

Half year results 2016

Standard Life plc

Standard Life 

At a glance

Key performance indicators

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

Financial

Assets under administration (AUA) £328.0bn (FY 2015: £307.4bn)	Net flows £0.9bn (H1 2015: £3.4bn)	
Operating profit £341m (H1 2015: £290m)	Underlying cash generation £254m (H1 2015: £230m) Comparative has been restated - See Section 1.2	Operating return on equity 13.8% (H1 2015: 12.9%) Includes discontinued operations

2015 comparatives are in relation to continuing operations unless otherwise stated.

We include measures here which have not been determined to be KPIs but we believe are integral to our performance.

IFRS profit after tax attributable to equity holders £226m (H1 2015: £69m) From continuing operations	Basic earnings per share 11.5p (H1 2015: £3.2p) From continuing operations	Interim dividend per share 6.47p (2015: 6.02p)
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Find out more about our financial performance in Section 1.2. Definitions of our financial terms are included in the Glossary in Section 6.

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Find out more information **within this report**



Find out more information **online**

The Half year results 2016 are published on the Group's website at www.standardlife.com/hyresults

The Half year 2016 press release is also published on www.standardlife.com


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

1 Management report

1.1 Chief Executive's overview



'Standard Life continues to make good progress towards building a world-class investment company against a backdrop of volatile investment markets - growing assets, profits, cash flows and returns to shareholders.'



Keith Skeoch
Chief Executive

Standard Life has continued to deliver profitable growth. We have grown assets, revenue and profits, and increased our dividend, as we continue to make good progress in building a world-class investment company.

Diversification delivers growth in challenging markets

In the first half of this year we saw a very different mix of net flows compared to the first half of 2015. We are benefiting from our strong long-term relationships with a broad range of clients and customers who reacted in different ways to the changing market environment.

The agreement to acquire Elevate will strengthen our leading position in the advised platform market, while the increase in the stake in HDFC Life and the proposed merger with Max Life will increase our exposure to the attractive and fast growing Indian market.

Outlook

The first half of 2016 can only be characterised as a challenging external environment. While it would be rash to extrapolate the economic and political noise of the last six months, it is clear that the uncertainty that always accompanies economies, politics and markets will remain elevated. This will reinforce the global trends that are shaping the savings and investment landscape. Standard Life's long-term strategy is designed to take advantage of these trends.

Targeted investments to further our diversification agenda, together with a sharpened focus on operational efficiency as we drive our cost income ratio to significantly below its current level, will increase our pace of strategic delivery. This will ensure we continue to meet changing client and customer needs and generate sustainable returns for our shareholders.

1.2 Chief Financial Officer's overview



'Our financial performance demonstrates our growth and resilience during a period of challenging market conditions.'

Luke Savage
Chief Financial Officer



Further information on AUA, net flows and the components of our growth channels and mature books of business are included in Supplementary information in Section 5

Alternative performance measures: We assess our financial performance using a variety of measures. Some of these measures are defined under IFRS such as IFRS profit. Others, such as operating profit, are not defined under IFRS and are therefore termed alternative performance measures. Further details are included in Supplementary information in Section 5.

Key financial performance indicators, including comparatives, exclude the Canadian and Singapore discontinued operations unless otherwise stated.

We continue to deliver across our simple business model of increasing assets, maximising revenue and lowering unit costs which has driven the increase in profit. This supports our progressive dividend policy.

Increasing assets

Assets under administration and net flows KPI

The increase in AUA from £307.4bn to £328.0bn was driven by market movements, including benefit from a lower Sterling exchange rate at the end of June, and growth channel net inflows. Market conditions are expected to remain volatile in the short term following the outcome of the EU referendum.

We continue to deliver positive net inflows despite the impact of volatile markets, with resilient flows across our growth channels. Net inflows in our growth channels were lower than H1 2015 as a result of the impact of this market volatility on retail investor sentiment in the Wholesale channel. Pensions and Savings growth channels net inflows of £3.1bn (H1 2015: £3.2bn) were driven by the continued success of our Wrap platform. Net outflows in our mature books reduced by £0.7bn to £3.4bn. H1 2015 included a £0.6bn one-off redemption by Phoenix Group. Total net inflows across our business reduced by £2.5bn to £0.9bn in H1 2016.

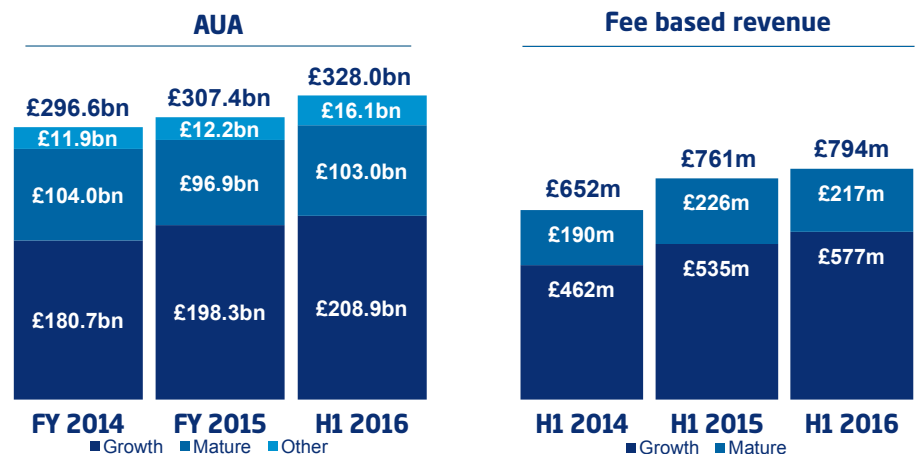
Maximising revenue

Higher growth channel assets have driven the 4% increase in fee based revenue to £794m, with the Standard Life Investments growth channels and Pensions and Savings growth channels increasing by 11% and 10% respectively.

Fee based revenue from our mature books of business reduced in line with expected outflows.

Whilst AUA was boosted from market and exchange rate movements at the end of June, revenue growth was depressed by lower average market levels in the period. For example, the average daily FTSE All-Share Index was 10% lower in H1 2016 compared to H1 2015.

Spread/risk margin, which mainly relates to income earned on UK annuities, increased by £23m to £63m. H1 2016 includes a £22m benefit from an acceleration of payments from our main with profits fund relating to changes to the scheme of demutualisation in response to the transition to Solvency II.



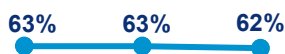
	H1 2016 £bn	H1 2015 £bn
Net flows		
Standard Life Investments Growth channels	1.7	5.2
Pensions and Savings Growth channels	3.1	3.2
Eliminations and other Growth channels	(0.7)	(1.0)
Total Growth channels	4.1	7.4
Standard Life Investments third party strategic partner life business	(1.4)	(2.2)
Pensions and Savings Mature fee business	(1.5)	(1.4)
Pensions and Savings spread/risk	(0.5)	(0.5)
Total Mature books	(3.4)	(4.1)
Associate and joint venture life businesses	0.2	0.1
Total net flows	0.9	3.4

Lowering unit costs

We invest to enhance our propositions and capabilities in a disciplined manner that aims to improve both the scalability and efficiency of our business. The cost/income ratio which is calculated on a rolling 12 months basis and includes the share of associates' and joint ventures' (JVs) profit before tax, has fallen to 62%. This reflects not just the rise in revenue but also our drive for greater cost efficiencies.

Operating expenses increased by 4% to £566m (H1 2015: £542m) reflecting further investment in expanding the distribution and global reach of Standard Life Investments, building scale in the 1825 business and ongoing investment in technology in our Pensions and Savings business.

Cost/income ratio



FY 2014 FY 2015 H1 2016

Driving Profit

Operating profit before tax increased by 18% and IFRS profit from continuing operations increased by 228%.

Operating profit before tax KPI

Operating profit before tax continues to be a key measure which helps to give shareholders a fuller understanding of the performance of the business.

Operating profit before tax increased by £51m to £341m, driven by a combination of robust fee revenue in our growth channels and an increase in the spread/risk margin.

Capital management increased by £12m to £13m largely due to investment strategy changes and the benefit of a higher pension scheme surplus.

Our share of profit from associates and JVs continued to grow with strong performance from HDFC Life and HDFC Asset Management in India and further progress from Heng An Standard Life in China.

Exchange rate movements at the end of June did not have a material impact on profits in the period.

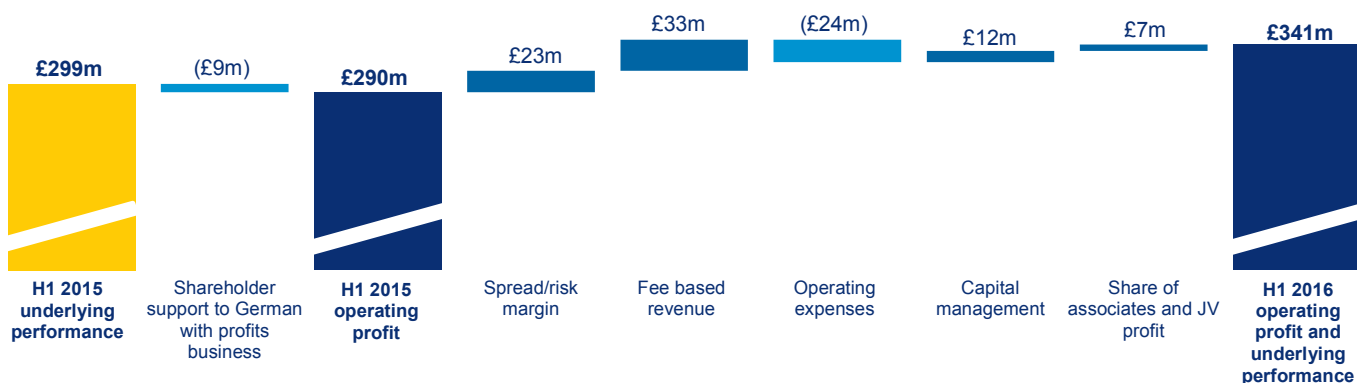
Underlying performance

Underlying performance increased by 14% to £341m (H1 2015: £299m). Underlying performance includes the £22m spread/risk margin benefit from an acceleration of payments from our main with profits fund.



Analysis of operating profit is included in Section 1.3

Movement in underlying performance and operating profit from continuing operations



IFRS profit¹

IFRS profit from continuing operations increased to £226m (H1 2015: £69m) due to an 18% increase in operating profit and reduced restructuring costs which resulted in a lower non-operating loss of £61m.

The main non-operating items are discussed below.

Restructuring and corporate transaction expenses reduced to £36m (H1 2015: £62m), and included £10m relating to the integration of Ignis, £5m for staff pension scheme restructuring and a number of other business unit restructuring programmes and corporate transactions.

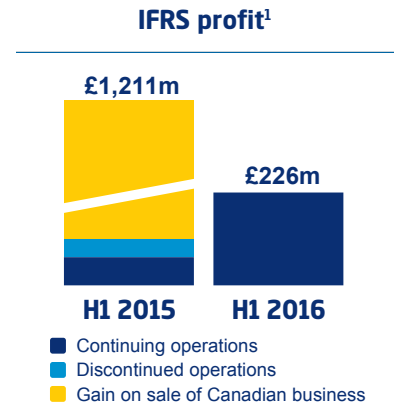
H1 2015 also included a £46m non-operating restructuring loss in Hong Kong following regulatory change.

Short-term fluctuations in investment return and economic assumption changes generated a loss of £17m (H1 2015: loss £42m) mainly due to a widening of credit spreads.

The total tax expense attributable to equity holders' profits from continuing operations was £49m, £69m (H1 2015: £37m) related to operating items and a credit of £20m (H1 2015: credit £19m) for non-operating items. The effective tax rate was 17%² (H1 2015: 15%²) compared to a UK corporation tax rate of 20% (H1 2015: 20.25%).

Other³ profit from continuing operations comprises the share of associates and JV tax of £5m (H1 2015: £5m). H1 2015 also includes a Singapore IFRS loss before tax of £40m which largely relates to expenses in respect of the closure of that business. The H1 2015 IFRS profit from discontinued operations of £1,142m includes the gain on sale of the Canadian business.

	H1 2016 £m	H1 2015 £m
Continuing operations:		
Operating profit before tax	341	290
Non-operating loss before tax	(61)	(158)
Total tax expense	(49)	(18)
Other ³	(5)	(45)
IFRS profit from continuing operations¹	226	69
IFRS profit from discontinued operations	-	1,142
Total IFRS profit¹	226	1,211



A more detailed reconciliation of operating profit to IFRS profit for the period is included in the IFRS condensed consolidated financial information section of this report

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

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

³ Singapore is presented as a discontinued operation in the Management report and in operating profit by segment in line with internal management presentation. However, under IFRS 5, Singapore did not constitute a discontinued operation and is included in continuing operations in the consolidated income statement. Therefore, a reclassification of these results between discontinued and continuing operations is required. For further details see Note 4.3 of the IFRS condensed consolidated financial information.

Underlying cash generation KPI

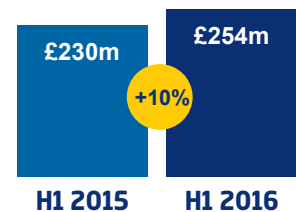
Underlying cash provides insight into our ability to generate cash that supports further investment in the business and the payment of dividends to our shareholders.

Underlying cash generation increased to £254m driven by the growth in fee based revenue and the spread/risk margin benefit from an acceleration of payments from our main with profits fund. This was partly offset by higher current tax on underlying performance mainly due to increased profits and a lower benefit from prior year tax adjustments compared to H1 2015.

	H1 2016 £m	H1 2015 £m
Reconciliation of underlying cash generation		
Underlying performance	341	299
Associates and JVs adjustment ⁴	(29)	(23)
Current tax on underlying performance	(53)	(33)
DAC/DIR adjustment	(3)	(3)
Fixed and intangible assets adjustment	(2)	(10)
Underlying cash generation	254	230

⁴ Underlying cash generation now includes dividends received from our Indian associates. Prior period figures have been restated. Further details are included in section 5.1 of Supplementary information.

Underlying cash generation



Visit www.standardlife.com/investor for more information on underlying cash generation

Optimising the balance sheet

Operating return on equity ^{KPI}

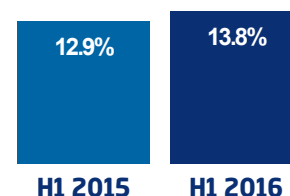
Operating return on equity measures our success in generating operating profit relative to our shareholder capital. We will continue to manage our capital position to ensure that we generate sustainable returns for our shareholders. For example, in April 2016 we invested £179m to increase our stake in HDFC Life.

Operating return on equity increased to 13.8% reflecting strong operating profit partly offset by a higher tax charge.

Our key growth channels including Standard Life Investments Institutional and Wholesale, and UK Workplace and Retail are capital-lite which means that they do not require significant amounts of additional capital as they continue to grow.

Operating return on equity continues to be diluted by the impact of the c£1bn pension scheme surplus.

Operating return on equity¹



¹ Comparative includes discontinued operations.

Solvency II capital surplus²

	30 June 2016				1 January 2016				
	Regulatory view	unrecognised capital	Add profits funds and pension scheme	Remove with Investor view	Regulatory view	unrecognised capital	Add profits funds and pension scheme	Remove with Investor view	
Own funds	£6.3bn	£0.8bn		(£1.1bn)	£5.5bn	£1.2bn		(£0.7bn)	£6.0bn
Solvency capital requirement (SCR)	(£4.1bn)	-		£1.1bn	(£3.4bn)	-		£0.7bn	(£2.7bn)
Solvency II capital surplus	£2.2bn	£0.8bn		-	£2.1bn	£1.2bn		-	£3.3bn
Solvency cover	154%			200%	162%				222%

² 30 June 2016 based on draft regulatory returns. 1 January 2016 based on final regulatory returns.

Our capital position is governed by the Solvency II regulatory regime. Under Solvency II, every insurer is required to identify its key risks – e.g. that equity markets fall – and hold sufficient capital to withstand adverse outcomes from those risks. The capital required to withstand these outcomes is the Solvency capital requirement (SCR). The SCR is calibrated so that the likelihood of a loss being greater than the SCR in one year is less than 1 in 200.

The capital resources available to meet the requirements are called own funds. Own funds differ materially from IFRS equity for a number of reasons, including the different treatment of certain items, such as pension scheme surpluses and most intangibles, and a different approach for calculating liabilities.

We are well capitalised with a Solvency II capital surplus of £2.2bn representing a solvency cover of 154%. These regulatory figures do not take account of £0.8bn of capital in subsidiaries that is not deemed to be freely transferrable around the Group. Most of this unrecognised capital resides in Standard Life Assurance Limited (SLAL), our principal insurance company, which contributes over 90% of the Group SCR. This additional capital helps absorb market and other volatility, resulting in a resilient Solvency II capital surplus.

For example the Solvency II capital surplus of £2.2bn would change by £0.1bn or less following a:

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

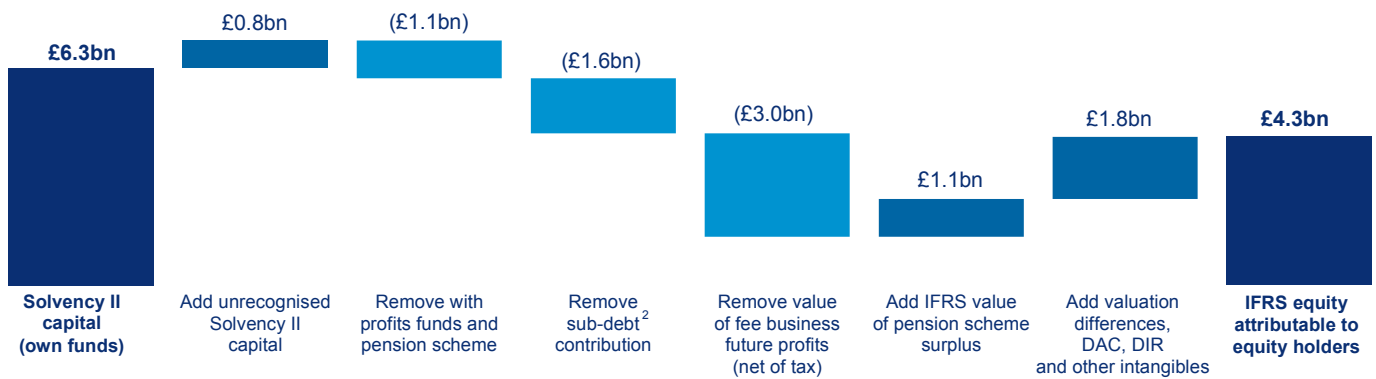
The solvency cover prescribed by Solvency II regulations of 154% is diluted by the inclusion of £1.1bn of capital requirements for with profits funds and our defined benefit pension scheme. These capital requirements are covered in full by surplus assets in those funds.

We have also included a Standard Life Investor view of solvency which adjusts the regulatory position for the impacts from unrecognised capital and with profit funds / defined benefit pension schemes.

The Investor view provides insight into the actual solvency capital provided by equity and debt investors.

The Investor view of capital surplus has fallen by £0.3bn from 1 January 2016 of which £0.2bn was due to the increase in our investment in HDFC Life. The Regulatory view of capital surplus increased by £0.1bn, benefiting from a methodology change which enabled an additional £0.2bn of capital in SLAL to be recognised at Group.

Reconciliation of Solvency II own funds¹ to IFRS equity



¹ Based on draft regulatory returns.

² Providing that subordinated debt meets certain conditions it can be counted as capital that is available to cover Solvency II capital requirements.

Liquidity management

Standard Life plc, the Group holding company, holds substantial cash and liquid resources. At 30 June 2016, Standard Life plc held £346m (H1 2015: £539m) of cash and short-term debt securities, £301m (H1 2015: £292m) of bonds and £198m (H1 2015: £199m) of holdings in pooled investment funds managed by Standard Life Investments.

We continue to maintain a strong liquidity position and this was again shown in internal stress testing undertaken during H1 2016.

In April 2016 we increased our stake in HDFC Life by 9% to 35%. The consideration was funded from existing Standard Life plc resources.

In H1 2016 we extended the maturity date of our syndicated revolving credit facility by a further year to 2021. This £400m facility is held as part of our contingency funding plans and is currently undrawn.

Standard Life plc cash and liquid resources	H1 2016 £m	H1 2015 £m
Opening 1 January	1,012	630
Canada net retained proceeds	-	459
Dividends received from subsidiaries	277	247
Cash dividends paid to shareholders	(243)	(224)
Cash investments in associates and JVs	(177)	(3)
Cash investments in subsidiaries	(18)	(43)
Other	(6)	(36)
Closing 30 June³	845	1,030

³ IFRS presentation at 30 June 2016 consists of investments in subsidiaries at FVTPL of £277m, debt securities of £552m and cash and cash equivalents of £16m.

Dividends

Dividend policy

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

Proposed dividend

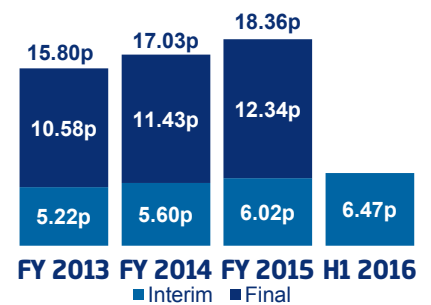
We propose an interim dividend for 2016 of 6.47p per ordinary share which is an increase of 7.5%. This will be paid on 19 October 2016 to shareholders on the register at close of business on 9 September 2016.

The dividend payment is strongly supported by the £0.8bn of cash and liquid resources which are backed by £1.6bn of Standard Life plc distributable reserves at 30 June 2016.

How the dividend is funded

External dividends are funded from the cumulative dividend income that Standard Life plc receives from its subsidiaries. To provide some protection against fluctuations in subsidiary dividends, Standard Life plc holds a buffer of distributable cash and liquid resources. This buffer is dynamic and takes into account expected future subsidiary dividend flows and the risks to those dividends. Further information on the principal risks and uncertainties that may affect the business and therefore dividends is provided in Section 1.4.

Dividend per share



1.3 Business performance

Our reportable segments have been identified in accordance with the way that we are structured and managed. Our businesses' performances from continuing operations are set out in Sections 1.3.1 to 1.3.3. In H1 2015 discontinued operations for segmental reporting purposes relates to our Canadian business which was sold on 30 January 2015 and our Singapore business, the closure of which was announced in June 2015.

