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For the six months ended 30 June 2017

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Statement of directors' responsibilities in respect of the interim financial statements

For the six months ended 30 June 2017

We confirm that to the best of our knowledge:

- The Group interim financial statements contained herein are presented in accordance with the requirements of IAS 34 'Interim Financial Reporting' as adopted by the EU.
- The interim management statement includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Bruce Hemphill
Group Chief Executive
10 August 2017

Ingrid Johnson
Group Finance Director
10 August 2017

Independent review report to Old Mutual plc

For the six months ended 30 June 2017

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related explanatory notes, which includes the Statement of adjusted operating profit.

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) *2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

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

Jonathan Holt (Senior Statutory Auditor)
for and on behalf of KPMG LLP

Chartered Accountants
15 Canada Square
London E14 5GL
10 August 2017

Consolidated income statement

For the six months ended 30 June 2017

£m

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Revenue				
Gross earned premiums	B2	**2,188**	1,703	3,868
Outward reinsurance		**(240)**	(178)	(398)
Net earned premiums		**1,948**	1,525	3,470
Investment return (non-banking)		**4,843**	3,001	8,325
Banking interest and similar income		**2,363**	1,609	3,906
Banking trading, investment and similar income		**144**	100	255
Fee and commission income, and income from service activities		**1,462**	1,173	2,636
Other income		**62**	72	104
Total revenue		**10,822**	7,480	18,696
Expenses				
Claims and benefits (including change in insurance contract provisions)		**(2,317)**	(1,960)	(3,682)
Reinsurance recoveries		**217**	209	391
Net claims and benefits incurred		**(2,100)**	(1,751)	(3,291)
Change in investment contract liabilities		**(2,937)**	(1,837)	(6,216)
Credit impairment charges		**(120)**	(116)	(272)
Finance costs		**(71)**	(37)	(128)
Banking interest payable and similar expenses		**(1,438)**	(924)	(2,401)
Fee and commission expenses, and other acquisition costs		**(371)**	(326)	(745)
Change in third-party interest in consolidated funds		**(731)**	(294)	(691)
Other operating and administrative expenses		**(2,166)**	(1,655)	(3,741)
Total expenses		**(9,934)**	(6,940)	(17,485)
Share of associated undertakings' and joint ventures' (loss)/profit after tax		**(77)**	(16)	4
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**129**	10	1
Profit before tax		**940**	534	1,216
Income tax expense	D1	**(284)**	(163)	(475)
Profit from continuing operations after tax		**656**	371	741
Discontinued operations				
Profit from discontinued operations after tax	I1	**23**	54	104
Profit after tax for the financial period		**679**	425	845
Attributable to				
Equity holders of the parent		**531**	284	570
Non-controlling interests				
Ordinary shares		**130**	133	253
Preferred securities		**18**	8	22
Profit after tax for the financial period		**679**	425	845
Earnings per ordinary share				
Basic earnings per share - continuing operations (pence)		**10.7**	4.9	10.4
Basic earnings per share - discontinued operations (pence)		**0.3**	0.8	1.5
Basic earnings per ordinary share (pence)	C2(a)	**11.0**	5.7	11.9
Diluted basic earnings per share - continuing operations (pence)		**10.5**	4.8	10.1
Diluted basic earnings per share - discontinued operations (pence)		**0.3**	0.8	1.5
Diluted basic earnings per ordinary share (pence)	C2(b)	**10.8**	5.6	11.6
Weighted average number of ordinary shares (millions)	C2(a)	**4,687**	4,686	4,686

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and I1 for more information.

