiaries. To provide some protection against fluctuations in subsidiary dividends, Standard Life Aberdeen 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.

Solvency II

We are strongly capitalised with a Solvency II capital surplus (**Investor view**) of £3.4bn (FY 2017: £3.8bn) representing a solvency ratio of 195% (FY 2017: 206%). The Investor view of our solvency position gives insight into the solvency capital provided by equity and debt investors. The £0.4bn decrease in Investor view surplus in H1 2018 is due to the payment of the 2017 final dividend.

The **Regulatory view** solvency cover prescribed by Solvency II regulations is 175% (FY 2017: 185%). This capital surplus excludes £0.2bn (FY 2017: £0.2bn) of capital in insurance subsidiaries that is not deemed to be freely transferrable around the Group. In addition, the Regulatory view solvency cover is diluted by the inclusion of £0.6bn (FY 2017: £0.7bn) 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.

The Group expects that, post completion of the sale of the UK and European insurance business, the retained Group will be subject to the CRD IV regime for group-level prudential regulatory capital purposes. This is subject to receiving regulatory approval. CRD IV is the European regulatory capital regime that applies to investment firms.

Reconciliation of Standard Life Aberdeen Investor view and Regulatory view	30 June 2018 (Draft returns)				31 December 2017 (Final returns)			
	Investor view	Less unrecognised capital	Add with profits funds and pension scheme	Regulatory view	Investor view	Less unrecognised capital	Add with profits funds and pension scheme	Regulatory view
Own funds	£7.0bn	(£0.2bn)	£0.6bn	£7.4bn	£7.4bn	(£0.2bn)	£0.7bn	£7.9bn
Solvency capital requirement (SCR)	(£3.6bn)	–	(£0.6bn)	(£4.2bn)	(£3.6bn)	–	(£0.7bn)	(£4.3bn)
Solvency II capital surplus	£3.4bn	(£0.2bn)	–	£3.2bn	£3.8bn	(£0.2bn)	–	£3.6bn
Solvency cover	195%			175%	206%			185%

Business performance

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

Analysis of adjusted profit H1 2018	Aberdeen Standard Investments	Standard Life Pensions and Savings	India and China life	Other	Total continuing operations	Discontinued operations	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fee based revenue	871	89	6	–	966	395	(69)	1,292
Spread/risk margin	–	–	–	–	–	55	–	55
Total adjusted operating income	871	89	6	–	966	450	(69)	1,347
Total adjusted operating expenses	(580)	(102)	(5)	(25)	(712)	(280)	69	(923)
Adjusted operating profit	291	(13)	1	(25)	254	170	–	424
Capital management	–	14	–	(17)	(3)	(3)	–	(6)
Share of associates' and joint ventures' profit before tax	26	–	34	–	60	–	–	60
Adjusted profit before tax	317	1	35	(42)	311	167	–	478
Total adjusting items	(142)	(16)	(2)	(6)	(166)	(74)	–	(240)
Share of associates' and joint ventures' tax expense	(11)	–	(7)	–	(18)	–	–	(18)
Profit attributable to non-controlling interests (preference shares)	(3)	–	–	–	(3)	–	–	(3)
Tax expense	(23)	5	–	5	(13)	(19)	–	(32)
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	138	(10)	26	(43)	111	74	–	185

Analysis of adjusted profit H1 2017	Aberdeen Standard Investments	Standard Life Pensions and Savings	India and China life	Other	Total continuing operations	Discontinued operations	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fee based revenue	950	84	7	–	1,041	382	(66)	1,357
Spread/risk margin	–	–	–	–	–	49	–	49
Total adjusted operating income	950	84	7	–	1,041	431	(66)	1,406
Total adjusted operating expenses	(609)	(97)	(7)	(26)	(739)	(258)	66	(931)
Adjusted operating profit	341	(13)	–	(26)	302	173	–	475
Capital management	(9)	13	–	(4)	–	(7)	–	(7)
Share of associates' and joint ventures' profit before tax	20	–	33	–	53	–	–	53
Adjusted profit before tax (Pro forma basis)	352	–	33	(30)	355	166	–	521
Adjust for Aberdeen results pre-merger completion (14 Aug 2017)	(163)	–	–	–	(163)	–	–	(163)
Adjusted profit before tax (Reported basis)	189	–	33	(30)	192	166	–	358
Total adjusting items	(18)	(8)	(24)	(41)	(91)	55	–	(36)
Share of associates' and joint ventures' tax expense	(5)	–	(2)	–	(7)	–	–	(7)
Tax expense	(30)	(1)	–	21	(10)	(13)	–	(23)
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	136	(9)	7	(50)	84	208	–	292

 Further details on how adjusted profit before tax and other alternative performance measures reconcile to the most appropriate measure prepared in accordance with IFRS are provided in the Supplementary information in Section 5.

Aberdeen Standard Investments

AUM

Total AUM decreased by 3% from 31 December 2017 to £557.1bn as a result of net outflows and adverse market movements in some asset classes during the period. Growth channel, which comprises Institutional, Wholesale and Wealth/Digital AUM decreased by 4% to £291.0bn, and accounts for 52% of total AUM.

Growth channel AUM was supplemented by three small bolt-on acquisitions which accelerated our US capabilities in private markets, closed ended funds and exchange traded funds.

We have increased the pace of innovation in 'new active' investment capabilities with 20 fund launches in H1 2018 compared to 22 across the whole of 2017. There is a strong pipeline of innovation, including more than 20 funds in the later stages of development, across a broad range of asset classes, regions and target markets planned for delivery in H2 2018 and into 2019.

Gross and net flows

Total gross inflows were £33.8bn (H1 2017: £34.7bn, H2 2017: £31.8bn) and net outflows were to £19.2bn (H1 2017: £16.4bn, H2 2017: £20.9bn).

Gross inflows from growth channel of £22.8bn (H1 2017: £26.5bn) and redemptions of £36.4bn (H1 2017: £35.5bn) resulted in growth channel net outflows of £13.6bn (H1 2017: £9.0bn). Growth channel net outflows were broadly in line with the second half of 2017 (H2 2017: £13.1bn).

Net outflows of £7.6bn (H1 2017: £3.4bn) from equities were primarily from Global, Asia and Emerging Markets, as our flows continue to be impacted by weaker investment performance.

Multi-asset saw net outflows to £4.4bn (H1 2017: £3.8bn). GARS continues to dominate flows in this asset class with net outflows of £5.3bn (H1 2017: £5.6bn). While GARS performance is behind benchmark over one and three years and behind its target over one, three and five years, it has continued to operate within the targeted volatility range, which is a key element of its design.

Multi-asset (excluding GARS) generated net inflows of £0.9bn (H1 2017: £1.8bn). This included continued demand for MyFolio and Parmenion products which delivered net inflows of £0.8bn and £0.6bn respectively.

Mature books

AUM in our mature channel, which comprises Standard Life Pensions and Savings and third party strategic partner life business, including Phoenix and Lloyds Banking Group, decreased by 2% to £266.1bn from 31 December 2017. Our mature books business, which is in natural run-off, saw net outflows of £5.6bn (H1 2017: £7.4bn, H2 2017: £7.8bn), benefiting from additional assets secured from the Phoenix Group including the first fixed income bulk annuity mandate which demonstrates the strength of our enhanced strategic partnership. We consider these outflows to be structural and we expect this level of attrition from the insurance book. Fees associated with the mature AUM are lower margin.

On 15 February 2018, we announced that Lloyds Banking Group (LBG) and Scottish Widows had sent Standard Life Aberdeen (SLA) a notice on 14 February purporting to terminate the long-term asset management arrangements between them (IMAs) covering, in aggregate, around £109bn of AUM at the end of a 12 month notice period. SLA has informed LBG that it does not agree that, following the merger of Aberdeen Asset Management PLC and Standard Life plc, SLA was in material competition in the UK with LBG and that, therefore, SLA does not consider that LBG, Scottish Widows or their respective affiliates has the right to terminate the IMAs. The parties continue to engage with each other within the framework of the dispute resolution process envisaged in the IMAs.

Investment performance

Investment performance						
(Pro forma basis)						
% of AUM ahead of benchmark	1 year		3 years		5 years	
	H1 2018	FY 2017	H1 2018	FY 2017	H1 2018	FY 2017
Growth	43	65	38	59	61	54
Mature	83	77	71	72	79	81
Total	61	70	53	63	66	64

Investment performance over three years was mixed, with 53% (FY 2017: 63%) of total assets under management ahead of benchmark on a gross of fees basis. Within this, 38% of growth channel assets were ahead of benchmark. The decline in performance from year end 2017 was primarily due to the negative relative return within multi-asset absolute return strategies, and ongoing weakness in equities. Performance for other multi-asset, fixed income and quantitative asset classes is positive with the majority of assets ahead of benchmark over all timeframes.

The performance results of our investment capabilities and their underlying investment processes are actively monitored and independently evaluated by our Investment Governance and Oversight team, with the insights then used to drive enhancements across our investment processes.

Flows and AUM	Gross inflows			Net flows			AUM	
	H1 2018 £bn	H2 2017 £bn	H1 2017 £bn	H1 2018 £bn	H2 2017 £bn	H1 2017 £bn	H1 2018 £bn	FY 2017 £bn
Equities	7.1	8.0	8.2	(7.6)	(4.8)	(3.4)	94.1	104.5
Fixed income	3.2	4.7	3.7	(2.1)	(1.7)	(1.6)	49.9	51.4
Multi-asset	5.0	6.7	7.2	(4.4)	(3.1)	(3.8)	66.6	72.4
Private markets/alternatives	1.0	1.0	0.9	(0.9)	(0.3)	(0.5)	27.2	24.5
Real estate	1.6	1.7	1.9	(0.2)	(0.3)	(0.7)	28.9	28.5
Quantitative	0.1	0.1	0.1	–	(0.1)	(0.4)	2.2	2.2
Cash/liquidity	4.8	2.2	4.5	1.6	(2.8)	1.4	22.1	20.4
Total growth	22.8	24.4	26.5	(13.6)	(13.1)	(9.0)	291.0	303.9
Total mature	11.0	7.4	8.2	(5.6)	(7.8)	(7.4)	266.1	271.8
Total Aberdeen Standard Investments	33.8	31.8	34.7	(19.2)	(20.9)	(16.4)	557.1	575.7

Profitability

Adjusted profit before tax was £317m (H1 2017: £352m, H2 2017: £325m) as a result of lower fee based revenue partially offset by reduced operating expenses.

Fee based revenue decreased to £871m (H1 2017: £950m, H2 2017: £962m) reflecting the impact of net outflows in 2017 and 2018.

Performance fees represent less than 1% of total revenue at £3m (H1 2017: £2m).

The average growth channel fee revenue yield decreased to 49bps (FY 2017: 51bps), driven by net outflows from higher margin products. Within private markets/alternatives, 2017 revenue included the non-recurring impact of £7m (3bps) deferred income recognised.

The revenue yield on the mature books remained stable at 14bps (FY 2017: 14bps).

Revenue analysis	Fee based revenue		Fee revenue yield	
	H1 2018 £m	H1 2017 £m	H1 2018 bps	FY 2017 bps
Equities	311	327	67	68
Fixed income	66	73	28	29
Multi-asset	188	226	54	58
Private markets/ alternatives	41	53	32	41
Real estate	77	79	54	54
Quantitative	1	1	10	12
Cash/liquidity	7	8	8	7
Total growth channels	691	767	49	51
Total mature books	180	183	14	14
Total	871	950	32	33

Adjusted operating expenses decreased by 5% to £580m (H1 2017: £609m, H2 2017: £669m) including the benefit of synergies achieved as a result of the ongoing merger integration.

Capital management items were nil (H1 2017: loss of £9m) consisting of £4m interest received (H1 2017: £13m interest paid) offset by £4m fair value losses on investments due to markets and FX (H1 2017: £4m gains).

Our share of associates' profit before tax increased to £26m (H1 2017: £20m). The IPO of HDFC Asset Management completed on 6 August 2018. As part of the IPO we reduced our holding from c38% to c30% for a total net consideration of approximately £180m. At 6 August 2018, our remaining shareholding was valued at c£1.3bn.

On a Reported basis, adjusted profit before tax increased by £128m to £317m (H1 2017: £189m) reflecting the inclusion of Aberdeen profit in the H1 2018 result.

Profit attributable to equity holders increased to £138m (H1 2017: £136m) including the impact of an increased loss from adjusting items. As a result of the merger, amortisation of intangibles and customer assets increased to £92m (H1 2017: £8m). Restructuring costs increased to £53m (H1 2017: £10m), including £50m from merger and integration expenses mainly in relation to staff costs and consultancy fees.

The cost/income ratio stands at 65%, compared to 63% at H1 2017 and 68% at H2 2017.

Profitability	H1 2018 £m	H1 2017 £m
Fee based revenue	871	950
Adjusted operating expenses	(580)	(609)
Adjusted operating profit	291	341
Capital management	–	(9)
Share of associates' profit before tax	26	20
Adjusted profit before tax (Pro forma basis)	317	352
Adjust for Aberdeen results pre-merger completion (14 Aug 2017)	–	(163)
Adjusted profit before tax (Reported basis)	317	189
Adjusting items	(142)	(18)
Share of associates' tax expense	(11)	(5)
Profit attributable to non-controlling interests (preference shares)	(3)	–
Total tax expense	(23)	(30)
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	138	136

Merger integration update

The integration continues to progress well and is complete across our client and consultant facing investment and distribution teams. We remain on target to achieve £250m of annual cost savings by 2020 and the estimated integration costs remain at around £370m in order to achieve these synergies.

As at 30 June 2018, actions have been taken which will deliver £135m of annualised cost savings. Total integration costs incurred since the completion of the merger are £98m.

Standard Life Pensions and Savings (Continuing operations)

On 23 February 2018 we announced the proposed sale of our UK and European insurance business to Phoenix. This was approved by shareholders on 25 June 2018 and remains subject to certain regulatory approvals, with the transaction expected to complete in Q3 2018. We have therefore classified the UK and European insurance business as a discontinued operation.

We have retained our valuable and fast growing UK retail platforms Wrap and Elevate, as well as our financial planning and advice business 1825, and our distribution and marketing capabilities. The enhanced strategic partnership with Phoenix will also see us actively collaborating across a number of areas including the retail platforms and workplace pensions.

We will continue to use our expertise to help people get good advice and make better financial choices for their future. Our overall ambition, for Standard Life to be customers' first choice for their life savings, remains unchanged but our method of delivering this will change and will now be supported by our strategic partnership with Phoenix.

AUA and net flows

Platforms

AUA increased by 4% to £56.3bn (FY 2017: £54.0bn), benefiting from net inflows of £2.5bn (H1 2017: £3.7bn) into our retail platforms, Wrap and Elevate.

Gross inflows, although down on last year's record levels, remain strong at £4.7bn (H1 2017: £5.5bn). Inflows continue to benefit from the boost in the pensions market from individuals looking to take advantage of high defined benefit transfer values by moving to products providing the flexibility offered by drawdown and pension freedoms.

Redemptions increased to £2.2bn (H1 2017: £1.8bn) and reflect the growth in the size of our platforms. However, as a percentage of opening AUA, annualised redemptions were flat at 8.1% (H1 2017: 8.1%).

Our retail platforms offer customers access to a wide range of investment capabilities including over 5,000 in-house and third party mutual funds. Of total platform assets 15% are managed by Aberdeen Standard Investments.

Flows and AUA	H1 2018 £bn	H1 2017 £bn
Gross inflows	4.7	5.5
Net flows	2.5	3.7
AUA ¹	56.3	54.0

¹ Comparative as at 31 December 2017.

Advice

Our financial planning and advice business 1825 offers Standard Life Aberdeen greater proximity to retail customers at a time when there is a growing need for financial advice in the UK as individuals become increasingly responsible for their own saving needs.

We continue to build scale as we aim for national UK coverage.

Following the completion of a further two acquisitions this year, we now have 80 financial planners across 14 locations providing face-to-face and over the phone advice to in excess of 9,000 clients.

Assets under advice increased to £4.3bn during the period (FY 2017: £3.6bn).

Adjusted profit before tax

Adjusted profit before tax was £1m (H1 2017: £nil) including a contribution of £14m from our growing Platforms business (H1 2017: £10m). The Other channel loss includes expenses related to our distribution, marketing and support functions partially offset by the benefit from the pension scheme surplus.

Adjusted profit by channel	H1 2018 £m	H1 2017 £m
Platforms	14	11
Advice	(1)	(2)
Other	(12)	(9)
Adjusted profit before tax	1	–

Fee based revenue of £89m (H1 2017: £84m) includes a one-off reduction in H1 2018 of £5m following the adoption of the new revenue recognition accounting standard IFRS 15. This also impacted the average fee revenue yield which fell to 33bps (FY 2017: 36bps).

Excluding this one-off item, revenue grew by £10m, a 12% increase which reflects the continuing growth in our platforms and advice businesses and the average fee revenue yield was broadly stable at 35bps.

Adjusted operating expenses increased by £5m to £102m (H1 2017: £97m) reflecting the growth in our business. The cost/income ratio was stable at 115% (H1 2017: 115%). Excluding the one-off IFRS 15 impact, the cost/income ratio reduced to 109% as we continue to see the benefits of our highly scalable platform business.

The capital management result of £14m (H1 2017: £13m) mainly relates to the net interest credit from the pension scheme surplus.

Total IFRS loss

Total IFRS loss after tax was £10m (H1 2017: £9m).

Profitability	H1 2018 £m	H1 2017 £m
Fee based revenue	89	84
Adjusted operating expenses	(102)	(97)
Adjusted operating profit	(13)	(13)
Capital management	14	13
Adjusted profit before tax	1	–
Adjusting items	(16)	(8)
Total tax credit/(expense)	5	(1)
Total IFRS loss after tax	(10)	(9)

India and China life

AUMA and net flows

Total AUA increased by 2% to £4.9bn (FY 2017: £4.8bn) reflecting an increase in HASL AUA. HDFC Life AUA remained steady at £3.5bn (FY 2017: £3.5bn) with growth in assets offsetting adverse exchange rate movements.

HASL AUA increased to £0.7bn (FY 2017: £0.6bn) and Hong Kong remains at £0.7bn (FY 2017: £0.7bn).

Net inflows for our associate and joint venture life businesses increased to £286m (H1 2017: £274m). Net inflows for HDFC Life reduced to £209m (H1 2017: £225m) due to the reduction in our shareholding in November 2017. HASL's net flows rose to £77m (H1 2017: £49m).

Profitability

Adjusted profit before tax increased to £35m (H1 2017: £33m) driven by HASL which rose to £10m (H1 2017: £6m), benefiting from higher profits from group business and higher premium income.

HDFC Life profit increased in H1 2018 due to strong premium growth. However, due to the impact from our reduced shareholding and adverse movements in exchange rates, our share of profit fell to £24m (H1 2017: £27m).

Adjusted profit before tax in Hong Kong is £1m (H1 2017: £nil).

IFRS profit after tax increased to £26m (H1 2017: £7m) mainly due to H1 2017 including the £24m impairment loss relating to the proposed sale of our wholly owned Hong Kong insurance company to HASL. The sale process remains subject to regulatory approvals and we remain hopeful that it will complete in 2018.

Profitability	H1 2018 £m	H1 2017 £m
HDFC Life	24	27
HASL	10	6
Hong Kong	1	–
Adjusted profit before tax	35	33
Share of associates' and joint ventures' tax expense	(7)	(2)
Total adjusting items	(2)	(24)
Total tax expense	–	–
IFRS profit after tax	26	7

At 6 August 2018 the market value of HDFC Life was c£11bn, which values our stake at c£3.2bn.

Note: Results are presented on the basis of Standard Life Aberdeen ownership percentages. In 2017, HDFC Life ownership was c35% until the end of October 2017 and then c29.3% thereafter. HASL ownership is 50% and Hong Kong is 100%. Our 38.0% share in HDFC Asset Management is included in the Aberdeen Standard Investments segment.

Standard Life Pensions and Savings (Discontinued operations)

Discontinued operations relates to the UK and European insurance business which comprises of our Spread/risk, Europe, Workplace and elements of our Retail business. The proposed sale of this business to Phoenix, which remains subject to regulatory approval, was announced on 23 February 2018 and approved by our shareholders at the general meeting held on 25 June 2018.

AUA and net flows¹

Discontinued AUA decreased to £133.2bn (FY 2017: £134.1bn). Net outflows decreased by 14% to £1.2bn (H1 2017: £1.4bn outflows).