Analysis of operating profit¹ from continuing operations

	Standard Life Investments		Pensions and Savings ²		India and China		Other ³		Eliminations ⁴		Total continuing operations	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fee based revenue	431	402	407	396	10	23	-	-	(54)	(60)	794	761
Spread/risk margin	-	-	63	40	-	-	-	-	-	-	63	40
Total operating income	431	402	470	436	10	23	-	-	(54)	(60)	857	801
Total operating expenses	(271)	(263)	(313)	(297)	(12)	(17)	(24)	(25)	54	60	(566)	(542)
Capital management	-	-	12	8	-	-	1	(7)	-	-	13	1
Share of associates' and joint ventures' profit before tax	16	15	-	-	21	15	-	-	-	-	37	30
Operating profit before tax	176	154	169	147	19	21	(23)	(32)	-	-	341	290
Underlying adjustments ⁵	-	-	-	9	-	-	-	-	-	-	-	9
Underlying performance	176	154	169	156	19	21	(23)	(32)	-	-	341	299
Reversal of underlying adjustments	-	-	-	(9)	-	-	-	-	-	-	-	(9)
Share of associates' and joint ventures' tax expense	(5)	(5)	-	-	-	-	-	-	-	-	(5)	(5)
Non-operating items	(16)	(24)	(37)	(74)	-	(47)	(8)	(13)	-	-	(61)	(158)
Total tax expense	(32)	(24)	(28)	(11)	-	5	11	12	-	-	(49)	(18)
Singapore included in discontinued segment	-	-	-	-	-	(40)	-	-	-	-	-	(40)
Profit for the period attributable to equity holders of Standard Life plc	123	101	104	62	19	(61)	(20)	(33)	-	-	226	69

¹ Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumptions, restructuring costs, amortisation and impairment of intangible assets acquired in business combinations, gain or loss on the sale of a subsidiary, associate or joint venture and other significant one-off items which are not indicative of the long-term operating performance of the Group. The impact of the restructuring of the UK staff pension scheme has been adjusted so that H1 2016 operating profit is based on the expected long-term pension expense, which results in a £5m increase to operating profit before tax (H1 2015: £20m) and a corresponding increase to non-operating restructuring and corporate transaction expenses – Refer to Note 4.4 of the IFRS condensed consolidated financial information section for further details.

² UK and Europe has been renamed as Pensions and Savings.

³ Other primarily relates to corporate centre costs and head office related activities.

⁴ Eliminations primarily relate to revenue and expenses included in both the Pensions and Savings business and Standard Life Investments. Therefore, at a Group level an elimination adjustment is required to remove intra Group impacts.

⁵ Relates to shareholder support provided to the German with profits business of £nil (H1 2015: £9m) included in operating expenses.

1.3.1 Standard Life Investments

Overview

Standard Life Investments is a leading active asset manager with total AUM of £269.0bn (FY 2015: £253.2bn).

We offer market-leading investment funds and solutions to our clients through two main distribution channels:

- ▶ **Institutional:** distributing to institutions either directly or through intermediaries
- ▶ **Wholesale:** providing funds and solutions to retail investors through wholesale distributors and platforms

As active managers, we place significant emphasis on rigorous research and a strong team ethos. This, combined with disciplined risk management and shared commitment to a culture of investment excellence, is key to helping our clients look to their future with confidence.

Our distinctive Focus on Change investment philosophy lies at the heart of our wide range of investment funds and solutions. Focus on Change is about looking beyond the things that would typically influence the price of stocks in the market, and understanding that there are other factors that can influence them.

We recognise that corporate governance along with responsible stewardship of a business' capital, employees, customers, environment and society has a fundamental impact on long-term investment returns. Our commitment to socially responsible investing was reflected in our creation in H1 2016 of a new role of Head of Stewardship and Environmental, Social & Governance Investment.

Increasing diversification

We have an expanding global reach with a presence in 27 cities worldwide including our Head Office in Edinburgh and regional hubs in Boston and Hong Kong. As well as our own distribution, we benefit from leveraging our strategic partner relationships in the US, Canada, India, Asia, Japan and in the UK with Phoenix Group and the wider Standard Life Group. The most recent of these is with Bosera Asset Management, in mainland China, with whom we are collaborating on a manufacturing basis, including joint product innovation and investment management cooperation.

We are increasingly diversified with investment capabilities across a range of asset classes, including equities, fixed income, real estate and private equity. We also provide innovative investment solutions, such as high quality liability aware and multi-asset investments, and our Standard Life Wealth proposition.

Investing for the longer term

A number of external factors are impacting global economic growth and are driving increased volatility in markets. The EU referendum result has dampened global outlook and caused uncertainty in Europe and especially the UK. There is uncertainty in the US ahead of the Presidential election at the same time as companies' profits are being hit due to labour cost rises. China is experiencing an economic slowdown but remains on its path to rebalance away from investment and to consumption.

In a world of slow growth, low inflation and compressed returns, we believe that active investment management offers opportunities to deliver superior returns.

The EU referendum result also leads to uncertainty about our future operating environment. We remain ready to adapt our business to future changes in regulations and markets.

Following the EU referendum result we experienced an increase in redemption requests which led us to suspend trading in our UK Real Estate Fund, in line with our governance procedures. This action was taken to protect all investors in the fund. We monitor activity across all our funds and will continue to take any steps necessary to do the right thing to achieve the best possible outcome for our clients and customers.

We remain well positioned to deliver profitable growth. We are broadening our offering to clients through a strong pipeline of new investment funds and solutions. Our track record of client co-development and commercialising innovation positions us well to continue to meet the changing demands of our clients. At the same time we continue to invest to drive performance, to raise our profile and to enhance our infrastructure to support our growth ambitions.

'We are increasingly diversified across four different dimensions: geography, client channel, asset class and range of solutions.'



Keith Skeoch
Chief Executive,
Standard Life Investments

Increasing assets

	Gross Inflows		Net flows		AUM	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	FY 2015
	£bn	£bn	£bn	£bn	£bn	£bn
Institutional	8.4	5.4	2.0	1.8	78.1	67.0
Wholesale	6.5	8.9	(0.4)	5.3	47.3	45.9
Wealth	0.5	0.4	0.2	-	6.7	6.5
Ignis ¹	0.3	1.3	(0.1)	(1.9)	5.6	11.1
Total Growth channels	15.7	16.0	1.7	5.2	137.7	130.5
Standard Life Group	1.9	2.3	(0.8)	(1.2)	88.3	83.1
Phoenix Group	-	-	(1.4)	(2.2)	43.0	39.6
Total strategic partner life business – Mature books	1.9	2.3	(2.2)	(3.4)	131.3	122.7
Total	17.6	18.3	(0.5)	1.8	269.0	253.2

AUM increased by 6% to £269.0bn driven by positive investment performance and favourable foreign exchange movements, against a background of volatile markets.

Strong long-term investment performance

We continue to deliver strong long-term money weighted average investment performance. 84% of growth channel AUM were ahead of benchmark over five years, with 85% ahead over three years and 29% over one year (H1 2015: five years 97%, three years 95%, one year 79%).

Investment performance was weak in the first two months of the year and was subsequently on an improving trend until the EU referendum vote, which caused sharp market movements undermining this recovery. During 2016 uncertainty in the economic outlook did not favour our portfolios generally, which were positioned for a modest pick-up in economic growth.

Resilient growth channel flows

Gross flows across our growth channels remained strong at £15.7bn, largely into Institutional and Wholesale business. This result reflects the breadth of our product offering, our expanding global distribution capability and the increasingly diverse range of client segments served. Net inflows reduced to £1.7bn driven by increased redemptions in Wholesale due to the continued impact of volatile markets on investor sentiment market-wide.

By channel:

Institutional – increasingly global

Our increasingly global Institutional business saw net inflows of £2.0bn with Q1 2016 seeing the highest quarterly net flows since Q2 2013. Net inflows into private equity, fixed income, real estate and multi-asset demonstrate the quality and breadth of our offering.

Wholesale – challenging markets

Lower gross flows and increased redemptions of £6.9bn (H1 2015: £3.6bn) led to a net outflow of £0.4bn. Investor sentiment has weakened in this channel globally given market volatility, the EU referendum result and some short-term investment performance concerns. Net inflows into MyFolio and fixed income remain particularly strong although multi-asset saw net outflows in the Wholesale channel during the period.

We remain well positioned in the UK wholesale market with a share of 5.3% (FY 2015: 5.4%).

Wealth

Standard Life Wealth continues to develop and as we improve the operational scalability of the business, we have started to gain momentum in the market. AUM increased to £6.7bn.

Ignis¹

Ignis, which is mostly institutional in nature, saw net outflows of £0.1bn (H1 2015: net outflow £1.9bn). H1 2015 was significantly impacted by a £1.7bn disinvestment from one large low revenue mandate.

By asset class²:

Multi-asset continued to attract net inflows, contributing £0.6bn (H1 2015: £5.6bn), £1.1bn of net outflows from Wholesale offset by £1.7bn of Institutional inflows. Almost half (48%) of this is into our non-GARS multi-asset solutions helped by the launch of the Liability Aware Absolute Return III fund and the Global Focused Strategies fund in the US. MyFolio saw net inflows of £0.7bn (H1 2015: £0.9bn) as AUM increased to £8.9bn (FY 2015: £8.1bn). Flows echoed market sentiment with investors continuing to retreat from equities towards fixed income with net outflows of £0.6bn and net inflows of £0.3bn respectively.

By geography²:

North America continues to see strong net inflows with £0.5bn in the period (H1 2015: £1.5bn) contributing to AUM reaching £12.5bn (FY 2015: £11.7bn). European and Asian net outflows of £0.6bn and nil respectively, reflected the impact of investment volatility on wholesale markets. This also impacted our domestic UK business with net inflows reducing to £1.1bn (H1 2015: £2.1bn). In India, our share of HDFC AMC net inflows increased to £0.8bn (H1 2015: £0.5bn).

Mature books

In our mature business, overall net outflows were £2.2bn. This was largely due to net outflows of £1.4bn from the assets managed on behalf of Phoenix Group as well as net outflows from Standard Life Group of £0.8bn. H1 2015 included a £0.6bn one-off redemption by Phoenix Group.



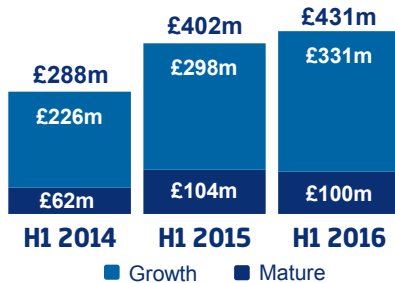
Further information on AUA and net flows is included in Supplementary information in Section 5

¹ In H1 2016 a number of Ignis funds were merged with other SLI funds, resulting in a transfer of £5.6bn AUM out of Ignis into Institutional (£4.0bn) and Wholesale (£1.6bn) through Market and other movements.

² 'By asset class' and 'By geography' commentary excludes Ignis which is reported separately.

Maximising revenue

Fee based revenue



Our track record of strong long-term investment performance and our range of proven investment solutions attract customers towards our higher margin products.

Increased fee based revenue

Growth channel fee based revenue increased by 11% to £331m due to increased AUM and a continued shift in mix towards our higher margin growth products. Total fee based revenue increased by 7% to £431m with a resilient performance from our mature business. The average revenue yield on growth AUM increased slightly to 53bps (FY 2015: 52bps) and for mature business reduced slightly to 16bps (FY 2015: 17bps).

Lowering unit costs

Cost/income ratio



FY 2014 FY 2015 H1 2016

We are controlling our cost base as our business grows, capitalising on economies of scale across Standard Life Investments and the wider business.

Controlled operating expense growth

We have reduced our cost/income ratio to 60%. The integration of Ignis continues and is on track to deliver £50m of annual cost synergies by 2017.

Total operating expenses increased by 3% to £271m reflecting the increased scale of our business as we continue to invest in new products and expanding distribution and geographic reach.

Driving Profit

	H1 2016 £m	H1 2015 £m
Fee based revenue	431	402
Operating expenses	(271)	(263)
Share of associates' profit before tax	16	15
Operating profit before tax	176	154
Interest, depreciation and amortisation	6	7
EBITDA	182	161
Reversal of interest, depreciation and amortisation	(6)	(7)
Non-operating items	(16)	(24)
Tax expense ¹	(37)	(29)
Total IFRS profit²	123	101

¹ Tax expense includes share of associates' tax expense.

² After tax, from continuing operations, attributable to equity holders of Standard Life plc.

Operating profit before tax increased by 14% to £176m driven by a strong increase in fee revenue and controlled growth in expenses.

Operating return on equity increased to 34.6% (H1 2015: 32.0%).

EBITDA, which is closely aligned with operating profit, increased to £182m. Our EBITDA margin of 42% (H1 2015: 40%) continues to be strong, and we remain on track to achieve our target margin of 45% by 2017.

Total IFRS profit² increased to £123m due to strong operating performance and the benefit of lower Ignis integration costs.

1.3.2 Pensions and Savings

'We want to help people manage their money today and save for their future. By understanding their needs we use our skills and knowledge to educate, inform and, importantly, develop the right products and services.'



Paul Matthews
Chief Executive,
Pensions and Savings

Overview

Pensions and Savings is a leading provider of long-term savings and investment propositions to Workplace and Retail customers with total AUA of £160.6bn (FY 2015: £150.2bn). Our main aim is to help people manage their money today and save for their future.

In the UK we offer our products and services through two broad growth channels:

- ▶ **Workplace:** pensions, savings and flexible benefits to employees through their employers
- ▶ **Retail:** pensions and savings where the relationship is either directly with the client, or with their financial adviser

We also own businesses that specialise in financial advice and risk and compliance services.

Our Europe growth business consists of our Ireland domestic and international bond businesses as well as our unit linked business in Germany.

Our valuable mature book includes mature Retail and spread/risk products, such as annuities, which provide a sustained contribution to our profit.

Our close collaboration with Standard Life Investments allows us to support customers across the value chain, providing benefit to our customers, our business and Standard Life as a whole. Our Pensions and Savings business accounts for 85% of total MyFolio AUA. 73% of our Workplace AUA and 21% of our Wrap assets are managed by Standard Life Investments.

Broadening and deepening relationships

In May 2016 we announced an agreement to acquire the Elevate platform from AXA and expect this transaction to complete during 2016. The acquisition broadens our reach in the platform market and will bring a further £10bn of AUA to our business. Elevate, with its simpler platform offering, will complement our Wrap platform, which is designed for the more sophisticated wealth management segment.

The new pension freedoms highlighted the importance of professional financial advice in the UK and in response we are building our own financial advice business called 1825. So far in 2016 we have announced the signing of the deals of four further acquisitions of quality adviser firms, broadening our reach across the country which, when

complete, will bring total assets under advice in 1825 up to £3.3bn. 1825 offers a full financial planning and personal tax advice service which is focused on our clients' goals. Combined with a wide range of investment options, powered by our investment experts and technology, clients are able to access support how and when they need it.

Market update

The first half of 2016 has seen volatile conditions in global financial markets, which have negatively impacted investor and consumer sentiment, and lower daily average asset values than 2015.

Following the EU referendum result in favour of leaving the EU we have seen increased volatility in financial markets and political uncertainty. We will monitor economic, political and regulatory developments and seek to engage in the process in a manner that represents the best interests of our clients, customers and people in our Pensions and Savings business. We will continue to leverage our existing local operating bases in Germany and Ireland.

The Solvency II regime came into force in January 2016 bringing consistency to the way EU insurers report capital and risk. We have now successfully completed our first quarter of Solvency II reporting.

New pension and savings regulations have provided customers with increased flexibility when accessing income in retirement. In the first year of the pension freedoms, 14% of our eligible customers made use of the new regulations. Our online retirement journey allows customers to access their savings in an efficient and fully self service basis.

In May 2016, the Financial Conduct Authority announced that exit charges will be capped at 1%. Our business is well positioned to meet this requirement with less than 7% of our customers having a potential exit charge, with the average exit charge less than 1% of their fund value.

Increasing assets

Total AUA increased by 7% to £160.6bn, with UK AUA up 6% to £139.2bn (FY 2015: £131.6bn) and Europe AUA up 15% to £21.4bn (FY 2015: £18.6bn).

Growth channels

UK Workplace

AUA in our UK Workplace channel increased by 3% to £34.0bn, benefiting from net inflows of £0.8bn. Whilst we have seen fewer large scheme transfers as employers adapt to new pension regulations, we are benefiting from growing contributions into our existing schemes which provide a steady long-term source of growth.

Our success in attracting new flows through auto enrolment has resulted in a 4% increase in regular premiums to £1.5bn. Regular premiums now account for over 74% of Workplace inflows. Our Workplace business continues to be a source of growth for our Retail businesses with £1.0bn of assets transferring in H1 2016.

UK Retail

Net inflows of £2.0bn into our UK Retail channel were driven by a 14% increase in gross inflows to £4.1bn – the highest half year ever.

Our Wrap¹ platform continues to lead the UK advised platform market² with AUA increasing by 10% to £28.0bn. Since launch in June 2014, our Discretionary Investment Manager Hub on the Wrap platform has attracted over 60 discretionary fund managers and £2.1bn of assets, of which around 40% is managed by Standard Life Wealth.

AUA in our Active Money Personal Pension (AMPP) product, which provides customers with a simple means of accessing their income at retirement, grew 25% to £1.6bn.

Total assets invested in our market-leading drawdown propositions increased by 8% to £14.7bn (FY 2015: £13.6bn).

Europe growth

In our Europe business, AUA in our growth channels of £10.4bn is up 8% on 2015 with net inflows of £0.3bn and favourable foreign exchange movements. In Ireland, net inflows from our international bond business are up 8% on H1 2015.

Mature books

UK mature Retail

Our UK mature Retail book of business saw stable net outflows of £1.2bn, £0.2bn of which went to our AMPP product, with customers continuing to take advantage of pension freedoms. We look to engage with our customers who are approaching retirement or have maturing policies to help ensure they are equipped to make informed decisions. This is valued by our customers with many choosing to continue to save with us.

Spread/risk

Spread/risk AUA increased to £16.1bn due to reductions in yields which offset net outflows from scheduled annuity payments of £0.5bn.

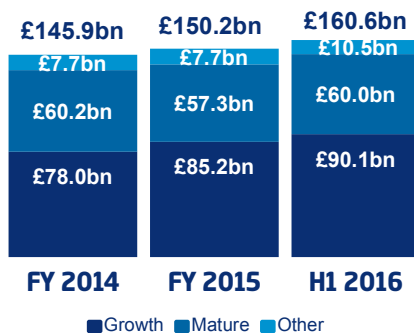
Europe mature fee

Europe mature fee includes our German with profits book which closed to new business in April 2015, resulting in lower net inflows in H1 2016.

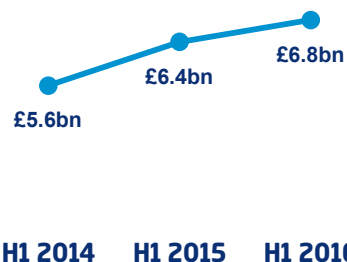


Further information on AUA and net inflows is included in Section 5

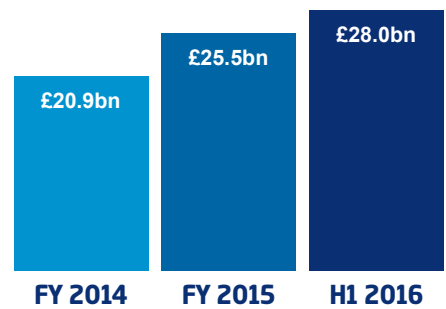
Pensions and Savings AUA



Growth channels gross inflows



Wrap AUA



	Gross inflows		Net flows		AUA	
	H1 2016 £bn	H1 2015 £bn	H1 2016 £bn	H1 2015 £bn	H1 2016 £bn	FY 2015 £bn
UK Workplace	2.0	2.1	0.8	1.1	34.0	33.0
UK Retail ¹	4.1	3.6	2.0	1.8	45.7	42.6
Europe Growth ¹	0.7	0.7	0.3	0.3	10.4	9.6
Total Growth channels	6.8	6.4	3.1	3.2	90.1	85.2
UK Mature Retail	0.4	0.4	(1.2)	(1.2)	32.6	32.7
Spread/risk	0.1	0.1	(0.5)	(0.5)	16.1	14.9
Europe Mature fee	0.3	0.4	0.1	0.2	10.3	8.4
Conventional with profits	-	-	(0.4)	(0.4)	1.0	1.3
Total Mature books	0.8	0.9	(2.0)	(1.9)	60.0	57.3
Assets not backing products	-	-	-	-	10.5	7.7
Total Pensions and Savings	7.6	7.3	1.1	1.3	160.6	150.2

¹ Wrap AUA is reported predominantly within UK Retail (H1 2016: £25.8bn, FY 2015: £23.4bn). International bond AUA is reported within Europe Growth (H1 2016: £2.2bn, FY 2015: £2.1bn).

² Highest net sales in Q1 YTD 2016, source Fundscape.

Maximising revenue

Fee based revenue

UK fee based revenue increased by £7m to £321m. This included an 8% increase in our growth channels to £197m and a 6% reduction in our mature books to £124m. Whilst both channels were impacted by lower average equity levels during the period, fee based revenue in our UK growth channels has benefited from Workplace and Retail net inflows.

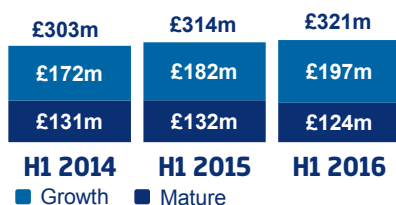
Average fee revenue yield remains stable at 59bps (FY 2015: 59bps).

Spread/risk margin

UK spread/risk margin increased by £17m to £55m. The result includes an £18m payment from our main with profits fund relating to changes to the scheme of demutualisation in response to the transition to Solvency II. This effectively brings forward some of the payments expected in future years under the previous scheme rules.

Although we had expected fewer asset and liability management opportunities to exist in the low yield environment, we took advantage of volatility in Q1 2016 to deliver a benefit of £16m (H1 2015: £6m).