Consolidated statement of comprehensive income

For the six months ended 30 June 2017

£m

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Profit after tax for the financial period		**679**	425	845
Other comprehensive income for the financial period				
Items that will not be reclassified subsequently to profit or loss				
Fair value movements				
Property revaluation		**1**	(1)	7
Measurement (losses)/gains on defined benefit plans		**(42)**	7	(27)
Shadow accounting		**(2)**	-	(7)
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	**(3)**	6	8
		(46)	12	(19)
Items that may be reclassified subsequently to profit or loss				
Fair value movements				
Net investment hedge		**188**	(42)	(104)
Available-for-sale investments				
Fair value gains/(losses)		**7**	7	(5)
Currency translation differences on translating foreign operations		**(152)**	963	1,904
Exchange differences and other reserves recycled to profit or loss on disposal of businesses		**(149)**	-	-
Other movements		**(5)**	(42)	(23)
Share of other comprehensive income of investments		**17**	-	(1)
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	**-**	-	8
		(94)	886	1,779
Total other comprehensive income for the financial period from continuing operations		**(140)**	898	1,760
Total other comprehensive income for the financial period from discontinued operations		**1**	13	(3)
Total other comprehensive income for the financial period		**(139)**	911	1,757
Total comprehensive income for the financial period		**540**	1,336	2,602
Attributable to				
Equity holders of the parent		**421**	933	1,802
Non-controlling interests				
Ordinary shares		**101**	395	778
Preferred securities		**18**	8	22
Total comprehensive income for the financial period		**540**	1,336	2,602

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

Statement of adjusted operating profit

For the six months ended 30 June 2017

Adjusted operating profit (AOP) after tax attributable to ordinary equity holders of the parent	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016 (Re-presented)[1]	Year ended 31 December 2016 (Re-presented)[1]
				£m
Core operations				
Emerging Markets	B3	**362**	270	639
Nedbank	B3	**472**	345	799
Old Mutual Wealth	B3	**134**	104	260
		968	719	1,698
Institutional Asset Management	B3	**64**	58	141
plc Head Office				
Old Mutual plc finance costs		**(35)**	(45)	(88)
Corporate costs (before recharges)		**(30)**	(42)	(79)
Other net shareholder income/(expenses)		**2**	18	(5)
Adjusted operating profit before tax	B3	**969**	708	1,667
Tax on adjusted operating profit	D1(d)	**(266)**	(181)	(398)
Adjusted operating profit after tax		**703**	527	1,269
Non-controlling interests – ordinary shares		**(179)**	(137)	(319)
Non-controlling interests – preferred securities		**(18)**	(8)	(22)
Adjusted operating profit after tax attributable to ordinary equity holders of the parent		**506**	382	928
Adjusted weighted average number of shares (millions)	C2(a)	**4,771**	4,773	4,773
Adjusted operating earnings per share (pence)	C2(c)	**10.6**	8.0	19.4

Reconciliation of adjusted operating profit to profit after tax attributable to the equity holders of the parent	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016 (Re-presented)[1]	Year ended 31 December 2016 (Re-presented)[1]
				£m
Adjusted operating profit after tax attributable to ordinary equity holders of the parent		**506**	382	928
Adjusting items net of tax and non-controlling interest	C1(a)	**(6)**	(89)	(353)
Non-core operations	B3	**31**	(9)	(5)
Profit after tax attributable to the equity holders of the parent		**531**	284	570

[1] Re-presentation of adjusted operating profit in the prior periods: The statement of adjusted operating profit for the six months ended 30 June 2016 and the year ended 31 December 2016 has been re-presented to be on a consistent basis with the six months ended 30 June 2017. During the current period, the results of Institutional Asset Management have been disclosed separately from core operations. The long-term investment return on excess assets (June 2017: £9 million; June 2016: £10 million; December 2016: £20 million), previously shown as a separate item within the AOP of plc Head Office is now included in AOP of Emerging Markets for all periods. Corporate costs are now presented before recharges to the businesses (June 2017: £4 million; June 2016: £12 million; December 2016: £19 million), the related recharge income for the plc Head Office is now included within Other net shareholder income/(expenses). These changes did not affect the total AOP of the Group as previously reported. All of these changes are intended to improve the transparency of the impact of managed separation on the operating result. Further explanation of these presentational changes can be found on page 65.

Basis of preparation of adjusted operating profit (AOP)

Purpose of AOP

Adjusted operating profit (AOP) is an Alternative Profit Measure used alongside basic IFRS profit to assess underlying business performance. It is a non-IFRS measure of profitability that reflects the Directors' view of the underlying long-term performance of the Group. The calculation of AOP adjusts the basic IFRS profit for a number of items as detailed in note C1.

AOP is one of the key performance indicators by which operational performance is monitored and managed, and it is one of a range of measures by which management performance and remuneration is assessed. Further detail of the performance measures applied in determining management remuneration is available in the remuneration report in pages 104 to 139 of the 2016 Annual Report and Accounts.