Retail AUA presented as discontinued remained stable at £59.4bn (FY 2017: £59.7bn), with net outflows of £1.7bn (H1 2017: £1.8bn outflows).

UK Workplace AUA remained stable at £40.2bn (FY 2017: £40.2bn). Net inflows were also in line with H1 2017 at £0.8bn. Regular premiums have increased by 5% to £1.7bn and account for 85% of total Workplace inflows. Approximately 70% of total Workplace assets are managed by Aberdeen Standard Investments.

Spread/risk AUA decreased by 4% to £14.5bn (FY 2017: £15.1bn), reflecting net outflows from scheduled annuity payments of £0.5bn (H1 2017: £0.5bn) and the impact of market movements.

Europe AUA of £19.1bn (FY 2017: £19.1bn) benefited from net inflows of £0.2bn (H1 2017: £0.1bn), offset by market movements.

Profitability

Discontinued adjusted profit before tax increased by £1m to £167m (H1 2017: £166m). Growth in fee based revenue and the spread/risk margin was offset by an increase in operating expenses.

Fee based revenue increased by £13m to £395m (H1 2017: £382m), benefiting from higher average AUA.

Spread/risk margin increased by £6m to £55m (H1 2017: £49m) and included a benefit from specific asset and liability management actions of £17m (H1 2017: £17m).

Adjusted operating expenses increased by £22m to £280m, including the impacts of increased change spend and customer remediation. Investment expenses payable to Aberdeen Standard Investments increased by £2m to £63m, in line with higher average AUA compared to H1 2017.

Discontinued total IFRS profit decreased by £134m to £74m (H1 2017: £208m). The loss from adjusting items of £74m (H1 2017: £55m profit) includes a negative £61m short-term fluctuation in investment return which was impacted by a widening of credit spreads, £38m of transaction and separation costs relating to the proposed sale to Phoenix and Brexit related costs of £12m. These items were partially offset by a held for sale accounting adjustment in H1 2018 of £38m relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets. Following the classification of the UK and European insurance business as held for sale on the announcement of the proposed transaction on 23 February 2018, no amortisation or depreciation is recognised. This increase to profit has been classified as an adjusting item.

The tax expense of £19m increased by £6m (H1 2017: £13m), the 2017 result having benefited from a deferred tax credit due to revalued tax assets relating to the German business.

Profitability	H1 2018 £m	H1 2017 £m
Fee based revenue	395	382
Spread/risk margin	55	49
Adjusted operating income	450	431
Adjusted operating expenses	(280)	(258)
Adjusted operating profit	170	173
Capital management	(3)	(7)
Adjusted profit before tax	167	166
Adjusting items	(74)	55
Total tax expense	(19)	(13)
IFRS profit after tax	74	208

¹ Excludes AUMA from products such as Wrap SIPP, where the SIPP product is moving to Phoenix but will continue to be administered via the Wrap platform. To avoid a double count, this AUMA is included in Pensions and Savings – Continuing only. The total AUA from these products is £26.2bn (FY 2017: £24.5bn) and net inflows are £1.7bn (H1 2017: £2.3bn).

Risk oversight

As we reshape our business, we have embarked on a programme to transform our Risk & Compliance function. Stronger second line oversight of the business will go hand in hand with initiatives to support first line accountability which anticipate the introduction of the UK Senior Managers and Certification Regime.

Our enhanced risk framework will reflect and respond to the increased regulatory expectations around executive accountability and take advantage of innovations in risk and compliance working practices, process controls and information management.

Pages 54 to 59 of our Annual report and accounts 2017 details 16 principal risks to which the Group is exposed. These risks are:

Investment Performance; Strategic Transition and Delivery; Distribution and Client Management; Client and Customer Preferences and Demand; Political Change; Talent Management; Change Management; IT Failure and Security, including cyber risk; Oversight of Third Parties; Process Execution Failure; Client and Customer Outcomes; Regulatory and Legal; Market Risk; Liquidity Risk; Counterparty Failure 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 2018 remain the same as those outlined in the Annual report and accounts 2017, with the exception of Longevity Risk which will no longer be a principal risk following the completion of the proposed sale of SLAL to Phoenix. We will continue to have some exposure to Longevity Risk through our investment in Phoenix and the exposures within our defined benefit staff pension scheme, but the overall exposure will be reduced. There have been a number of developments within some of our principal risks since publication of the Annual report and accounts 2017 and they are outlined below.

Key developments in relation to our principal risks

The substantial volume of corporate change currently underway is complex and far reaching due to numerous interdependencies across the Group leading to a heightened risk environment. Our risk framework is being enhanced to ensure that there is clarity and accountability around the risk environment and management actions are being taken to reduce the level of risk.

The competing demands of the proposed sale of SLAL to Phoenix, the ongoing transformation of our business to a world-class investment company as well as an evolving regulatory agenda have created a heightened exposure to 'Change Management', 'Strategic Transition and Delivery' and 'Talent Management' risks, contributing to a period of operational stretch in the business. If these risks are not managed effectively, the business and financial results of the Group could be adversely affected. If these challenges were to adversely affect customer outcomes there could be reputational, regulatory and financial consequences for the business. To manage these risks, we have established a transformation programme which aims to provide a single governance structure to oversee the design of the new Standard Life Aberdeen operating model. This governance structure will ensure workload is prioritised and coordinated across the business, whilst also providing further clarity to our people around future organisational changes. To date, where possible, teams have been ring-fenced against activity resulting from the proposed sale of SLAL to Phoenix.

There will continue to be interdependencies between SLAL and the Group after the proposed sale of SLAL to Phoenix, resulting in a number of new material outsourcing arrangements and an increase in 'Oversight of Third Parties' risk and 'Client and Customer Outcomes' risk. A failure to maintain existing customer experience and service standards could lead to unfair customer outcomes and increased operational risk exposure. Detailed dependency planning has taken place and the implementation of Transitional Service Agreements, the

Client Services and Proposition Agreement, Investment Management Agreements and Ancillary Service Agreements are designed to ensure existing service standards are maintained for both our clients and customers and for Standard Life Aberdeen as a business. Material outsourcing arrangements will follow Group policy guidelines and be subject to ongoing oversight by Risk & Compliance.

Cyber security continues to be a key area of focus against a backdrop of significant change activities in the business. The proposed sale of SLAL to Phoenix presents increased 'IT Failure and Security, including Cyber' risk and the potential for insider threats. We are working to ensure that our cyber security control framework post-transaction remains appropriate to protect client and customer assets and information from misuse, the effects of crime and the impact of a significant disruption to our operations. Ongoing arrangements between Standard Life Aberdeen and Phoenix will be an important part of our overall approach to maintaining strong security governance and adherence to industry good practice standards throughout the transition period.

Governance structures overseeing each aspect of the transition are in place to ensure conflicts of interest are managed appropriately and any 'Regulatory and Legal' risk is appropriately mitigated.

A number of limited indemnities have been agreed to as part of the proposed sale of SLAL to Phoenix that may increase 'Liquidity Risk' for the Group. Following completion of the sale, any clauses breached could result in unforeseen capital expenditure and the impact may not be fully known until the end of the indemnity period. Ensuring we hold appropriate levels of capital through our Internal Risk and Capital Assessment processes aims to minimise this risk.

Managing 'Investment Performance' risk is core to our business. Investment performance remains mixed, with challenges across key funds and asset classes such as multi-asset and equities. We recognise that weaker performance in key areas is having an impact on net flows. Actions are being taken to address performance challenges and the business remains well positioned to benefit from the trends which are shaping the investments landscape.

There remains unavoidable uncertainty in relation to the UK's exit from the EU in March 2019 and we remain exposed to 'Political Change' risk. An established Group-wide programme remains in place to deliver solutions that, given the current backdrop of political uncertainty, will aim to address the consequences of a hard Brexit. Active regulatory engagement and close monitoring of ongoing political debates are in place. Responsibility for delivery of the aspects that relate to SLAL will transfer to Phoenix following completion of the proposed sale of SLAL.

Basis of preparation

Overview

Our Management report for the period to 30 June 2018 has been prepared in accordance 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 oversight section of the Management report and Note 39 of the Group's Annual report and accounts 2017. Under DTR 4.2.8R the Group is also required to make certain related party disclosures. These are contained in Note 4.18 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.

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.

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 2017 as amended for new standards effective from 1 January 2018, as described in Note 4.1 – Accounting policies.

Reported and Pro forma results

The merger of Standard Life plc and Aberdeen Asset Management PLC (Aberdeen) completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. Pro forma results for the Group are prepared as if Standard Life Group and Aberdeen had always been merged and are included in these results to assist in explaining trends in financial performance by showing performance for both H1 2018 and H1 2017 for the combined Group. The difference between the Reported results and Pro forma results is the H1 2017 results of Aberdeen which were prior to completion of the merger. A reconciliation between profitability on a Pro forma basis and the Reported basis is included on page 53.

Adjusted profit

The H1 2018 reconciliation of consolidated adjusted profit before tax to IFRS profit for the period, presented on page 17 of this report,

presents profit before tax amended for adjusting items. Further detail on the calculation of adjusted profit is presented in Supplementary information in Section 5. Adjusted profit reporting provides further analysis of the results reported under IFRS and the Directors believe helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing adjusting items.

Forward-looking statements

This document may contain certain 'forward-looking statements' with respect to the financial condition, performance, results, strategy, objectives, plans, goals and expectations of the Company and its affiliates. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of management about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. For example, statements containing words such as 'may', 'will', 'should', 'could', 'continue', 'aims', 'estimates', 'projects', 'believes', 'intends', 'expects', 'hopes', 'plans', 'pursues', 'seeks', 'targets' and 'anticipates', and words of similar meaning, may be forward-looking. These statements are based on assumptions and assessments made by the Company in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. 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 depend on circumstances which may be or are beyond the Company's control, including among other things: UK domestic and global political, economic and business conditions (such as the UK's exit from the EU); 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, disposals or combinations undertaken by the Company or its affiliates (including those associated with acquisitions, disposals or combinations announced by the Company or its affiliates which have yet to complete including the proposed sale of Standard Life Aberdeen's UK and European insurance business to Phoenix) and/or within relevant industries; the value of and earnings from Standard Life Aberdeen's strategic investments and ongoing commercial relationships (including the value of and earnings from the proposed enhanced strategic partnership between Standard Life Aberdeen and Phoenix); 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 (including changes to the regulatory capital requirements that the Company is subject to) in the jurisdictions in which the Company and its affiliates operate. 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, the Company's actual future financial condition, performance and results may differ materially from the plans, goals, objectives and expectations set forth in the forward-looking statements. Persons receiving this document should not place undue reliance on forward-looking statements. Neither the Company nor its affiliates assume any obligation to update or correct any of the forward-looking statements contained in this document or any other forward-looking statements it or they may make (whether as a result of new information, future events or otherwise), except as required by law. Past performance is not an indicator of future results and the results of the Company and its affiliates in this document may not be indicative of, and are not an estimate, forecast or projection of, the Company's or its affiliates' future results.

2. Statement of Directors' responsibilities

Each of the Directors, whose names and functions are listed on the Standard Life Aberdeen plc website, www.standardlifeaberdeen.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 adopted 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 2018 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, Julie Chakraverty, Lynne Peacock and Akira Suzuki retired as non-executive Directors at the conclusion of the Company's Annual General Meeting on 29 May 2018. In addition, the Company announced Cathleen Raffaeli's appointment to the Board, as a non-executive Director, with effect from 1 August 2018.

By order of the Board



Sir Gerry Grimstone
Chairman

7 August 2018



Bill Rattray
Chief Financial Officer

7 August 2018

3. Independent review report to Standard Life Aberdeen 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 2018 which comprises the:

- IFRS condensed consolidated income statement
- IFRS condensed consolidated statement of comprehensive income
- Reconciliation of consolidated adjusted profit before tax to IFRS profit for the period
- IFRS condensed consolidated statement of financial position
- IFRS condensed statement of changes in equity
- IFRS condensed consolidated statement of cash flows and the related explanatory notes

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 2018 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

7 August 2018

4. Financial information

IFRS condensed consolidated income statement

For the six months ended 30 June 2018

	Notes	6 months 2018 £m	6 months 2017 restated ¹ £m	Full year 2017 restated ¹ £m
Income				
Investment return		10	77	238
Revenue from contracts with customers	4.4	1,019	514	1,486
Insurance and participating investment contract premium income		36	47	89
Profit on disposal of interests in associates		6	–	319
Other income		13	17	33
Total income		1,084	655	2,165
Expenses				
Insurance and participating investment contract claims and change in liabilities		27	99	201
Change in non-participating investment contract liabilities		2	8	74
Administrative expenses				
Restructuring and corporate transaction expenses	4.5	59	57	162
Other administrative expenses		883	429	1,295
Total administrative expenses	4.5	942	486	1,457
Change in liability for third party interest in consolidated funds		4	–	6
Finance costs		21	14	34
Total expenses		996	607	1,772
Share of profit from associates and joint ventures		39	46	45
Profit before tax		127	94	438
Tax expense	4.6	13	10	28
Profit for the period from continuing operations		114	84	410
Profit for the period from discontinued operations	4.2	79	214	322
Profit for the period		193	298	732
Attributable to:				
Equity holders of Standard Life Aberdeen plc				
From continuing operations		111	84	402
From discontinued operations		74	208	297
Equity holders of Standard Life Aberdeen plc		185	292	699
Non-controlling interests				
From continuing operations – preference shares and perpetual notes		3	–	8
From discontinued operations – ordinary shares		5	6	25
		193	298	732
Earnings per share from continuing operations				
Basic (pence per share)	4.7	3.8	4.3	17.1
Diluted (pence per share)	4.7	3.7	4.3	17.0
Earnings per share				
Basic (pence per share)	4.7	6.3	14.8	29.8
Diluted (pence per share)	4.7	6.2	14.8	29.6

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

 The Notes on pages 24 to 50 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 2018

	Notes	6 months 2018 £m	6 months 2017 restated ¹ £m	Full year 2017 restated ¹ £m
Profit for the period		193	298	732
Less: profit from discontinued operations		(79)	(214)	(322)
Profit from continuing operations		114	84	410
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement losses on defined benefit pension plans		(84)	–	(18)
Equity holder tax effect of items that will not be reclassified subsequently to profit or loss	4.6	–	–	(10)
Total items that will not be reclassified subsequently to profit or loss		(84)	–	(28)
Items that may be reclassified subsequently to profit or loss:				
Fair value gains/(losses) on cash flow hedges		15	–	(33)
Fair value losses on available-for-sale financial assets		(5)	–	–
Exchange differences on translating foreign operations		(9)	(5)	(31)
Share of other comprehensive (expense)/income of associates and joint ventures		(5)	2	4
Items transferred to the consolidated income statement				
Realised (losses)/gains on cash flow hedges		(17)	–	13
Realised foreign exchange losses		–	–	(2)
Equity holder tax effect of items that may be reclassified subsequently to profit or loss	4.6	1	–	3
Total items that may be reclassified subsequently to profit or loss		(20)	(3)	(46)
Other comprehensive income for the period from continuing operations		(104)	(3)	(74)
Total comprehensive income for the period from continuing operations		10	81	336
Profit from discontinued operations	4.2	79	214	322
Other comprehensive income from discontinued operations	4.2	(2)	9	12
Total comprehensive income for the period from discontinued operations		77	223	334
Total comprehensive income for the period		87	304	670
Attributable to:				
Equity holders of Standard Life Aberdeen plc				
From continuing operations		7	81	328
From discontinued operations		72	217	309
Non-controlling interests				
From continuing operations – preference shares and perpetual notes		3	–	8
From discontinued operations – ordinary shares		5	6	25
		87	304	670

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

 The Notes on pages 24 to 50 are an integral part of this IFRS condensed consolidated financial information.

Reconciliation of consolidated adjusted profit before tax to IFRS profit for the period

For the six months ended 30 June 2018

	Notes	6 months 2018			6 months 2017 restated ¹		
		Continuing operations £m	Discontinued operations £m	Total £m	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit/(loss) before tax							
Aberdeen Standard Investments		317	–	317	189	–	189
Pensions and Savings		1	167	168	–	167	167
India and China life		35	–	35	33	–	33
Other		(42)	–	(42)	(30)	(1)	(31)
Adjusted profit before tax	4.3	311	167	478	192	166	358
Adjusted for the following items							
Restructuring and corporate transaction expenses		(59)	(51)	(110)	(57)	(4)	(61)
Amortisation and impairment of intangible assets acquired in business combinations		(108)	–	(108)	(10)	–	(10)
Profit on disposal of interests in associates		6	–	6	–	–	–
Short-term fluctuations in investment return and economic assumption changes		–	(61)	(61)	–	59	59
Other ²		(5)	38	33	(24)	–	(24)
Total adjusting items	4.3	(166)	(74)	(240)	(91)	55	(36)
Share of associates' and joint ventures' tax expense	4.3	(18)	–	(18)	(7)	–	(7)
Profit attributable to non-controlling interests – ordinary shares	4.3	–	5	5	–	6	6
Profit before tax³		127	98	225	94	227	321
Tax (expense)/credit attributable to							
Adjusted profit	4.3	(48)	(29)	(77)	(31)	1	(30)
Adjusting items	4.3	35	10	45	21	(14)	7
Total tax expense		(13)	(19)	(32)	(10)	(13)	(23)
Profit for the period		114	79	193	84	214	298

¹ Following completion of the merger the Group has changed the calculation of adjusted profit (previously named operating profit). Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to non-insurance entities. This has resulted in a £3m reduction to the adjusted profit of the other segment, a £1m reduction to the Aberdeen Standard Investments segment and a corresponding £4m adjustment to short-term fluctuations in investment return and economic assumption changes within adjusting items, for the six months ended 30 June 2017.

² Other adjusting items for the six months ended 30 June 2018 includes £nil (six months ended 30 June 2017: £24m; 12 months ended 31 December 2017: £24m) in relation to the impairment of a disposal group classified as held for sale. The Other adjusting item in 2018 relating to discontinued operations is a held for sale accounting adjustment relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets of £38m. Following the classification of the UK and European Insurance business as held for sale, no amortisation or depreciation is recognised in accordance with applicable financial reporting standards.

³ For discontinued operations profit before tax expense attributable to equity holders consists of profit before tax of £122m (six months ended 30 June 2017: £280m; 12 months ended 31 December 2017: £526m) less tax expense attributable to policyholders' returns of £24m (six months ended 30 June 2017: £53m; 12 months ended 31 December 2017: £166m).

Full year 2017	Notes	Continuing operations £m	Discontinued operations £m	Total £m
Adjusted profit/(loss) before tax				
Aberdeen Standard Investments		492	–	492
Pensions and Savings		1	380	381
India and China life		59	–	59
Other		(77)	(1)	(78)
Adjusted profit before tax	4.3	475	379	854
Adjusted for the following items				
Restructuring and corporate transaction expenses		(162)	(11)	(173)
Amortisation and impairment of intangible assets acquired in business combinations		(138)	–	(138)
Provision for annuity sales practices		–	(100)	(100)
Coupons payable on perpetual notes classified as equity		10	–	10
Profit on disposal of interests in associates		319	–	319
Short-term fluctuations in investment return and economic assumption changes		–	67	67
Other		(25)	–	(25)
Total adjusting items	4.3	4	(44)	(40)
Share of associates' and joint ventures' tax expense	4.3	(41)	–	(41)
Profit attributable to non-controlling interests – ordinary shares	4.3	–	25	25
Profit before tax expense attributable to equity holders		438	360	798
Tax (expense)/credit attributable to				
Adjusted profit	4.3	(77)	(31)	(108)
Adjusting items	4.3	49	(7)	42
Total tax expense attributable to equity holders		(28)	(38)	(66)
Profit for the period		410	322	732

The Group's key alternative performance measure is adjusted profit before tax. Refer to Note 4.8 for further details.