UK fee based revenue



Lowering unit costs

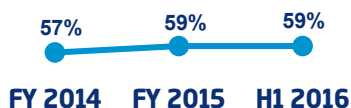
Operating expenses

UK operating expenses increased by £19m to £238m reflecting the scaling of our 1825 business and the timing of our investment in technology to reduce future customer operations and IT maintenance costs. We continue to drive the scalability of our business model and cost discipline and the cost/income ratio has remained at 59%.

Our ongoing investment in technology has allowed further process automation and customer self service. Examples of our progress include:

- ▶ To date 20,000 customers have fully self served using our online retirement journey
- ▶ In H1 2016, 35% of our customers who took action following pension freedoms, transacted entirely online
- ▶ Our online Good to Go proposition meets the needs of smaller employers efficiently by processing schemes on the same day and has secured 2,000 schemes in H1 2016 (6,000 to date)

UK cost/income ratio



Driving Profit

Operating profit

Pensions and Savings operating profit before tax increased by 15% to £169m, with underlying performance increasing by 8% to £169m.

UK

UK operating profit increased by £10m to £151m, mainly due to higher spread/risk margin.

Europe

Europe operating profit increased by £12m to £18m. The H1 2015 result was lower due to the impact of the £9m one-off shareholder support provided to the German with profits business. The Europe H1 2016 spread/risk result also includes the benefit of a £4m payment from our main with profits fund relating to changes to the scheme of demutualisation in response to the transition to Solvency II.

Operating return on equity

Operating return on equity decreased to 11.7% (H1 2015: 13.0%) reflecting higher opening shareholder net assets.

Pensions and Savings operating profit before tax



Profitability

	UK		Europe		Pensions and Savings	
	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015
	£m	£m	£m	£m	£m	£m
Fee based revenue	321	314	86	82	407	396
Spread/risk margin	55	38	8	2	63	40
Total operating income	376	352	94	84	470	436
Operating expenses	(238)	(219)	(75)	(78)	(313)	(297)
Capital management	13	8	(1)	-	12	8
Operating profit before tax	151	141	18	6	169	147
Underlying adjustments ¹	-	-	-	9	-	9
Underlying performance	151	141	18	15	169	156
Reversal of underlying adjustments	-	-	-	(9)	-	(9)
Non-operating items ²	(32)	(57)	(5)	(17)	(37)	(74)
Total tax expense	(16)	(10)	(12)	(1)	(28)	(11)
Total IFRS profit³	103	74	1	(12)	104	62

¹ H1 2015 underlying adjustment related to shareholder support provided to the German with profits business, included in operating expenses.

² The main items included in non-operating items are short-term fluctuations in investment return and economic assumption changes of £10m (H1 2015: £37m) and restructuring and corporate transaction expenses of £26m (H1 2015: £39m).

³ After tax attributable to equity holders of Standard Life plc.

1.3.3 India and China

We are extremely well positioned in our associate and joint venture businesses in India and China to deliver on our future growth aspirations.

Overview

Our India and China life business consists of our life associate in India, HDFC Life; our life joint venture in China, Heng An Standard Life; and our wholly owned business in Hong Kong. The results of our Indian asset management associate business, HDFC Asset Management Company, are included within Section 1.3.1 – Standard Life Investments.

We continue to strengthen our operations in India and China and are well positioned for future growth in the region.

Strengthened presence in India

HDFC Life is currently one of India's leading life insurance companies with a 16% market share in the private sector. It has a comprehensive product portfolio which provides over 20 million customers with innovative insurance and savings solutions.

We continue to be encouraged by the future outlook of the life insurance industry in India. The insurable population is anticipated to reach 750 million in 2020 and life insurance is projected to comprise 35% of total savings by the end of this decade. Demographic factors such as a growing middle class, young insurable population and increasing awareness of the need for protection and retirement planning are anticipated to support the growth of the life insurance and pensions industry in India.

In April 2016, we completed the transaction to increase our stake in HDFC Life from 26% to 35% for £179m.

On 8 August 2016, we announced that HDFC Life had agreed terms with Max Life Insurance Company (Max Life), Max Financial Services (Max FS) and Max India for the combination of the life insurance businesses of HDFC Life and Max Life. The transaction will be effected through a composite scheme of arrangement, the final form of which remains subject to approval by parties to the transaction and, once finalised, is subject to approval by the shareholders of HDFC Life, Max Life, Max FS and Max India as well as regulatory and high court approvals. Following completion of the transaction, the shares of HDFC Life will list on The Bombay Stock Exchange and the National Stock Exchange of India,

subject to approval of these stock exchanges and the Securities and Exchange Board of India.

The transaction, if approved, is expected to cement HDFC Life's position as the leading private sector Indian life insurance business. Max Life's bancassurance relationships will complement HDFC Life's already strong distribution. Based on current shareholdings, following completion of the transaction, Standard Life would remain the second largest shareholder in the enlarged HDFC Life entity with a shareholding of 24.1%.

Positioned for future growth in China & Hong Kong

Heng An Standard Life continues to build a sustainable and profitable business by offering a range of insurance and savings products to a growing customer base in mainland China. Both profitability and sales are ahead of H1 2015.

The Chinese insurance market has grown in recent years to become the 3rd largest in the world and we believe that the prospects for future growth remain very positive, driven by an increasing middle class and wealthy population who are living longer and are more aware of the need for protection, medical and retirement insurance. Heng An Standard Life, through their extensive sales network and product range, are well positioned to meet this need and continue to investigate opportunities to increase their presence in the growing pensions market.

In Hong Kong, continuing regulatory changes and market volatility have made growing AUA and flows challenging. We remain focused on retaining and efficiently managing our existing business at the same time as we evolve our propositions to meet the needs of the growing affluent and wealth segments both in Hong Kong and from mainland Chinese visitors. We continue to develop our future business strategy in mainland China and Hong Kong.

Increasing assets

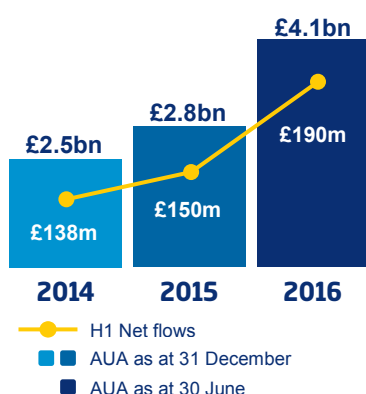
Total AUA increased by 46% to £4.1bn. HDFC Life's AUA increased to £3.0bn (FY 2015: £1.8bn). £0.8bn of the increase reflects our higher share of HDFC Life AUA following our stake increase in April.

AUA in Heng An Standard Life remained stable at £0.5bn (FY 2015: £0.5bn), while Hong Kong increased to £0.6bn (FY 2015: £0.5bn).

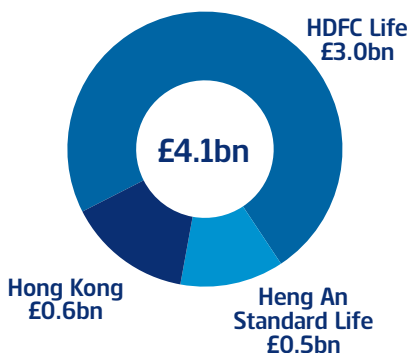
Net inflows continued to increase in our associate and joint venture businesses to £164m at H1 2016 (H1 2015: £119m), of which £7m relates to the increase in our share of HDFC Life net flows. Net flows in Heng An Standard Life increased by 128% compared to the prior period.

In Hong Kong, net inflows decreased to £26m (H1 2015: £31m) as a result of continuing regulatory changes and market volatility.

AUA and net flows



AUA split by business at 30 June 2016



Further information on AUA and net flows is included in Supplementary information in Section 5

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

Maximising revenue

HDFC Life's commitment to digital leadership and product innovation for its customers has driven the development of the successful 'Click2' online product series and award-winning cancer care plan. Through the comprehensive product range, premium income increased by 15% compared to H1 2015.

Heng An Standard Life's new business sales in H1 2016 have increased by 31% compared to the comparative period.

In Hong Kong however, fee based revenue decreased by £13m due to lower fee revenue from regular premium business which we stopped selling in H1 2015. This reduction is expected, as regular premium business generates most of its revenue during the first two years from policy issue date.

Driving Profit

Operating profit before tax decreased to £19m driven by an operating loss in Hong Kong of £2m. This was due to fee based revenue falling faster than operating expenses as a result of the fall in revenue from regular premium business.

This was partly offset by an increase in operating profit of £5m in HDFC Life to £17m and an increase of £1m in Heng An Standard Life to £4m. Both our associate and JV businesses continue to benefit from continued growth in premium income.

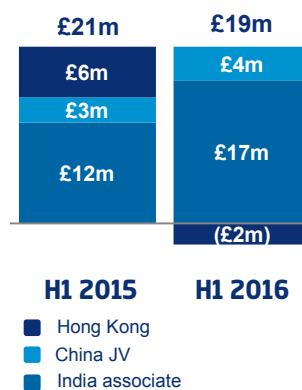
	H1 2016 £m	H1 2015 £m
Share of associates' and joint ventures' profit before tax	21	15
Hong Kong fee based revenue	10	23
Hong Kong operating expenses	(12)	(17)
Operating profit before tax	19	21
Non-operating loss including impairment of DAC and related reserving changes in Hong Kong	-	(47)
IFRS profit / (loss) before tax	19	(26)

Lowering unit costs

In Hong Kong, we continue to manage costs whilst investing in new propositions in response to changes in regulation. Our focus on cost management resulted in a reduction in staff costs compared to H1 2015.

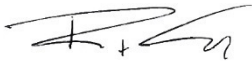
Operating return on equity for the India and China segment decreased to 10.9% (H1 2015: 15.6%) mainly due to the capital injection required to fund the increased stake in HDFC Life.

Operating profit before tax



1.4 Risk management

'The consistent application of risk management is fundamental to building sustainable long-term value and delivering fair outcomes for our customers and clients.'



Raj Singh
Chief Risk Officer



Visit www.standardlife.com/annualreport for further information about our ERM framework and about how we manage risk in our Annual report and accounts 2015

Find out more about our risk management in Note 4.12 in the Financial information section

Our approach to risk management

Effective and pre-emptive risk management, over both the short and long term, is essential for our continued success.

We have a strong governance culture and our approach to risk management is consistently applied across our growth channels and mature book. This supports the development of long-term value by ensuring that:

- ▶ Well informed risk-reward decisions are taken in pursuit of our business plan objectives
- ▶ Capital is delivered to areas where most value can be created from the risks taken

Our approach to risk management has received external recognition. In May 2016, Standard & Poors increased their rating on the Risk and Capital Models component of our framework to 'positive' and maintained their 'strong' rating of our overall ERM Framework. In February our risk function received an external award for insurance risk manager of the year from Risk.net's Risk Magazine.

Our principal risks and uncertainties

The categories of risk that are faced by the Company, which include Strategic, Operational, Conduct and Financial have not changed since year end 2015 and we expect these to stay broadly consistent over time.

From within these categories we have identified a number of specific principal risks and uncertainties. These should not be considered to be exhaustive but rather those which we currently believe have the greatest potential to affect our business model, future performance, solvency or liquidity. As our strategic development continues and we respond to changes in our external environment, it is to be expected that both the risks themselves and the relative importance of these may change. We have provided our current assessment of the forward trend for these risks and how these are evolving over 2016.

Risk environment

Political, regulatory and financial risks have been predominant themes in the first half of 2016. These feature strongly in our principal risks in the tables below.

We are entering a period of uncertainty following the EU referendum result and clarity over the specific details may not be known for some time. It is expected that the assessment of our principal risks may change as details emerge. We have a strong track record of successfully adapting to changing markets and regulations. Our pro-active risk management approach means we are well positioned to respond to any risks and opportunities as they emerge.

As a major financial services provider we have been asked to participate in a range of industry wide reviews and studies assessing competition, transparency and customer outcomes. The FCA's Asset Management Market Study, MiFID II and the evolving UK pension landscape will continue to be key areas of focus for us.

Volatile financial markets in H1 2016 have impacted investor sentiment and market confidence. The strong management of our balance sheet over many years has enabled us to maintain a robust capital position. In the first half of the year we carried out additional stress and scenario testing to understand the potential impact from the materialisation of further downside market risks.

Oversight of current and future market risks has been high on the agenda of our risk and management committees, as we manage the delivery of our business plans and continue to focus on ensuring we deliver consistently strong long-term investment performance for clients and customers.

In H1 2016 the business entered into an agreement to acquire AXA Elevate to support the continued growth of our platform business. In addition to the due diligence, our risk function carried out an independent risk assessment of the acquisition. Following the purchase we will ensure the business has full risk support and oversight as we transition the business under our risk framework and control environment.

Our principal risks and uncertainties

STRATEGIC RISK

Risks which threaten the achievement of our strategy through poor strategic decision-making, implementation or response to changing circumstances. We recognise that core strategic activity brings with it exposure to strategic risk. However, we seek to proactively manage and control these exposures.

Principal Risk	Trend	How the risk is evolving in 2016
Political Change	Increasing	<p>Following the EU referendum result there is material uncertainty about what our future operating environment will be. We are proactively engaging with key stakeholders and are ready to adapt our business as appropriate to any changes in regulations and markets.</p> <p>Decisions taken by the UK and Scottish governments in particular, but also those in other global locations where we operate, may possibly impact our propositions or significantly change our business environment. The change of leadership within the UK government could result in a new or different policy agenda and we will continue to fully engage with industry bodies and key stakeholders, responding as appropriate. One key event in H2 2016 which may give an indication of any change in policy will be the UK Chancellor's Autumn Statement.</p>
Regulatory Change	Increasing	<p>The forthcoming requirements of MiFID II will have a significant impact on market transparency and investor protection aspects of the asset management industry. We continue to ensure we are well positioned to meet these new requirements when they come into force in January 2018.</p> <p>The FCA continues to progress their Asset Management Market Study to assess competition within the asset management sector. We welcome the FCA's work in this area and look to support the FCA in their industry wide review.</p> <p>In the second half of 2016 we expect the FCA to announce any next steps from their sample-based review of non-advised annuity sales. The outcome and consequences are currently uncertain. However, it may be necessary to compensate customers and this could have an adverse effect on our profitability and/or financial position.</p>
Customer and Client Preferences and Demand	Increasing	<p>We continue to diversify our revenue sources across our growth channels by responding to changing customer and client needs. In a changing economic, regulatory and political environment, our business needs to adapt its offering to ensure its products and propositions continue to be attractive to our customers and clients. We aim to help our customers and clients save and invest for their future, and make it convenient to do so. We have robust governance oversight to ensure products and propositions delivered to the market meet the client/customer needs and our profitability criteria.</p> <p>As an example, to support our clients in the management of their pension scheme liabilities Standard Life Investments has launched the first fund within our new Integrated Liability Plus Solution (ILPS) fund range aimed at our Institutional growth channel.</p> <p>The UK Pensions and Savings market continues to evolve as we seek to meet our customers' savings and retirement needs. As customer needs and behaviours develop we continue to place a focus on ensuring their long-term investment is fit for purpose.</p> <p>As a business we continue to support our customers and have recently raised awareness of the savings gap in the UK and the risk this poses in retirement. We have compiled a guide aimed at helping people make the most of their money and get their finances in order.</p>

CONDUCT RISK

The risk that through our behaviours, strategies, decisions and actions the firm, or individuals within the firm, do not do the right thing and/or do not behave in a manner which:

- ▶ Pays due regard to treating our customers and clients fairly
- ▶ Is consistent with our disclosures and setting of customer and client expectations
- ▶ Supports the integrity of financial markets

We recognise that our core strategic activity brings with it exposure to conduct risk which must be understood and managed. However, there is no appetite for purposeful or deliberate actions (behaviours/decisions) which result in conduct risk.

Principal Risk	Trend	How the risk is evolving in 2016
Customer and Client Outcomes	Increasing	<p>In May we entered into an agreement to acquire the Elevate platform from AXA. So far in 2016, in our advice business 1825, we have completed two acquisitions and have announced our intention to make a further two. As we transition these businesses into Standard Life, we will implement a robust process to ensure that they are embedded within our own risk and conduct framework and that the expectations of these new customers continue to be met following the change of ownership.</p> <p>Following the EU referendum in June, like many other property investment managers we saw an increase in redemption requests from UK property funds. We have taken appropriate action to protect investors, in line with our governance procedures. We monitor activity across all our funds and will continue to take any steps necessary to do the right thing to achieve the best possible outcome for our clients and customers.</p> <p>We have completed the delivery of our revised conduct risk management programme aiming to support fair outcomes for our customers and clients. This provides additional visibility of our conduct exposures and ensures a more robust and consistent application of their management.</p> <p>In the first half of the year Standard Life hosted a vulnerable consumer event bringing together other financial services companies and the FCA to discuss and share best practice in becoming more accessible and inclusive for all consumers.</p>

OPERATIONAL RISK

Risk of loss or adverse consequences resulting from inadequate or failed internal processes, people or systems, or from external events. We have limited appetite for large operational losses due to the related reputational damage and opportunity costs. We will seek to manage existing operational risk exposures and proactively control new exposures.

Principal Risk	Trend	How the risk is evolving in 2016
IT Failure & Security, including cyber risk	Increasing	<p>Over time we expect our increasing global profile to raise the threat from cyber-attacks. Layered defensive controls are in place to protect against such attacks and we work with our external partners to ensure that our response is appropriate to the scale and nature of the threat.</p> <p>In 2016, we have established a Security Board to oversee and set the security priorities across the business. This Board has specified our risk appetite for cyber risk in order to better measure the risk and drive the appropriate responses to it.</p> <p>We continue to invest in and deliver on programmes to modernise, simplify and increase the security of our IT infrastructure to support the growth of our business.</p>
Outsourcing Relationship Management	Stable	<p>Through the planned acquisition of AXA Elevate we have broadened our relationship with one of our key outsourcing partners who operate and service our platform business. In addition, during the initial phases of the transition there will be a new reliance on AXA for servicing the platform through agreed transitional service agreements. These changes in risk exposure are well understood and have been assessed as part of our due diligence.</p>
Change Management	Increasing	<p>We continue to have a large change portfolio with an increased level of activity arising from regulatory changes and transition activity for acquisitions. Our risk committees across the business maintain a strong focus on ensuring effective management of change risk as our portfolio evolves to meet business needs.</p> <p>We welcome the new objectives of the EU General Data Protection Regulation which strengthens data protection for individuals. We have already initiated a company-wide working group to assess any changes and investment required across our business.</p>

OPERATIONAL RISK *continued*

Talent Management	Stable	<p>As significant new powers have been devolved to the Scottish Parliament a key area of focus will be the extended powers over personal income taxation. We are engaged with key stakeholders to ensure any changes do not become a barrier to attracting and retaining talent in Scotland.</p> <p>We continue to develop the diversity of our workforce and are involved in a wide range of initiatives aimed at promoting social mobility and increased diversity across the organisation. These include how we consider diverse Board representation, talent pipeline development, talent acquisition, as well as actions to ensure a more inclusive workplace. For example, we have recently signed up to the HM Treasury Women in Finance Charter.</p>
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FINANCIAL MARKET AND CREDIT RISKS

Risk of losses due to risks inherent in financial markets. We have appetite for market risk exposures where exposures arise as a consequence of core strategic activity. We have an appetite for credit risk to the extent that acceptance of this risk optimises our risk adjusted return.

Principal Risk	Trend	How the risk is evolving in 2016
Market Risk	Increasing	<p>Global political and economic events caused financial markets to be volatile over the first half of 2016 and this has been compounded by further uncertainty following the EU referendum vote. We continue to have a robust capital position as a result of the strong risk management of our balance sheet.</p> <p>We closely monitor and continue to focus on delivering strong long-term investment performance across our fund range by applying our proven investment process, against a backdrop of uncertain and volatile markets.</p> <p>Impacts on asset values as well as investor sentiment have provided headwinds in growing AUA/AUM and increasing fee based revenue. Impacts have been closely managed across the different sources of revenue to deliver a robust set of half year results.</p> <p>Our increasing trend continues to apply given the risks and uncertainties impacting financial markets and our growing fee based business model.</p>
Counterparty Risk	Stable	<p>In response to economic, political and regulatory developments we have seen a number of ratings downgrades from external credit rating agencies in the first half of 2016. During this time our governance processes in relation to investment mandates have operated effectively and there has been no significant adverse impact of downgrades on the business.</p> <p>Our forward-looking assessment, given the current uncertainty affecting financial markets, is for credit risk to remain at an elevated level.</p>

DEMOGRAPHIC AND EXPENSE RISK

Risk that arises from the inherent uncertainties as to the occurrence, amount and timing of future cash flows due to demographic and expense experience differing from that expected, which for the purpose of risk management includes liabilities of insurance and investment contracts. We have an appetite for such risks since we expect acceptance of the risk to be value additive.

Principal Risk	Trend	How the risk is evolving in 2016
Longevity	Decreasing	<p>There has been no material change in the longevity exposure across our annuity book of business.</p> <p>Annuity sales continue to be materially lower post the introduction of pension freedoms, and as such we expect our longevity risk to decrease over time as our annuity book steadily runs off.</p>

1.5 Basis of preparation

Overview

Our Management report for the period to 30 June 2016 has been prepared in line with the Disclosure and Transparency Rules (DTR) issued by the FCA. The DTR incorporates the requirement of the European Union (EU) Transparency Directive for all UK listed companies to report their half year results in accordance with IAS 34 *Interim Financial Reporting*. Under DTR 4.2.7R, the Group is required to provide at least an indication of important events that have occurred during the first six months of the financial year, and their impact on the financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year. Principal risks and uncertainties are detailed in Section 1.4 – Risk management and Note 41 of the Group's Annual report and accounts 2015. Under DTR 4.2.8R the Group is also required to make certain related party disclosures. These are contained in Note 4.16 of the IFRS condensed consolidated financial information. To provide clear and helpful information, we have also considered the voluntary best practice principles of the 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 IFRS condensed consolidated half year financial information has been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the EU. However, our Board believes that alternative performance measures (APMs), which have been used in the Management report, are useful for both management and investors and make it easier to understand our Group's performance.

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

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

Going concern

Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial information.



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

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 2015 as amended for new standards effective from 1 January 2016, as described in Note 4.1 – Accounting policies.

Operating profit

The H1 2016 reconciliation of consolidated operating profit to IFRS profit for the period, presented in Section 4 of this report, presents profit before tax expense attributable to equity holders adjusted for non-operating items. Further details on the calculation of operating profit is presented in Note 4.7 – Operating profit and non-operating items. Operating 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 non-operating items.