The adjusting items applied in calculating AOP seek to remove the impact of strategic activity, short-term valuation movements, IFRS accounting treatments, one-off managed separation costs, and costs related to the resolution of pre-existing plc Head Office items. Due to the long-term nature of the majority of the Group's business, management believes that AOP is an appropriate alternative basis by which to assess the underlying operating results of these businesses and the Group as a whole and that it enhances the comparability and understanding of the financial performance of the Group.

The Group Audit Committee regularly reviews the use of determining AOP to confirm that it remains an appropriate basis on which to analyse the operating performance of the businesses. The Committee assesses refinements to the policy on a case-by-case basis, and where possible the Group seeks to minimise such changes in order to maintain consistency over time.

Scope of businesses included in AOP

AOP excludes the results of non-core operations. At the current time the only such operations are those of Old Mutual Bermuda. Old Mutual Bermuda is closed to new business and in run off and as such its activity is not envisaged to form part of the of the underlying long-term operating performance of the Group. Refer to note B1 for further information on the basis of segmentation.

The results of the Institutional Asset Management (IAM) business segment that are currently classified as held for sale and discontinued operations for IFRS reporting have been included in the determination of AOP. This reflects the continuing contribution of the business to the Group result, albeit at a lower level as the Group sells down its interest in the business. It also reflects the Group's continuing 20.1% interest in the business and its representation on the OM Asset Management plc Board. This differs from the AOP policy applied in respect of previously disposed operating segments, such as US Life during 2010 and Nordic during 2011. However, these previous disposals were all outright sales of the relevant business, whereas the Group continues to retain its interest in the IAM business. In the context of the current strategy for the business, the Directors believe the continued inclusion of the Institutional Asset Management results will assist with the comparability of year-on-year performance as the Group implements its managed separation strategy.

AOP presentation

AOP is presented on a consistent basis with the previous reporting, except for the following:

- For the six months ended 30 June 2017, the results of Institutional Asset Management will be disclosed separately from core businesses in the statement of adjusted operating profit (AOP statement). This provides improved transparency of the results of the continuing businesses that will be listed in the execution of the managed separation strategy.
- The long-term investment return on excess assets, previously shown as a separate item within the AOP of plc Head Office is now included in AOP of Emerging Markets for all periods. This is consistent with where the excess assets are managed and where returns will be recognised following managed separation.
- Corporate costs are now presented before recharges to the businesses. The related recharge income received by the Old Mutual plc Head Office is now included within other net shareholder income/(expenses).

Comparative information has been re-presented to be consistent with the treatment of the items described above. These re-presentations of AOP do not alter the AOP result as previously reported.

Adjustments IFRS to profit

For all core businesses, AOP reflects a number of adjustments to IFRS profit intended to remove the impact of strategic activities. These include the exclusion of the impairment of goodwill, the impact of accounting for intangible assets acquired in a business combination, costs related to completed acquisitions, impairments of investments in associated undertakings and the profit or loss on disposal of subsidiaries (note C1(b) and C1(c)).

AOP is based on a long-term shareholder investment return for the life assurance and property & casualty businesses, which eliminates the short-term volatility movements in the value of shareholder assets (note C1(d)). Other short-term valuation movements excluded from AOP include fair value profits or losses on Group debt instruments (note C1(h)) and the revaluations of put options related to long-term incentive schemes (note C1(g)).

The impacts of certain IFRS accounting treatments that are not deemed to be reflective of the underlying operating performance of the business are excluded from the determination of AOP. These include the inclusion of dividends declared to holders of perpetual preferred callable securities (note C1(f)), short-term fluctuations in investment return on shareholder assets (note C1(d)) and the inclusion of returns on investments held by life funds in Group equity and debt instruments (note C1(e)).

For the six months ended 30 June 2017, managed separation and business standalone costs recognised in the IFRS income statement have been excluded from the calculation of AOP on the basis that these items are one-off in nature and are not reflective of the underlying operating activity of the Group. These costs include the cost of winding down the plc Head Office, preparing the businesses for being standalone businesses and transaction advice. Comparative information has not been restated (June 2016: £5 million; December 2016: £31 million). Further disclosure on managed separation costs is included in note C1(i) of these financial statements.

For the six months ended 30 June 2017, income/(expenses) from resolution of pre-existing plc Head Office items recognised in the IFRS income statement have been excluded from the calculation of AOP on the basis that these items are one-off in nature and are not reflective of the underlying operating activity of the Group. Comparative information has not been restated (June 2016: £nil million; December 2016: £nil million). Further disclosure on the income/(expenses) from resolution of pre-existing plc Head Office items is included in note C1(j) of these financial statements.