 The Notes on pages 24 to 50 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of financial position

As at 30 June 2018

	Notes	30 June 2018 £m	30 June 2017 £m	31 December 2017 £m
Assets				
Intangible assets	4.10	4,401	566	4,514
Deferred acquisition costs		6	622	612
Investments in associates and joint ventures accounted for using the equity method ¹		514	603	503
Investment property	4.15	–	10,038	9,749
Property, plant and equipment		51	117	146
Pension and other post-retirement benefit assets	4.13	1,032	1,107	1,099
Deferred tax assets		43	57	65
Reinsurance assets		–	5,155	4,811
Loans		–	197	91
Derivative financial assets	4.15	7	2,844	3,053
Equity securities and interests in pooled investment funds ¹	4.15	3,196	94,538	99,020
Debt securities	4.15	469	63,887	61,565
Receivables and other financial assets		590	1,597	1,242
Current tax recoverable		30	226	192
Other assets		69	115	185
Assets held for sale	4.2	183,317	757	1,038
Cash and cash equivalents		935	8,025	10,226
Total assets		194,660	190,451	198,111
Equity				
Share capital	4.11	364	242	364
Shares held by trusts	4.11	(76)	(14)	(61)
Share premium reserve	4.11	640	635	639
Retained earnings		2,857	2,909	3,162
Other reserves		4,472	611	4,500
Equity attributable to equity holders of Standard Life Aberdeen plc		8,257	4,383	8,604
Non-controlling interests				
Ordinary shares		287	287	289
Preference shares		99	–	99
Total equity		8,643	4,670	8,992
Liabilities				
Non-participating insurance contract liabilities		5	22,894	22,740
Non-participating investment contract liabilities	4.15	1,274	103,456	105,769
Participating contract liabilities		5	30,615	30,647
Deposits received from reinsurers		–	4,810	4,633
Third party interest in consolidated funds	4.15	227	16,080	16,457
Subordinated liabilities		1,909	1,327	2,253
Pension and other post-retirement benefit provisions	4.13	70	57	78
Deferred income		–	175	157
Deferred tax liabilities		109	254	367
Current tax liabilities		72	132	166
Derivative financial liabilities	4.15	32	894	813
Other financial liabilities		1,090	4,135	3,896
Provisions		30	217	316
Other liabilities		15	95	121
Liabilities of operations held for sale	4.2	181,179	640	706
Total liabilities		186,017	185,781	189,119
Total equity and liabilities		194,660	190,451	198,111

¹ At 31 December 2017, the presentation of the consolidated statement of financial position was changed to include associates measured at FVTPL within 'Equity securities and interests in pooled investment funds'. Previously these were included within 'Investments in associated and joint ventures' which has been renamed 'Investments in associates and joint ventures accounted for using the equity method'. The 30 June 2017 comparative has been updated to reflect the change in presentation.

IFRS condensed consolidated statement of changes in equity

For the six months ended 30 June 2018

2018	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 Aberdeen plc £m	Non-controlling interests		Total equity £m
								Ordinary shares £m	Preference shares £m	
1 January		364	(61)	639	3,162	4,500	8,604	289	99	8,992
Profit for the period from continuing operations		–	–	–	111	–	111	–	3	114
Profit for the period from discontinued operations	4.2	–	–	–	74	–	74	5	–	79
Other comprehensive income for the period from continuing operations		–	–	–	(89)	(15)	(104)	–	–	(104)
Other comprehensive income for the period from discontinued operations	4.2	–	–	–	–	(2)	(2)	–	–	(2)
Total comprehensive income for the period		–	–	–	96	(17)	79	5	3	87
Issue of share capital	4.11	–	–	1	–	–	1	–	–	1
Dividends paid on ordinary shares	4.9	–	–	–	(420)	–	(420)	–	–	(420)
Dividends paid on preference shares		–	–	–	–	–	–	–	(3)	(3)
Other movements in non-controlling interests in the period		–	–	–	–	–	–	(7)	–	(7)
Reserves credit for employee share-based payments		–	–	–	–	30	30	–	–	30
Transfer to retained earnings for vested employee share-based payments		–	–	–	41	(41)	–	–	–	–
Shares acquired by employee trusts		–	(35)	–	–	–	(35)	–	–	(35)
Shares distributed by employee and other trusts and related dividend equivalents		–	20	–	(21)	–	(1)	–	–	(1)
Sale of shares held by trusts		–	–	–	–	–	–	–	–	–
Aggregate tax effect of items recognised directly in equity	4.6	–	–	–	(1)	–	(1)	–	–	(1)
30 June		364	(76)	640	2,857	4,472	8,257	287	99	8,643

		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 Aberdeen plc £m	Non-controlling interests £m	Total equity £m
2017	Notes								
1 January		242	(2)	634	2,855	618	4,347	297	4,644
Profit for the period from continuing operations		—	—	—	84	—	84	—	84
Profit for the period from discontinued operations	4.2	—	—	—	208	—	208	6	214
Other comprehensive income for the period from continuing operations		—	—	—	2	(5)	(3)	—	(3)
Other comprehensive income for the period from discontinued operations	4.2	—	—	—	—	9	9	—	9
Total comprehensive income for the period		—	—	—	294	4	298	6	304
Issue of share capital	4.11	—	—	1	—	—	1	—	1
Dividends paid on ordinary shares	4.9	—	—	—	(263)	—	(263)	—	(263)
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	4.6	—	—	—	—	—	—	—	—
30 June		242	(14)	635	2,909	611	4,383	287	4,670

		Non-controlling interests								
		Share capital	Shares held by trusts	Share premium reserve	Retained earnings	Other reserves	Total equity attributable to equity holders of Standard Life Aberdeen plc	Ordinary shares	Preference shares and perpetual notes	Total equity
2017	Notes	£m	£m	£m	£m	£m	£m	£m	£m	£m
1 January		242	(2)	634	2,855	618	4,347	297	–	4,644
Profit for the period from continuing operations		–	–	–	402	–	402	–	8	410
Profit for the period from discontinued operations	4.2	–	–	–	297	–	297	25	–	322
Other comprehensive income for the period from continuing operations		–	–	–	(24)	(50)	(74)	–	–	(74)
Other comprehensive income for the period from discontinued operations	4.2	–	–	–	–	12	12	–	–	12
Total comprehensive income for the year		–	–	–	675	(38)	637	25	8	670
Issue of share capital	4.11	122	(3)	5	–	3,877	4,001	–	–	4,001
Dividends paid on ordinary shares	4.9	–	–	–	(469)	–	(469)	–	–	(469)
Coupons paid on perpetual notes		–	–	–	–	–	–	–	(13)	(13)
Non-controlling interests acquired through business combinations		–	–	–	–	–	–	–	501	501
Reclassification of perpetual notes to liability		–	–	–	19	–	19	–	(399)	(380)
Other movements in non-controlling interests in the year		–	–	–	–	–	–	(33)	–	(33)
Reserves credit for employee share-based payments		–	–	–	–	96	96	–	–	96
Transfer to retained earnings for vested employee share-based payments		–	–	–	86	(54)	32	–	–	32
Shares acquired by employee trusts		–	(61)	–	–	–	(61)	–	–	(61)
Shares distributed by employee and other trusts and related dividend equivalents		–	5	–	(8)	–	(3)	–	–	(3)
Sale of shares held by trusts		–	–	–	4	–	4	–	–	4
Aggregate tax effect of items recognised directly in equity	4.6	–	–	–	–	1	1	–	2	3
31 December		364	(61)	639	3,162	4,500	8,604	289	99	8,992



The Notes on pages 24 to 50 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 2018

	Notes	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Cash flows from operating activities				
Profit before tax from continuing operations		127	94	438
Profit before tax from discontinued operations	4.2	122	280	526
		249	374	964
Change in operating assets		3,262	665	1,351
Change in operating liabilities		(2,262)	415	(84)
Adjustment for non-cash movements in investment income		(37)	(17)	40
Change in unallocated divisible surplus		(49)	(2)	140
Other non-cash and non-operating items		139	39	3
Taxation paid		(155)	(135)	(220)
Net cash flows from operating activities		1,147	1,339	2,194
Cash flows from investing activities				
Purchase of property, plant and equipment		(12)	(15)	(37)
Proceeds from sale of property, plant and equipment		1	–	–
Proceeds from sale of seeding investments		8	–	19
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		(33)	–	495
Disposal of investments in associates and joint ventures		–	–	359
Purchase of intangible assets		(105)	(32)	(69)
Net cash flows from investing activities		(141)	(47)	767
Cash flows from financing activities				
Repayment of subordinated liabilities	4.12	(363)	–	–
Repayment of other borrowings		(2)	(1)	(1)
Proceeds from issue of subordinated liabilities		–	–	565
Capital flows to third party interest in consolidated funds and non-controlling interests – ordinary shares		(358)	(848)	(1,011)
Distributions paid to third party interest in consolidated funds and non-controlling interests – ordinary shares		(55)	(56)	(109)
Shares acquired by trusts		(35)	(14)	(61)
Sale of shares held by trusts		–	4	4
Proceeds from issue of shares		1	1	5
Interest paid		(38)	(34)	(97)
Preference dividends paid		(3)	–	–
Ordinary dividends paid	4.9	(420)	(263)	(469)
Net cash flows from financing activities		(1,273)	(1,211)	(1,174)
Net (decrease)/increase in cash and cash equivalents		(267)	81	1,787
Cash and cash equivalents at the beginning of the period		9,715	7,900	7,900
Effects of exchange rate changes on cash and cash equivalents		2	33	28
Cash and cash equivalents at the end of the period¹		9,450	8,014	9,715
Supplemental disclosures on cash flows from operating activities				
Interest paid		3	2	4
Interest received		848	841	1,710
Dividends received		1,321	1,141	2,086
Rental income received on investment property		251	257	503

¹ Comprises £9,790m (30 June 2017: £8,052m; 31 December 2017: £10,257m) of cash and cash equivalents, including cash and cash equivalents held for sale and (£340m) (30 June 2017: (£38m); 31 December 2017: (£542m)) of overdrafts which are reported in other financial liabilities and liabilities of operations held for sale in the IFRS condensed consolidated statement of financial position.

 The Notes on pages 24 to 50 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 2017 have been applied in the preparation of the IFRS condensed consolidated half year financial information except as noted below.

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

The Group has adopted the following new International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), interpretations and amendments to existing standards, which are effective by EU endorsement for annual periods beginning on or after 1 January 2018:

IFRS 15 Revenue from Contracts with Customers and amendments to IAS 34 Interim Financial Reporting

IFRS 15 replaces IAS 18 *Revenue* and provides a new five-step revenue recognition model for determining recognition and measurement of revenue from contracts with customers. The Group's revenue generated from the following contracts is exempt from this standard:

- Lease contracts within the scope of IAS 17 *Leases*
- Insurance contracts within the scope of IFRS 4 *Insurance Contracts*
- Financial instruments within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*

The adoption of this standard has had no significant impact on the timing of revenue recognition of the Group. The Group's accounting policy for revenue within the scope of IFRS 15 has been updated to state that revenue is recognised as performance obligations are satisfied.

The standard introduces a number of new disclosure requirements which will be presented in the Group's Annual report and accounts for the year ended 31 December 2018.

Revenue from contracts with customers from continuing operations for the six months ended 30 June 2017 and 12 months ended 31 December 2017 consists of £511m and £1,479m respectively which was previously presented as fee income, and £3m and £7m respectively that was previously presented as other income on the face of the consolidated income statement.

The standard requires the incremental cost of obtaining contracts with customers to be recognised as an asset where it is expected that these costs will be recovered. These costs have been included as an intangible asset and are shown in Note 4.10.

The standard amends IAS 34 to require additional disclosures in interim accounts around disaggregated revenue and its relationship with revenue reported for each reportable segment. These disclosures are provided in Note 4.4.

IFRS 4 Insurance Contracts and IFRS 9 Financial Instruments

The Group has opted to defer implementation of *IFRS 9 Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018, as permitted under amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*. Qualifying insurers are permitted to defer implementation of IFRS 9 until periods beginning on or after 1 January 2021.

Interpretations and amendments to other standards

- IFRIC 22 *Foreign Currency Transactions and Advanced Consideration*
- Amendments to IFRS 2 *Share-based payment*: Classification and Measurement of Share-based payment transactions
- Amendments to IAS 40 *Investment Property*: *Transfers of Investment Property*
- Annual Improvements 2014-2016 cycle

The Group's accounting policies have been updated to reflect these. Management considers the implementation of the above interpretations and amendments to existing standards has had no significant impact on the Group's financial statements.

(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 2017 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 2018		6 months 2017		Full year 2017	
	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	1.136	1.131	1.164	1.139	1.145	1.126
US Dollar	1.369	1.320	1.267	1.299	1.297	1.353
Indian Rupee	90.033	90.457	83.417	83.963	84.474	86.341
Chinese Renminbi	8.759	8.747	8.705	8.806	8.753	8.809
Hong Kong Dollar	10.727	10.358	9.854	10.140	10.104	10.575
Singapore Dollar	1.819	1.800	1.775	1.788	1.787	1.808

4.2 Acquisitions and disposals

(a) Acquisitions

(a)(i) Subsidiaries

On 27 April 2018, Aberdeen Asset Management Inc. purchased the US business of specialist commodity exchange traded product provider ETF Securities by purchasing the entire members' interests of ETF Securities USA LLC, ETF Securities (US) LLC and ETF Securities Advisers LLC. The acquisition broadens Aberdeen Standard Investments' suite of investment capabilities with the addition of a range of commodity-based Exchange Traded Funds. It also provides the platform and expertise to enable Aberdeen Standard Investments to grow its existing Smart Beta capability by launching strategies within an Exchange Traded Fund vehicle structure.

At the acquisition date the consideration, net assets acquired and resulting goodwill from the ETF Securities acquisition were as follows:

27 April 2018	£m ¹
Cash	27
Fair value of earn-out payment	8
Consideration	35
Fair value of net assets acquired	
Customer-related intangible assets	28
Receivables and other financial assets	1
Cash and cash equivalents	1
Total assets	30
Other financial liabilities	2
Total liabilities	2
Goodwill	7

¹ The fair values of assets and liabilities recognised, including intangibles, are provisional and are subject to the finalisation of completion accounts. The fair value of the earn-out payment of £8m has been calculated by reference to revenue retention and increases in assets under management and could range from £nil to £10m.

Customer-related intangible assets relate to the existing customer relationships in place at the acquisition date. The full amount of the goodwill is expected to be deductible for tax purposes.

The amounts of revenue and profit contributed to the Group's consolidated income statement for the period ended 30 June 2018 from the acquired ETF Securities business were £1m and £nil respectively. If the acquisition had occurred on 1 January 2018, the Group's total revenue for the period would have increased by £3m to £1,022m and the profit would have remained unchanged.

During the period, the Group's UK wide financial advice business, 1825, completed the purchase of the entire share capital of Fraser Heath Financial Management Ltd and Cumberland Place Financial Management Ltd on 1 March 2018 and 6 April 2018 respectively. The combined assets under advice totalled £750m at the respective acquisition dates. Additionally during the period, Aberdeen Standard Investments completed the acquisition of specialist financing company Hark Capital which provides loans to mid-life and end of life private equity and venture capital funds.

(a)(ii) Prior year acquisition

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. The merger completed on 14 August 2017 and Standard Life plc was renamed Standard Life Aberdeen plc.

(b) Disposals

(b)(i) Prior year disposal

HDFC Standard Life Insurance Company Limited

On 17 November 2017, HDFC Standard Life Insurance Company Limited (HDFC Life) listed on the National Stock Exchange of India Limited and The Bombay Stock Exchange Limited following completion of an IPO. On opening, the equity shares in HDFC Life were listed at a price of Rs 290 per share. Through the IPO, Standard Life (Mauritius Holdings) 2006 Limited (MH06) sold 108m equity shares in HDFC Life for a total consideration of Rs 31,489m (£359m). MH06's shareholding in HDFC Life now stands at 590m equity shares or 29.3% of the issued equity share capital of HDFC Life. The gain on sale of £302m was calculated using the weighted-average cost method. On disposal £2m was recycled from the translation reserve and was included in determining the gain on sale.

(c) Assets and liabilities of operations held for sale

(c)(i) Pension and savings discontinued operations

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business to Phoenix Group Holdings (Phoenix) (the Sale), conditional on shareholder and relevant regulatory approvals. The Sale will be implemented by selling the entire issued share capital of Standard Life Assurance Limited (SLAL).

On 30 May 2018, the Group published a circular related to the proposed Sale and gave notice of a general meeting to take place on 25 June 2018. The proposed Sale was approved by shareholders on 25 June 2018 with the shareholders of Phoenix also approving the transaction on the same date. Completion of the Sale is subject to regulatory and other necessary approvals and, if approved, is expected to complete in the third quarter of 2018.

Under the transaction the following businesses will be retained by the Group:

- UK retail platforms, including Wrap and Elevate
- 1825, our financial advice business

In addition, the assets and liabilities of both the UK and Ireland Standard Life staff defined benefit pension plans will be retained by the Group.

The total consideration payable to the Group by Phoenix in respect of the Sale comprises cash payable on closing of approximately £2.0bn, a dividend paid by SLAL to the Company of £312m in March 2018 and new shares issued at completion representing approximately 19.99% of the then issued share capital of Phoenix following the completion of the rights issue by Phoenix on 10 July 2018 to part finance the acquisition. The shareholding in Phoenix is subject to a lock-up of 12 months from completion.

The Group and Phoenix have also agreed to significantly expand their existing long-term strategic partnership whereby the Group continues as Phoenix's primary long-term asset management partner.

Under the terms of the Sale, the Group will provide indemnities in a number of areas. The Group estimates that the one off costs relating to the separation of the business being sold will be in the region of £250m.

Following the announcement, the disposal group was classified as held for sale and measured at its carrying amount. The results of the held for sale disposal group have been classified as discontinued operations.

(c)(ii) 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 (SL Asia) to the Group's Chinese joint venture business, Heng An Standard Life Insurance Company Limited, both of which are reported within the India and China life segment. The transaction is subject to obtaining local regulatory and other approvals in mainland China and Hong Kong.

Following the announcement, the disposal group was classified as held for sale and measured at fair value less costs to sell. 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 £nil (30 June 2017: £24m; 31 December 2017: £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.

(c)(iii) Analysis of assets and liabilities of operations held for sale

At 30 June 2018, the assets and liabilities of operations held for sale comprised the following. Comparatives for 30 June 2017 and 31 December 2017 consist solely of SL Asia.

	Pensions and savings discontinued operations £m	SL Asia £m	Total 30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
Assets of operations held for sale					
Intangible assets	151	–	151	–	–
Deferred acquisition costs	611	–	611	–	–
Investment property	9,895	–	9,895	–	–
Property, plant and equipment	101	–	101	–	–
Deferred tax assets	14	3	17	3	3
Reinsurance assets	4,523	12	4,535	7	13
Loans	102	–	102	–	–
Derivative financial assets	2,588	–	2,588	–	–
Equity securities and interests in pooled investment funds	94,778	639	95,417	590	638
Debt securities	58,428	12	58,440	11	12
Receivables and other financial assets	2,167	4	2,171	13	6
Current tax recoverable	180	–	180	–	–
Other assets	59	–	59	–	–
Cash and cash equivalents	8,821	34	8,855	27	31
Total assets of operations held for sale	182,418	704	183,122	651	703
Liabilities of operations held for sale					
Non-participating insurance contract liabilities	22,174	605	22,779	553	603
Non-participating investment contract liabilities	102,189	59	102,248	65	62
Participating contract liabilities	30,207	–	30,207	–	–
Deposits received from reinsurers	4,313	–	4,313	–	–
Third party interest in consolidated funds	15,691	–	15,691	–	–
Pension and other post-retirement benefit provisions	7	–	7	–	–
Deferred income	143	2	145	2	2
Deferred tax liabilities	213	3	216	3	3
Current tax liabilities	51	–	51	–	–
Derivative financial liabilities	897	–	897	–	–
Other financial liabilities	4,177	6	4,183	7	8
Provisions	270	–	270	–	–
Other liabilities	81	–	81	–	–
Total liabilities of operations held for sale	180,413	675	181,088	630	678
Net assets of operations held for sale	2,005	29	2,034	21	25

Net assets of operations held for sale are net of intercompany balances between the disposal group and the rest of the Group. The net assets of the pensions and savings discontinued operations on a gross basis are £1,403m at 30 June 2018.

In addition to the above, Assets held for sale of £183,317m (30 June 2017: £757m; 31 December 2017: £1,038m) includes £169m (30 June 2017: £72m; 31 December 2017: £91m) of investment vehicles; £26m (30 June 2017: £nil; 31 December 2017: £33m) being the portion of the paid-up equity share capital of HDFC AMC subject to IPO; and £nil (30 June 2017: £34m; 31 December 2017: £211m) of investment and owner occupied property. Total liabilities of operations held for sale of £181,179m (30 June 2017: £640m; 31 December 2017: £706m) also includes third party interests in investment vehicles of £91m (30 June 2017: £10m; 31 December 2017: £28m).