Forward-looking statements

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

2. Statement of Directors' responsibilities

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


1. The International Financial Reporting Standards (IFRS) condensed consolidated income statement, the IFRS condensed consolidated statement of comprehensive income, the IFRS condensed consolidated statement of financial position, the IFRS condensed consolidated statement of changes in equity and the IFRS condensed consolidated statement of cash flows and associated notes, have been prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union.
2. The Management report includes a fair review of the information required by DTR 4.2.7R, namely important events that have occurred during the period and their impact on the IFRS condensed consolidated financial information, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year.

3. The Management report and the notes to the IFRS condensed consolidated financial information include a fair review of the information required by DTR 4.2.8R, namely material related party transactions that have occurred during the period and any material changes in the related party transactions described in the last Annual report.
4. As per provision C1 of the UK Corporate Governance Code, the Half year results 2016 taken as a whole, present a fair, balanced and understandable position of the Company's prospects.

Changes to Directors

Crawford Gillies retired as a non-executive Director at the conclusion of the Company's Annual General Meeting on 17 May 2016. Isabel Hudson resigned as a non-executive Director on 24 June 2016 and John Devine was appointed as a non-executive Director on 4 July 2016.

By order of the Board



Sir Gerry Grimstone

Chairman
9 August 2016



Luke Savage

Chief Financial Officer
9 August 2016

3. Independent review report to Standard Life plc

Report on the IFRS condensed consolidated financial information

Our conclusion

We have reviewed Standard Life plc's IFRS condensed consolidated financial information (the 'interim financial statements') in the Half year results of Standard Life plc for the six month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- ▶ The IFRS condensed consolidated statement of financial position as at 30 June 2016
- ▶ The IFRS condensed consolidated income statement and IFRS condensed consolidated statement of comprehensive income for the period then ended
- ▶ The IFRS condensed consolidated statement of cash flows for the period then ended
- ▶ The IFRS condensed consolidated statement of changes in equity for the period then ended
- ▶ The explanatory notes to the interim financial statements

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

As disclosed in Note 4.1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Half year results, including the interim financial statements, are the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Half year results in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half year results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
9 August 2016

Notes

- a) The maintenance and integrity of the Standard Life plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

4. Financial information

IFRS condensed consolidated income statement

For the six months ended 30 June 2016

	Notes	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Revenue				
Gross earned premium		1,080	1,162	2,276
Premium ceded to reinsurers		(25)	(27)	(48)
Net earned premium		1,055	1,135	2,228
Investment return		6,031	3,956	5,460
Fee income		575	540	1,120
Other income		38	37	84
Total revenue		7,699	5,668	8,892
Expenses				
Claims and benefits paid		2,250	2,254	4,543
Claim recoveries from reinsurers		(249)	(260)	(514)
Net insurance benefits and claims		2,001	1,994	4,029
Change in reinsurance assets and liabilities		(61)	296	520
Change in insurance and participating contract liabilities		2,941	(814)	(1,693)
Change in unallocated divisible surplus		82	(134)	(117)
Change in non-participating investment contract liabilities		1,560	2,877	3,363
Expenses under arrangements with reinsurers		361	(13)	42
Administrative expenses				
Restructuring and corporate transaction expenses	4.4	31	48	88
Other administrative expenses		723	792	1,540
Total administrative expenses	4.4	754	840	1,628
Change in liability for third party interest in consolidated funds		(385)	396	531
Finance costs		41	40	83
Total expenses		7,294	5,482	8,386
Share of profit from associates and joint ventures		32	24	43
Profit before tax		437	210	549
Tax expense attributable to policyholders' returns	4.5	148	89	134
Profit before tax expense attributable to equity holders' profits		289	121	415
Total tax expense	4.5	197	107	211
Less: Tax attributable to policyholders' returns	4.5	(148)	(89)	(134)
Tax expense attributable to equity holders' profits	4.5	49	18	77
Profit for the period from continuing operations		240	103	338
Profit for the period from discontinued operations		-	1,142	1,147
Profit for the period		240	1,245	1,485
Attributable to:				
Equity holders of Standard Life plc				
From continuing operations		226	69	276
From discontinued operations		-	1,142	1,147
Equity holders of Standard Life plc		226	1,211	1,423
Non-controlling interests		14	34	62
		240	1,245	1,485
Earnings per share from continuing operations				
Basic (pence per share)	4.6	11.5	3.2	13.5
Diluted (pence per share)	4.6	11.4	3.2	13.4
Earnings per share				
Basic (pence per share)	4.6	11.5	56.7	69.4
Diluted (pence per share)	4.6	11.4	56.6	69.1



The Notes on pages 32 to 64 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 2016

Notes	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Profit for the period	240	1,245	1,485
Less: Profit for the period from discontinued operations	-	(1,142)	(1,147)
Profit for the period from continuing operations	240	103	338
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on defined benefit pension plans	209	70	167
Revaluation of owner occupied property	5	-	4
Equity movements transferred to unallocated divisible surplus	(5)	-	(4)
Total items that will not be reclassified subsequently to profit or loss	209	70	167
Items that may be reclassified subsequently to profit or loss:			
Fair value losses on cash flow hedges	(1)	-	(1)
Net investment hedge	-	-	(1)
Fair value gains/(losses) on available-for-sale financial assets	14	(6)	(8)
Exchange differences on translating foreign operations	101	(46)	(6)
Equity movements transferred to unallocated divisible surplus	(38)	21	1
Share of other comprehensive (expense)/income of joint ventures	(4)	-	2
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	4.5 (3)	1	2
Total items that may be reclassified subsequently to profit or loss	69	(30)	(11)
Other comprehensive income for the period from continuing operations	278	40	156
Other comprehensive income for the period from discontinued operations	-	(187)	(187)
Total other comprehensive income for the period	278	(147)	(31)
Profit for the period from discontinued operations	-	1,142	1,147
Total comprehensive income for the period	518	1,098	1,454
Attributable to:			
Equity holders of Standard Life plc			
From continuing operations	504	109	432
From discontinued operations	-	955	960
Non-controlling interests			
From continuing operations	14	34	62
	518	1,098	1,454



The Notes on pages 32 to 64 are an integral part of this IFRS condensed consolidated financial information.

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

For the six months ended 30 June 2016

	Notes	6 months 2016 £m	Continuing operations £m	6 months 2015 Discontinued operations £m	Total £m	Continuing operations £m	Full year 2015 Discontinued operations £m	Total £m
Operating profit/(loss) before tax								
Standard Life Investments		176	154	-	154	342	-	342
Pensions and Savings ¹		169	147	-	147	357	-	357
India and China ²		19	21	(2)	19	27	(2)	25
Other		(23)	(32)	-	(32)	(61)	-	(61)
Canada		-	-	5	5	-	5	5
Operating profit before tax	4.3	341	290	3	293	665	3	668
Adjusted for the following items								
Short-term fluctuations in investment return and economic assumption changes		(17)	(42)	63	21	(63)	63	-
Restructuring and corporate transaction expenses		(36)	(62)	(8)	(70)	(115)	(10)	(125)
Impairment of intangible assets		-	-	(2)	(2)	(7)	(2)	(9)
Gain on sale of Canadian business		-	-	1,097	1,097	-	1,102	1,102
Other		(8)	(54)	(31)	(85)	(72)	(31)	(103)
Total non-operating items	4.3	(61)	(158)	1,119	961	(257)	1,122	865
Singapore included in discontinued operations segment ²	4.3	-	(40)	40	-	(42)	42	-
Share of associates' and joint ventures' tax expense	4.3	(5)	(5)	-	(5)	(13)	-	(13)
Profit attributable to non-controlling interests	4.3	14	34	-	34	62	-	62
Profit before tax expense attributable to equity holders' profits		289	121	1,162	1,283	415	1,167	1,582
Tax (expense)/credit attributable to								
Operating profit	4.3	(69)	(37)	-	(37)	(114)	-	(114)
Non-operating items	4.3	20	19	(20)	(1)	37	(20)	17
Singapore included in discontinued operations segment ²	4.3	-	-	-	-	-	-	-
Total tax expense attributable to equity holders' profits		(49)	(18)	(20)	(38)	(77)	(20)	(97)
Profit for the period		240	103	1,142	1,245	338	1,147	1,485

¹ UK and Europe has been renamed as Pensions and Savings.

² Singapore business, the closure of which was announced in June 2015, was included as a discontinued operation for segmental reporting purposes under IFRS 8 as this is reflective of the presentation of information provided to the Chief Operating Decision Maker. This was previously included in the Asia and Emerging Markets segment which has been renamed India and China. Under IFRS 5, Singapore did not constitute a discontinued operation and was included under continuing operations in the IFRS condensed consolidated income statement. Therefore the pro forma reconciliation above includes the reclassification of Singapore results between discontinued and continuing operations.

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



The Notes on pages 32 to 64 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of financial position

As at 30 June 2016

	Notes	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Assets				
Intangible assets		557	570	566
Deferred acquisition costs		666	663	646
Investments in associates and joint ventures		7,481	4,795	5,719
Investment property	4.12	10,919	9,584	9,991
Property, plant and equipment		91	175	91
Pension and other post-retirement benefit assets	4.11	1,110	820	897
Deferred tax assets		36	31	35
Reinsurance assets		5,583	5,736	5,515
Loans	4.12	468	791	811
Derivative financial assets	4.12	4,685	2,642	2,444
Equity securities and interests in pooled investment funds	4.12	70,862	73,033	71,679
Debt securities	4.12	72,128	64,610	66,657
Receivables and other financial assets	4.12	3,806	1,544	1,447
Current tax recoverable		202	239	168
Other assets		92	104	89
Assets held for sale	4.12	188	975	327
Cash and cash equivalents	4.12	9,171	10,588	9,640
Total assets		188,045	176,900	176,722
Equity				
Share capital	4.9	241	241	241
Shares held by trusts	4.9	(3)	(2)	(6)
Share premium reserve	4.9	629	627	628
Retained earnings		2,852	1,955	2,162
Other reserves		557	957	977
Equity attributable to equity holders of Standard Life plc		4,276	3,778	4,002
Non-controlling interests		276	344	347
Total equity		4,552	4,122	4,349
Liabilities				
Non-participating insurance contract liabilities	4.10	22,849	21,528	21,206
Non-participating investment contract liabilities		95,738	91,589	92,894
Participating contract liabilities	4.10	32,390	29,784	29,654
Deposits received from reinsurers		5,178	5,359	5,134
Third party interest in consolidated funds	4.13	16,376	16,607	17,196
Subordinated liabilities		1,326	1,325	1,318
Pension and other post-retirement benefit provisions	4.11	38	40	33
Deferred income		220	254	236
Deferred tax liabilities		202	223	205
Current tax liabilities		192	105	113
Derivative financial liabilities		3,706	858	1,254
Other financial liabilities		5,145	4,092	2,900
Other liabilities		133	117	147
Liabilities of operations held for sale		-	897	83
Total liabilities		183,493	172,778	172,373
Total equity and liabilities		188,045	176,900	176,722



The Notes on pages 32 to 64 are an integral part of this IFRS condensed consolidated financial information.

IFRS condensed consolidated statement of changes in equity

For the six months ended 30 June 2016

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

2015	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		239	1	1,115	1,816	1,501	4,672	278	4,950
Profit for the period from continuing operations		-	-	-	69	-	69	34	103
Profit for the period from discontinued operations		-	-	-	1,142	-	1,142	-	1,142
Other comprehensive income for the period from continuing operations		-	-	-	70	(30)	40	-	40
Other comprehensive income/(expense) for the period from discontinued operations		-	-	-	(14)	(173)	(187)	-	(187)
Total comprehensive income for the period		-	-	-	1,267	(203)	1,064	34	1,098
Dividends paid on ordinary shares	4.8	-	-	-	(224)	-	(224)	-	(224)
Issue of share capital	4.9	2	-	-	-	-	2	-	2
Issue of 'B' shares	4.9	488	-	(488)	-	-	-	-	-
Issue of 'C' shares	4.9	-	-	-	-	-	-	-	-
Redemption of 'B' shares	4.9	(488)	-	-	(488)	488	(488)	-	(488)
Dividends paid on 'C' shares	4.9	-	-	-	(1,261)	-	(1,261)	-	(1,261)
Purchase of 'C' shares	4.9	-	-	-	-	-	-	-	-
Dividends due on unclaimed shares not held in the Unclaimed Asset Trust		-	-	-	(2)	-	(2)	-	(2)
Reserves credit for employee share-based payment schemes		-	-	-	-	18	18	-	18
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	20	(20)	-	-	-
Transfer between reserves on disposal of subsidiaries		-	-	-	827	(827)	-	-	-
Shares acquired by employee trusts		-	(5)	-	-	-	(5)	-	(5)
Shares distributed or sold by employee and other trusts		-	2	-	(2)	-	-	-	-
Other movements in non-controlling interests in the period		-	-	-	-	-	-	32	32
Aggregate tax effect of items recognised directly in equity	4.5	-	-	-	2	-	2	-	2
30 June		241	(2)	627	1,955	957	3,778	344	4,122

2015	Notes	Share capital £m	Shares held by trusts £m	Share premium reserve £m	Retained earnings £m	Other reserves £m	Total equity attributable to equity holders of Standard Life plc £m	Non-controlling interests £m	Total equity £m
1 January		239	1	1,115	1,816	1,501	4,672	278	4,950
Profit for the year from continuing operations		-	-	-	276	-	276	62	338
Profit for the year from discontinued operations		-	-	-	1,147	-	1,147	-	1,147
Other comprehensive income for the year from continuing operations		-	-	-	169	(13)	156	-	156
Other comprehensive income/(expense) for the year from discontinued operations		-	-	-	(14)	(173)	(187)	-	(187)
Total comprehensive income for the year		-	-	-	1,578	(186)	1,392	62	1,454
Dividends paid on ordinary shares	4.8	-	-	-	(343)	-	(343)	-	(343)
Issue of share capital	4.9	2	-	1	-	-	3	-	3
Issue of 'B' shares	4.9	488	-	(488)	-	-	-	-	-
Issue of 'C' shares	4.9	-	-	-	-	-	-	-	-
Redemption of 'B' shares	4.9	(488)	-	-	(488)	488	(488)	-	(488)
Dividends paid on 'C' shares	4.9	-	-	-	(1,261)	-	(1,261)	-	(1,261)
Purchase of 'C' shares	4.9	-	-	-	-	-	-	-	-
Dividends due on unclaimed shares not held in the Unclaimed Asset Trust		-	-	-	(2)	-	(2)	-	(2)
Reserves credit for employee share-based payment schemes		-	-	-	-	34	34	-	34
Transfer to retained earnings for vested employee share-based payment schemes		-	-	-	32	(32)	-	-	-
Transfer between reserves on disposal of subsidiaries		-	-	-	827	(827)	-	-	-
Shares acquired by employee trusts		-	(9)	-	-	-	(9)	-	(9)
Shares distributed or sold by employee and other trusts		-	2	-	(2)	-	-	-	-
Other movements in non-controlling interests in the year		-	-	-	-	-	-	7	7
Aggregate tax effect of items recognised directly in equity	4.5	-	-	-	5	(1)	4	-	4
31 December		241	(6)	628	2,162	977	4,002	347	4,349



The Notes on pages 32 to 64 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 2016

	Notes	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Cash flows from operating activities				
Profit before tax from continuing operations		437	210	549
Profit before tax from discontinued operations		-	1,162	1,167
		437	1,372	1,716
Change in operating assets		(7,066)	(5,811)	(6,607)
Change in operating liabilities		7,562	5,097	4,042
Adjustment for non-cash movements in investment income		104	(58)	(20)
Change in unallocated divisible surplus		82	(134)	(117)
Non-cash items relating to investing and financing activities		56	(1,005)	(1,017)
Taxation paid		(161)	(199)	(261)
Net cash flows from operating activities		1,014	(738)	(2,264)
Cash flows from investing activities				
Purchase of property, plant and equipment		(6)	(3)	(8)
Proceeds from sale of property, plant and equipment		-	4	98
Acquisition of subsidiaries and unincorporated businesses net of cash acquired		-	(5)	(6)
Disposal of subsidiaries net of cash disposed of		-	1,600	1,600
Proceeds from settlement of hedging derivatives contracts		-	100	100
Acquisition of investments in associates and joint ventures		(179)	(9)	(9)
Purchase of intangible assets not acquired through business combinations		(26)	(28)	(61)
Net cash flows from investing activities		(211)	1,659	1,714
Cash flows from financing activities				
Repayment of other borrowings		(1)	(1)	(3)
Repayment of subordinated liabilities		-	(282)	(282)
Capital flows from third party interest in consolidated funds and non-controlling interests		(1,138)	930	1,575
Distributions paid to third party interest in consolidated funds and non-controlling interests		(53)	(62)	(110)
Shares acquired by trusts		(2)	(4)	(9)
Interest paid		(35)	(54)	(89)
Return of cash to shareholders under 'B/C' share scheme	4.9	-	(1,749)	(1,749)
Ordinary dividends paid	4.8	(243)	(224)	(343)
Net cash flows from financing activities		(1,472)	(1,446)	(1,010)
Net decrease in cash and cash equivalents		(669)	(525)	(1,560)
Cash and cash equivalents at the beginning of the period		9,591	11,243	11,243
Effects of exchange rate changes on cash and cash equivalents		201	(148)	(92)
Cash and cash equivalents at the end of the period¹		9,123	10,570	9,591
Supplemental disclosures on cash flows from operating activities				
Interest paid		1	5	7
Interest received		995	1,039	1,979
Dividends received		1,205	1,165	1,923
Rental income received on investment property		287	250	490

¹ Comprises £9,171m (30 June 2015: £10,588m; 31 December 2015: £9,640m) of cash and cash equivalents, including cash and cash equivalents held for sale, and (£48m) (30 June 2015: (£18m); 31 December 2015: (£49m)) 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 32 to 64 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 2015 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 2016.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures*: Investment Entities – Applying the Consolidation Exception
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investment in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IFRS 11 *Joint Arrangements*: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IAS 1 *Presentation of Financial Statements*: Disclosure Initiative
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual improvements 2012 – 2014 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 2006. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 19 February 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. This IFRS condensed consolidated half year financial information has been reviewed, not audited.

(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 2016		6 months 2015		Full year 2015	
	Income statement exchange rate	Statement of financial position (closing rate)	Income statement exchange rate	Statement of financial position (closing rate)	Income statement exchange rate	Statement of financial position (closing rate)
Euro	1.286	1.203	1.365	1.411	1.375	1.357
US Dollar	1.426	1.337	1.532	1.573	1.528	1.474
Canadian Dollar	1.895	1.736	1.893	1.963	1.956	2.047
Indian Rupee	95.666	90.228	96.441	110.150	98.116	97.504
Chinese Renminbi	9.327	8.881	9.528	9.752	9.599	9.571
Hong Kong Dollar	11.069	10.371	11.881	12.192	11.844	11.423

4.2 Acquisitions and disposals

(a) Acquisitions

In August 2015, the Group entered into a share and purchase agreement to purchase an additional 9% of the issued share capital of HDFC Standard Life Insurance Company Limited (HDFC Life), an associate of the Group. The transaction completed in April 2016, after satisfactory regulatory approvals were obtained, for a consideration of Rs 1,706 crore (£179m), increasing the Group's interest to 35%.

During the six months ended 30 June 2016, the Group's UK wide financial advice business, 1825, entered into sale and purchase agreements to purchase the entire share capital of The Munro Partnership Limited (Munro), Baigrie Davies and Company Limited (Baigrie Davies) and Almary Green Investments Limited (Almary Green) with combined assets under advice of £1.4bn. The Group also entered into an agreement in May 2016 to purchase the Elevate adviser platform (Elevate) through the purchase of the entire share capital of AXA Portfolio Services Limited from AXA UK plc. The acquisitions of Munro and Baigrie Davies completed on 1 July 2016 and 1 August 2016 respectively and are not material to the Group. The acquisitions of Almary Green and Elevate are expected to complete later in the year once all conditions to closing have been satisfied.

(b) Disposals

Prior year disposal

On 3 September 2014 the Group announced its intention to sell its Canadian business to The Manufacturers Life Insurance Company (MLC), a subsidiary of Manulife Financial Corporation (Manulife). The sale of the Group's Canadian long-term savings and retirement, individual and group insurance business (Standard Life Financial Inc.) and Canadian investment management business (Standard Life Investments Inc.) completed on 30 January 2015. The assets and liabilities of the Canadian branch of Standard Life Assurance Limited (SLAL Canada branch) were transferred on 31 December 2015 following the fulfilment of certain conditions to completion, including regulatory approval. Until disposal the operations of the Canadian business were classified as discontinued and the assets and liabilities were classified as held for sale.

The consideration, which was received on 30 January 2015, was CA\$4.0bn (£2.1bn) and a further £0.1bn was received from the settlement of related hedging derivative contracts. The Group recognised a gain on disposal in respect of the sale which is included in profit from discontinued operations in the IFRS condensed consolidated income statement for the six months ended 30 June 2015 and the 12 months ended 31 December 2015.

4.3 Segmental analysis

(a) Basis of segmentation

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

Continuing operations:

Standard Life Investments

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

Pensions and Savings (formerly UK and Europe)

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

India and China

The businesses included in India and China offer a range of insurance and savings products and comprise our life insurance associate in India, our life insurance joint venture in China and wholly owned operations in Hong Kong.

Other

This primarily includes the corporate centre and related activities.

Discontinued operations:

Canada

The operations in Canada provided long-term savings, investment and insurance solutions to individuals, and group benefit and retirement plan members. The Canadian business was sold on 30 January 2015.

Singapore

The business in Singapore provided a range of savings and insurance products. The closure of this business was announced in June 2015. This business was previously included in the Asia and Emerging Markets segment (now renamed India and China). The results of this business were included as discontinued operations for segmental reporting purposes as this was reflective of the presentation of information provided to the Chief Operating Decision Maker. Under IFRS 5, Singapore did not constitute a discontinued operation and was included under continuing operations in the IFRS condensed consolidated income statement. Therefore the segmental analysis disclosures for the six months ended 30 June 2015 and 12 months ended 31 December 2015 include the reclassification of Singapore results between discontinued and continuing operations.