Insurance contracts, participating investment contracts and reinsurance contracts

The breakdown of participating contract liabilities included in operations held for sale is set out below:

	Pensions and savings discontinued operations £m	30 Jun 2018 £m
Participating insurance contract liabilities	14,568	14,568
Participating investment contract liabilities	15,012	15,012
Unallocated divisible surplus	627	627
Participating contract liabilities	30,207	30,207

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the six months ended 30 June 2018 and the six months ended 30 June 2017 arising from changes in estimates are set out below:

	Participating insurance contract liabilities £m	Non- participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurance contracts £m	Net £m
6 months 2018						
Changes in						
Methodology/modelling	(5)	–	5	–	–	–
Economic assumptions	56	(242)	(60)	(246)	93	(153)
Non-economic assumptions	–	–	–	–	–	–

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

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

	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
6 months 2017						
Changes in						
Methodology/modelling	(11)	–	11	–	–	–
Economic assumptions	(2)	(86)	47	(41)	7	(34)
Non-economic assumptions	1	–	(4)	(3)	–	(3)

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the year ended 31 December 2017 was as follows:

	Participating insurance contract liabilities £m	Non- participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurance contracts £m	Net £m
2017						
1 January	15,151	23,422	15,537	54,110	(5,386)	48,724
Reclassified as held for sale during the year	–	(550)	–	(550)	7	(543)
Change in contract liabilities						
Expected change	(896)	(898)	(1,034)	(2,828)	397	(2,431)
Methodology/modelling changes	(58)	10	51	3	–	3
Effect of changes in						
Economic assumptions	(37)	(81)	79	(39)	8	(31)
Non-economic assumptions	(66)	(235)	6	(295)	154	(141)
Effect of						
Economic experience	126	532	573	1,231	3	1,234
Non-economic experience	15	(381)	39	(327)	6	(321)
New business	–	878	33	911	–	911
Total change in contract liabilities	(916)	(175)	(253)	(1,344)	568	(776)
Foreign exchange adjustment	424	43	29	496	–	496
31 December	14,659	22,740	15,313	52,712	(4,811)	47,901

Provision for annuity sales practices relating to enhanced annuities

Included in provisions held for sale is a provision of £215m (30 June 2017: £164m; 31 December 2017: £229m) for annuity sales practices relating to enhanced annuities. 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 2018.

On 14 October 2016, the Financial Conduct Authority (FCA) published the findings of its thematic review of non-advised annuity sales practices. Standard Life Assurance Limited 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 Assurance Limited is conducting 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 31 May 2016. 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 Assurance Limited worked with the FCA regarding the process for conducting this past business review and commenced customer contact during 2018.

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.

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 mid 2019.

The Group has not provided for any possible FCA-levied financial penalty relating to the review.

Contingent liabilities and contingent assets

At the request of the FCA, Standard Life Assurance Limited is conducting a past business review of non-advised annuity sales as described above. 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 Assurance Limited. At this stage it is not possible to determine an estimate of the financial effect, if any, of this contingent liability.

Disclosure of potential insurance recoveries relating to redress payable to customers, the costs of conducting the review and other related expenses is provided above. Any FCA levied financial penalties cannot be covered by such liability insurance.

(d) Discontinued operations

Discontinued operations relate solely to the UK and European insurance business held for sale. The consolidated income statement, other comprehensive income and cash flows from discontinued operations are shown below:

Consolidated income statement	Notes	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Income				
Investment return		554	5,626	12,536
Revenue from contracts with customers		96	88	185
Insurance and participating investment contract premium income		952	1,009	2,054
Other income		7	10	18
Total income from discontinued operations		1,609	6,733	14,793
Expenses				
Insurance and participating investment contract claims and change in liabilities		1,078	1,328	3,427
Change in non-participating investment contract liabilities		216	4,321	8,889
Administrative expenses				
Restructuring and corporate transaction expenses	4.5	51	4	14
Other administrative expenses		258	303	665
Total administrative expenses		309	307	679
Provision for annuity sales practices		—	—	100
Change in liability for third party interest in consolidated funds		(143)	470	1,118
Finance costs		27	27	54
Total expenses from discontinued operations		1,487	6,453	14,267
Profit before tax from discontinued operations		122	280	526
Tax expense attributable to policyholders' returns		24	53	166
Profit before tax expense attributable to equity holders		98	227	360
Total tax expense		43	66	204
Less: Tax attributable to policyholders' returns		(24)	(53)	(166)
Tax expense attributable to equity holders		19	13	38
Profit for the period from discontinued operations		79	214	322

Intercompany income and expenses that will continue post completion are eliminated in discontinued operations, those that will not continue post completion are eliminated in continuing operations. Revenue from contracts with customers is shown net of elimination of intra-group revenue which will continue post completion.

The Group provides additional disclosure in relation to the total tax expense for discontinued operations. 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.

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of owner occupied property	2	1	1
Total items that will not be reclassified subsequently to profit or loss	2	1	1
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(1)	2	(1)
Change in unallocated divisible surplus	(3)	6	12
Total items that may be reclassified subsequently to profit or loss	(4)	8	11
Other comprehensive income for the period from discontinued operations	(2)	9	12

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Cash flows			
Net cash flows from operating activities	538	1,061	2,247
Net cash flows from financing activities	(451)	(1,032)	(1,309)
Net cash flows from investing activities	(13)	(24)	(38)
Total net cash flows	74	5	900

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 executive committee.

(a) Basis of segmentation

The Group's reportable segments are as follows:

Continuing operations:

Aberdeen Standard Investments

Following the merger with Aberdeen, Standard Life Investments and Aberdeen Asset Management combined under the Aberdeen Standard Investments brand. The combined business is managed and reported as one operating segment. Aberdeen Standard Investments provides a range of investment products and services for individuals and institutional customers through a number of different investment vehicles. Investment management services are also provided by Aberdeen Standard 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

The Pensions and Savings segment includes our UK retail platforms Wrap and Elevate, as well as our financial planning and advice business 1825, and our distribution and marketing capabilities. The segment also includes the UK and Ireland Standard Life staff defined benefit pension plans.

India and China life

The businesses included in India and China life 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.

Discontinued operations:

Pensions and Savings

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business. Refer to Note 4.2 (c) for further details. As a consequence, the results of this business have been presented as discontinued operations. Comparative amounts for the six months ended 30 June 2017 and the 12 months ended 31 December 2017 have been prepared on the same basis as 30 June 2018 to allow more meaningful comparison.

(b) Reportable segments – Group adjusted profit before tax and revenue information

(b)(i) Analysis of Group adjusted profit before tax

Adjusted profit before tax 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 2018	Notes	Aberdeen Standard Investments £m	Pensions and Savings £m	India and China life £m	Other ¹ £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue		871	89	6	–	966	395	(69)	1,292
Spread/risk margin		–	–	–	–	–	55	–	55
Total adjusted operating income		871	89	6	–	966	450	(69)	1,347
Total adjusted operating expenses		(580)	(102)	(5)	(25)	(712)	(280)	69	(923)
Adjusted operating profit		291	(13)	1	(25)	254	170	–	424
Capital management		–	14	–	(17)	(3)	(3)	–	(6)
Share of associates' and joint ventures' profit before tax ²		26	–	34	–	60	–	–	60
Adjusted profit/(loss) before tax		317	1	35	(42)	311	167	–	478
Tax on adjusted profit		(56)	3	–	5	(48)	(29)	–	(77)
Share of associates' and joint ventures' tax expense	4.6	(11)	–	(7)	–	(18)	–	–	(18)
Adjusted profit/(loss) after tax		250	4	28	(37)	245	138	–	383
Adjusted for the following items									
Restructuring and corporate transaction expenses	4.5	(53)	(3)	–	(3)	(59)	(51)	–	(110)
Amortisation and impairment of intangible assets acquired in business combinations ³		(92)	(13)	(3)	–	(108)	–	–	(108)
Profit on disposal of interests in associates		5	–	1	–	6	–	–	6
Short-term fluctuations in investment return and economic assumption changes	4.8	–	–	–	–	–	(61)	–	(61)
Other		(2)	–	–	(3)	(5)	38	–	33
Total adjusting items		(142)	(16)	(2)	(6)	(166)	(74)	–	(240)
Tax on adjusting items		33	2	–	–	35	10	–	45
Profit attributable to non-controlling interests (preference shares)		(3)	–	–	–	(3)	–	–	(3)
Profit/(loss) for the period attributable to equity holders of Standard Life Aberdeen plc		138	(10)	26	(43)	111	74	–	185
Profit attributable to non-controlling interests									
Ordinary shares						–	5		5
Preference shares						3	–		3
Profit for the period						114	79		193

¹ Other primarily includes the corporate centre and related activities.

² 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.

³ Amortisation and impairment of intangible assets acquired in business combinations includes £105m (six months ended 30 June 2017: £10m; 12 months ended 31 December 2017: £125m) included in Other administrative expenses, and £3m (six months ended 30 June 2017: £nil; 12 months ended 31 December 2017: £13m) relating to intangibles recognised on the part acquisition of associates and included in Share of profit from associates and joint ventures in the condensed consolidated income statement.

Each reportable segment reports total adjusted operating income as its measure of revenue in its analysis of adjusted profit before tax. 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.

Adjusted operating income relates to revenues generated from external customers with the exception of £69m (30 June 2017: £66m; 31 December 2017: £136m) which primarily relates to investment management fees arising from intra-group transactions between Aberdeen Standard Investments and the Pensions and Savings business included in discontinued operations. At a Group level an elimination adjustment is required to remove intra-group impacts.

There are no customers whose revenue represents greater than 10% of fee based revenue.

6 months 2017	Notes	Aberdeen Standard Investments £m	Pensions and Savings £m	India and China life £m	Other £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total restated ¹ £m
Fee based revenue		429	84	7	–	520	382	(66)	836
Spread/risk margin		–	–	–	–	–	49	–	49
Total adjusted operating income		429	84	7	–	520	431	(66)	885
Total adjusted operating expenses		(260)	(97)	(7)	(26)	(390)	(258)	66	(582)
Adjusted operating profit		169	(13)	–	(26)	130	173	–	303
Capital management		–	13	–	(4)	9	(7)	–	2
Share of associates' and joint ventures' profit before tax ²		20	–	33	–	53	–	–	53
Adjusted profit/(loss) before tax		189	–	33	(30)	192	166	–	358
Tax on adjusted profit		(33)	(3)	–	5	(31)	1	–	(30)
Share of associates' and joint ventures' tax expense	4.6	(5)	–	(2)	–	(7)	–	–	(7)
Adjusted profit/(loss) after tax		151	(3)	31	(25)	154	167	–	321
Adjusted for the following items									
Restructuring and corporate transaction expenses	4.5	(10)	(5)	–	(42)	(57)	(4)	–	(61)
Amortisation and impairment of intangible assets acquired in business combinations		(8)	(2)	–	–	(10)	–	–	(10)
Short-term fluctuations in investment return and economic assumption changes	4.8	–	–	–	–	–	59	–	59
Other		–	(1)	(24)	1	(24)	–	–	(24)
Total adjusting items		(18)	(8)	(24)	(41)	(91)	55		(36)
Tax on adjusting items		3	2	–	16	21	(14)	–	7
Profit/(loss) for the period attributable to equity holders of Standard Life Aberdeen plc		136	(9)	7	(50)	84	208	–	292
Profit attributable to non-controlling interests						–	6		6
Profit for the period						84	214		298

¹ Following completion of the merger the Group has changed the calculation of adjusted profit (previously named operating profit). Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to non-insurance entities. This has resulted in a £3m reduction to the adjusted profit of the other segment, a £1m reduction to the Aberdeen Standard Investments segment and a corresponding £4m adjustment to short-term fluctuations in investment return and economic assumption changes within adjusting items, for the six months ended 30 June 2017.

² 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 2017	Notes	Aberdeen Standard Investments £m	Pensions and Savings £m	India and China life £m	Other £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue		1,260	175	12	–	1,447	800	(136)	2,111
Spread/risk margin		–	–	–	–	–	165	–	165
Total adjusted operating income		1,260	175	12	–	1,447	965	(136)	2,276
Total adjusted operating expenses		(811)	(201)	(11)	(61)	(1,084)	(579)	136	(1,527)
Adjusted operating profit		449	(26)	1	(61)	363	386	–	749
Capital management		2	27	–	(16)	13	(7)	–	6
Share of associates' and joint ventures' profit before tax ¹		41	–	58	–	99	–	–	99
Adjusted profit/(loss) before tax		492	1	59	(77)	475	379	–	854
Tax on adjusted profit		(86)	(1)	–	10	(77)	(31)	–	(108)
Share of associates' and joint ventures' tax expense	4.6	(29)	–	(12)	–	(41)	–	–	(41)
Adjusted profit/(loss) after tax		377	–	47	(67)	357	348	–	705
Adjusted for the following items									
Restructuring and corporate transaction expenses	4.5	(58)	(27)	–	(77)	(162)	(11)	–	(173)
Amortisation and impairment of intangible assets acquired in business combinations		(117)	(8)	(13)	–	(138)	–	–	(138)
Provision for annuity sales practices		–	–	–	–	–	(100)	–	(100)
Coupons payable on perpetual notes classified as equity ²		10	–	–	–	10	–	–	10
Profit on disposal of interests in associates		14	–	305	–	319	–	–	319
Short-term fluctuations in investment return and economic assumption changes	4.8	–	–	–	–	–	67	–	67
Other		–	(1)	(24)	–	(25)	–	–	(25)
Total adjusting items		(151)	(36)	268	(77)	4	(44)	–	(40)
Tax on adjusting items		25	5	–	19	49	(7)	–	42
Profit attributable to non-controlling interests (preference shares and perpetual notes)		(8)	–	–	–	(8)	–	–	(8)
Profit/(loss) for the year attributable to equity holders of Standard Life Aberdeen plc		243	(31)	315	(125)	402	297	–	699
Profit attributable to non-controlling interests									
Ordinary shares						–	25		25
Preference shares and perpetual notes						8	–		8
Profit for the year						410	322		732

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.

² On 18 December 2017, perpetual capital notes issued by Aberdeen Asset Management PLC were reclassified as a subordinated liability. On merger these were classified as an equity instrument.

(b)(ii) Total income and expenses

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

	6 months 2018		6 months 2017		Full year 2017	
	Income £m	Expenses £m	Income £m	Expenses £m	Income £m	Expenses £m
Total adjusted operating income and adjusted operating expenses as presented in the analysis of Group adjusted profit by segment from continuing operations	966	(712)	520	(390)	1,447	(1,084)
Insurance and participating investment contract claims and change in liabilities	27	(27)	99	(99)	201	(201)
Change in non-participating investment contract liabilities	2	(2)	8	(8)	74	(74)
Change in liability for third party interest in consolidated funds	4	(4)	–	–	6	(6)
Other presentation differences	79	(79)	19	(19)	79	(79)
Adjusting items included in revenue and expenses	9	(172)	–	(91)	345	(328)
Capital management	(3)	–	9	–	13	–
Total income and expenses as presented in the IFRS condensed consolidated income statement from continuing operations	1,084	(996)	655	(607)	2,165	(1,772)

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of adjusted operating income and adjusted operating expenses. Adjusted operating income and expenses exclude items which have an equal and opposite effect on IFRS income and IFRS expenses in the consolidated income statement, such as investment returns which are for the account of policyholders. Other presentation differences include Aberdeen Standard Investments commission expenses which are presented in expenses in the consolidated income statement but are netted against adjusted operating income in the analysis of Group adjusted profit by segment.

4.4 Revenue from contracts with customers

The following table provides a breakdown of total revenue from contracts with customers:

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Asset management			
Management fee income – growth	764	329	1,023
Management fee income – mature	162	106	274
Performance fees	3	1	20
Revenue from contracts with customers for asset management	929	436	1,317
Fund platforms			
Fee income	81	64	137
Other revenue from contracts with customers	9	14	32
Total revenue from contracts with customers from continuing operations	1,019	514	1,486

The majority of the revenue from contracts with customers for asset management is reported within the Aberdeen Standard Investments reportable segment. The following table provides a reconciliation of Revenue from contracts with customers for asset management as presented in the condensed consolidated income statement to fee based revenue, as presented in the analysis of adjusted profit before tax for the Aberdeen Standard Investments segment.

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Revenue from contracts with customers for asset management as presented in the condensed consolidated income statement	929	436	1,317
Revenue from contracts with customers for asset management recognised in Pensions and Savings continuing segment	(3)	(2)	(4)
Fee income from fund platforms recognised in Aberdeen Standard Investments segment	10	–	6
Presentation differences			
Commission expenses	(52)	–	(45)
Other differences	(13)	(5)	(14)
Fee based revenue as presented in the Aberdeen Standard Investments segment	871	429	1,260

Commission expenses are netted against fee based revenue but are included within expenses in the condensed consolidated income statement. Other presentation differences relates to amounts presented in a different income line item of the condensed consolidated income statement and intra-group revenue which is eliminated in the consolidated income statement but grossed up for the purposes of segmental reporting.

The Pension and Savings continuing segment's fee based revenue is primarily made up of Pension and Savings' fund platform fee income and the other revenue from contracts with customers as grossed up for intra-group revenue which is eliminated in the consolidated income statement.

4.5 Administrative expenses

	6 months 2018 £m	6 months 2017 ¹ £m	Full year 2017 ¹ £m
Restructuring and corporate transaction expenses	59	57	162
Commission expenses	54	4	49
Staff costs and other employee-related costs	365	214	616
Impairment of disposal group classified as held for sale	–	24	24
Other administrative expenses	464	186	607
	942	485	1,458
Acquisition costs deferred during the period	(1)	(1)	(4)
Amortisation of deferred acquisition costs	1	2	3
Total administrative expenses from continuing operations	942	486	1,457

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

Total restructuring and corporate transaction expenses incurred from continuing operations during the period were £59m (six months ended 30 June 2017: £57m; 12 months ended 31 December 2017: £162m). The 2018 expenses mainly relate to Aberdeen integration and a number of other business unit restructuring programmes.

Restructuring and corporate transaction expenses of £51m (six months ended 30 June 2017: £4m; 12 months ended 31 December 2017: £11m) are used to determine adjusted profit before tax from discontinued operations. In 2018 these expenses mainly relate to the sale of the UK and European insurance business discussed in Note 4.2. An additional £nil (six months ended 30 June 2017: £nil; 12 months ended 31 December 2017: £3m) of restructuring and corporate transaction expenses were incurred by the Heritage With Profits Fund.

4.6 Tax expense

	6 months 2018 £m	6 months 2017 ¹ £m	Full year 2017 ¹ £m
Current tax:			
UK	13	(4)	12
Double tax relief	–	(1)	(2)
Overseas	18	4	19
Adjustment to tax expense in respect of prior years	(2)	(2)	(1)
Total current tax attributable to continuing operations	29	(3)	28
Deferred tax:			
Deferred tax (credit)/expense arising from the current periods	(16)	13	–
Total deferred tax attributable to continuing operations	(16)	13	–
Total tax expense attributable to continuing operations	13	10	28

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

The standard UK corporation tax rate for the accounting period is 19% (six months ended 30 June 2017: 19.25%; 12 months ended 31 December 2017: 19.25%). 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 2018.

The share of associates' and joint ventures' tax expense is £18m (six months ended 30 June 2017: £7m; 12 months ended 31 December 2017: £41m) and is included in profit before tax in the IFRS condensed consolidated income statement in Share of profit from associates and joint ventures.

The Group has been party to litigation in the UK, in respect of which the Supreme Court issued a judgement on the lead case on 25 July 2018, that has successfully challenged the tax treatment of non-UK dividends received before 2009. In connection with this judgement, the Group is seeking to recover claims by group entities for certain recent periods where the outcome remains uncertain and is also pursuing additional and related claims in respect of earlier periods where very significant uncertainties remain.

These claims and proceedings predominantly relate to assets in policyholder funds, primarily SLAL's Heritage With Profits Fund which is part of discontinued operations. The claims are not expected to materially impact profit after tax attributable to equity holders or total equity. No amounts have been recognised at 30 June 2018, 30 June 2017 or 31 December 2017 in continuing or discontinued operations in the respect of these claims and proceedings.