4.3 Segmental analysis *continued*

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

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

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

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

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

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

¹ Share of associates' and joint ventures' profit before tax comprises the Group's share of results of HDFC Standard Life Insurance Company Limited, Heng An Standard Life Insurance Company Limited and HDFC Asset Management Company Limited.

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

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

6 months 2015	Notes	Standard Life Investments £m	Pensions and Savings £m	India and China £m	Other £m	Eliminations £m	Total continuing operations £m	Discontinued operations ¹ £m	Total £m
Fee based revenue		402	396	23	-	(60)	761	21	782
Spread/risk margin		-	40	-	-	-	40	9	49
Total operating income		402	436	23	-	(60)	801	30	831
Total operating expenses		(263)	(297)	(17)	(25)	60	(542)	(29)	(571)
Capital management		-	8	-	(7)	-	1	2	3
Share of associates' and joint ventures' profit before tax ²		15	-	15	-	-	30	-	30
Operating profit/(loss) before tax		154	147	21	(32)	-	290	3	293
Tax on operating profit		(28)	(18)	-	9	-	(37)	-	(37)
Share of associates' and joint ventures' tax expense	4.5	(5)	-	-	-	-	(5)	-	(5)
Operating profit/(loss) after tax		121	129	21	(23)	-	248	3	251
Adjusted for the following items									
Short-term fluctuations in investment return and economic assumption changes	4.7	-	(37)	-	(5)	-	(42)	63	21
Restructuring and corporate transaction expenses	4.4	(16)	(39)	-	(7)	-	(62)	(8)	(70)
Impairment of intangible assets			-	-	-	-	-	(2)	(2)
Gain on sale of Canadian business		-	-	-	-	-	-	1,097	1,097
Other		(8)	2	(47)	(1)	-	(54)	(31)	(85)
Total non-operating items		(24)	(74)	(47)	(13)	-	(158)	1,119	961
Tax on non-operating items		4	7	5	3	-	19	(20)	(1)
Singapore included in discontinued operations segment ¹		-	-	(40)	-	-	(40)	40	-
Profit/(loss) for the period attributable to equity holders of Standard Life plc		101	62	(61)	(33)	-	69	1,142	1,211
Profit attributable to non-controlling interests							34	-	34
Profit for the period							103	1,142	1,245

¹ Under IFRS 5, Singapore did not constitute a discontinued operation and was included under continuing operations in the IFRS condensed consolidated income statement. Therefore the analysis of Group operating profit by segment above includes the reclassification of Singapore results between discontinued and continuing operations.

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.

4.3 Segmental analysis *continued*

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

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

Full year 2015	Notes	Standard Life Investments £m	Pensions and Savings £m	India and China £m	Other £m	Eliminations £m	Total continuing operations £m	Discontinued operations ¹ £m	Total £m
Fee based revenue		843	808	38	-	(110)	1,579	21	1,600
Spread/risk margin		-	145	-	-	-	145	9	154
Total operating income		843	953	38	-	(110)	1,724	30	1,754
Total operating expenses		(532)	(610)	(36)	(56)	110	(1,124)	(29)	(1,153)
Capital management		-	14	-	(5)	-	9	2	11
Share of associates' and joint ventures' profit before tax ²		31	-	25	-	-	56	-	56
Operating profit/(loss) before tax		342	357	27	(61)	-	665	3	668
Tax on operating profit		(64)	(54)	-	4	-	(114)	-	(114)
Share of associates' and joint ventures' tax expense	4.5	(11)	-	(2)	-	-	(13)	-	(13)
Operating profit/(loss) after tax		267	303	25	(57)	-	538	3	541
Adjusted for the following items									
Short-term fluctuations in investment return and economic assumption changes	4.7	-	(54)	-	(9)	-	(63)	63	-
Restructuring and corporate transaction expenses	4.4	(23)	(75)	-	(17)	-	(115)	(10)	(125)
Impairment of intangible assets		(5)	(2)	-	-	-	(7)	(2)	(9)
Gain on sale of Canadian business		-	-	-	-	-	-	1,102	1,102
Other		(25)	-	(47)	-	-	(72)	(31)	(103)
Total non-operating items		(53)	(131)	(47)	(26)	-	(257)	1,122	865
Tax on non-operating items		11	16	5	5	-	37	(20)	17
Singapore included in discontinued operations segment ¹		-	-	(42)	-	-	(42)	42	-
Profit/(loss) for the year attributable to equity holders of Standard Life plc		225	188	(59)	(78)	-	276	1,147	1,423
Profit attributable to non-controlling interests							62	-	62
Profit for the year							338	1,147	1,485

¹ Under IFRS 5, Singapore does not constitute a discontinued operation and is included under continuing operations in the IFRS condensed consolidated income statement. Therefore the analysis of Group operating profit by segment above includes the reclassification of Singapore results between discontinued and continuing operations.

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.

(b)(ii) Total income and expenses

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

	6 months 2016		6 months 2015		Full year 2015	
	Income £m	Expenses £m	Income £m	Expenses £m	Income £m	Expenses £m
Total operating income or operating expenses from continuing operations as presented in the analysis of Group operating profit by segment	857	(566)	801	(542)	1,724	(1,124)
Net insurance benefits and claims	2,001	(2,001)	1,994	(1,994)	4,029	(4,029)
Change in reinsurance assets and liabilities	(61)	61	296	(296)	520	(520)
Change in insurance and participating contract liabilities	2,941	(2,941)	(814)	814	(1,693)	1,693
Change in unallocated divisible surplus	82	(82)	(134)	134	(117)	117
Change in non-participating investment contract liabilities	1,560	(1,560)	2,877	(2,877)	3,363	(3,363)
Expenses under arrangements with reinsurers	361	(361)	(13)	13	42	(42)
Change in liability for third party interest in consolidated funds	(385)	385	396	(396)	531	(531)
Other presentation differences	173	(173)	147	(147)	305	(305)
Tax movement attributable to policyholder returns	148	-	89	-	134	-
Non-operating items	(5)	(56)	(11)	(146)	(23)	(234)
Non-controlling interests and capital management	27	-	35	-	71	-
Singapore included in discontinued operations segment ¹	-	-	5	(45)	6	(48)
Total revenue or expenses from continuing operations as presented in the IFRS condensed consolidated income statement	7,699	(7,294)	5,668	(5,482)	8,892	(8,386)

¹ Under IFRS 5, Singapore did not constitute a discontinued operation and is included under continuing operations in the consolidated income statement. Therefore the reconciliation includes the reclassification of Singapore results between discontinued and continuing operations.

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

4.3 Segmental analysis *continued*

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

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

Group assets under administration (AUA) presents a measure of the total assets that the Group administers on behalf of individual customers and institutional clients. It includes those assets for which the Group provides investment management services, as well as those assets that the Group administers where the customer has made a choice to select an external third party investment manager. Group AUA includes third party assets administered by the Group which are not included on the consolidated statement of financial position.

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

30 June 2016	Standard Life Investments £bn	Pensions and Savings £bn	India and China £bn	Other £bn	Eliminations ¹ £bn	Total £bn
Assets under administration						
Fee based	181	134	1	-	(20)	296
Spread/risk	-	16	-	-	-	16
Assets not backing products in long-term savings business	-	11	-	-	-	11
Associate and joint venture businesses	-	-	3	-	-	3
Other corporate assets	1	-	-	1	-	2
Total assets under administration	182	161	4	1	(20)	328

30 June 2015	Standard Life Investments £bn	Pensions and Savings £bn	India and China £bn	Other £bn	Eliminations ¹ £bn	Total continuing operations £bn	Discontinued operations £bn	Total £bn
Assets under administration								
Fee based	167	126	-	-	(17)	276	-	276
Spread/risk	-	15	-	-	-	15	-	15
Assets not backing products in long-term savings business	-	7	-	-	-	7	-	7
Associate and joint venture businesses	-	-	2	-	-	2	-	2
Other corporate assets	1	-	-	1	-	2	-	2
Total assets under administration	168	148	2	1	(17)	302	-	302

31 December 2015	Standard Life Investments £bn	Pensions and Savings £bn	India and China £bn	Other £bn	Eliminations ¹ £bn	Total continuing operations £bn	Discontinued operations £bn	Total £bn
Assets under administration								
Fee based	170	127	1	-	(18)	280	-	280
Spread/risk	-	15	-	-	-	15	-	15
Assets not backing products in long-term savings business	-	8	-	-	-	8	-	8
Associate and joint venture businesses	-	-	2	-	-	2	-	2
Other corporate assets	1	-	-	1	-	2	-	2
Total assets under administration	171	150	3	1	(18)	307	-	307

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

4.4 Administrative expenses

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Restructuring and corporate transaction expenses	31	48	88
Interest expense	3	6	12
Commission expenses	73	86	170
Staff costs and other employee-related costs	295	310	635
Other administrative expenses	334	306	609
	736	756	1,514
Acquisition costs deferred during the period	(32)	(51)	(83)
Impairment of deferred acquisition costs	-	71	73
Amortisation of deferred acquisition costs	50	64	124
Total administrative expenses from continuing operations	754	840	1,628

Total restructuring and corporate transaction expenses incurred from continuing operations during the period were £31m (six months ended 30 June 2015: £48m; 12 months ended 31 December 2015: £88m). The expenses mainly relate to Ignis integration and Pensions and Savings restructuring programmes and corporate transactions.

In December 2014 the Group announced that the UK staff defined benefit pension plan would be closed to future accrual. On 16 April 2016 all employees in the closing plan were transferred to the UK defined contribution plan for future service and employer contributions into the defined contribution plan were amended. Following this restructuring of the pension plans, operating profit from continuing operations for the six months ended 30 June 2016 has been increased by £5m (six months ended 30 June 2015: £20m; 12 months ended 31 December 2015: £35m) so that operating profit reflects the expected long-term pension expense for the period and is therefore more indicative of the long-term operating performance of the Group. As a result £5m (six months ended 30 June 2015: £20m; 12 months ended 31 December 2015: £35m) of pension costs that are included in staff costs in the IFRS condensed consolidated income statement for the six months ended 30 June 2016, are included in restructuring and corporate transaction expenses in determining operating profit from continuing operations. Further details of the defined benefit pension plan expense for the period are included in Note 4.11 – Pension and other post-retirement benefit provisions.

The table below reconciles restructuring and corporate transaction expenses incurred from continuing operations with restructuring and corporate transaction expenses used to determine operating profit from continuing operations.

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Restructuring and corporate transaction expenses from continuing operations	31	48	88
Pension plan restructuring	5	20	35
Expenses incurred by the Heritage With Profits Fund	-	(1)	(1)
Closure of Singapore ¹	-	(5)	(7)
Restructuring and corporate transaction expenses used to determine operating profit from continuing operations	36	62	115

¹ Singapore business, the closure of which was announced in June 2015, was included as a discontinued operation for segmental reporting purposes under IFRS 8 as this was reflective of the presentation of information provided to the Chief Operating Decision Maker. Under IFRS 5, Singapore did not constitute a discontinued operation and was included under continuing operations in the IFRS condensed consolidated income statement.

Restructuring and corporate transaction expenses for the six months ended 30 June 2015 of £8m and the 12 months ended 31 December 2015 of £10m were used to determine operating profit before tax from discontinued operations. These expenses related to the sale of the Canadian business and the closure of the Singapore business.

4.5 Tax expense

The tax expense is attributed as follows:

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Tax expense attributable to policyholders' investment return	148	89	134
Tax expense attributable to equity holders' profits	49	18	77
Total tax expense from continuing operations	197	107	211

The standard UK corporation tax rate for the accounting period was 20% (six months ended 30 June 2015: 20.25%; 12 months ended 31 December 2015: 20.25%). Following the enactment of Finance Act 2015 the UK corporation tax rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. These future changes have been taken into account in the calculation of the UK deferred tax balance at 30 June 2016. The Finance Bill 2016 contains provision for the UK corporation tax rate to reduce to 17% from 1 April 2020. As this bill had not been substantively enacted as at 30 June 2016 this further rate change has not been recognised for the purposes of calculating deferred tax balances.

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

The share of tax of associates and joint ventures from continuing operations is £5m (six months ended 30 June 2015: £5m; 12 months ended 31 December 2015: £13m) and is included in profit before tax in the IFRS condensed consolidated income statement in Share of profit from associates and joint ventures.

The total tax expense is split as follows:

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Current tax:			
UK	194	95	197
Double tax relief	(1)	-	(2)
Overseas	14	4	15
Adjustment to tax expense in respect of prior years	(2)	(5)	12
Total current tax attributable to continuing operations	205	94	222
Deferred tax:			
Deferred tax (credit)/expense arising from the current periods	(8)	13	(11)
Total deferred tax attributable to continuing operations	(8)	13	(11)
Total tax expense attributable to continuing operations	197	107	211

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Current tax on net change in financial assets designated as available-for-sale	3	(1)	(2)
Equity holder tax effect relating to items that may be reclassified subsequently to profit or loss	3	(1)	(2)
Tax relating to each component of other comprehensive income from continuing operations	3	(1)	(2)

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

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Tax expense/(credit) on reserves for employee share-based payments	2	(2)	(4)
Tax relating to items taken directly to equity	2	(2)	(4)

4.6 Earnings per share

Basic earnings per share is calculated by dividing profit attributable to ordinary equity holders by the weighted average number of ordinary shares in issue during the year 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 year to assume the conversion of all dilutive potential ordinary shares, such as share options granted to employees.

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

For the period ended 30 June 2016 basic earnings per share was 11.5p (six months ended 30 June 2015: 56.7p; 12 months ended 31 December 2015: 69.4p) and diluted earnings per share was 11.4p (six months ended 30 June 2015: 56.6p; 12 months ended 31 December 2015: 69.1p). The following table shows the split between continuing and discontinued operations, and details of alternative earnings per share.

	6 months 2016	6 months 2015		Full year 2015	
	£m	Continuing operations £m	Discontinued operations £m	Continuing operations £m	Discontinued operations £m
Operating profit before tax	341	290	3	665	3
Tax on operating profit	(69)	(37)	-	(114)	-
Share of associates' and joint ventures' tax expense	(5)	(5)	-	(13)	-
Operating profit after tax	267	248	3	538	3
Total non-operating items	(61)	(158)	1,119	(257)	1,122
Tax on non-operating items	20	19	(20)	37	(20)
Singapore included in discontinued operations segment ¹	-	(40)	40	(42)	42
Profit attributable to equity holders of Standard Life plc	226	69	1,142	276	1,147
	Millions	Millions	Millions	Millions	Millions
Weighted average number of ordinary shares outstanding	1,970	2,136	2,136	2,051	2,051
Dilutive effect of share options and awards	4	4	4	9	9
Weighted average number of diluted ordinary shares outstanding	1,974	2,140	2,140	2,060	2,060
	Pence	Pence	Pence	Pence	Pence
Basic earnings per share	11.5	3.2	53.5	13.5	55.9
Diluted earnings per share	11.4	3.2	53.4	13.4	55.7
Alternative earnings per share	13.6	11.6	0.1	26.2	0.1
Diluted alternative earnings per share	13.5	11.6	0.1	26.1	0.1

¹ Singapore business, the closure of which was announced in June 2015, was included as a discontinued operation for segmental reporting purposes under IFRS 8 as this was reflective of the presentation of information provided to the Chief Operating Decision Maker. Under IFRS 5, Singapore did not constitute a discontinued operation and was included under continuing operations in the consolidated income statement. Therefore the analysis of Group operating profit above includes the reclassification of Singapore results between discontinued and continuing operations.

As discussed in Note 4.9 the Company undertook a share consolidation in 2015 followed by a return of value to shareholders. In accordance with IAS 33, earnings per share were not restated following the share consolidation as there was an overall corresponding change in resources. As a result of the share consolidation, earnings per share from continuing operations for the six months ended 30 June 2016 are not directly comparable with prior periods.

4.7 Operating profit and non-operating items

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

Operating profit also excludes the impact of the following items:

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

From 1 January 2016, we have changed the operating profit accounting policy so that items which, due to their size or nature, are not indicative of the long-term operating performance of the Group are excluded from operating profit (even if they are within the control of management). The objective of the change is to make operating profit a more useful indication of the long-term performance of the Group. This change has had no impact on comparative reporting periods presented.

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

The components of IFRS profit attributable to market movements and interest rate changes which give rise to variances between actual and expected investment returns, as well as the impact of changes in economic assumptions on equity holder liabilities, are excluded from operating profit.

The expected rates of return for debt securities, equity securities and property are determined separately for each of the Group's operations. The expected rates of return for equity securities and property are determined based on the gilt spot rates of an appropriate duration plus an equity risk premium or property risk premium, respectively.

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

	2016 UK %	2015 UK %	Canada %
Equity securities	5.01	4.86	8.60
Property	4.01	3.86	8.60

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

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

For the six months ended 30 June 2016, short-term fluctuations in investment return and economic assumption changes resulted in losses of £17m (six months ended 30 June 2015: losses of £42m; 12 months ended 31 December 2015: losses of £63m) from continuing operations. Short-term fluctuations in investment return from continuing operations relate principally to investment volatility in UK annuities, and in respect of the Group's subordinated liabilities and assets backing those liabilities.

Short-term gains in investment return from discontinued operations of £63m for the six months ended 30 June 2015 and 12 months ended 31 December 2015 related principally to investment volatility in Canada non-segregated funds.

(b) Other

In the pro forma reconciliation of consolidated operating profit to IFRS profit for the period other non-operating includes:

- The impact of restructuring on deferred acquisition costs, claims, and change in investment and insurance contract liabilities
- Amortisation of intangibles acquired in business combinations and fair value movements in contingent consideration

Other non-operating items from continuing operations for the period ended 30 June 2016 includes £9m (six months ended 30 June 2015: £10m; 12 months ended 31 December 2015: £20m) in relation to amortisation of intangible assets acquired through business combinations. For the six months ended 30 June 2015 and 12 months ended 31 December 2015 other non-operating items from continuing operations also included £46m relating to a review of expense and reserving assumptions in Hong Kong following regulatory change. This Hong Kong non-operating restructuring loss primarily related to an impairment of deferred acquisition costs.

For the six months ended 30 June 2015 and the 12 months ended 31 December 2015 other non-operating items from discontinued operations included £31m in respect of impairment of deferred acquisition costs and plan enhancements relating to the closure of the Singapore business.

4.8 Dividends on ordinary shares

	6 months 2016		6 months 2015		Full year 2015	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Dividends relating to reporting period						
Interim dividend (2016 and 2015)	6.47	128	6.02	119	6.02	119
Final dividend (2015)	-	-	-	-	12.34	243
Total	6.47	128	6.02	119	18.36	362
Dividends paid in reporting period						
Current year interim dividend	-	-	-	-	6.02	119
Final dividend for prior year	12.34	243	11.43	224	11.43	224
Total		243		224		343

Subsequent to 30 June 2016, the Directors have proposed an interim dividend for 2016 of 6.47 pence per ordinary share (interim 2015: 6.02 pence), an estimated £128m in total (interim 2015: £119m). The dividend is expected to be paid on 19 October 2016 and will be recorded as an appropriation of retained earnings in the financial statements for the year ended 31 December 2016.

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

(a) Issued share capital

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

	6 months	6 months	6 months	6 months	6 months	Full year	Full year	Full year
	2016	2016	2015	2015	2015	2015	2015	2015
Issued shares fully paid	12 2/9p each	£m	10p each	12 2/9p each	£m	10p each	12 2/9p each	£m
At start of period	1,969,937,375	241	2,394,373,744	-	239	2,394,373,744	-	239
Shares issued in respect of share incentive plans	197,255	-	169,283	80,904	-	169,283	194,329	-
Shares issued in respect of share options	5,332,837	-	642,089	9,489,898	2	642,089	10,046,128	2
New shares issued immediately prior to share consolidation	-	-	6	-	-	6	-	-
Share consolidation	-	-	(2,395,185,122)	1,959,696,918	-	(2,395,185,122)	1,959,696,918	-
At end of period	1,975,467,467	241	-	1,969,267,720	241	-	1,969,937,375	241

On 13 March 2015, the Company undertook a share consolidation of the Company's share capital. Nine new ordinary shares of 12 2/9 pence each were issued for each holding of 11 existing ordinary shares of 10 pence each. As a result, the number of shares in issue reduced from 2,395,185,122 to 1,959,696,918.

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

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

(a) Issued share capital *continued*

(a)(i) Return of value in prior year

668,370,013 'B' shares were issued for nil consideration with a nominal value of 73 pence each on 19 March 2015, resulting in a total of £488m being credited to the 'B' share capital account. At the same time £488m was deducted from the share premium account. On 20 March 2015 the 'B' shares were redeemed at 73 pence each. An amount of £488m was deducted from the 'B' share capital account and £488m was transferred from retained earnings to the capital redemption reserve.

1,726,815,109 'C' shares were issued for nil consideration with a nominal value of 0.0000001 pence each on 19 March 2015. An amount of £1.73 was credited to the 'C' share capital account. On 20 March 2015 a dividend of 73 pence per share became payable at a total cost of £1,261m and this amount has been recorded as a deduction from retained earnings. On the same date, the 'C' shares were automatically reclassified as deferred shares. The Company subsequently purchased the deferred shares for an aggregate consideration of one pence.

On 17 June 2016 the Company's capital redemption reserve was cancelled in accordance with section 649 of the Companies Act 2006 resulting in a transfer of £488m to retained earnings.

(b) Share premium

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
At start of period	628	1,115	1,115
Issue of 'B' shares	-	(488)	(488)
Shares issued in respect of share options	1	-	1
At end of period	629	627	628

The premium arising on shares issued during the period relates to share options exercised in respect of the Sharesave scheme.

(c) Shares held by trusts

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

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

In July 2006 Standard Life demutualised and former members of the mutual company were given shares in the new listed Company. Some former members were yet to claim their shares and the UAT held these on their behalf. The Company had an off-setting obligation to deliver these shares which was also recognised in the shares held by trust 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. Refer to Note 4.17 for further details.

The number of shares held in trust is as follows:

	30 June 2016	30 June 2015	31 December 2015
Number of shares held in trust			
Employee Share Trust	2,363,153	730,582	1,637,419
Unclaimed Asset Trust	13,750,053	15,907,401	14,709,934

4.10 Insurance contracts, participating investment contracts and reinsurance contracts

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Non-participating insurance contract liabilities	22,849	22,142	21,206
Less: Non-participating insurance contract liabilities classified as held for sale	-	(614)	-
	22,849	21,528	21,206

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Participating insurance contract liabilities	16,201	14,309	14,283
Participating investment contract liabilities	15,581	14,809	14,716
Unallocated divisible surplus	608	666	655
Participating contract liabilities	32,390	29,784	29,654

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts for continuing operations during the six months ended 30 June 2016, and the six months ended 30 June 2015 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 2016						
Changes in						
Methodology/modelling	(48)	-	11	(37)	53	16
Economic assumptions	(332)	1,667	88	1,423	(330)	1,093
Non-economic assumptions	-	(9)	-	(9)	6	(3)
6 months 2015						
Changes in						
Methodology/modelling	2	2	9	13	(3)	10
Economic assumptions	13	(346)	(28)	(361)	95	(266)
Non-economic assumptions	-	(9)	1	(8)	-	(8)

Due to changes in economic and non-economic factors, certain assumptions used in estimating insurance and investment contract liabilities have been revised. Therefore, the change in liabilities reflects actual experience over the period, changes in assumptions and, to a limited extent, improvements in modelling techniques. Economic assumptions reflects changes in fixed income yields, leading to lower valuation interest rates for non-participating business, and other market movements. Economic assumptions also include the effect of a change in the discount rate used to measure the liability for non-participating insurance contract liabilities resulting from a change in the way assets are hypothecated between participating and non-participating business in the Heritage With Profits Fund. This change has resulted in an increase in non-participating insurance contract liabilities, fully offset by a decrease in participating liabilities.

4.10 Insurance contracts, participating investment contracts and reinsurance contracts *continued*

The movement in insurance contract liabilities, participating investment contract liabilities and reinsurance contracts during the year ended 31 December 2015 was as follows:

2015	Participating insurance contract liabilities £m	Non-participating insurance contract liabilities £m	Participating investment contract liabilities £m	Total insurance and participating contracts £m	Reinsurance contracts £m	Net £m
At 1 January	15,397	21,841	15,191	52,429	(6,036)	46,393
Expected change	(1,042)	(808)	(902)	(2,752)	388	(2,364)
Methodology/modelling changes	17	19	(22)	14	(3)	11
Effect of changes in						
Economic assumptions	148	(491)	(17)	(360)	101	(259)
Non-economic assumptions	(225)	(47)	182	(90)	8	(82)
Effect of						
Economic experience	315	129	152	596	11	607
Non-economic experience	107	(378)	142	(129)	15	(114)
New business	37	964	27	1,028	-	1,028
Total change in contract liabilities	(643)	(612)	(438)	(1,693)	520	(1,173)
Foreign exchange adjustment	(471)	(23)	(37)	(531)	1	(530)
At 31 December	14,283	21,206	14,716	50,205	(5,515)	44,690

4.11 Pension and other post-retirement benefit provisions

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

The trustees of the defined benefit pension plan set the investment strategy to protect the ratio of plan assets to the trustees' technical provision liabilities. The technical provision liabilities 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. Falling bond yields over the period, in part due to the result of the EU referendum on 23 June 2016, have led to significant increases in both the IAS 19 surplus and the trustees' technical provision surplus. However, the ratio of plan assets to trustees' technical provision liabilities has remained relatively stable.

(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 2016 £m	6 months 2015 £m	Full year 2015 £m
Current service cost	(26)	(42)	(80)
Interest income	17	13	30
Administrative expenses	(1)	(1)	(2)
Expense recognised in the IFRS condensed consolidated income statement	(10)	(30)	(52)

An additional pension contribution of 6% of pensionable salary into the defined contribution plan for eligible members of the defined benefit plan on 16 March 2015 was made on 16 April 2015. A further additional contribution of 6% was made on 16 April 2016. These contributions have been accrued over the vesting period and are included in current service cost.

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

	30 June 2016			30 June 2015			31 December 2015		
	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m	UK £m	Other £m	Total £m
Present value of funded obligation	(2,972)	(96)	(3,068)	(2,750)	(89)	(2,839)	(2,525)	(85)	(2,610)
Present value of unfunded obligation	-	(9)	(9)	-	(8)	(8)	-	(8)	(8)
Fair value of plan assets	4,718	67	4,785	4,030	57	4,087	3,936	60	3,996
Effect of limit on plan surplus	(636)	-	(636)	(460)	-	(460)	(514)	-	(514)
Net asset/(liability)	1,110	(38)	1,072	820	(40)	780	897	(33)	864

(c) Principal assumptions

The principal economic assumptions for the UK plan are as follows:

	30 June 2016 %	30 June 2015 %	31 December 2015 %
Discount rate	2.80	3.75	3.70
Rates of inflation			
Consumer Price Index (CPI)	1.85	2.60	2.15
Retail Price Index (RPI)	2.85	3.50	3.15

4.12 Risk management

(a) Overview

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

The Group's IFRS condensed consolidated half year financial information does not include all financial risk management information and disclosures required in the Group's Annual report and accounts. This note should therefore be read in conjunction with the Group's Annual report and accounts for the year ended 31 December 2015. The information presented in this note has been prepared on the same basis as that presented in the Group's Annual report and accounts.

There have been no significant changes to the Group's risk management framework since 31 December 2015 and no changes have been made to the Group's qualitative risk appetites. The business continues to be managed through a range of risk, capital and profit metrics.

(b) Investment property and financial assets

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

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

Shareholder business

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

Participating business

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

Unit linked funds

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

Third party interest in consolidated funds and non-controlling interests

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

4.12 Risk management *continued*

(b) Investment property and financial assets *continued*

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

	Shareholder business		Participating business		Unit linked funds		TPICF and NCI ¹		Total	
	30 Jun 2016 £m	31 Dec 2015 £m	30 Jun 2016 £m	31 Dec 2015 £m	30 Jun 2016 £m	31 Dec 2015 £m	30 Jun 2016 £m	31 Dec 2015 £m	30 Jun 2016 £m	31 Dec 2015 £m
Investments in associates ²	24	19	679	531	5,470	4,561	782	314	6,955	5,425
Investment property	-	1	2,007	2,167	6,062	5,947	2,850	1,876	10,919	9,991
Loans	57	75	247	340	155	307	9	89	468	811
Derivative financial assets	12	9	2,923	1,478	1,333	716	417	241	4,685	2,444
Equity securities and interests in pooled investment funds	49	52	7,932	8,187	57,169	56,307	5,712	7,133	70,862	71,679
Debt securities	8,252	7,576	29,058	25,913	28,491	26,789	6,327	6,379	72,128	66,657
Receivables and other financial assets	745	495	200	99	2,194	644	667	209	3,806	1,447
Assets held for sale	62	50	-	82	72	73	54	122	188	327
Cash and cash equivalents	677	691	2,159	1,960	5,224	5,311	1,111	1,678	9,171	9,640
Total	9,878	8,968	45,205	40,757	106,170	100,655	17,929	18,041	179,182	168,421

30 June 2015	Shareholder business £m	Participating business £m	Unit linked funds £m	TPICF and NCI ¹ £m	Total £m
Investments in associates ²	26	433	3,850	218	4,527
Investment property	1	2,100	5,588	1,895	9,584
Loans	27	340	326	98	791
Derivative financial assets	25	1,368	920	329	2,642
Equity securities and interests in pooled investment funds	54	8,975	57,370	6,634	73,033
Debt securities	7,635	26,232	24,683	6,060	64,610
Receivables and other financial assets	582	115	662	185	1,544
Assets held for sale	929	-	27	19	975
Cash and cash equivalents	813	1,589	6,055	2,131	10,588
Total	10,092	41,152	99,481	17,569	168,294

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

² Comprises investments in associates at FVTPL.

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

No further analysis is provided on the assets of the remaining risk segments – unit linked funds and TPICF and NCI. Assets of the unit linked funds are managed in accordance with the mandates of the particular funds and the financial risks of the assets are expected to be borne by the policyholder. The unit linked business includes £3,396m (30 June 2015: £3,383m; 31 December 2015: £3,228m) of assets that are held as reinsured external fund links. Under certain circumstances the shareholder may be exposed to losses relating to the default of the insured external fund links. These exposures are actively monitored and managed by the Group and the Group considers the circumstances under which losses may arise to be remote.

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

Further information on the investment property and financial assets of the shareholder and participating business at the reporting date are provided in the sections that follow.

Investment property

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

The referendum on 23 June 2016 which resulted in the UK deciding to leave the EU has led to a period of uncertainty in relation to many factors that impact the property investment and letting markets in the UK. Further details of the impact on the valuations of investment property for the period are included in Note 4.13 – Fair value of assets and liabilities.

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

Participating business

	Office			Industrial			Retail			Other			Total		
	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
UK	623	680	703	213	219	230	863	993	938	5	6	6	1,704	1,898	1,877
Belgium	14	12	12	-	-	-	10	-	-	-	-	-	24	12	12
France	-	-	-	-	-	-	-	-	-	2	1	1	2	1	1
Germany	81	-	26	5	4	5	17	14	15	-	-	-	103	18	46
Ireland	-	-	-	-	-	-	-	-	-	29	23	26	29	23	26
Netherlands	60	16	48	30	13	26	-	-	-	-	-	-	90	29	74
Spain	55	119	131	-	-	-	-	-	-	-	-	-	55	119	131
Total	833	827	920	248	236	261	890	1,007	953	36	30	33	2,007	2,100	2,167

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

4.12 Risk management *continued*

(b) Investment property and financial assets *continued*

Equity securities

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

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

	Shareholder business			Participating business			Total		
	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
UK	6	9	10	3,311	3,792	3,540	3,317	3,801	3,550
Australia	-	1	-	19	32	20	19	33	20
Belgium	-	1	1	70	54	27	70	55	28
Canada	-	-	-	62	53	39	62	53	39
Denmark	1	1	1	156	156	126	157	157	127
Finland	1	1	1	67	88	85	68	89	86
France	3	2	3	431	422	412	434	424	415
Germany	2	2	3	455	398	467	457	400	470
Greece	-	-	-	-	1	-	-	1	-
Ireland	1	1	1	157	179	187	158	180	188
Italy	1	2	2	74	138	142	75	140	144
Japan	1	1	1	119	119	118	120	120	119
Mexico	-	-	-	1	1	1	1	1	1
Netherlands	2	2	2	357	346	291	359	348	293
Norway	-	-	-	19	65	24	19	65	24
Portugal	-	-	-	62	40	59	62	40	59
Russia	-	-	-	-	4	3	-	4	3
Spain	1	2	1	99	148	125	100	150	126
Sweden	2	1	1	208	203	165	210	204	166
Switzerland	2	2	2	476	621	601	478	623	603
US	11	7	10	1,560	1,784	1,506	1,571	1,791	1,516
Other	14	17	13	175	253	177	189	270	190
Total	48	52	52	7,878	8,897	8,115	7,926	8,949	8,167

In addition to the equity securities analysed above, the shareholder business has interests in pooled investment funds of £1m (30 June 2015: £2m; 31 December 2015: £nil) and investments in associates at FVTPL of £24m (30 June 2015: £26m; 31 December 2015: £19m). The participating business has interests in pooled investment funds of £54m (30 June 2015: £78m; 31 December 2015: £72m) and investments in associates at FVTPL of £679m (30 June 2015: £433m; 31 December 2015: £531m).

Debt securities

The Group is exposed to interest rate risk and credit risk through its holdings in debt securities. The Group manages its exposure to debt securities through the use of investment mandates including setting exposure limits such as by issuer, sector and credit rating.

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

Shareholder business

	Government, provincial and municipal ¹			Banks			Other financial institutions			Other corporate			Other ²			Total		
	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK	543	520	527	423	428	389	1,236	1,338	1,335	1,879	1,480	1,576	-	-	-	4,081	3,766	3,827
Australia	-	-	-	128	75	100	15	6	-	12	10	9	-	-	-	155	91	109
Austria	30	21	22	-	-	-	-	-	-	-	-	-	-	-	-	30	21	22
Belgium	-	-	-	1	25	1	-	-	-	22	12	12	-	-	-	23	37	13
Canada	-	-	-	75	25	1	-	-	-	1	1	1	-	-	-	76	26	2
Denmark	-	-	-	26	80	51	-	-	-	16	15	15	-	-	-	42	95	66
Finland	-	-	-	-	25	25	-	-	-	-	-	-	-	-	-	-	25	25
France	242	200	201	215	223	343	3	-	-	352	313	306	-	-	-	812	736	850
Germany	404	243	296	105	124	131	2	1	1	268	280	243	-	-	-	779	648	671
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	-	-	-	1	-	1	-	-	-	4	-	-	-	-	-	5	-	1
Italy	-	-	-	27	26	27	-	-	-	82	79	75	-	-	-	109	105	102
Japan	-	-	-	1	51	26	-	62	-	24	31	22	-	-	-	25	144	48
Mexico	-	5	12	-	-	-	-	-	-	111	106	105	-	-	-	111	111	117
Netherlands	23	-	21	273	273	257	-	-	-	28	24	24	-	-	-	324	297	302
Norway	-	-	-	28	-	1	-	-	-	41	38	39	-	-	-	69	38	40
Portugal	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-
Russia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	-	-	-	55	116	105	-	-	-	45	50	41	-	-	-	100	166	146
Sweden	-	-	-	89	67	40	1	1	1	51	61	58	-	-	-	141	129	99
Switzerland	-	-	-	105	163	116	-	-	-	7	7	7	-	-	-	112	170	123
US	20	-	-	252	255	217	88	130	133	413	268	310	-	-	-	773	653	660
Other	42	42	37	152	79	51	55	27	52	13	12	12	223	216	201	485	376	353
Total	1,304	1,032	1,116	1,956	2,035	1,882	1,400	1,565	1,522	3,369	2,787	2,855	223	216	201	8,252	7,635	7,576

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

² This balance primarily consists of securities held in supranationals.

4.12 Risk management *continued*

(b) Investment property and financial assets *continued*

Participating business

	Government, provincial and municipal ¹			Banks			Other financial institutions			Other corporate			Other ²			Total		
	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015	30 Jun 2016	30 Jun 2015	31 Dec 2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK	10,709	10,719	10,275	872	826	925	1,967	2,018	1,929	1,823	1,792	1,730	-	-	-	15,371	15,355	14,859
Australia	-	-	-	311	173	206	50	39	31	38	37	35	-	-	-	399	249	272
Austria	355	218	235	4	3	4	-	-	-	-	-	-	-	-	-	359	221	239
Belgium	590	362	452	11	7	10	-	-	-	50	17	15	-	-	-	651	386	477
Canada	3	33	3	139	214	195	9	8	8	3	1	3	-	-	-	154	256	209
Denmark	5	4	4	22	7	11	-	-	-	18	26	22	-	-	-	45	37	37
Finland	113	74	85	78	43	54	-	-	-	4	4	4	-	-	-	195	121	143
France	2,106	1,713	1,708	420	450	437	28	25	24	372	335	331	-	-	-	2,926	2,523	2,500
Germany	3,456	2,633	2,620	377	423	587	125	119	122	217	204	189	-	-	-	4,175	3,379	3,518
Greece	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ireland	1	4	7	7	8	9	11	10	10	18	12	13	-	-	-	37	34	39
Italy	90	2	4	31	32	27	9	8	11	55	112	120	-	-	-	185	154	162
Japan	24	20	21	172	184	35	-	-	-	-	10	1	-	-	-	196	214	57
Mexico	-	-	-	-	-	-	-	-	-	62	60	58	-	-	-	62	60	58
Netherlands	543	390	403	391	362	338	51	41	42	39	33	34	-	-	-	1,024	826	817
Norway	17	17	17	88	27	6	-	-	-	66	64	63	-	-	-	171	108	86
Portugal	-	-	-	-	-	-	-	-	-	4	4	5	-	-	-	4	4	5
Russia	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Spain	2	3	5	8	8	11	7	-	5	46	50	52	-	-	-	63	61	73
Sweden	1	1	1	378	211	280	6	6	6	18	19	16	-	-	-	403	237	303
Switzerland	-	-	-	224	170	103	62	31	59	55	56	57	-	-	-	341	257	219
US	95	77	107	552	391	361	155	215	206	537	420	437	-	-	-	1,339	1,103	1,111
Other	45	87	85	285	145	105	83	60	62	128	121	116	417	234	361	958	647	729
Total	18,155	16,357	16,032	4,370	3,684	3,704	2,563	2,580	2,515	3,553	3,377	3,301	417	234	361	29,058	26,232	25,913

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

² This balance primarily consists of securities held in supranationals.

Loans

The Group is exposed to interest rate risk and credit risk from loans issued. The Group manages its exposure by setting portfolio limits for business units specifying the proportion of the value of the total portfolio loans that can be represented by a single, or group of related counterparties and requires each business unit to implement appropriate portfolio limits and benchmarks for the assets.

The shareholder business holding of loans of £57m (30 June 2015: £27m; 31 December 2015: £75m) primarily comprises bank deposits of more than three months maturity.

The participating business holding of loans of £247m (30 June 2015: £340m; 31 December 2015: £340m) comprises bank deposits of more than three months maturity and UK mortgages.

4.13 Fair value of assets and liabilities

(a) Determination of fair value hierarchy

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

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

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

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

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

Information on the methods and assumptions used to determine fair values for each major category of financial 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 treated as level 1 instruments within the fair value hierarchy.

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

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

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

Investment property 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. Current use is considered the best indicator of the highest and best use of the Group's property from a market participants' perspective. No adjustment is made for vacant possession for the Group's owner occupied property.

In normal market conditions the valuations provided by external property valuation experts are reported without adjustment in the Group's financial statements. However, the referendum on 23 June 2016 which resulted in the UK deciding to leave the EU has led to a period of uncertainty in relation to many factors that impact the property investment and letting markets in the UK. As a result the valuations provided by external valuers in relation to individual UK properties in respect of 30 June 2016 were qualified, in that they did not take into account the impact of the referendum result. The external valuers noted that they were not able to gauge the effect of the referendum by reference to transactions in the market place due to insufficient transactions taking place.

As the individual property valuations provided by the external valuers did not take into account the impact of the referendum result, we did not consider these to represent fair value at 30 June 2016 and therefore considered that an adjustment was required. The Group considered data from an internal model based on the UK listed real estate sector, general advice relating to the property market from external valuers, information from recent property sales and transaction discussions, comparable property market events, external valuations provided in relation to subsequent dates, and the geographical spread of the portfolio recognising that the impact varied depending on the nature and location of the property. Taking into account this data and subject matter expert judgement we considered that a negative 5% adjustment was appropriate in relation to the total value of UK investment property and owner occupied property, with the exception of long leased and ground rent investment property assets which we did not consider to be materially impacted due to their long stable cash flows. No adjustment was considered to be required in relation to non-UK properties.

In UK and Europe valuations are completed in accordance with the Royal Institution of Chartered Surveyors (RICS) valuation standards and predominantly an income capitalisation method is used. This valuation technique is an income approach as it considers the income that an asset will generate over its useful life and estimates fair value through a capitalisation process. Capitalisation involves the conversion of income into a capital sum through the application of an appropriate discount rate.

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

4.13 Fair value of assets and liabilities *continued*

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

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

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

Derivative financial assets and derivative financial liabilities

The majority of the Group's derivatives are over-the-counter (OTC) derivatives which are measured at fair value using a range of valuation models including discounting future cash flows and options 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 2016, 30 June 2015 and 31 December 2015, 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 treated as level 3 instruments.

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

Contingent consideration asset

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

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.

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Fair value hierarchy							
					Total		Level 1		Level 2		Level 3	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Investments in associates at FVTPL	6,955	5,425	52	33	7,007	5,458	6,871	5,370	-	2	136	86
Investment property	10,919	9,991	126	87	11,045	10,078	-	-	-	-	11,045	10,078
Owner occupied property	58	55	-	-	58	55	-	-	-	-	58	55
Derivative financial assets	4,685	2,444	-	-	4,685	2,444	1,034	692	3,651	1,752	-	-
Equity securities and interests in pooled investment vehicles	70,862	71,679	10	17	70,872	71,696	70,126	70,877	-	-	746	819
Debt securities	72,128	66,657	-	-	72,128	66,657	30,170	23,210	41,087	42,660	871	787
Contingent consideration asset	15	15	-	-	15	15	-	-	-	-	15	15
Total assets at fair value	165,622	156,266	188	137	165,810	156,403	108,201	100,149	44,738	44,414	12,871	11,840

	As recognised in the consolidated statement of financial position line item		Classified as held for sale	Fair value hierarchy		
	30 June 2015	£m		Total	Level 1	Level 2
	£m	£m	£m	£m	£m	£m
Investments in associates at FVTPL	4,527	14	4,541	4,433	7	101
Investment property	9,584	38	9,622	-	-	9,622
Owner occupied property	134	-	134	-	-	134
Derivative financial assets	2,642	-	2,642	638	2,004	-
Equity securities and interests in pooled investment vehicles	73,033	20	73,053	72,130	-	923
Debt securities	64,610	-	64,610	22,120	41,841	649
Contingent consideration asset	20	-	20	-	-	20
Total assets at fair value	154,550	72	154,622	99,321	43,852	11,449

There were no significant transfers between levels 1 and 2 during the period (six months ended 30 June 2015: none; 12 months ended 31 December 2015: none). Refer to 4.13 (b)(iii) for details of movements in level 3.

4.13 Fair value of assets and liabilities *continued*

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

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

The table that follows presents an analysis of the Group's financial assets measured at fair value by level of the fair value hierarchy for each risk segment as set out in Note 4.12 – Risk management.