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

	6 months 2018 £m	6 months 2017 ¹ £m	Full year 2017 ¹ £m
Tax relating to defined benefit pension plan deficit	–	–	10
Equity holder tax effect relating to items that will not be reclassified subsequently to profit or loss	–	–	10
Current tax on net change in financial assets designated as available-for-sale	(1)	–	–
Tax relating to fair value losses recognised as cash flow hedges	–	–	(5)
Tax relating to cash flow hedge losses transferred to consolidated income statement	–	–	2
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	(1)	–	(3)
Tax relating to other comprehensive income from continuing operations	(1)	–	7

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

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

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

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
Tax expense on reserves for employee share-based payments	1	–	(1)
Tax credit relating to coupons payable on perpetual notes classified as equity	–	–	(2)
Tax relating to items taken directly to equity	1	–	(3)

4.7 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.

Adjusted earnings per share is calculated on adjusted profit after tax attributable to ordinary equity holders of the Company i.e. adjusted profit net of dividends paid on preference shares.

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

	6 months 2018			6 months 2017			Full year 2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total restated ¹	Continuing operations	Discontinued operations	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Adjusted profit before tax	311	167	478	192	166	358	475	379	854
Tax on adjusted profit	(48)	(29)	(77)	(31)	1	(30)	(77)	(31)	(108)
Share of associates' and joint ventures' tax expense	(18)	–	(18)	(7)	–	(7)	(41)	–	(41)
Adjusted profit after tax	245	138	383	154	167	321	357	348	705
Dividend paid on preference shares	(3)	–	(3)	–	–	–	–	–	–
Adjusted profit after tax attributable to equity holders of the Company	242	138	380	154	167	321	357	348	705
Adjusting items	(166)	(74)	(240)	(91)	55	(36)	4	(44)	(40)
Tax on adjusting items	35	10	45	21	(14)	7	49	(7)	42
Adjustment for coupons payable on perpetual notes classified as equity net of tax	–	–	–	–	–	–	(8)	–	(8)
Profit attributable to equity holders of the Company	111	74	185	84	208	292	402	297	699

	6 months 2018	6 months 2017	Full year 2017
	Millions	Millions	Millions
Weighted average number of ordinary shares outstanding	2,937	1,972	2,343
Dilutive effect of share options and awards	28	3	17
Weighted average number of diluted ordinary shares outstanding	2,965	1,975	2,360

	6 months 2018			6 months 2017 (restated) ¹			Full year 2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	3.8	2.5	6.3	4.3	10.5	14.8	17.1	12.7	29.8
Diluted earnings per share	3.7	2.5	6.2	4.3	10.5	14.8	17.0	12.6	29.6
Adjusted earnings per share	8.2	4.7	12.9	7.8	8.5	16.3	15.2	14.9	30.1
Adjusted diluted earnings per share	8.2	4.6	12.8	7.8	8.5	16.3	15.1	14.8	29.9

¹ Following completion of the merger the Group has changed the calculation of adjusted profit (previously named operating profit). Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to non-insurance entities. This has resulted in a £3m reduction to the adjusted profit of the other segment, a £1m reduction to the Aberdeen Standard Investments segment and a corresponding £4m adjustment to short-term fluctuations in investment return and economic assumption changes within adjusting items, for the six months ended 30 June 2017.

4.8 Adjusted profit and adjusting items

Adjusted profit before tax (previously named operating profit before tax) is the Group's key alternative performance measure. Adjusted profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes in the Group's insurance entities. 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 adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax.

Adjusted profit also excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- 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

Coupons payable on perpetual notes classified as non-controlling interests are included in adjusted profit before tax. For IFRS purposes, these are recognised directly in equity. Prior to these instruments being reclassified as a subordinated liability on 18 December 2017, this gave rise to an adjusting item relating to 'coupons payable on perpetual notes classified as equity'. Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary dividends.

As disclosed in our Annual report and accounts 2017, the Group changed the calculation of adjusted profit in 2017. Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to holding companies and other non-insurance entities. Comparatives for the six months to 30 June 2017 have been restated to reflect this change.

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

Short-term fluctuations in investment return and economic assumption changes relate solely to wholly owned insurance businesses which in the current period are all classified as held for sale. 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 adjusted profit for the Group's wholly owned insurance entities. Investments backing equity holder funds include investments backing annuities and subordinated debt, and investments from surplus capital in insurance companies.

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 year are excluded from adjusted 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% (2017: 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% (2017: 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.

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 adjusted 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 adjusted profit.

There have been no defaults or impairments of assets backing subordinated liabilities during the six months ended 30 June 2018 or 30 June 2017 or the 12 months ended 31 December 2017. If these were to arise they would be excluded from adjusted 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 adjusted profit.

Short-term fluctuations in investment return for the six months ended 30 June 2018 (six months ended 30 June 2017 and 12 months ended 31 December 2017) principally relate to the impact of interest rate changes on UK annuity liabilities and the assets backing those liabilities.

(b) Other

In the reconciliation of consolidated adjusted profit before tax to profit for the period the Other adjusting item sub-total includes £nil (six months ended 30 June 2017: £24m; 12 months ended 31 December 2017: £24m) in relation to the impairment of a disposal group classified as held for sale and £4m (six months ended 30 June 2017: (£1m); 12 months ended 31 December 2017: £1m) net fair value movements in contingent consideration.

The Other adjusting item in 2018 relating to discontinued operations includes a held for sale accounting adjustment relating to the amortisation of intangible assets (primarily deferred acquisition costs) and depreciation of tangible assets of £38m. Following the classification of the UK and European Insurance business as held for sale on the announcement of the proposed transaction on 23 February 2018, no amortisation or depreciation is recognised. This increase to profit has been recognised as an adjusting item.

4.9 Dividends on ordinary shares

	6 months 2018 Pence per share	6 months 2017 Pence per share	£m	Full year 2017 Pence per share	£m
Dividends relating to reporting period					
Interim dividend (2018 and 2017)	7.30	7.00	206	7.00	206
Final dividend (2017)	–	–	–	14.30	420
Total	7.30	7.00	206	21.30	626
Dividends paid in reporting period					
Current year interim dividend	–	–	–	7.00	206
Final dividend for prior year	14.30	13.35	263	13.35	263
Total			263		469

Subsequent to 30 June 2018, the Directors have proposed an interim dividend for 2018 of 7.30 pence per ordinary share (interim 2017: 7.00 pence), an estimated £214m in total (interim 2017: £206m). The dividend is expected to be paid on 25 September 2018 and will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2018.

4.10 Intangible assets

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
Acquired through business combinations:			
Goodwill	3,419	224	3,427
Brand	77	–	86
Customer relationships and investment management contracts	727	145	774
Technology	32	1	40
Internally developed software	59	170	156
Purchased software and other	–	26	20
Cost of obtaining customer contracts	87	–	11
Total intangible assets	4,401	566	4,514

During the period, the Group acquired the right to provide asset management services to a number of US registered funds for a cash consideration of £77m. This payment is included within the cost of obtaining customer contracts.

4.11 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 2018		6 months 2017		Full year 2017	
	12 2/9p each	£m	12 2/9p each	£m	12 2/9p each	£m
Issued shares fully paid						
At start of period	2,978,936,877	364	1,978,884,437	242	1,978,884,437	242
Shares issued in respect of business combinations	–	–	–	–	997,661,231	122
Shares issued in respect of share incentive plans	246,523	–	285,582	–	496,817	–
Shares issued in respect of share options	304,611	–	338,450	–	1,894,392	–
At end of period	2,979,488,011	364	1,979,508,469	242	2,978,936,877	364

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

Shares issued in respect of business combinations in the year ended 31 December 2017 relates solely to the Aberdeen merger as discussed in Note 4.2.

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

(b) Share premium

	6 months 2018 £m	6 months 2017 £m	Full year 2017 £m
At start of period	639	634	634
Shares issued in respect of share options	1	1	5
At end of period	640	635	639

(c) Shares held by trusts

Shares held by trusts relates to shares in Standard Life Aberdeen plc that are held by the Employee Share Trust (EST), the Aberdeen Asset Management Employee Benefit Trust 2003 (EBT) and the Unclaimed Asset Trust (UAT).

The EST and EBT purchase 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 or EBT 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.

On completion of the merger on 14 August 2017, 31,483,948 Aberdeen Asset Management PLC shares held by the EBT were exchanged for 23,833,349 Standard Life Aberdeen plc shares at a total nominal value of £3m.

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 2018 was as follows:

	30 Jun 2018	30 Jun 2017	31 Dec 2017
Number of shares held in trust			
Employee Share Trust	16,810,802	11,123,356	16,031,679
Aberdeen Asset Management Employee Benefit Trust 2003	23,589,384	–	23,704,305
Unclaimed Asset Trust	175,994	188,646	180,766

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.

4.12 Subordinated liabilities

On 1 March 2018, 7% US Dollar fixed rate perpetual capital notes issued by Aberdeen Asset Management PLC with a principal amount of US\$500m were redeemed.

4.13 Pension and other post-retirement benefit provisions

The Group operates a number of defined benefit pension plans, the largest of which being the UK Standard Life Group staff defined benefit pension plan (principal plan) which is closed to future accrual. Following the merger with Aberdeen, the Group also operates two additional UK plans. These two UK plans were in deficit when the last valuations were completed with the trustees, and the Group has agreed funding plans to eliminate these deficits. These two UK plans are included in Other along with the Ireland Standard Life plan, which is closed to new membership, and a number of smaller funded and unfunded plans in other countries.

For the UK plans the trustees set the plan 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 2018 £m	6 months 2017 ¹ £m	Full year 2017 ¹ £m
Current service cost	34	18	46
Interest income	(14)	(15)	(28)
Administrative expenses	1	1	3
Expense recognised in the IFRS condensed consolidated income statement	21	4	21

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

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

	30 June 2018				30 June 2017			31 December 2017		
	Principal plan £m	Other ¹ £m	Total £m	Held for sale £m	Principal plan £m	Other £m	Total £m	Principal plan £m	Other £m	Total £m
Present value of funded obligation	(2,776)	(345)	(3,121)	–	(2,762)	(121)	(2,883)	(2,839)	(345)	(3,184)
Present value of unfunded obligation	–	(3)	(3)	(7)	–	(10)	(10)	–	(9)	(9)
Fair value of plan assets	4,359	281	4,640	–	4,465	74	4,539	4,530	276	4,806
Effect of limit on plan surplus	(554)	–	(554)	–	(596)	–	(596)	(592)	–	(592)
Net asset/(liability)	1,029	(67)	962	(7)	1,107	(57)	1,050	1,099	(78)	1,021

¹ Included within Other is a defined benefit plan with a net asset position of £3m at 30 June 2018.

(c) Principal assumptions

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

	30 Jun 2018 %	30 Jun 2017 %	31 Dec 2017 %
Discount rate	2.55	2.70	2.60
Rates of inflation			
Consumer Price Index (CPI)	2.10	2.15	2.20
Retail Price Index (RPI)	3.10	3.15	3.20

4.14 Risk management

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 2017. Key developments in the Group's principal risks since the Annual report and accounts was published are discussed in the Risk oversight section of the Management report.

The Group's IFRS condensed consolidated half year financial information does not include the 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 2017.

There have been no significant changes to the Group's risk management framework since 31 December 2017. From 1 January 2018 we enhanced the Group's qualitative risk appetites which received Board approval. The business continues to be managed through a range of risk, capital and profit metrics.

On 23 February 2018, the Group announced the proposed sale of the UK and European insurance business. Refer to Note 4.2. The assets and liabilities of this business were classified as held for sale from this date. Additionally, on 29 March 2017, the Group announced the proposed sale of Standard Life Asia (Limited), the assets and liabilities of this business were classified as held for sale from this date. The Group's balance sheet exposure to market, credit, and demographic and expense risk will be significantly reduced by the sale of these assets and liabilities.

Included within debt securities of £469m (30 June 2017: £63,887m; 31 December 2017: £61,565m) and equity securities and interests in pooled investment funds of £3,196m (30 June 2017: £94,538m; 31 December 2017: £99,020m) at 30 June 2018 is £104m (30 June 2017: £29,051m; 31 December 2017: £26,821m) and £1,625m (30 June 2017: £84,206m; 31 December 2017: £88,362m) respectively relating to unit linked funds and third party interest in consolidated funds. The shareholder's exposure to unit linked funds market and credit risk arises from the changes in the value of future fee based revenue earned on unit linked funds due to market movements. The shareholder is not exposed to the market or credit risk in respect of third party interest in consolidated funds since the financial risks of the assets are borne by third parties.

4.15 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 including those held for sale

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 investment in the funds 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 2018, 30 June 2017 and 31 December 2017, 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.

- **Income strips**

Income strips are transactions where an owner-occupier of a property has sold a freehold or long leasehold interest to the Group, and has signed a long lease (typically 30-45 years) or a ground lease (typically 45-175 years) and retains the right to repurchase the property at the end of the lease for a nominal sum (usually £1).

The valuation technique used by the Group to value these instruments is an income capitalisation approach, where the annual rental income is capitalised using an appropriate yield. The yield is determined by considering recent transactions involving similar income strips. Unlike, investment properties which typically are leased on shorter lease terms, the estimated rental value is not a significant unobservable input. This is due to the length of the lease together with the nature of the rent reviews where the annual rental increases over the term of the lease in line with inflation or fixed increases. As the income capitalisation valuations generally include significant unobservable inputs including unobservable adjustments to the yield observed in other income strip transactions, these assets are categorised as level 3 in the fair value hierarchy.

Contingent consideration assets and contingent consideration liabilities

Contingent consideration assets and liabilities have been recognised in respect of acquisitions. Generally valuations are based on unobservable assumptions regarding the probability weighted expected return and growth over the contractual period, discounted present value and therefore the assets and 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 treated as level 2. Where the underlying assets and liabilities are not valued using readily available market information the liabilities in respect of third party interest in consolidated funds are treated as level 3.

(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.

	Fair value hierarchy											
	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Level 1		Level 2		Level 3	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investment property	–	9,749	9,895	200	9,895	9,949	–	–	–	–	9,895	9,949
Owner occupied property	2	81	82	11	84	92	–	–	–	–	84	92
Derivative financial assets	7	3,053	2,588	–	2,595	3,053	722	990	1,873	2,063	–	–
Equity securities and interests in pooled investment vehicles	3,196	99,020	95,581	763	98,777	99,783	97,730	98,750	26	36	1,021	997
Debt securities	469	61,565	58,440	14	58,909	61,579	23,676	25,230	33,792	34,905	1,441	1,444
Contingent consideration asset	2	6	–	–	2	6	–	–	–	–	2	6
Total assets at fair value	3,676	173,474	166,586	988	170,262	174,462	122,128	124,970	35,691	37,004	12,443	12,488

	Fair value hierarchy					
	As recognised in the consolidated statement of financial position line item	Classified as held for sale	Total	Level 1	Level 2	Level 3
30 June 2017	£m	£m	£m	£m	£m	£m
Investment property	10,038	26	10,064	–	–	10,064
Owner occupied property	77	8	85	–	–	85
Derivative financial assets	2,844	–	2,844	851	1,993	–
Equity securities and interests in pooled investment vehicles	94,538	664	95,202	94,278	2	922
Debt securities	63,887	11	63,898	26,874	36,084	940
Contingent consideration asset	10	–	10	–	–	10
Total assets at fair value	171,394	709	172,103	122,003	38,079	12,021

There were no significant transfers between levels 1 and 2 during the period (six months ended 30 June 2017: none; 12 months ended 31 December 2017: none). Refer to 4.15 (b)(iii) for details of movements in level 3.

(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.

	Fair value hierarchy											
	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Level 1		Level 2		Level 3	
	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-participating investment contract liabilities	1,274	105,765	102,242	62	103,516	105,827	–	–	103,516	105,827	–	–
Liabilities in respect of third party interest in consolidated funds	227	16,457	15,781	28	16,008	16,485	–	–	14,734	15,187	1,274	1,298
Derivative financial liabilities	32	813	897	–	929	813	168	161	761	652	–	–
Contingent consideration liabilities	39	25	–	–	39	25	–	–	–	–	39	25
Total liabilities at fair value	1,572	123,060	118,920	90	120,492	123,150	168	161	119,011	121,666	1,313	1,323

	Fair value hierarchy			
	As recognised in the consolidated statement of financial position line item			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
30 June 2017				
Non-participating investment contract liabilities	103,452	–	103,452	–
Liabilities in respect of third party interest in consolidated funds	16,080	–	14,857	1,223
Derivative financial liabilities	894	193	701	–
Contingent consideration liabilities	14	–	–	14
Total liabilities at fair value	120,440	193	119,010	1,237

There were no significant transfers between levels 1 and 2 during the six months ended 30 June 2018 (six months ended 30 June 2017: none; 12 months ended 31 December 2017: none). Refer to 4.15 (b)(iii) for details of movements in level 3.

(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.

	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 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017	30 Jun 2018	31 Dec 2017
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At start of period	9,749	9,929	81	58	994	958	1,444	868	(1,298)	(1,228)
Reclassified to held for sale	(9,749)	(225)	(79)	(4)	(882)	–	(1,443)	–	1,298	–
Reclassification between investment property and debt securities ¹	–	(319)	–	–	–	–	–	319	–	–
Acquired through business combinations	–	–	–	2	–	100	–	–	–	–
Total gains/(losses) recognised in the consolidated income statement	–	485	–	4	4	72	–	35	–	(57)
Purchases	–	413	–	3	5	191	–	362	–	(88)
Settlement	–	–	–	–	–	–	–	–	–	75
Sales	–	(525)	–	–	(17)	(317)	–	(125)	–	–
Transfers in to level 3 ²	–	–	–	–	–	8	–	27	–	–
Transfers out of level 3 ²	–	–	–	–	–	(7)	–	(42)	–	–
Transfers between investment property and owner occupied property	–	(17)	–	17	–	–	–	–	–	–
Foreign exchange adjustment	–	11	–	–	–	(13)	–	–	–	–
Total gains recognised on revaluation of owner occupied property within other comprehensive income	–	–	–	1	–	–	–	–	–	–
Other	–	(3)	–	–	–	2	–	–	–	–
At end of period	–	9,749	2	81	104	994	1	1,444	–	(1,298)

	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
	£m	£m	£m	£m	£m
2017					
1 January	9,929	58	958	868	(1,228)
Reclassified to held for sale	(26)	–	–	–	–
Total gains/(losses) recognised in the consolidated income statement	229	–	12	18	(18)
Purchases	234	1	103	103	–
Settlement	–	–	–	–	23
Sales	(327)	–	(152)	(60)	–
Transfers in to level 3 ²	–	–	8	27	–
Transfers out of level 3 ²	–	–	–	(16)	–
Transfers between investment property and owner occupied property	(17)	17	–	–	–
Foreign exchange adjustment	8	–	(7)	–	–
Total gains recognised on revaluation of owner occupied property within other comprehensive income	–	1	–	–	–
Other	8	–	–	–	–
30 June	10,038	77	922	940	(1,223)

¹ During 2017 income strips measured at £319m which were previously included within investment property were reclassified as debt securities to reflect the underlying nature of these instruments.

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

	Contingent consideration asset			Contingent consideration liabilities		
	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
At start of period	6	10	10	(25)	(15)	(15)
Acquired through business combinations	–	–	–	–	–	(39)
Total (losses)/gains recognised in the income statement	(4)	–	(4)	–	1	3
Additions	–	–	–	(17)	–	–
Settlements	–	–	–	3	–	26 ¹
At end of period	2	10	6	(39)	(14)	(25)

¹ Restated.

For the six months ended 30 June 2018, £4m of total gains from continuing operations (six months ended 30 June 2017: gains of £2m; 12 months ended 31 December 2017: gains of £3m) 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, excluding assets and liabilities held for sale. These amounts are recognised in investment return.

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.

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

30 June 2018	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,453	Income capitalisation	Equivalent yield Estimated rental value per square metre per annum	3.5% to 9.1% (5.1%) £31 to £1,716 (£317)
Investment property (hotels)	449	Income capitalisation	Equivalent Yield Estimated rental value per room per annum	3.9% to 6.6% (5.0%) £995 to £13,800 (£6,634)
Investment property and owner occupied property	77	Market comparison	Estimated value per square metre	£2 to £10,932 (£3,080)
Equity securities and interests in pooled investment funds	1,021	Adjusted net asset value	Adjustment to net asset value ¹	N/A
Debt securities (commercial mortgages)	348	Discounted cash flow	Credit spread	1.9% to 2.6% (2.2%)
Debt securities (income strips)	538	Income capitalisation	Equivalent yield	4.1% to 6.4% (5.3%)
Debt securities (unquoted corporate bonds)	499	Discounted cash flow	Credit spread	0.8% to 2.4% (1.8%)
Debt securities (infrastructure loans)	56	Discounted cash flow	Credit spread	1.8% to 2.9% (2.4%)

¹ An adjustment is made to the valuation of private equity investments received from the investment managers of the underlying funds to estimate the effect of changes in market conditions between the date of their valuations and the end of the reporting period using market indices. The adjustment made at 30 June 2018 was £nil (30 June 2017: £40m; 31 December 2017: £nil).

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 (£5,596)
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	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

31 December 2017	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,571	Income capitalisation	Equivalent yield Estimated rental value per square metre per annum	3.3% to 9.0% (5.2%) £32 to £1,716 (£326)
Investment property (hotels)	402	Income capitalisation	Equivalent yield Estimated rental value per room per annum	3.8% to 6.6% (5.1%) £995 to £10,000 (£5,841)
Investment property and owner occupied property	68	Market comparison	Estimated value per square metre	£2 to £10,932 (£3,451)
Equity securities and interests in pooled investment funds	997	Adjusted net asset value	Adjustment to net asset value ¹	N/A
Debt securities (commercial mortgages)	379	Discounted cash flow	Credit spread	1.9% to 2.6% (2.2%)
Debt securities (income strips)	520	Income capitalisation	Equivalent yield	4.1% to 6.5% (5.1%)
Debt securities (unquoted corporate bonds)	506	Discounted cash flow	Credit spread	0.7% to 2.1% (1.6%)
Debt securities (infrastructure loans)	39	Discounted cash flow	Credit spread	1.9% to 2.6% (2.3%)

¹ An adjustment is made to the valuation of private equity investments received from the investment managers of the underlying funds to estimate the effect of changes in market conditions between the date of their valuations and the end of the reporting period using market indices. The adjustment made at 30 June 2018 was £nil (30 June 2017: £40m; 31 December 2017: £nil).

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.

(b)(iv) Sensitivity of level 3 instruments measured at fair value on the statement of financial position to changes in key assumptions

The Group's IFRS condensed consolidated half year financial information does not include the 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 2017. The information presented in this note has been prepared on the same basis presented in the Group's Annual report and accounts.

The shareholder is directly exposed to movements in the value of level 3 instruments 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 instruments held by the participating business and unit linked funds 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. Movements in level 3 instruments held in the TPICF and NCI risk segment are offset by opposite movements in the liabilities in respect of third party interest in consolidated funds and in equity attributable to non-controlling interest and therefore the shareholder is not directly exposed to such movements.

Changing unobservable inputs in the measurement of the fair value of level 3 financial assets and financial liabilities to reasonably possible alternative assumptions would not have a significant impact on profit attributable to equity holders or on total assets. The alternative assumptions used in this assessment for debt securities are:

	Reasonably possible alternative assumptions	
	30 June 2018	30 June 2017 and 31 December 2017
Unquoted corporate bonds	Credit spread +/- 0.45%	Credit spread +/- 0.45%
Commercial mortgages	Credit spread +/- 0.40%	Credit spread +/- 0.40%

Profit attributable to non-controlling interests is exposed to movements in private equity investments, predominantly those held by Standard Life Private Equity Trust plc. The Group considers that a plausible range for the fair value of such private equity investments at 30 June 2018 is -10% to +25% of the 30 June 2018 valuation. The impact on profit attributable to non-controlling interests from discontinuing operations of £5m for the year to 30 June 2018 for such changes in fair value is to reduce or increase that profit by £25m or £63m respectively with no impact on profit attributable to equity holders.

Whilst not having an impact on profit for the year, the Group has also considered the plausible range for the fair value of investment property at 30 June 2018. Based on independent research that has considered the reasonableness of historic UK property values by comparing valuations with actual sales prices achieved a plausible range for the fair value of the Group's UK property portfolio, comprising over 90% of the Group investment property portfolio is considered to be -5% to +8.5% of the 30 June valuation.

(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			Fair value		
	30 Jun 2018	30 Jun 2017	31 Dec 2017	30 Jun 2018	30 Jun 2017	31 Dec 2017
	£m	£m	£m	£m	£m	£m
Assets						
Loans secured by mortgages	–	63	57	–	71	64
Liabilities						
Capital notes	–	–	377	–	–	377
Subordinated notes	1,081	500	1,056	1,113	558	1,128
Subordinated guaranteed bonds	519	519	502	691	626	650
Mutual Assurance Capital Securities	309	308	318	333	340	349

In addition to the above there are £52m (30 June 2017: £nil; 31 December 2017: £nil) of loans secured by mortgages classified as held for sale at 30 June 2018 with a fair value of £60m (30 June 2017: £nil; 31 December 2017: £nil) and £6m (30 June 2017: £4m; 31 December 2017: £4m) of non-participating investment contract liabilities classified as held for sale at 30 June 2018 with a fair value of £6m (30 June 2017: £4m; 31 December 2017: £4m).

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 31 of the Group's Annual report and accounts 2017. The carrying value of participating investment contract liabilities at 30 June 2018, which were entirely reclassified as held for sale in the period was £15,012m (30 June 2017: £15,300m; 31 December 2017: £15,313m).

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

4.16 Contingent liabilities and contingent assets

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.

4.17 Commitments

(a) Capital commitments

The Group's investment property is classified as held for sale at 30 June 2018. Capital expenditure that was authorised and contracted for, but not provided and incurred, was £260m at 30 June 2017 and £167m at 31 December 2017 in respect of investment property. At 30 June 2017 and 31 December 2017, £199m and £147m respectively, related to the contractual obligations to purchase, construct or develop investment property and, £61m and £20m respectively, related to the contractual obligations to repair, maintain or enhance investment property.

(b) Unrecognised financial instruments

The Group has committed £512m (30 June 2017: £449m; 31 December 2017: £447m) in respect of unrecognised financial instruments to customers and third parties. Of this amount £391m (30 June 2017: £357m; 31 December 2017: £360m) is committed by consolidated private equity funds classified as held for sale. 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 2018 £m	30 Jun 2017 restated ¹ £m	31 Dec 2017 restated ¹ £m
Not later than one year	36	16	37
Later than one year and no later than five years	82	39	90
Later than five years	57	47	61
Total operating lease commitments for continuing operations	175	102	188

¹ Comparatives for the six months ended 30 June 2017 and 12 months ended 31 December 2017 have been restated to reflect the classification of the UK and European insurance business as discontinued operations. Refer to Note 4.2.

4.18 Related party transactions

In the normal course of business, the Group enters into transactions with related parties that relate to insurance and investment management business. There have been no changes in the nature of these transactions during the period to those reported in the Group's Annual report and accounts for the year ended 31 December 2017. There were no transactions with related parties that have materially affected the result or financial position of the Group during the period ended 30 June 2018, 30 June 2017 or 31 December 2017.

Details of the proposed sale of a subsidiary to our joint venture business are included in Note 4.2.

4.19 Events after the reporting date

HDFC Asset Management Company Limited (HDFC AMC), the Group's associate Indian asset management business announced in November 2017 that its board of directors had approved initiation of an initial public offering (IPO) with the Group offering up a portion of the paid up capital of HDFC AMC. On 6 August 2018, HDFC AMC listed on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited following completion of the IPO. Through the IPO, the Group sold 16,864,585 equity shares in HDFC AMC for a total net consideration of approximately Rs.16.2bn (approximately £180m). The gain on sale from the IPO is estimated to be £150m after tax and using the weighted-average cost method. Following the sale HDFC AMC will remain an associate of the Group and the Group's shareholding subsequent to the IPO is 63,650,615 equity shares or 30.03% of the issued share capital of HDFC AMC.

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. All APMs should be read together with the 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.

The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. The Reported basis results reflect this accounting treatment with Aberdeen results included from 14 August 2017 only. Therefore, Aberdeen is excluded from the H1 2017 results on a Reported basis. In our Management report we have also presented comparative results on a Pro forma basis to assist in explaining trends by showing performance for the combined Group as if Standard Life plc and Aberdeen had always been merged. The difference between the Reported results and Pro forma results is the results of Aberdeen in the period prior to completion of the merger.



Key performance indicators (KPIs) are defined as the measures by which the development, performance or position of the business can be measured effectively.

	Definition	Purpose and changes made
Adjusted profit before tax 	Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes in the Group's wholly owned insurance entities which in the current period are all classified as held for sale. 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 adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax. Adjusted profit also excludes the impact of the following items: • Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change. • Impairment and amortisation of intangible assets acquired in business combinations and through the purchase of customer contracts • Profit or loss arising on the disposal of a subsidiary, joint venture or associate • 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 Coupons payable on perpetual notes classified as non-controlling interests are included in adjusted profit before tax. For IFRS purposes, these are recognised directly in equity. Prior to these instruments being reclassified as a subordinated liability on 18 December 2017, this gave rise to an adjusting item relating to 'coupons payable on perpetual notes classified as equity'. Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary dividends.	Adjusted 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 adjusting items. Adjusted profit before tax is consistent with the way that financial performance is measured by management and reported to the Board and executive committee. Adjusted profit before tax is also a key measure used to assess performance for remuneration purposes. As disclosed in our Annual report and accounts 2017, the Group changed the calculation of adjusted profit in 2017. Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to holding companies and other non-insurance entities. Comparatives for the six months to 30 June 2017 have been restated to reflect this change. The reason for the change in methodology was to align the approach with that used by Aberdeen and to improve consistency with other asset management peers. We provide a reconciliation to previously published financial information in the adjusted profit section below. There have been no changes made in 2018.

	Definition	Purpose and changes
Adjusted cash generation	Adjusted cash generation presents a shareholder view of cash generation. The calculation of this measure was amended following the merger and is presented for continuing operations only. For the Aberdeen Standard Investments segment, adjusted cash generation adjusts IFRS net cash flows from operating activities for restructuring and corporate transaction expenses paid. For the Standard Life Pensions and Savings segment and Other, adjusted cash generation removes certain non-cash items from adjusted profit before tax. Adjustments are made for deferred acquisition costs/deferred income and fixed/intangible assets. Adjusted cash generation is stated net of current (cash) tax. IFRS net cash flows from operating activities is not used as the basis for these segments as it includes policyholder cash flows, and therefore does not present a shareholder view. For the India and China life segment, adjusted cash generation reflects dividends received in the period.	This APM presents a shareholder view of cash generation and removes adjusting items to make this cash metric more comparable to adjusted profit after tax. Adjusted cash generation provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to shareholders. The IFRS consolidated statement of cash flows includes policyholder cash flows for the Standard Life Pension and Savings business, and therefore does not present a shareholder view, and does not exclude adjusting items. As disclosed in our Annual report and accounts 2017, the Group changed the methodology in 2017 for the Aberdeen Standard Investments segment to more directly align adjusted cash generation for this segment with the cash flow statement. The reason for the change was to align the approach with that used by Aberdeen and to improve consistency with other asset management peers. The methodology for the Standard Life Pensions and Savings segment was also amended in 2017 to remove underlying adjustments (primarily spread/risk actuarial assumption changes) to better align with the adjusted profit measure. We provide a reconciliation to previously published financial information in the adjusted cash generation section on page 59.

Adjusted profit before tax

The table below reconciles adjusted profit before tax from continuing operations to Profit before tax.

	Pro forma basis			Remove Aberdeen results pre-merger completion			Reported basis		
	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m
Fee based revenue	966	1,041	2,099	–	(521)	(652)	966	520	1,447
Spread/risk margin	–	–	–	–	–	–	–	–	–
Total adjusted operating income	966	1,041	2,099	–	(521)	(652)	966	520	1,447
Total adjusted operating expenses	(712)	(739)	(1,551)	–	349	467	(712)	(390)	(1,084)
Adjusted operating profit	254	302	548	–	(172)	(185)	254	130	363
Capital management	(3)	–	13	–	9	–	(3)	9	13
Share of associates' and joint ventures' profit before tax	60	53	99	–	–	–	60	53	99
Adjusted profit before tax from continuing operations	311	355	660	–	(163)	(185)	311	192	475
Share of associates' and joint ventures' tax expense							(18)	(7)	(41)
Total adjusting items from continuing operations							(166)	(91)	4
Profit before tax							127	94	438

The table below provides a summarised reconciliation of adjusted profit before tax (split by Continuing operations, Discontinued operations and Total) to Profit before tax. Comparatives are shown on a Reported basis.

	Continuing operations			Discontinued operations			Total		
	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m
Adjusted profit before tax	311	192	475	167	166	379	478	358	854
Share of associates' and joint ventures' tax expense	(18)	(7)	(41)	–	–	–	(18)	(7)	(41)
Total adjusting items	(166)	(91)	4	(74)	55	(44)	(240)	(36)	(40)
Profit attributable to non-controlling interests – ordinary shares	–	–	–	5	6	25	5	6	25
Profit before tax¹	127	94	438	98	227	360	225	321	798

¹ Discontinued operations shown as profit before tax expense attributable to equity holders.

Analysis of adjusting items

The table below provides detail of the adjusting items made in the calculation of adjusted profit before tax.

	Continuing operations			Discontinued operations			Total		
	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m	H1 2018 £m	H1 2017 £m	FY 2017 £m
Restructuring and corporate transaction expenses	(59)	(57)	(162)	(51)	(4)	(11)	(110)	(61)	(173)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	(108)	(10)	(138)	–	–	–	(108)	(10)	(138)
Provision for annuity sales practices	–	–	–	–	–	(100)	–	–	(100)
Coupons payable on perpetual notes classified as equity	–	–	10	–	–	–	–	–	10
Profit on disposal of interests in associates	6	–	319	–	–	–	6	–	319
Short-term fluctuations in investment return and economic assumption changes	–	–	–	(61)	59	67	(61)	59	67
Other	(5)	(24)	(25)	38	–	–	33	(24)	(25)
Total adjusting items	(166)	(91)	4	(74)	55	(44)	(240)	(36)	(40)

An explanation for why individual items are excluded from adjusted profit is set out below.

- Restructuring and corporate transaction expenses are excluded from adjusted profit. Restructuring includes the impact of major regulatory change. By highlighting and excluding these costs we aim to give shareholders a fuller understanding of the performance of the business. Restructuring and corporate transaction expenses include costs relating to the integration of businesses acquired. Other restructuring costs excluded from adjusted profit relate to projects which have a significant impact on the way the Group operates. Costs are only excluded from adjusted profit where they are outwith business as usual activities and the costs would not have been incurred had the restructuring project not taken place. Restructuring and corporate transaction expenses in H1 2018 mainly related to integration and merger related costs of £52m included within continuing operations and £38m of transaction and separation costs relating to the proposed sale of the UK and European Insurance business to Phoenix which are included within discontinued operations. H1 2018 also included £14m of costs in relation to Brexit which we consider to be a major regulatory change. The residual costs of £6m relate to other corporate transaction expenses and Pensions and Savings/corporate centre restructuring.
- Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts is included as an adjusting item. This is consistent with the vast majority of peers and therefore excluding these items aids comparability. Highlighting this as an adjusting item aims to give a fuller understanding of these accounting impacts which arise where businesses have been acquired but do not arise where businesses have grown organically.
- Items which are one-off and due to their size or nature are not indicative of the long-term operating performance of the Group are also excluded from adjusted profit. This aims to assist comparability of results period on period. The provision for annuity sales practices falls under this category. Any future changes to the provision will be treated consistently.
- Profits on the disposal of a subsidiary, joint venture or associate are also removed to assist comparability of results period on period.
- Short-term fluctuations in investment return and economic assumption changes in the Group's wholly owned insurance entities are excluded from adjusted profit. 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 adjusted profit. Removing these short-term fluctuations and economic assumption changes is consistent with many of our insurance peers and aims to ensure that adjusted profit reflects a long-term view aligned to the maturity profile and economic matching of the corresponding assets and liabilities. In relation to certain subordinated liabilities this adjustment also excludes an accounting mismatch that arises where subordinated liabilities are measured at amortised cost and certain assets backing the liabilities are measured at fair value. In the current period, the wholly owned insurance entities are all classified as held for sale. More details on this adjustment are provided in Note 4.8 of the Financial information section.
- Details on items classified as 'Other' in the table above are provided in Note 4.8 of the Financial information section. In H1 2018 this balance primarily relates to a held for sale accounting adjustment. Following the classification of the UK and European insurance business as held for sale on the announcement of the proposed transaction on 23 February 2018, no amortisation or depreciation is recognised. This increase to profit has been classified as an adjusting item as it relates to the disposal of a subsidiary.
- In 2017 we also made an adjustment for coupons payable on perpetual notes classified as equity to remove the finance cost. This adjustment was required because the finance cost for these notes were included within adjusted profit so that, for adjusted profit purposes, perpetual notes classified as equity and our other subordinated debt classified as liabilities were treated consistently. These perpetual notes were reclassified to liabilities prior to 31 December 2017 and therefore this adjustment is no longer required.

Restructuring and corporate transaction expenses used to determine adjusted profit before tax in H1 2017 were £67m on a Pro forma basis compared to £61m on a Reported basis. The Pro forma basis in H1 2017 included merger related costs of £6m incurred by Aberdeen. The results for H1 2018 are the same on a Pro forma basis as on a Reported basis.

Reconciliation to previously published financial information

The table below provides a reconciliation of H1 2017 adjusted profit on a Pro forma basis to the operating profit and underlying profit financial information previously disclosed by Standard Life plc and Aberdeen Asset Management PLC.

	H1 2017		Adjustments			H1 2017
	Standard Life Group as reported	Aberdeen as reported HY 31 Mar 2017 ¹	Calendarisation adjustments ²	Other Aberdeen adjustments ³	Standard Life Group adjustments ⁴	Restated
	£m	£m	£m	£m	£m	£m
Fee based revenue	836	535	(14)	–	–	1,357
Spread/risk margin	49	–	–	–	–	49
Total adjusted operating income	885	535	(14)	–	–	1,406
Total adjusted operating expenses	(581)	(346)	(3)	–	(1)	(931)
Adjusted operating profit	304	189	(17)	–	(1)	475
Capital management	5	6	(1)	(14)	(3)	(7)
Share of associates' and joint ventures' profit before tax	53	–	–	–	–	53
Adjusted profit before tax⁵	362	195	(18)	(14)	(4)	521
Continuing operations						355
Discontinued operations						166
Adjusted profit before tax						521

¹ Figures are 'underlying profit' which was an alternative performance measure presented by the Aberdeen Group as reported in the unaudited financial statements for the period ended 31 March 2017.

² Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 30 June.

³ Adjusted to align the presentation of the Aberdeen Group's underlying profit alternative performance measure to adjusted profit of the Standard Life Aberdeen Group. Coupon payments on perpetual notes classified as equity were excluded from the Aberdeen Group underlying profit metric. The Group now includes these coupons payable within adjusted profit. This resulted in a reduction in the adjusted profit before tax of the Aberdeen Group within capital management, and the corresponding inclusion of an adjustment for 'Coupons payable on perpetual notes classified as equity' within adjusting items.

⁴ Following the completion of the merger, the Group changed the calculation of adjusted profit (previously named operating profit). Short-term fluctuations in investment return and economic assumption changes are now only adjusted for insurance entities. Previously these adjustments also applied to non-insurance entities. For the period ended 30 June 2017, this resulted in a £3m reduction to the adjusted profit of the Other segment within capital management, and a £1m reduction to the adjusted profit of the Standard Life Investments segment within operating expenses.

⁵ Following the merger, the Group renamed 'operating profit' as 'adjusted profit'. Line items were changed accordingly.

Reconciliation of adjusted profit to IFRS profit by component

The key components of adjusted profit before tax are total adjusted operating income (which is broken down into fee based revenue and spread/risk margin), total adjusted operating expenses and share of associates' and joint ventures' profit before tax. These components provide a meaningful analysis of our adjusted results.

The table below provides a reconciliation of movements between adjusted profit component measures and their closest IFRS equivalent.