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total		Fair value hierarchy					
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	Level 1		Level 2		Level 3	
	£m	£m	£m	£m	£m	£m	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
Shareholder business												
Investments in associates at FVTPL	24	19	52	33	76	52	60	36	-	2	16	14
Investment property	-	1	-	-	-	1	-	-	-	-	-	1
Owner occupied property	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	12	9	-	-	12	9	2	1	10	8	-	-
Equity securities and interests in pooled investment funds	49	52	10	17	59	69	53	61	-	-	6	8
Debt securities	8,252	7,576	-	-	8,252	7,576	1,293	1,089	6,227	5,858	732	629
Contingent consideration asset	15	15	-	-	15	15	-	-	-	-	15	15
Total shareholder business	8,352	7,672	62	50	8,414	7,722	1,408	1,187	6,237	5,868	769	667
Participating business												
Investments in associates at FVTPL	679	531	-	-	679	531	559	459	-	-	120	72
Investment property	2,007	2,167	-	-	2,007	2,167	-	-	-	-	2,007	2,167
Owner occupied property	58	55	-	-	58	55	-	-	-	-	58	55
Derivative financial assets	2,923	1,478	-	-	2,923	1,478	581	407	2,342	1,071	-	-
Equity securities and interests in pooled investment funds	7,932	8,187	-	-	7,932	8,187	7,623	7,840	-	-	309	347
Debt securities	29,058	25,913	-	-	29,058	25,913	17,114	15,573	11,826	10,198	118	142
Total participating business	42,657	38,331	-	-	42,657	38,331	25,877	24,279	14,168	11,269	2,612	2,783
Unit linked funds												
Investments in associates at FVTPL	5,470	4,561	-	-	5,470	4,561	5,470	4,561	-	-	-	-
Investment property	6,062	5,947	72	68	6,134	6,015	-	-	-	-	6,134	6,015
Owner occupied property	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	1,333	716	-	-	1,333	716	338	220	995	496	-	-
Equity securities and interests in pooled investment funds	57,169	56,307	-	-	57,169	56,307	56,990	56,117	-	-	179	190
Debt securities	28,491	26,789	-	-	28,491	26,789	10,060	6,053	18,413	20,720	18	16
Total unit linked funds	98,525	94,320	72	68	98,597	94,388	72,858	66,951	19,408	21,216	6,331	6,221
TPICF and NCI¹												
Investments in associates at FVTPL	782	314	-	-	782	314	782	314	-	-	-	-
Investment property	2,850	1,876	54	19	2,904	1,895	-	-	-	-	2,904	1,895
Owner occupied property	-	-	-	-	-	-	-	-	-	-	-	-
Derivative financial assets	417	241	-	-	417	241	113	64	304	177	-	-
Equity securities and interests in pooled investment funds	5,712	7,133	-	-	5,712	7,133	5,460	6,859	-	-	252	274
Debt securities	6,327	6,379	-	-	6,327	6,379	1,703	495	4,621	5,884	3	-
Total TPICF and NCI¹	16,088	15,943	54	19	16,142	15,962	8,058	7,732	4,925	6,061	3,159	2,169
Total	165,622	156,266	188	137	165,810	156,403	108,201	100,149	44,738	44,414	12,871	11,840

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

30 June 2015	As recognised in the consolidated statement of financial position line item £m	Classified as held for sale £m	Total £m	Fair value hierarchy		
				Level 1 £m	Level 2 £m	Level 3 £m
Shareholder business						
Investments in associates at FVTPL	26	14	40	21	7	12
Investment property	1	-	1	-	-	1
Owner occupied property	1	-	1	-	-	1
Derivative financial assets	25	-	25	-	25	-
Equity securities and interests in pooled investment funds	54	20	74	68	-	6
Debt securities	7,635	-	7,635	1,031	6,096	508
Contingent consideration asset	20	-	20	-	-	20
Total shareholder business	7,762	34	7,796	1,120	6,128	548
Participating business						
Investments in associates at FVTPL	433	-	433	356	-	77
Investment property	2,100	-	2,100	-	-	2,100
Owner occupied property	133	-	133	-	-	133
Derivative financial assets	1,368	-	1,368	374	994	-
Equity securities and interests in pooled investment funds	8,975	-	8,975	8,578	-	397
Debt securities	26,232	-	26,232	15,739	10,352	141
Total participating business	39,241	-	39,241	25,047	11,346	2,848
Unit linked funds						
Investments in associates at FVTPL	3,850	-	3,850	3,838	-	12
Investment property	5,588	19	5,607	-	-	5,607
Owner occupied property	-	-	-	-	-	-
Derivative financial assets	920	-	920	197	723	-
Equity securities and interests in pooled investment funds	57,370	-	57,370	57,186	-	184
Debt securities	24,683	-	24,683	5,147	19,536	-
Total unit linked funds	92,411	19	92,430	66,368	20,259	5,803
TPICF and NCI¹						
Investments in associates at FVTPL	218	-	218	218	-	-
Investment property	1,895	19	1,914	-	-	1,914
Owner occupied property	-	-	-	-	-	-
Derivative financial assets	329	-	329	67	262	-
Equity securities and interests in pooled investment funds	6,634	-	6,634	6,298	-	336
Debt securities	6,060	-	6,060	203	5,857	-
Total TPICF and NCI¹	15,136	19	15,155	6,786	6,119	2,250
Total	154,550	72	154,622	99,321	43,852	11,449

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

4.13 Fair value of assets and liabilities *continued*

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

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

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

	Fair value hierarchy											
	30 Jun 2016 £m	Total		Level 1			Level 2			Level 3		
		30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
Non-participating investment contract liabilities	95,734	91,583	92,890	-	-	-	95,734	91,583	92,890	-	-	-
Liabilities in respect of third party interest in consolidated funds	16,376	16,607	17,196	-	-	-	15,133	15,214	15,889	1,243	1,393	1,307
Derivative financial liabilities	3,706	858	1,254	365	160	184	3,341	698	1,070	-	-	-
Total liabilities at fair value	115,816	109,048	111,340	365	160	184	114,208	107,495	109,849	1,243	1,393	1,307

There were no transfers between levels 1 and 2 during the six months ended 30 June 2016 (six months ended 30 June 2015: none; 12 months ended 31 December 2015: none). Refer to 4.13 (b)(iii) for details of movements in level 3.

The table that follows presents an analysis of the Group's financial liabilities measured at fair value by level of the fair value hierarchy for each risk segment as set out in Note 4.12 – Risk management.

	Fair value hierarchy											
	30 Jun 2016 £m	Total		Level 1			Level 2			Level 3		
		30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
Shareholder business												
Derivative financial liabilities	62	7	16	2	1	1	60	6	15	-	-	-
Total shareholder business	62	7	16	2	1	1	60	6	15	-	-	-
Participating business												
Derivative financial liabilities	150	69	88	31	42	47	119	27	41	-	-	-
Total participating business	150	69	88	31	42	47	119	27	41	-	-	-
Unit linked funds												
Non-participating investment contract liabilities	95,734	91,583	92,890	-	-	-	95,734	91,583	92,890	-	-	-
Derivative financial liabilities	2,610	583	836	266	92	103	2,344	491	733	-	-	-
Total unit linked funds	98,344	92,166	93,726	266	92	103	98,078	92,074	93,623	-	-	-
TPICF and NCI¹												
Liabilities in respect of third party interest in consolidated funds	16,376	16,607	17,196	-	-	-	15,133	15,214	15,889	1,243	1,393	1,307
Derivative financial liabilities	884	199	314	66	25	33	818	174	281	-	-	-
Total TPICF and NCI¹	17,260	16,806	17,510	66	25	33	15,951	15,388	16,170	1,243	1,393	1,307
Total	115,816	109,048	111,340	365	160	184	114,208	107,495	109,849	1,243	1,393	1,307

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

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

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

	Investments in associates at FVTPL		Investment property		Owner occupied property		Equity securities and interests in pooled		Debt securities		Liabilities in respect of third party interest in consolidated funds	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At start of period	86	83	9,991	9,041	55	138	819	836	787	519	(1,307)	(1,338)
Reclassified (to)/from held for sale	-	-	(87)	(87)	-	-	-	-	-	-	-	-
Total gains/(losses) recognised in the consolidated income statement	7	1	(472)	452	(2)	5	(6)	135	35	-	53	(47)
Purchases ¹	68	16	1,645	862	-	-	59	116	100	360	(19)	(91)
Settlement	-	-	-	-	-	-	-	-	-	-	30	169
Sales	(29)	(14)	(199)	(290)	-	(92)	(153)	(296)	(35)	(111)	-	-
Transfers in to level 3	-	-	-	-	-	-	9	26	6	33	-	-
Transfers out of level 3	-	-	-	-	-	-	(17)	-	(22)	(14)	-	-
Foreign exchange adjustment	3	-	36	(8)	-	-	35	2	-	-	-	-
Total gains recognised on revaluation of owner occupied property within other comprehensive income	-	-	-	-	5	4	-	-	-	-	-	-
Other	1	-	5	21	-	-	-	-	-	-	-	-
At end of period	136	86	10,919	9,991	58	55	746	819	871	787	(1,243)	(1,307)

¹ Purchases of investment property for the period ended 30 June 2016 includes £1,289m (30 June 2015: £nil; 31 December 2015: £nil) relating to the merger of property investment vehicles.

2015	Investments in associates at FVTPL	Investment property	Owner occupied property	Equity securities and interests in pooled	Debt securities	Liabilities in respect of third party interest in consolidated funds
	£m	£m	£m	£m	£m	£m
1 January	83	9,041	138	836	519	(1,338)
Total gains/(losses) recognised in the consolidated income statement	(1)	249	1	62	(9)	2
Purchases	31	412	-	167	166	14
Settlement	-	-	-	-	-	(71)
Sales	(10)	(82)	(5)	(146)	(30)	-
Transfers in to level 3	-	-	-	21	15	-
Transfers out of level 3	-	-	-	-	(12)	-
Foreign exchange adjustment	(2)	(20)	-	(17)	-	-
Total gains recognised on revaluation of owner occupied property within other comprehensive income	-	-	-	-	-	-
Other	-	(16)	-	-	-	-
30 June	101	9,584	134	923	649	(1,393)

In addition to the above, the Group had a contingent consideration asset with a fair value of £15m at 30 June 2016 (30 June 2015: £20m; 31 December 2015: £15m). Movements in the fair value of contingent consideration assets are recognised in other income in the IFRS condensed consolidated income statement.

For the six months ended 30 June 2016, losses of £349m (six months ended 30 June 2015: gains of £253m; 12 months ended 31 December 2015: gains of £418m) were recognised in the IFRS condensed consolidated income statement in respect of assets and liabilities held at fair value classified as level 3 at the period end. Of this amount losses of £400m (30 June 2015: gains of £250m; 31 December 2015: gains of £460m) were recognised in investment return, losses of £2m (30 June 2015: gains of £1m, 31 December 2015: gains of £5m) were recognised in other administrative expenses and gains of £53m (30 June 2015: gains of £2m; 31 December 2015: losses of £47m) were recognised in change in liability for third party interest in consolidated funds.

4.13 Fair value of assets and liabilities *continued*

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

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

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

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

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

For the majority of level 3 investments other than commercial mortgages and unquoted corporate bonds, the Group does not use internal models to value the investments but rather obtains valuations from external parties. The Group reviews the appropriateness of these valuations on the following basis:

- For investment property and owner occupied property (including property that is classified as held for sale), the valuations are obtained from external valuers and are assessed on an individual property basis. The principal assumptions will differ depending on the valuation technique employed and sensitivities are determined by flexing the key inputs listed in the table below using knowledge of the investment property market. As noted in section (b) of this note UK investment property and owner occupied property valuations at 30 June 2016, other than long leased and ground rent property, include a negative adjustment of 5% over which there is significant uncertainty. Sensitivities in relation to these properties at 30 June 2016 are determined by varying this adjustment based on knowledge of the investment property market.
- Private equity fund valuations are provided by the respective managers of the underlying funds and are assessed on an individual investment basis, with an adjustment made for significant movements between the date of the valuation and the end of the reporting period. Sensitivities are determined by comparison to the private equity market.
- Unquoted corporate bonds are valued using internal models on an individual instrument basis. Sensitivities are determined by adjusting internally estimated credit spreads.
- Commercial mortgage valuations are obtained from internal models on an individual instrument basis. Sensitivities are determined by adjusting the spread added to the current base rate.
- Contingent consideration asset valuation is calculated by using a binomial tree option pricing model. Sensitivities are determined through adjusting probabilities applied to expected payout patterns.

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

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

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

¹ A Group level adjustment is made for significant movements in private equity values.

² Debt securities which are valued using single broker indicative quotes are disclosed in level 3 in the fair value hierarchy. No adjustment is made to these prices.

30 June 2015	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,180	Income capitalisation	Equivalent yield	3.4% to 13.1% (5.4%)
			Estimated rental value per square metre per annum	£1 to £2,422 (£349)
Investment property (hotels)	452	Income capitalisation	Equivalent Yield	4.6% to 7.3% (5.9%)
			Estimated rental value per room per annum	£775 to £12,500 (£4,737) ¹
Investment property and owner occupied property	124	Market comparison	Estimated value per square metre	£2 to £10,764 (£3,116)
Equity securities and interests in pooled investment funds and investments in associates at FVTPL (private equity investments)	1,024	Adjusted net asset value	Adjusted net asset value ²	N/A
Debt securities (commercial mortgages)	346	Discounted cash flow	Credit spread	1.9% to 2.6% (2.1%)
Debt securities (unquoted corporate bonds)	182	Discounted cash flow	Credit spread	0.1% to 3.7% (1.5%)
Debt securities (other)	121	Single broker	Single broker indicative price ³	N/A

¹ Restated.

² A Group level adjustment is made for significant movements in private equity values.

³ Debt securities which are valued using single broker indicative quotes are disclosed in level 3 in the fair value hierarchy. No adjustment is made to these prices.

31 December 2015	Fair value £m	Valuation technique	Unobservable input	Range (weighted average)
Investment property and owner occupied property	9,496	Income capitalisation	Equivalent yield	2.1% to 15.5% (5.2%)
			Estimated rental value per square metre per annum	£3 to £2,422 (£240)
Investment property (hotels)	515	Income capitalisation	Equivalent yield	4.6% to 7.2% (5.9%)
			Estimated rental value per room per annum	£995 to £13,748 (£5,632)
Investment property and owner occupied property	122	Market comparison	Estimated value per square metre	£2 to £14,604 (£4,246)
Equity securities and interests in pooled investment funds and investments in associates at FVTPL (private equity investments)	905	Adjusted net asset value	Adjusted net asset value ¹	N/A
Debt securities (commercial mortgages)	382	Discounted cash flow	Credit spread	1.9% to 2.6% (2.2%)
Debt securities (unquoted corporate bonds)	270	Discounted cash flow	Credit spread	0.2% to 4.0% (1.9%)
Debt securities (other)	135	Single broker	Single broker indicative price ²	N/A

¹ A Group level adjustment is made for significant movements in private equity values.

² Debt securities which are valued using single broker indicative quotes are disclosed in level 3 in the fair value hierarchy. No adjustment is made to these prices.

4.13 Fair value of assets and liabilities *continued*

(c) Assets and liabilities not carried at fair value

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

	As recognised in the consolidated statement of financial position line item		Classified as held for sale		Total carrying value		Fair value	
	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
	£m	£m	£m	£m	£m	£m	£m	£m
Assets								
Loans secured by mortgages	80	87	-	-	80	87	77	84
Liabilities								
Non-participating investment contract liabilities	4	4	-	-	4	4	4	4
Subordinated notes	499	499	-	-	499	499	512	530
Subordinated guaranteed bonds	520	502	-	-	520	502	548	579
Mutual Assurance Capital Securities	307	317	-	-	307	317	320	345

30 June 2015	As recognised in the consolidated statement of financial position line item	Classified as held for sale	Total carrying value	Fair value
	£m	£m	£m	£m
Assets				
Loans secured by mortgages	97	-	97	93
Liabilities				
Non-participating investment contract liabilities	6	283	289	332
Subordinated notes	499	-	499	579
Subordinated guaranteed bonds	519	-	519	610
Mutual Assurance Capital Securities	307	-	307	337

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

It is not possible to reliably calculate the fair value of participating investment contract liabilities. The assumptions and methods used in the calculation of these liabilities are set out in Note 33 of the Group's Annual report and accounts for the year ended 31 December 2015. The carrying value of participating investment contract liabilities at 30 June 2016 was £15,581m (30 June 2015: £14,809m; 31 December 2015: £14,716m).

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

4.14 Contingent liabilities and contingent assets

(a) Annuity sales

Following an earlier thematic review which concluded in 2014, the Financial Conduct Authority (FCA) commenced in mid-2015 a sample-based review of non-advised annuity sales from a selection of firms across the industry in which Standard Life has been participating. This review has focussed on processes for identifying and explaining eligibility for enhanced annuity options.

The Group has cooperated with the FCA's requests for information and has carried out analysis including an initial sampling of historical sales. We do not expect to know the outcome of the FCA's review until later in 2016.

The outcome and consequences of the FCA review are uncertain but it is possible that, for relevant components of our annuity population, it may be necessary to compensate customers who could have obtained a more favourable annuity rate. Ahead of Standard Life learning the outcome of the FCA's review, it is not practicable to determine an estimate of the financial effect of this contingent liability. In addition, it is possible that any financial impact may be mitigated by the Group's professional indemnity insurance.

(b) Legal proceedings and regulations

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

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

(c) Unclaimed asset trust (UAT)

The UAT was established in July 2006 to hold shares and cash allocated to eligible members of The Standard Life Assurance Company where those eligible members had not claimed their entitlement at the date of demutualisation. Dividends paid on the shares held by the UAT were also held in the UAT until the related shares were claimed. The Scheme of Demutualisation set a 10-year time limit, which ended on 9 July 2016, for eligible members to claim their entitlements. At 30 June 2016 the UAT held cash of £42m (30 June 2015: £45m; 31 December 2015: £47m) and 14 million shares (30 June 2015: 16 million shares; 31 December 2015: 15 million shares). The impact of the expiry of the claim entitlement period is presented in Note 4.17.

4.15 Commitments

(a) Capital commitments

As at 30 June 2016 capital expenditure that was authorised and contracted for, but not provided and incurred, was £340m (30 June 2015: £285m; 31 December 2015: £231m) in respect of investment property. Of this amount, £289m (30 June 2015: £259m; 31 December 2015: £203m) and £51m (30 June 2015: £26m; 31 December 2015: £28m) relates to the contractual obligations to purchase, construct or develop investment property and repair, maintain or enhance investment property respectively.

(b) Unrecognised financial instruments

The Group has committed £371m (30 June 2015: £341m; 31 December 2015: £343m) in respect of unrecognised financial instruments to customers and third parties. Of this amount £333m (30 June 2015: £325m; 31 December 2015: £291m) is committed by consolidated private equity funds. These commitments will be funded through contractually agreed additional investments both by the Group, through its controlling interests, and the funds' non-controlling interests. The level of funding provided by each will not necessarily be in line with the current ownership profile of the funds.

(c) Operating lease commitments

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

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

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Not later than one year	45	32	30
Later than one year and no later than five years	79	64	69
Later than five years	112	103	111
Total operating lease commitments	236	199	210

4.16 Related party transactions

(a) Transactions with related parties

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Sales to:			
Associates	4,710	413	1,018
Other related parties	37	36	53
	4,747	449	1,071
Purchases from:			
Associates	5,066	629	1,495
Joint ventures	-	9	9
	5,066	638	1,504

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

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

The Group's defined benefit pension plans have assets of £1,595m (30 June 2015: £1,114m; 31 December 2015: £579m) invested in investment vehicles managed by the Group.

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

All transactions between key management personnel and their close family members and the Group during the period are on terms which are equivalent to those available to all employees of the Group. In 2016 key management personnel includes only Directors of Standard Life plc; in 2015 key management personnel also included certain direct reports of the Chief Executive.

During the six months ended 30 June 2016, key management personnel and their close family members contributed £2m (six months ended 30 June 2015: £3m; 12 months ended 31 December 2015: £6m) to products sold by the Group. At 30 June 2016, the total value of key management personnel's investments in Group products was £21m (31 December 2015: £19m).

4.17 Events after the reporting date

(a) Unclaimed asset trust (UAT)

Details of the UAT are presented in Note 4.14(c). On expiry of the claim period on 9 July 2016, the entitlement to the unclaimed assets remaining in the UAT transferred to the Company. The assets of the UAT at 9 July 2016 comprised cash of £42m and 14 million shares. The expiry resulted in the derecognition of a liability of £45m to eligible members, which was recognised directly in retained earnings in equity. The unclaimed assets will be used to fund the establishment and the charitable activities of the Standard Life Foundation.

(b) HDFC Life

On 8 August 2016 the Group's Indian associate, HDFC Life, announced that it had agreed terms with Max Life Insurance Company Limited (Max Life), Max Financial Services Limited (Max FS) and Max India Limited (Max India) for the combination of the life insurance businesses of HDFC Life and Max Life. The transaction will be effected through a composite scheme of arrangement, the final form of which remains subject to approval by parties to the transaction and, once finalised, is subject to approval by the shareholders of HDFC Life, Max Life, Max FS and Max India as well as regulatory and high court approvals.

Under the proposed transaction, which is expected to complete within 12 to 15 months, Max Life will merge into Max FS, and HDFC Life will then issue new shares to shareholders of Max FS in consideration for the life insurance business of Max Life. Following completion of the transaction, the shares of HDFC Life will list on The Bombay Stock Exchange and the National Stock Exchange of India, subject to the approval of these stock exchanges and the Securities and Exchange Board of India.

Completion of the proposed transaction would result in the Group's current holding of 35% in HDFC Life becoming 24.1% of the enlarged HDFC Life entity at completion. As a result, if the transaction is completed, the Group expects to recognise a dilution gain in the consolidated income statement, with a corresponding increase in the carrying value of its investment in HDFC Life. The amount of the dilution gain will be dependent on a number of factors including the share price of Max FS at completion, foreign exchange rates and the profit or loss reported by HDFC Life until completion of the transaction. The Group will remain the second largest shareholder in the enlarged HDFC Life entity.

The dilution gain is not expected to give rise to a tax charge.

5. Supplementary information

5.1 Alternative performance measures

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

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



Full definitions for APMs are included in the Glossary

Operating profit

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

Operating profit reporting provides further analysis of the results reported under IFRS and the Directors believe it helps to give shareholders a fuller understanding of the performance of the business by identifying and analysing non-operating items.

Operating profit is a key performance indicator, and is consistent with the way that financial performance is measured by management and reported to the Board and strategic executive committee.

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Fee based revenue	794	761	1,579
Spread/risk margin	63	40	145
Total operating income	857	801	1,724
Total operating expenses	(566)	(542)	(1,124)
Capital management	13	1	9
Share of associates' and joint ventures' profit before tax	37	30	56
Operating profit before tax from continuing operations	341	290	665
Tax on operating profit	(69)	(37)	(114)
Share of associates' and joint ventures' tax expense	(5)	(5)	(13)
Operating profit after tax from continuing operations	267	248	538
Singapore included in discontinued operations segment	-	(40)	(42)
Total non-operating items	(61)	(158)	(257)
Tax on non-operating items	20	19	37
IFRS profit from continuing operations	226	69	276
IFRS profit from discontinued operations	-	1,142	1,147
Total IFRS profit attributable to equity holders of Standard Life plc	226	1,211	1,423

Operating profit excludes impacts arising from short-term fluctuations in investment return and economic assumption changes.