Adjusted profit term	Group adjusted profit	Presentation differences	Adjusting items	Capital management	Share of associates' and joint ventures' tax expense	Non- controlling interests – ordinary shares	Group IFRS	IFRS term
H1 2018	£m	£m	£m	£m	£m	£m	£m	
Adjusted operating income	966	112	9	(3)	–	–	1,084	Total income
Adjusted operating expenses	(712)	(112)	(172)	–	–	–	(996)	Total expenses
Capital management	(3)	–	–	3	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	60	–	(3)	–	(18)	–	39	Share of profit from associates and JVs
Adjusted profit before tax from continuing operations	311	–	(166)	–	(18)	–	127	Profit before tax
Tax on adjusted profit	(48)	–	35	–	–	–	(13)	Total tax expense
Share of associates' and joint ventures' tax	(18)	–	–	–	18	–	–	N/A
Adjusted profit after tax from continuing operations	245	–	(131)	–	–	–	114	Profit for the period from continuing operations
Adjusted profit after tax from discontinued operations	138	–	(64)	–	–	5	79	Profit for the period from discontinued operations
Adjusted profit after tax	383	–	(195)	–	–	5	193	Profit for the period

This reconciliation includes a number of reconciling items which arise due to presentation differences between IFRS reporting requirements and the determination of adjusted operating income and adjusted operating expenses. Adjusted operating income and expenses exclude items which have an equal and opposite effect on IFRS income and IFRS expenses in the consolidated income statement. Other presentation differences also include Aberdeen Standard Investment's commission expenses which are presented in expenses in the consolidated income statement but are netted against adjusted operating income in the analysis of Group adjusted profit by segment. Further details of presentation differences are included Note 4.3(b)(ii) of the Financial information section of this report.

Adjusted profit term	Group adjusted profit (Reported basis)	Presentation differences	Adjusting items	Capital management	Share of associates' and JVs' tax expense	Non- controlling interests – ordinary shares	Group IFRS	IFRS term
H1 2017	£m	£m	£m	£m	£m	£m	£m	
Adjusted operating income	520	126	–	9	–	–	655	Total income
Adjusted operating expenses	(390)	(126)	(91)	–	–	–	(607)	Total expenses
Capital management	9	–	–	(9)	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	53	–	–	–	(7)	–	46	Share of profit from associates and JVs
Adjusted profit before tax from continuing operations	192	–	(91)	–	(7)	–	94	Profit before tax
Tax on adjusted profit	(31)	–	21	–	–	–	(10)	Total tax expense
Share of associates' and joint ventures' tax	(7)	–	–	–	7	–	–	N/A
Adjusted profit after tax from continuing operations	154	–	(70)	–	–	–	84	Profit for the period from continuing operations
Adjusted profit after tax from discontinued operations	167	–	41	–	–	6	214	Profit for the period from discontinued operations
Adjusted profit after tax	321	–	(29)	–	–	6	298	Profit for the period

Adjusted profit term	Group adjusted profit (Reported basis)	Presentation differences	Adjusting items	Capital management	Share of associates' and JVs' tax expense	Non- controlling interests – ordinary shares	Group IFRS	IFRS term
FY 2017	£m	£m	£m	£m	£m	£m	£m	
Adjusted operating income	1,447	679	26	13	–	–	2,165	Total income
Adjusted operating expenses	(1,084)	(679)	(9)	–	–	–	(1,772)	Total expenses
Capital management	13	–	–	(13)	–	–	–	N/A
Share of associates' and joint ventures' profit before tax	99	–	(13)	–	(41)	–	45	Share of profit from associates and JVs
Adjusted profit before tax from continuing operations	475	–	4	–	(41)	–	438	Profit before tax
Tax on adjusted profit	(77)	–	49	–	–	–	(28)	Total tax expense
Share of associates' and joint ventures' tax	(41)	–	–	–	41	–	–	N/A
Adjusted profit after tax from continuing operations	357	–	53	–	–	–	410	Profit for the period from continuing operations
Adjusted profit after tax from discontinued operations	348	–	(51)	–	–	25	322	Profit for the period from discontinued operations
Adjusted profit after tax	705	–	2	–	–	25	732	Profit for the period

Adjusted cash generation from continuing operations

Adjusted cash generation provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to shareholders. The IFRS consolidated statement of cash flows includes policyholder cash flows, and therefore does not present a shareholder view, and does not exclude adjusting items.

Analysis of adjusted cash generation (Comparatives shown on a Pro forma basis)		6 months 2018	6 months 2017	Full year 2017
		£m	£m	£m
Aberdeen Standard Investments	(a)	225	241	551
Standard Life Pensions and Savings (continuing operations)	(b)	6	4	6
India and China life		–	–	10
Other	(b)	(32)	(23)	(62)
Adjusted cash generation (continuing operations)		199	222	505

Further details of the segmental calculation of adjusted cash generation are included below.

(a) Aberdeen Standard Investments

	Per Group financial statements	6 months 2018	6 months 2017	Full year 2017
		£m	£m	£m
IFRS Net cash flow from operating activities – Total Group	Consolidated	1,147	1,339	2,194
Less: Net cash flows from operating activities – Standard Life Pensions and Savings, India and China life and Other	statement of cash flows	(964)	(1,249)	(1,846)
Net cash flow from operating activities – Aberdeen Standard Investments		183	90	348
Pro forma adjustment for pre-merger results ¹		–	136	140
Restructuring and corporate transaction expenses paid – Aberdeen Standard Investments		42	15	63
Adjusted cash generation – Aberdeen Standard Investments (Pro forma basis)		225	241	551

¹ The Pro forma adjustment adds pre-merger results for Aberdeen which are excluded from the consolidated statement of cash flows.

(b) Pensions and Savings and Other – continuing operations

	6 months 2018		6 months 2017		Full year 2017	
	Standard Life Pensions and Savings	Other	Standard Life Pensions and Savings	Other	Standard Life Pensions and Savings	Other
	£m	£m	£m	£m	£m	£m
Adjusted profit/(loss) before tax – continuing operations	1	(42)	–	(30)	1	(77)
Current tax adjustment	4	5	4	4	8	8
Other non-cash adjustments	1	5	–	3	(3)	7
Adjusted cash generation – Standard Life Pensions and Savings and Other	6	(32)	4	(23)	6	(62)

Reconciliation to previously published financial information

The table below provides a reconciliation of adjusted cash generation on a Pro forma basis to the financial information previously disclosed by Standard Life plc and Aberdeen Asset Management PLC.

	H1 2017		Adjustments				H1 2017
	Standard Life Group as reported £m	Aberdeen as reported HY 31 Mar 2017 ¹ £m	Calendarisation adjustments ² £m	Other Aberdeen adjustments ³ £m	Standard Life Group adjustments ⁴ £m	Adjustment to remove discontinued operations £m	Restated (Pro forma basis from continuing operations) £m
Aberdeen Standard Investments	144	153	19	(29)	(46)	–	241
Standard Life Pensions and Savings	128	–	–	–	–	(124)	4
India and China life	–	–	–	–	–	–	–
Other	(16)	–	–	–	(2)	(5)	(23)
Adjusted cash generation	256	153	19	(29)	(48)	(129)	222

¹ Figures are 'core cash generated from operating activities' which was an APM presented by the Aberdeen Group as reported in the unaudited financial statements for the period ended 31 March 2017.

² Adjusted to bring into line with Standard Life Group accounting practice to prepare financial results for the period 1 January to 30 June.

³ Adjusted to align the calculation of the Aberdeen Group's core cash generated from operating activities APM to adjusted cash generation of the Standard Life Aberdeen Group. Core cash generated from operating activities was on a pre-tax basis and included adjustments for short-term timing differences on open end fund settlements and net interest received. Adjusted cash generation is on a post-tax basis and is not adjusted for short-term timing differences on open end fund settlements or net interest received.

⁴ For the Aberdeen Standard Investments segment, the Standard Life Investments component of underlying cash generation was previously derived from operating profit but is now derived from net cash flows from operating activities in the IFRS statement of cash flows. For the Standard Life Pensions and Savings segment and Other, adjusted cash generation is impacted by the changes to adjusted profit as set out in the reconciliation of H1 2017 adjusted profit above, and no longer includes an underlying adjustment to remove spread/risk operating assumption changes. For the India and China life segment, adjusted cash generation reflects dividends received in the period and therefore no longer includes any contribution from the wholly owned Hong Kong business.

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.

As disclosed in our Annual report and accounts 2017, certain financial ratios that we use were revised following the merger with Aberdeen to reflect the increased asset management focus of the Group as described further below.

	Definition	Purpose and changes
Cost/income ratio KPI	This is an efficiency measure that is calculated as adjusted operating expenses divided by adjusted operating income in the period, and includes the share of associates' and joint ventures' profit before tax.	This ratio is used by management to assess efficiency and reported to the Board and executive committee. This ratio is also a measure used to assess performance for remuneration purposes. This ratio is now calculated on a YTD basis. Previously this was calculated on a rolling 12-month basis. The reason for the change is that the previously volatile spread/risk margin component is no longer applicable for continuing operations.
Adjusted diluted earnings per share KPI	Adjusted diluted earnings per share is calculated on adjusted profit after tax. The weighted average number of ordinary shares in issue is adjusted during the period to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees. Details on the calculation of adjusted diluted earnings per share are set out in Note 4.7 in the Financial information section.	Earnings per share is a commonly used financial metric which can be used to measure the profitability and capital efficiency of a company over time. We also calculate adjusted diluted earnings per share to illustrate the impact of adjusting items on the metric. This ratio is used by management to assess performance and reported to the Board and executive committee.
Fee revenue yield (bps)	The fee revenue yield is calculated as annualised fee based revenue (excluding performance fees) divided by monthly average fee based AUM/AUA (excluding HDFC AMC).	The average revenue yield on fee based business is a measure that illustrates the average margin being earned on the assets that we manage or administer. As disclosed in our Annual report and accounts 2017, the Group changed the methodology in 2017 to exclude performance fees from the fee revenue yield calculation. The reason for the change was to align the approach with that used by Aberdeen and to improve consistency with other asset management peers. There have been no changes made in 2018.

Cost/income ratio from continuing operations

	H1 2018	Pro forma basis		Reported basis	
		H1 2017	FY 2017	H1 2017	FY 2017
Adjusted operating expenses (£m)	(712)	(739)	(1,551)	(390)	(1,084)
Fee based revenue (£m)	966	1,041	2,099	520	1,447
Share of associates' and joint ventures' profit before tax (£m)	60	53	99	53	99
Total adjusted operating income and share of associates' and joint ventures' profit before tax (£m)	1,026	1,094	2,198	573	1,546
Cost/income ratio (%)	69	68	71	68	70

Adjusted diluted earnings per share from continuing operations

	H1 2018 £m	Pro forma basis		Reported basis	
		H1 2017 £m	FY 2017 £m	H1 2017 £m	FY 2017 £m
Adjusted profit after tax	245	291	516	154	357
Dividend paid on preference shares	(3)	(3)	(5)	–	–
Adjusted profit after tax attributable to equity holders of the Company	242	288	511	154	357
Profit attributable to equity holders of the Company	111	N/A	N/A	84	402
	Million	Million	Million	Million	Million
Weighted average number of ordinary shares outstanding	2,937	2,945	2,943	1,972	2,343
Dilutive effect of share options and awards	28	23	29	3	17
Weighted average number of diluted ordinary shares outstanding	2,965	2,968	2,972	1,975	2,360
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	3.8	N/A	N/A	4.3	17.1
Adjusted diluted earnings per share	8.2	9.7	17.2	7.8	15.1

Fee revenue yield (bps)

Fee revenue yield
(Pro forma basis)

		Average AUMA (£bn) ¹		Fee based revenue (£m) ¹		Fee revenue yield (bps) ¹	
		H1 2018	FY 2017	H1 2018	FY 2017	H1 2018	FY 2017
Aberdeen Standard Investments	Equities	92.6	98.1	311	666	67.1	67.9
	Fixed income	46.8	49.0	65	144	27.9	29.4
	Multi-asset	69.3	74.7	188	432	54.2	57.7
	Private markets/alternatives	25.2	23.8	41	96	32.3	40.6
	Real estate	28.3	29.2	76	159	53.7	54.4
	Quantitative	2.2	2.2	1	3	10.1	12.1
	Cash/liquidity	18.1	19.1	7	14	8.3	7.4
	Growth	282.5	296.1	689	1,514	48.7	51.1
	Mature	266.2	271.1	179	372	13.5	13.7
	Total	548.7	567.2	868	1,886	31.6	33.3
Average AUM from HDFC Asset Management		13.2	12.0	N/A	N/A	N/A	N/A
Revenue from performance fees		N/A	N/A	3	26	N/A	N/A
Total Aberdeen Standard Investments		561.9	579.2	871	1,912	N/A	N/A
Pensions and Savings (continuing) ²		54.9	49.2	89	175	32.5	35.7
India and China life		N/A	N/A	6	12	N/A	N/A
Total continuing operations		N/A	N/A	966	2,099	N/A	N/A
Discontinued		N/A	N/A	395	800	N/A	N/A
Discontinued eliminations		N/A	N/A	(69)	(136)	N/A	N/A
Total discontinued operations		N/A	N/A	326	664	N/A	N/A
Total		N/A	N/A	1,292	2,763	N/A	N/A

¹ Fee revenue yield is calculated excluding AUM from HDFC Asset Management from average AUMA and excluding performance fees from revenue. Average AUMA above excludes £13.2bn (FY 2017: £12.0bn) of average AUM relating to HDFC Asset Management and fee based revenue excludes £3m (H1 2017: £2m; FY 2017: £26m) of performance fees.

² Pensions and Savings continuing AUMA includes only our Wrap, Elevate and Fundzone platforms. Fee based revenue for Pensions and Savings continuing includes revenue from these platforms as well as from 1825.

5.3 Assets under management and administration and net flows (Pro forma basis)

	Definition	Purpose and changes made
Assets under management and administration KPI	AUMA is a measure of the total assets we manage or administer on behalf of our clients and customers. It includes Aberdeen Standard Investments assets under management (AUM) and Standard Life Pensions & Savings assets under administration (AUA), as well as AUM and AUA from our associate and joint venture businesses in India and China based on our ownership percentages. AUM is a measure of the total assets that Aberdeen Standard Investments manages on behalf of individual customers and institutional clients. AUM also includes captive assets managed on behalf of Standard Life Aberdeen Group including assets managed for corporate purposes. These corporate assets are eliminated from Group AUMA. AUA is a measure of the total assets we administer for customers through products such as pensions, platforms and ISAs, as well as assets backing our Spread/risk products such as annuities.	As an investment company, AUMA and net flows are key drivers of shareholder value. As disclosed in our Annual report and accounts 2017, certain items previously included in AUA for Standard Life plc are now no longer included. These items are other corporate assets and assets which do not generate revenue from products. Comparatives have been restated. A reconciliation of AUMA and net flows to previously disclosed information is provided in section 5.5. There have been no changes made in 2018.
Net flows KPI	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.	As an investment company, AUMA and net flows are key drivers of shareholder value.

5.3.1 Assets under management and administration

6 months ended 30 June 2018

	Opening AUMA at 1 Jan 2018	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation ¹	Closing AUMA at 30 Jun 2018
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Aberdeen Standard Investments							
Equities	104.5	7.1	(14.7)	(7.6)	(4.0)	1.2	94.1
Fixed income	51.4	3.2	(5.3)	(2.1)	(0.3)	0.9	49.9
Multi-asset	72.4	5.0	(9.4)	(4.4)	(1.4)	–	66.6
Private markets/alternatives	24.5	1.0	(1.9)	(0.9)	1.5	2.1	27.2
Real estate	28.5	1.6	(1.8)	(0.2)	–	0.6	28.9
Quantitative	2.2	0.1	(0.1)	–	–	–	2.2
Cash/liquidity	20.4	4.8	(3.2)	1.6	0.1	–	22.1
Growth	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0
Mature	271.8	11.0	(16.6)	(5.6)	(0.1)	–	266.1
Total assets under management	575.7	33.8	(53.0)	(19.2)	(4.2)	4.8	557.1
Pensions and Savings (continuing)	54.0	4.7	(2.2)	2.5	(0.2)	–	56.3
India and China life	4.8	0.6	(0.3)	0.3	(0.2)	–	4.9
Eliminations	(8.0)	(1.1)	0.9	(0.2)	–	–	(8.2)
Total AUMA (continuing)	626.5	38.0	(54.6)	(16.6)	(4.6)	4.8	610.1
Discontinued ²	134.1	4.4	(5.6)	(1.2)	0.3	–	133.2
Discontinued eliminations	(105.7)	(2.3)	3.0	0.7	1.0	–	(104.0)
Total AUMA (discontinued)	28.4	2.1	(2.6)	(0.5)	1.3	–	29.2
Total AUMA	654.9	40.1	(57.2)	(17.1)	(3.3)	4.8	639.3

¹ Corporate actions relate to the acquisition of £4.8bn of AUM in transactions with Alpine Woods, ETF Securities and Hark Capital.

² Discontinued excludes AUMA and flows from products such as Wrap SIPP, where the SIPP product is moving to Phoenix but will continue to be administered via the Wrap platform. To avoid a double count, this AUMA is included in Pensions and Savings continuing only. The total AUMA from such products is £26.2bn (FY 2017: £24.5bn).

Assets under management and administration
6 months ended 30 June 2017

		Opening AUMA at 1 Jan 2017	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation ¹	Closing AUMA at 30 Jun 2017
		£bn	£bn	£bn	£bn	£bn	£bn	£bn
Aberdeen Standard Investments	Equities	97.4	8.2	(11.6)	(3.4)	9.8	–	103.8
	Fixed income	55.1	3.7	(5.3)	(1.6)	0.8	(1.3)	53.0
	Multi-asset	79.1	7.2	(11.0)	(3.8)	1.4	(2.4)	74.3
	Private markets/alternatives	25.7	0.9	(1.4)	(0.5)	(0.2)	–	25.0
	Real estate	27.5	1.9	(2.6)	(0.7)	1.3	–	28.1
	Quantitative	2.4	0.1	(0.5)	(0.4)	0.2	–	2.2
	Cash/liquidity	21.9	4.5	(3.1)	1.4	(0.6)	–	22.7
	Growth	309.1	26.5	(35.5)	(9.0)	12.7	(3.7)	309.1
	Mature	271.5	8.2	(15.6)	(7.4)	6.5	–	270.6
Total assets under management		580.6	34.7	(51.1)	(16.4)	19.2	(3.7)	579.7
Pensions and Savings (continuing)		44.2	5.5	(1.8)	3.7	1.3	–	49.2
India and China life		4.6	0.6	(0.3)	0.3	0.3	–	5.2
Eliminations		(6.4)	(1.3)	1.3	–	(0.7)	–	(7.1)
Total AUMA (continuing)		623.0	39.5	(51.9)	(12.4)	20.1	(3.7)	627.0
Discontinued ²		127.4	4.8	(6.2)	(1.4)	5.1	–	131.1
Discontinued eliminations		(102.8)	(2.3)	3.4	1.1	(1.4)	–	(103.1)
Total AUMA (discontinued)		24.6	2.5	(2.8)	(0.3)	3.7	–	28.0
Total AUMA		647.6	42.0	(54.7)	(12.7)	23.8	(3.7)	655.0

¹ Corporate actions include the closure of an uneconomic multi-manager fund range and the rationalisation of the US fixed income business.

² Discontinued excludes AUMA and flows from products such as Wrap SIPP, where the SIPP product is moving to Phoenix but will continue to be administered via the Wrap platform. To avoid a double count, this AUMA is included in Pensions and Savings continuing only. The total AUMA from such products is £21.5bn (FY 2016: £18.4bn).

5.3.2 AUMA growth and mature split

	Opening AUMA at 1 Jan 2018	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUMA at 30 Jun 2018
6 months ended 30 June 2018	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Aberdeen Standard Investments growth	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0
Pensions and Savings (continuing)	54.0	4.7	(2.2)	2.5	(0.2)	–	56.3
Eliminations	(8.0)	(1.1)	0.9	(0.2)	–	–	(8.2)
Total growth channels	349.9	26.4	(37.7)	(11.3)	(4.3)	4.8	339.1
Aberdeen Standard Investments mature	271.8	11.0	(16.6)	(5.6)	(0.1)	–	266.1
India and China life	4.8	0.6	(0.3)	0.3	(0.2)	–	4.9
Total continuing operations	626.5	38.0	(54.6)	(16.6)	(4.6)	4.8	610.1
Discontinued	28.4	2.1	(2.6)	(0.5)	1.3	–	29.2
Total AUMA	654.9	40.1	(57.2)	(17.1)	(3.3)	4.8	639.3

	Opening AUMA at 1 Jan 2017	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUMA at 30 Jun 2017
6 months ended 30 June 2017	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Aberdeen Standard Investments growth	309.1	26.5	(35.5)	(9.0)	12.7	(3.7)	309.1
Pensions and Savings (continuing)	44.2	5.5	(1.8)	3.7	1.3	–	49.2
Eliminations	(6.4)	(1.3)	1.3	–	(0.7)	–	(7.1)
Total growth channels	346.9	30.7	(36.0)	(5.3)	13.3	(3.7)	351.2
Aberdeen Standard Investments mature	271.5	8.2	(15.6)	(7.4)	6.5	–	270.6
India and China life	4.6	0.6	(0.3)	0.3	0.3	–	5.2
Total continuing operations	623.0	39.5	(51.9)	(12.4)	20.1	(3.7)	627.0
Discontinued	24.6	2.5	(2.8)	(0.3)	3.7	–	28.0
Total AUMA	647.6	42.0	(54.7)	(12.7)	23.8	(3.7)	655.0

5.3.3 Quarterly net flows

	3 months to 30 Jun 18 £bn	3 months to 31 Mar 18 £bn	3 months to 31 Dec 17 £bn	3 months to 30 Sep 17 £bn	3 months to 30 Jun 17 £bn
Aberdeen Standard Investments:					
Equities	(3.9)	(3.7)	(2.9)	(1.9)	(1.9)
Fixed income	(0.9)	(1.2)	(0.6)	(1.1)	(1.4)
Multi-asset	(2.9)	(1.5)	(1.3)	(1.8)	(1.8)
Private markets/alternatives	(0.6)	(0.3)	(0.1)	(0.2)	(0.3)
Real estate	–	(0.2)	(0.1)	(0.2)	(0.6)
Quantitative	–	–	–	(0.1)	(0.4)
Cash/liquidity	1.4	0.2	(0.7)	(2.1)	0.1
Growth	(6.9)	(6.7)	(5.7)	(7.4)	(6.3)
Mature	(3.1)	(2.5)	(3.5)	(4.3)	(3.8)
Aberdeen Standard Investments net flows	(10.0)	(9.2)	(9.2)	(11.7)	(10.1)
Pensions and Savings (continuing)	1.0	1.5	1.6	1.7	1.8
India and China life	0.1	0.2	0.1	0.1	0.1
Eliminations	(0.1)	(0.1)	(0.1)	(0.4)	–
Total net flows (continuing)	(9.0)	(7.6)	(7.6)	(10.3)	(8.2)
Discontinued	(0.7)	(0.5)	(0.7)	(0.9)	(0.6)
Discontinued eliminations	0.4	0.3	0.3	2.3	(0.4)
Total net flows (discontinued)	(0.3)	(0.2)	(0.4)	1.4	(1.0)
Total net flows	(9.3)	(7.8)	(8.0)	(8.9)	(9.2)

5.4 Aberdeen Standard Investments assets under management and net flows (Pro forma basis)

5.4.1 Growth AUM detailed asset class split and total AUM by channel

6 months ended 30 June 2018	Opening AUM at 1 Jan 2018	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUM at 30 Jun 2018
Breakdown of growth channel asset classes	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Developed markets equities	16.3	1.0	(1.3)	(0.3)	–	–	16.0
Emerging markets equities	37.0	3.0	(7.6)	(4.6)	(2.8)	–	29.6
Asia Pacific equities	27.7	2.1	(3.9)	(1.8)	(0.8)	–	25.1
Global equities	23.5	1.0	(1.9)	(0.9)	(0.4)	1.2	23.4
Total equities	104.5	7.1	(14.7)	(7.6)	(4.0)	1.2	94.1
Developed markets credit	32.9	1.7	(3.3)	(1.6)	0.1	0.9	32.3
Developed markets rates	5.7	0.4	(0.6)	(0.2)	(0.2)	–	5.3
Emerging markets fixed income	12.8	1.1	(1.4)	(0.3)	(0.2)	–	12.3
Total fixed income	51.4	3.2	(5.3)	(2.1)	(0.3)	0.9	49.9
Absolute return	39.8	1.1	(6.3)	(5.2)	(0.8)	–	33.8
Diversified growth/income	1.5	0.3	(0.2)	0.1	–	–	1.6
MyFolio	13.3	1.5	(0.7)	0.8	–	–	14.1
Other multi-asset	6.5	0.6	(1.1)	(0.5)	(0.6)	–	5.4
Parmenion	4.4	1.1	(0.5)	0.6	0.1	–	5.1
Standard Life Wealth	6.9	0.4	(0.6)	(0.2)	(0.1)	–	6.6
Total multi-asset	72.4	5.0	(9.4)	(4.4)	(1.4)	–	66.6
Private equity	12.4	0.4	(1.0)	(0.6)	0.2	–	12.0
Private credit and solutions	0.3	0.2	–	0.2	(0.4)	–	0.1
Alternative investment solutions	8.0	0.4	(0.6)	(0.2)	1.7	2.1	11.6
Infrastructure equity	3.8	–	(0.3)	(0.3)	–	–	3.5
Total private markets/alternatives	24.5	1.0	(1.9)	(0.9)	1.5	2.1	27.2
UK real estate	15.8	0.7	(1.1)	(0.4)	–	–	15.4
European real estate	11.1	0.9	(0.6)	0.3	(0.1)	–	11.3
Global real estate	0.1	–	–	–	0.1	0.6	0.8
Real estate multi-manager	1.5	–	(0.1)	(0.1)	–	–	1.4
Total real estate	28.5	1.6	(1.8)	(0.2)	–	0.6	28.9
Total quantitative	2.2	0.1	(0.1)	–	–	–	2.2
Total cash/liquidity	20.4	4.8	(3.2)	1.6	0.1	–	22.1
Total growth assets under management	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0

6 months ended 30 June 2018	Opening AUM at 1 Jan 2018	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUM at 30 Jun 2018
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Institutional	192.5	10.9	(21.5)	(10.6)	0.5	–	182.4
Wholesale	100.2	10.5	(13.8)	(3.3)	(4.6)	4.8	97.1
Wealth/Digital	11.2	1.4	(1.1)	0.3	–	–	11.5
Growth channels	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0
Mature channels	271.8	11.0	(16.6)	(5.6)	(0.1)	–	266.1
Total assets under management	575.7	33.8	(53.0)	(19.2)	(4.2)	4.8	557.1

6 months ended 30 June 2017	Opening AUM at 1 Jan 2017	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUM at 30 Jun 2017
Breakdown of growth channel asset classes	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Developed markets equities	15.8	1.2	(1.8)	(0.6)	0.6	–	15.8
Emerging markets equities	33.9	3.2	(3.3)	(0.1)	3.7	–	37.5
Asia Pacific equities	26.1	2.1	(4.2)	(2.1)	3.3	–	27.3
Global equities	21.6	1.7	(2.3)	(0.6)	2.2	–	23.2
Total equities	97.4	8.2	(11.6)	(3.4)	9.8	–	103.8
Developed markets credit	37.8	2.2	(4.2)	(2.0)	0.9	(1.3)	35.4
Developed markets rates	5.5	0.4	(0.5)	(0.1)	(0.2)	–	5.2
Emerging markets fixed income	11.8	1.1	(0.6)	0.5	0.1	–	12.4
Total fixed income	55.1	3.7	(5.3)	(1.6)	0.8	(1.3)	53.0
Absolute return	48.9	3.1	(8.3)	(5.2)	0.3	–	44.0
Diversified growth/income	0.7	0.9	(0.1)	0.8	–	–	1.5
MyFolio	10.6	1.7	(0.7)	1.0	0.2	–	11.8
Other multi-asset	9.1	0.4	(1.2)	(0.8)	0.6	(2.4)	6.5
Parmenion	3.0	0.8	(0.1)	0.7	–	–	3.7
Standard Life Wealth	6.8	0.3	(0.6)	(0.3)	0.3	–	6.8
Total multi-asset	79.1	7.2	(11.0)	(3.8)	1.4	(2.4)	74.3
Private equity	14.6	0.6	(0.6)	–	(0.1)	–	14.5
Private credit and solutions	–	–	–	–	–	–	–
Alternative investment solutions	8.9	0.3	(0.8)	(0.5)	(0.1)	–	8.3
Infrastructure equity	2.2	–	–	–	–	–	2.2
Total private markets/alternatives	25.7	0.9	(1.4)	(0.5)	(0.2)	–	25.0
UK real estate	15.2	0.5	(1.1)	(0.6)	0.8	–	15.4
European real estate	10.5	1.3	(1.3)	–	0.5	–	11.0
Global real estate	0.2	–	–	–	–	–	0.2
Real estate multi-manager	1.6	0.1	(0.2)	(0.1)	–	–	1.5
Total real estate	27.5	1.9	(2.6)	(0.7)	1.3	–	28.1
Total quantitative	2.4	0.1	(0.5)	(0.4)	0.2	–	2.2
Total cash/liquidity	21.9	4.5	(3.1)	1.4	(0.6)	–	22.7
Total growth assets under management	309.1	26.5	(35.5)	(9.0)	12.7	(3.7)	309.1

6 months ended 30 June 2017	Opening AUM at 1 Jan 2017	Gross inflows	Redemptions	Net flows	Market and other movements	Corporate actions and business rationalisation	Closing AUM at 30 Jun 2017
	£bn	£bn	£bn	£bn	£bn	£bn	£bn
Institutional	202.4	13.1	(20.6)	(7.5)	8.2	(1.3)	201.8
Wholesale	96.9	12.3	(14.2)	(1.9)	4.3	(2.4)	96.9
Wealth/Digital	9.8	1.1	(0.7)	0.4	0.2	–	10.4
Growth channels	309.1	26.5	(35.5)	(9.0)	12.7	(3.7)	309.1
Mature channels	271.5	8.2	(15.6)	(7.4)	6.5	–	270.6
Total assets under management	580.6	34.7	(51.1)	(16.4)	19.2	(3.7)	579.7

5.4.2 Aberdeen Standard Investments growth assets under management by geography

	30 Jun 2018 £bn	31 Dec 2017 £bn
UK	139.8	145.6
Europe, Middle East and Africa (EMEA)	61.0	61.8
India	13.1	13.6
Asia Pacific (APAC)	20.1	22.7
North America	57.0	60.2
Total growth channels	291.0	303.9

5.4.3 Aberdeen Standard Investments total assets under management by asset class

	30 Jun 2018			31 Dec 2017		
	Growth £bn	Mature £bn	Total £bn	Growth £bn	Mature £bn	Total £bn
Equities	94.1	50.1	144.2	104.5	53.1	157.6
Fixed income	49.9	88.7	138.6	51.4	92.6	144.0
Multi-asset	66.6	20.3	86.9	72.4	17.6	90.0
Private markets/alternatives	27.2	1.1	28.3	24.5	1.2	25.7
Real estate	28.9	10.2	39.1	28.5	10.7	39.2
Quantitative	2.2	64.5	66.7	2.2	66.3	68.5
Cash/liquidity	22.1	31.2	53.3	20.4	30.3	50.7
Total assets under management	291.0	266.1	557.1	303.9	271.8	575.7

5.5 Assets under management and administration – reconciliation to previously disclosed information (Pro forma basis)

6 months ended 30 June 2017

	Opening AUMA at 1 Jan 2017 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions and business rationalisation £bn	Closing AUMA at 30 Jun 2017 £bn
Standard Life plc AUA as reported	357.1	20.7	(24.4)	(3.7)	8.5	–	361.9
Add: Aberdeen AUM	302.7	21.3	(30.3)	(9.0)	14.5	(3.7)	304.5
Less: eliminations between Aberdeen AUM and UK Pensions & Savings AUA	(0.6)	–	–	–	–	–	(0.6)
Less: changes due to new AUMA methodology ¹	(11.6)	–	–	–	0.8	–	(10.8)
Adjustment to remove Discontinued operations	(24.6)	(2.5)	2.8	0.3	(3.7)	–	(28.0)
Total Standard Life Aberdeen AUMA (continuing)	623.0	39.5	(51.9)	(12.4)	20.1	(3.7)	627.0

¹ Some assets which were formerly included in Standard Life plc's AUA are now excluded under the definition of AUMA for Standard Life Aberdeen plc. These assets largely comprise Assets which do not generate revenue from products and Other corporate assets.

6. Glossary

Aberdeen Asset Management or Aberdeen

Aberdeen Asset Management PLC, or Aberdeen Asset Management PLC and its subsidiaries.

Adjusted cash generation

Adjusted cash generation presents a shareholder view of cash generation. The calculation of this measure has been amended following the merger and is presented for continuing operations only. For the Aberdeen Standard Investments segment, adjusted cash generation adjusts IFRS net cash flows from operating activities for restructuring and corporate transaction expenses paid. For the Standard Life Pensions and Savings segment and Other, adjusted cash generation removes certain non-cash items from adjusted profit before tax. Adjustments are made for deferred acquisition costs/deferred income reserve and fixed/intangible assets. Adjusted cash generation is stated net of current (cash) tax. IFRS net cash flows from operating activities is not used as the basis for these segments as it includes policyholder cash flows, and does not exclude adjusting items. For the India and China life segment, adjusted cash generation reflects dividends received in the period.

Adjusted operating expenses

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

Adjusted operating income

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

Adjusted profit

Adjusted profit before tax is the Group's key alternative performance measure. Adjusted profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes in the Group's wholly owned insurance entities. 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 adjusted profit and are presented within profit before tax. The impact of certain changes in economic assumptions is also excluded from adjusted profit and is presented within profit before tax.

Adjusted profit also excludes the impact of the following items:

- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Impairment and amortisation of intangible assets acquired in business combinations and through the purchase of customer contracts
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- 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

Coupons payable on perpetual notes classified as non-controlling interests are included in adjusted profit before tax. For IFRS purposes, these are recognised directly in equity. Prior to these instruments being reclassified as a subordinated liability on 18 December 2017, this gave rise to an adjusting item relating to 'coupons payable on perpetual notes classified as equity'. Dividends payable on preference shares classified as non-controlling interests are excluded from adjusted profit in line with the treatment of ordinary dividends.

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.

Assets under management and administration (AUMA)

AUMA is a measure of the total assets we manage or administer on behalf of our clients and customers. For continuing operations it includes Aberdeen Standard Investments assets under management (AUM) and assets under administration (AUA) within Standard Life Pensions and Savings, as well as AUM and AUA from our associate and joint venture businesses in India and China based on our ownership percentages.

AUM is a measure of the total assets that Aberdeen Standard Investments manages on behalf of individual customers and institutional clients. AUM also includes captive assets managed on behalf of Standard Life Aberdeen Group including assets managed for corporate purposes. These corporate assets are eliminated from Group AUMA.

AUA is a measure of the total assets we administer for customers through products such as pensions, platforms and ISAs, as well as assets backing our Spread/risk products such as annuities.

Board

The Board of Directors of the Company.

Capital management

Capital management is a component of adjusted 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. Coupons payable on perpetual notes classified as non-controlling interests are recognised in capital management. For IFRS purposes, these are directly recognised in equity. Capital management excludes short-term fluctuations in investment return in the Group's wholly owned insurance entities.

Capital surplus

This is a regulatory measure of our financial strength and is measured on a Solvency II basis.

Chief Operating Decision Maker

The executive committee.

Company

Standard Life Aberdeen plc. Prior to the merger Standard Life plc.

Cost/income ratio

This is an efficiency measure that is calculated as adjusted operating expenses divided by adjusted operating income, and includes the share of associates' and joint ventures' profit before tax.

CRD IV

CRD IV is the European regulatory capital regime that applies to investment firms. The Group expects that, post completion of the sale of the UK and European insurance business, the retained Group will be subject to the CRD IV regime for group-level prudential regulatory capital purposes. This is subject to receiving regulatory approval.

Director

A Director of the Company.

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.

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.

Elevate

Elevate adviser platform acquired through the purchase of the entire share capital of AXA Portfolio Services Limited, subsequently renamed Elevate Portfolio Services Limited.

Executive committee

Responsible for supporting the Co-Chief Executives in the day-to-day running of the business and comprises: Co-Chief Executives and the functional/regional leaders for UK, Finance, Distribution, Americas, EMEA, Asia Pacific, People and Investment Management.

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 adjusted profit and includes 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 based revenue is shown net of fees, commissions and similar charges (e.g. rebates and initial charges).

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 manage or administer. It is calculated as annualised fee based revenue (excluding performance fees) divided by monthly average fee based assets under administration.

Global absolute return strategies (GARS)

A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Aberdeen Standard 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 Aberdeen Group or Standard Life Aberdeen

Relates to the Company and its subsidiaries following the completion of the merger of Standard Life plc and Aberdeen Asset Management PLC on 14 August 2017.

Growth channels

We aim to drive the increase in our assets, revenue and profit via our growth channels. This comprises Aberdeen Standard Investments (excluding mature business) and the Pensions and Savings continuing operations business which includes Wrap, Elevate and 1825.

Heritage With Profits Fund (HWPF)

The Heritage With Profits Fund contains all business – both with profits and non-profit – written in the UK, Irish or German branches within the Standard Life Group before demutualisation, 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 has been aggregated using a money weighted average of our assets under management which are outperforming their respective benchmarks on a gross of fees basis. Benchmarks differ by fund and are defined in each fund's Investment Management Agreement (for example, the benchmark for our GARS unit trust fund is six-month GBP LIBOR). For total AUM, the investment performance calculation covers 83% of Aberdeen Standard Investments AUM, with certain assets excluded such as our share of AUM from HDFC AMC where we do not directly manage the assets, non-discretionary portfolios or funds where no suitable benchmark is available.

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.

Mature book/business

The mature books represent the management of assets by Aberdeen Standard Investments on behalf of strategic partner life businesses including Standard Life and a number of third party strategic partners such as Lloyds Banking Group and Phoenix.

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.

Own funds

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

Phoenix

Phoenix Group plc and its subsidiaries.

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.

Pro forma basis

The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. Results on a Pro forma basis are prepared as if Standard Life plc and Aberdeen had always been merged and are included on this basis to assist in explaining trends in financial performance for the combined Group. This is applicable to the results of the Group and Aberdeen Standard Investments.

Reported basis

The merger of Standard Life plc and Aberdeen completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. The financial statements for 2017 have been prepared on this basis, with Aberdeen results included only from the date of merger onwards. This is being referred to as the Reported basis.

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 the Standard Life Assurance Company (SLAC) was transferred to Standard Life Assurance Limited on 10 July 2006.

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.

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 adjusted 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 adjusted profit.

Standard Life

The brand name for our Pensions and Savings business, operating in the UK and Europe.

Standard Life Group

Prior to demutualisation on 10 July 2006, SLAC and its subsidiaries and, from demutualisation on 10 July 2006 to 13 August 2017, Standard Life plc and its subsidiaries.

Strategic partner life business

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

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.

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.

7. Shareholder information

Registered office

Standard Life House
30 Lothian Road
Edinburgh
EH1 2DH
Scotland

Company registration number: SC286832

Phone: 0800 634 7474* or 0131 225 2552*

For shareholder services call:

0345 113 0045*

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

Secretary

Kenneth A Gilmour

Registrar

Link Market Services Limited (Link)

Auditors

KPMG LLP

Solicitors

Slaughter and May

Brokers

JP Morgan Cazenove
Goldman Sachs
Cenkos Securities

Shareholder services

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

- Contact our registrar, Link, who manage this service for us. Their details can be found on the inside back cover.
- Visit our share portal at www.standardlifeaberdeenshares.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 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.standardlifeaberdeenshares.com

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 Aberdeen Share Account – by contacting Link, 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

	Half year results 2018	7 August
	Ex-dividend date for 2018 interim dividend	16 August
	Record date for 2018 interim dividend	17 August
	Last date for DRIP elections for 2018 interim dividend	5 September
	Dividend payment date for 2018 interim dividend	25 September

Analysis of registered shareholdings at 30 June 2018

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	61,976	60.96	26,016,450	0.87
1,001-5,000	34,313	33.75	70,097,454	2.35
5,001-10,000	3,032	2.98	20,378,300	0.69
10,001-100,000	1,705	1.68	41,643,132	1.40
#100,001+	643	0.63	2,821,352,675	94.69
Total	101,669	100	2,979,488,011	100

These figures include the Company-sponsored nominee – the Standard Life Aberdeen Share Account – which had 1,029,839 participants holding 738,976,854 shares.

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Download our app

Keep up to date with Standard Life Aberdeen news, share price updates and other useful information on Standard Life Aberdeen's Investor App



*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 2018 (unless otherwise indicated).

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