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

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

5.1 Alternative performance measures *continued*

Underlying performance

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Operating profit before tax from continuing operations	341	290	665
Underlying adjustments			
Operating assumption changes	-	-	(44)
Shareholder support to the German with profits business	-	9	9
Underlying performance from continuing operations	341	299	630

Underlying cash generation

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

	6 months 2016 £m	Restated 6 months 2015 £m	Restated Full year 2015 £m
Operating profit before tax from continuing operations	341	290	665
Underlying adjustments	-	9	(35)
Underlying performance from continuing operations	341	299	630
Associates and JVs adjustment	(a) (29)	(23)	(44)
Current tax on underlying performance	(b) (53)	(33)	(114)
DAC/DIR adjustment	(c) (3)	(3)	5
Fixed and intangible assets adjustment	(d) (2)	(10)	(18)
Underlying cash generation	254	230	459

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

(a) Associates and Joint Ventures (JVs) adjustment

The calculation of underlying cash generation has been changed during H1 2016. Underlying cash generation now includes dividends received from associates and joint ventures, previously no contribution was included from these businesses. The revised approach reflects more closely the underlying cash generated given the regular receipt of dividends in recent years from our Indian associates HDFC Life and HDFC Asset Management. Comparatives have been restated.

	6 months 2016 £m	Restated 6 months 2015 £m	Restated Full year 2015 £m
Exclude share of associates' and joint ventures' profit before tax	(37)	(30)	(56)
Dividends received from associates and joint ventures	8	7	12
Associates and JVs adjustment	(29)	(23)	(44)

(b) Current tax on underlying performance

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Total current tax attributable to continuing operations	(205)	(94)	(222)
Current tax expense attributable to policyholders' returns	156	94	168
Current tax credit relating to non-operating profit items	(4)	(33)	(68)
Current tax expense attributable to underlying adjustments	-	-	8
Current tax on underlying performance	(53)	(33)	(114)

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

The DAC/DIR non-cash adjustment adds back existing business DAC/DIR amortisation included in underlying performance for the period and deducts the equivalent new business DAC/DIR additions for the period. The following table reconciles DAC/DIR movements in the IFRS financial statements to the DAC/DIR adjustment.

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Amortisation of deferred acquisition costs	50	64	124
Acquisition costs deferred during the period	(32)	(51)	(83)
Amortisation of deferred income	(30)	(31)	(63)
Fee income deferred during the period	8	13	25
Adjustments for HWPF and GWPF DAC/DIR not included in shareholder view	1	2	2
DAC/DIR adjustment included in underlying cash generation	(3)	(3)	5

(d) Fixed and intangible assets adjustment

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Depreciation of equipment	7	7	16
Amortisation of intangible assets ¹	23	13	31
Additions of equipment ¹	(6)	(3)	(7)
Additions of intangible assets ¹	(26)	(27)	(58)
Fixed and intangible assets adjustment	(2)	(10)	(18)

¹ Excludes equipment and intangible assets acquired through business combinations.

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

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

	6 months 2016 £m	6 months 2015 £m	Full year 2015 £m
Standard Life Investments			
EBITDA	182	161	352
Interest, depreciation and amortisation	(6)	(7)	(10)
Operating profit before tax from continuing operations	176	154	342
Share of associates' and joint ventures' tax expense	(5)	(5)	(11)
Total non-operating items	(16)	(24)	(53)
Total tax expense	(32)	(24)	(53)
Total IFRS profit attributable to equity holders of Standard Life plc	123	101	225

5.2 Financial ratios

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

Operating return on equity

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

	6 months 2016	6 months 2015	Full year 2015
Operating profit after tax (£m)	267	251	541
Opening IFRS equity attributable to equity holders of Standard Life plc (£m)	4,002	4,672	4,672
External final dividend payment - time apportioned (£m)	(142)	(131)	(131)
External interim dividend payment - time apportioned (£m)	-	-	(20)
Canada: Sale proceeds less return of value - time apportioned (£m)	-	397	397
Canada: Remove net asset value at point of sale - time apportioned (£m)	-	(1,106)	(1,106)
Adjusted IFRS equity (£m)	3,860	3,832	3,812
Operating return on equity (%)	13.8	12.9	14.2

Cost/income ratio

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

	12 months to 30 June 2016	Full year 2015	Full year 2014
Operating expenses from continuing operations (£m)	(1,148)	(1,124)	(1,045)
Fee based revenue (£m)	1,612	1,579	1,429
Spread/risk margin (£m)	168	145	183
Share of associates' and joint ventures' profit before tax	63	56	39
Total operating income and share of associates' and joint ventures' profit before tax from continuing operations (£m)	1,843	1,780	1,651
Cost/income ratio (%)	62	63	63

Fee revenue yield (bps)

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

	Standard Life Investments Growth channels		UK Pensions and Savings	
	12 months to 30 June 2016	Full year 2015	12 months to 30 June 2016	Full year 2015
Fee based revenue (£m)	657	624	638	631
Average fee based assets under administration (£bn) ¹	123.1	119.0	107.9	106.2
Fee revenue yield (bps)	53	52	59	59

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

EBITDA margin

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

	6 months 2016	6 months 2015	Full year 2015
Standard Life Investments			
EBITDA (£m)	182	161	352
Fee based revenue (£m)	431	402	843
EBITDA margin (%)	42	40	42

5.3 Assets under administration and net flows

Assets under administration (AUA) is a measure of the total assets administered on behalf of individual customers and institutional clients. It includes those assets for which we provide investment management services, as well as those assets we administer where the customer has made a choice to select an external third party investment manager. As an investment company, AUA and net flows are key drivers of shareholder value.

Assets under administration (summary) 6 months ended 30 June 2016

	Opening AUA at 1 Jan 2016 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2016 £bn	
Total Growth Channels	198.3	20.6	(16.5)	4.1	6.5	208.9	
Total Mature Books fee	82.0	0.7	(3.6)	(2.9)	7.8	86.9	
Total Mature Books spread/risk	14.9	0.1	(0.6)	(0.5)	1.7	16.1	
Total Other	12.2	0.4	(0.2)	0.2	3.7	16.1	
Total AUA	307.4	21.8	(20.9)	0.9	19.7	328.0	
Growth Channels	Institutional	67.0	8.4	(6.4)	2.0	78.1	
	Wholesale	45.9	6.5	(6.9)	(0.4)	47.3	
	Wealth	6.5	0.5	(0.3)	0.2	6.7	
	Ignis ¹	11.1	0.3	(0.4)	(0.1)	5.6	
	Standard Life Investments	130.5	15.7	(14.0)	1.7	5.5	137.7
	Workplace	33.0	2.0	(1.2)	0.8	34.0	
	Retail ²	42.6	4.1	(2.1)	2.0	45.7	
	UK Pensions and Savings	75.6	6.1	(3.3)	2.8	1.3	79.7
	Europe Growth ²	9.6	0.7	(0.4)	0.3	10.4	
	Pensions and Savings	85.2	6.8	(3.7)	3.1	1.8	90.1
	Hong Kong	0.5	-	-	-	0.6	
Eliminations ³	(17.9)	(1.9)	1.2	(0.7)	(19.5)		
Total Growth Channels	198.3	20.6	(16.5)	4.1	6.5	208.9	
Mature Books	UK Mature Retail	32.7	0.4	(1.6)	(1.2)	32.6	
	Europe Mature fee	8.4	0.3	(0.2)	0.1	10.3	
	Third party strategic partner life business	39.6	-	(1.4)	(1.4)	43.0	
	Other fee including CWP	1.3	-	(0.4)	(0.4)	1.0	
	Total Mature Books fee	82.0	0.7	(3.6)	(2.9)	7.8	86.9
	Spread/risk	14.9	0.1	(0.6)	(0.5)	16.1	
Total Mature Books	96.9	0.8	(4.2)	(3.4)	9.5	103.0	
Associate and joint venture life businesses ⁴	2.3	0.4	(0.2)	0.2	3.5		
Other ⁵	10.4	-	-	-	13.2		
Other Eliminations ³	(0.5)	-	-	-	(0.6)		
Total	307.4	21.8	(20.9)	0.9	19.7	328.0	

¹ In H1 2016 a number of Ignis funds were merged with other SLI funds, resulting in a decrease in reported Ignis AUM of £5.6bn. These assets are now included in Institutional (£4.0bn) and Wholesale (£1.6bn) with the transfers shown in Market and other movements.

² Wrap AUA is reported predominantly within Retail: £25.8bn, (FY 2015: £23.4bn). International bond AUA is reported within Europe growth fee business: £2.2bn (FY 2015: £2.1bn).

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

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

⁵ Other comprises Assets not backing products of £10.5bn (FY 2015: £7.7bn) and Other corporate assets of £2.7bn (FY 2015: £2.7bn).

5.3 Assets under administration and net flows *continued*

Assets under administration (summary)

6 months ended 30 June 2015

	Opening AUA at 1 Jan 2015 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUA at 30 Jun 2015 £bn	
Total Growth Channels	180.7	20.5	(13.1)	7.4	2.2	190.3	
Total Mature Books fee	87.9	0.8	(4.4)	(3.6)	0.8	85.1	
Total Mature Books spread/risk	16.1	0.1	(0.6)	(0.5)	(0.2)	15.4	
Total Other	11.9	0.3	(0.2)	0.1	(0.7)	11.3	
Total AUA	296.6	21.7	(18.3)	3.4	2.1	302.1	
Growth Channels	Institutional	61.4	5.4	(3.6)	1.8	1.4	64.6
	Wholesale	35.5	8.9	(3.6)	5.3	(0.2)	40.6
	Wealth	6.1	0.4	(0.4)	-	0.2	6.3
	Ignis	14.5	1.3	(3.2)	(1.9)	0.3	12.9
	Standard Life Investments	117.5	16.0	(10.8)	5.2	1.7	124.4
	Workplace	32.0	2.1	(1.0)	1.1	0.1	33.2
	Retail ¹	37.3	3.6	(1.8)	1.8	1.3	40.4
	UK Pensions and Savings	69.3	5.7	(2.8)	2.9	1.4	73.6
	Europe Growth ¹	8.7	0.7	(0.4)	0.3	-	9.0
	Pensions and Savings	78.0	6.4	(3.2)	3.2	1.4	82.6
	Hong Kong	0.4	-	-	-	-	0.4
	Eliminations ²	(15.2)	(1.9)	0.9	(1.0)	(0.9)	(17.1)
Total Growth Channels	180.7	20.5	(13.1)	7.4	2.2	190.3	
Mature Books	UK Mature Retail	33.5	0.4	(1.6)	(1.2)	1.1	33.4
	Europe Mature fee	8.5	0.4	(0.2)	0.2	(0.8)	7.9
	Third party strategic partner life business	43.8	-	(2.2)	(2.2)	0.5	42.1
	Other fee including CWP	2.1	-	(0.4)	(0.4)	-	1.7
	Total Mature Books fee	87.9	0.8	(4.4)	(3.6)	0.8	85.1
	Spread/risk	16.1	0.1	(0.6)	(0.5)	(0.2)	15.4
Total Mature Books	104.0	0.9	(5.0)	(4.1)	0.6	100.5	
Associate and joint venture life businesses	2.1	0.3	(0.2)	0.1	-	2.2	
Other ³	10.2	-	-	-	(0.7)	9.5	
Other Eliminations ²	(0.4)	-	-	-	-	(0.4)	
Total	296.6	21.7	(18.3)	3.4	2.1	302.1	

¹ Wrap AUA is reported predominantly within Retail: £21.4bn. International bond AUA is reported within Europe fee business: £1.9bn.

² Certain products are included in both Pensions and Savings growth AUA and Standard Life Investments growth AUM. Therefore, at a Group level an elimination adjustment is required to remove any duplication, in addition to other necessary consolidation adjustments. Comprises (£17.1bn) related to growth channel business eliminations and (£0.4bn) related to other consolidation/eliminations.

³ Other comprises Assets not backing products of £6.8bn and Other corporate assets of £2.7bn.

5.4 Standard Life Investments assets under management and net flows

6 months ended 30 June 2016

	Opening AUM at 1 Jan 2016 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUM at 30 Jun 2016 £bn
UK	83.2	8.6	(7.5)	1.1	7.0	91.3
Europe	14.2	2.5	(3.1)	(0.6)	2.7	16.3
North America	11.7	3.0	(2.5)	0.5	0.3	12.5
Asia Pacific	3.3	0.5	(0.5)	-	0.4	3.7
India	7.0	0.8	-	0.8	0.5	8.3
Ignis ¹	11.1	0.3	(0.4)	(0.1)	(5.4)	5.6
By geography of client	130.5	15.7	(14.0)	1.7	5.5	137.7
Growth AUM						
Equities	16.9	1.6	(2.2)	(0.6)	(0.6)	15.7
Fixed income	21.8	2.8	(2.5)	0.3	3.1	25.2
Multi-asset ²	50.3	6.5	(5.9)	0.6	1.1	52.0
Real estate	8.6	0.6	(0.7)	(0.1)	2.3	10.8
MyFolio	8.1	1.2	(0.5)	0.7	0.1	8.9
Other ³	13.7	2.7	(1.8)	0.9	4.9	19.5
Ignis ¹	11.1	0.3	(0.4)	(0.1)	(5.4)	5.6
By asset class	130.5	15.7	(14.0)	1.7	5.5	137.7
Institutional	67.0	8.4	(6.4)	2.0	9.1	78.1
Wholesale	45.9	6.5	(6.9)	(0.4)	1.8	47.3
Wealth	6.5	0.5	(0.3)	0.2	-	6.7
Ignis ¹	11.1	0.3	(0.4)	(0.1)	(5.4)	5.6
By channel	130.5	15.7	(14.0)	1.7	5.5	137.7
Standard Life Group	83.1	1.9	(2.7)	(0.8)	6.0	88.3
Phoenix Group	39.6	-	(1.4)	(1.4)	4.8	43.0
Strategic partner life business AUM	122.7	1.9	(4.1)	(2.2)	10.8	131.3
Standard Life Investments AUM	253.2	17.6	(18.1)	(0.5)	16.3	269.0

6 months ended 30 June 2015

	Opening AUM at 1 Jan 2015 £bn	Gross flows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Closing AUM at 30 Jun 2015 £bn
UK	75.5	7.7	(5.6)	2.1	2.5	80.1
Europe	11.3	3.1	(0.9)	2.2	(1.0)	12.5
North America	8.1	2.3	(0.8)	1.5	0.1	9.7
Asia Pacific	2.0	1.1	(0.3)	0.8	0.1	2.9
India	6.1	0.5	-	0.5	(0.3)	6.3
Ignis	14.5	1.3	(3.2)	(1.9)	0.3	12.9
By geography of client	117.5	16.0	(10.8)	5.2	1.7	124.4
Growth AUM						
Equities	15.5	1.3	(1.4)	(0.1)	0.9	16.3
Fixed income	22.0	1.9	(1.5)	0.4	(1.2)	21.2
Multi-asset ²	38.6	8.9	(3.3)	5.6	1.7	45.9
Real estate	7.4	0.5	(0.3)	0.2	0.4	8.0
MyFolio	5.9	1.3	(0.4)	0.9	0.1	6.9
Other ³	13.6	0.8	(0.7)	0.1	(0.5)	13.2
Ignis	14.5	1.3	(3.2)	(1.9)	0.3	12.9
By asset class	117.5	16.0	(10.8)	5.2	1.7	124.4
Institutional	61.4	5.4	(3.6)	1.8	1.4	64.6
Wholesale	35.5	8.9	(3.6)	5.3	(0.2)	40.6
Wealth	6.1	0.4	(0.4)	-	0.2	6.3
Ignis	14.5	1.3	(3.2)	(1.9)	0.3	12.9
By channel	117.5	16.0	(10.8)	5.2	1.7	124.4
Standard Life Group	84.6	2.3	(3.5)	(1.2)	0.1	83.5
Phoenix Group	43.8	-	(2.2)	(2.2)	0.5	42.1
Strategic partner life business AUM	128.4	2.3	(5.7)	(3.4)	0.6	125.6
Standard Life Investments AUM	245.9	18.3	(16.5)	1.8	2.3	250.0

¹ Ignis fund mergers in H1 2016 transferred £5.6bn AUM, shown in Market and other movements, into the following categories – By geography: UK (£5.6bn), By asset class: Real estate (£1.6bn) and Other (£4.0bn), By channel: Institutional (£4.0bn) and Wholesale (£1.6bn).

² Comprises absolute return strategies, enhanced diversification strategies, risk-based portfolios and traditional balanced portfolios.

³ Comprises cash, private equity, liquidity funds and Wealth. Net inflows from India cash funds £0.5bn (H1 2015: net inflow £0.2bn), net inflows from liquidity funds of £nil (H1 2015: net inflows £0.7bn).

6. Glossary

Annuity

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

Assets under administration (AUA)

A measure of the total assets administered on behalf of individual customers and institutional clients. It includes those assets for which we provide investment management services, as well as those assets we administer where the customer has made a choice to select an external third party investment manager. AUA includes third party assets administered by us which are not included on the consolidated statement of financial position.

Assets under management (AUM)

A measure of the total assets that Standard Life Investments manages on behalf of individual customers and institutional clients, for which it receives a fee.

Auto enrolment

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

Board

The Board of Directors of the Company.

Capital management

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

Capital surplus

This is a regulatory measure of our financial strength. From 1 January 2016 our capital surplus is measured on a Solvency II basis. Prior to 1 January 2016, our capital surplus was measured in accordance with the Insurance Groups Directive.

Chief Operating Decision Maker

The strategic executive committee.

Company

Standard Life plc.

Cost/income ratio

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

Deferred acquisition costs (DAC)

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

Deferred income reserve (DIR)

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

Director

A director of the Company.

Discounting

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

Drawdown (flexible income)

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

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

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

Earnings per share (EPS)

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

EBITDA margin

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

Effective tax rate

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

Fair value through profit or loss (FVTPL)

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

Fee based business/revenue

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

Fee revenue yield (bps)

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

Global absolute return strategies (GARS)

A discretionary multi-asset fund provided under several regulated pooled and segregated structures globally by Standard Life Investments. The investment objective is to target a level of return over a rolling 3 year period equivalent to cash plus 5% a year (gross of fees), and to do so with as little risk as possible.

Group, Standard Life Group or Standard Life

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

Growth channels

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

Heritage With Profits Fund (HWPF)

The Heritage With Profits Fund contains all business – both with profits and non-profit – written before demutualisation in the UK, Irish or German branches, with the exception of the classes of business which the Scheme of Demutualisation allocated to funds outside the HWPF. The HWPF also contains increments to this business.

International Financial Reporting Standards (IFRS)

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

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 schemes.

Key performance indicators (KPI)

A measure by reference to which the development, performance or position of the business can be measured effectively.

Liability aware

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

Mature book/business

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

Net flows

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

Operating expenses

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

Operating income

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

Operating profit

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

Operating profit also excludes the impact of the following items:

- ▶ Restructuring costs and significant corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- ▶ Impairment of intangible assets acquired in business combinations

- ▶ Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- ▶ Amortisation of intangibles acquired in business combinations and fair value movements in contingent consideration
- ▶ Items which are one-off in nature and which, due to their size or nature, are not indicative of the long-term operating performance of the business

Operating return on equity (RoE)

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

Own funds

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

Regular premium

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

Scheme of demutualisation

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

SICAV

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

Single premium

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

SIPP

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

SLAC

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

SLAL

Standard Life Assurance Limited.

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

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.

Spread/risk based business

Spread/risk based business mainly comprises products where we provide a guaranteed level of income for our customers in return for an investment, for example, annuities. The 'spread' referred to in the title primarily relates to the difference between the guaranteed amount we pay to customers and the actual return on the assets over the period of the contract.

Spread/risk margin

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

Standard Life Investments Institutional

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

Standard Life Investments Wholesale

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

Strategic executive committee

Responsible for the day-to-day running of the business and comprises; Chief Executive, Chief Executive – UK and Europe, Chief Financial Officer, Chief Investment Officer, Chief Operating Officer, Chief People Officer, Chief Risk Officer and the Global Client Director.

Strategic partner life business

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

Subordinated liabilities

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

Technical provisions

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

Third party (excluding strategic partner life business)

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

Transitional relief

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

UK Retail

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

UK Workplace

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

Underlying cash generation

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

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

Underlying performance

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

Unit linked policy

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

Wrap platform

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

7. Shareholder information

Registered office

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For shareholder services call:
0345 113 0045*

Secretary

Kenneth A Gilmour

Registrar

Capita Registrars Limited

Auditors

PricewaterhouseCoopers LLP

Solicitors

Slaughter and May

Brokers

JP Morgan Cazenove
Goldman Sachs

Shareholder services

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

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

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

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.standardlifeshareportal.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 Share Account – by contacting Capita, or you could get in touch with your broker to find out about their nominee services.

If you want to limit the amount of unsolicited mail you receive generally, please visit **www.mpsonline.org.uk**

Financial calendar

Half year results 2016	9 August
Ex-dividend date for 2016 interim dividend	8 September
Record date for 2016 interim dividend	9 September
Last date for DRIP elections for 2016 interim dividend	28 September
Dividend payment date for 2016 interim dividend	19 October

Analysis of registered shareholdings at 30 June 2016

Range of shares	Number of holders	% of total holders	Number of shares	% of total shares
1-1,000	63,742	60.77	27,404,652	1.39
1,001-5,000	36,085	34.40	74,000,601	3.75
5,001-10,000	2,968	2.83	20,247,565	1.03
10,001-100,000	1,637	1.56	37,284,428	1.89
#100,001+	460	0.44	1,816,530,221	91.94
Total	104,892	100	1,975,467,467	100

These figures include the Company-sponsored nominee – the Standard Life Share Account – which had 1,068,001 participants holding 750,379,030 shares, and the Unclaimed Asset Trust, which held 13,750,053 shares on behalf of eligible claimants at 30 June 2016.

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

Please remember that the value of shares can go down as well as up and you may not get back the full amount invested or any income from it. All figures and share price information have been calculated as at 30 June 2016 (unless otherwise indicated).

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