Old Mutual Wealth business transformation costs related to the development of Old Mutual Wealth platform capability and outsourcing of UK business administration and continue to be excluded from AOP. These costs are excluded from AOP because management is of the view that this near term investment in operational capability is not reflective of the long-term cost. (note C1(k)).

Adjusted Operating Profit per share

Adjusted operating earnings applied in the calculation of adjusted operating earnings per share is calculated based on AOP after tax and non-controlling interests. It is adjusted to exclude income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

Consolidated statement of financial position

At 30 June 2017

£m

	Notes	At 30 June 2017	At 30 June 2016 (Restated)[1]	At 31 December 2016
Assets				
Goodwill and other intangible assets	G1	**2,430**	3,342	2,471
Mandatory reserve deposits with central banks		**1,159**	866	1,111
Property, plant and equipment		**860**	794	892
Investment property		**1,722**	1,508	1,697
Deferred tax assets		**70**	311	96
Investments in associated undertakings and joint ventures		**440**	527	542
Deferred acquisition costs		**749**	729	756
Reinsurers' share of policyholder liabilities	F2	**3,376**	3,058	3,115
Loans and advances	F1	**43,153**	36,801	43,108
Investments and securities		**107,960**	89,572	100,533
Current tax receivable		**56**	136	74
Trade, other receivables and other assets		**3,050**	3,378	2,416
Derivative financial instruments		**1,447**	1,541	1,340
Cash and cash equivalents		**5,175**	4,002	4,847
Assets held for sale	I2	**440**	6,098	8,570
Total assets		**172,087**	152,663	171,568
Liabilities				
Long-term business insurance policyholder liabilities	F2	**9,794**	9,183	9,982
Investment contract liabilities	F2	**82,605**	69,040	77,599
Property & casualty liabilities	F2	**532**	425	482
Third-party interests in consolidated funds		**10,787**	7,178	7,981
Borrowed funds	F3	**4,847**	4,231	4,694
Provisions and accruals		**157**	158	160
Deferred revenue		**291**	254	290
Deferred tax liabilities		**470**	408	440
Current tax payable		**160**	207	144
Trade, other payables and other liabilities		**5,013**	5,648	5,112
Amounts owed to bank depositors		**45,250**	38,607	45,309
Derivative financial instruments		**1,489**	1,584	1,161
Liabilities held for sale	I2	**-**	5,853	7,046
Total liabilities		**161,395**	142,776	160,400
Net assets		**10,692**	9,887	11,168
Shareholders' equity				
Equity attributable to equity holders of the parent		**8,033**	7,258	8,054
Non-controlling interests				
Ordinary shares		**2,282**	2,316	2,773
Preferred securities		**377**	313	341
Total non-controlling interests		**2,659**	2,629	3,114
Total equity		**10,692**	9,887	11,168

[1] The comparative information for June 2016 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.

The Group interim financial statements on pages 62 to 130 were approved by the Board of Directors on 10 August 2017.

Bruce Hemphill
Group Chief Executive

Ingrid Johnson
Group Finance Director

Consolidated statement of cash flows

For the six months ended 30 June 2017

£m

	Notes	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Cash flows from operating activities				
Profit before tax		**940**	534	1,216
Non-cash movements in profit before tax		**2,781**	2,280	3,620
Net changes in working capital		**(859)**	(167)	416
Taxation paid		**(211)**	(226)	(468)
Net cash inflow from operating activities - continuing operations		**2,651**	2,421	4,784
Cash flows from investing activities				
Net acquisitions of financial investments		**(2,330)**	(2,861)	(4,374)
Acquisition of investment properties		**(34)**	(40)	(83)
Proceeds from disposal of investment properties		**-**	5	8
Dividends received from associated undertakings		**3**	8	9
Acquisition of property, plant and equipment		**(57)**	(48)	(119)
Proceeds from disposal of property, plant and equipment		**3**	1	6
Acquisition of intangible assets		**(71)**	(47)	(141)
Acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments[2]		**(65)**	(23)	(121)
Proceeds from the disposal of interests in subsidiaries, associated undertakings joint ventures and strategic investments[3]		**525**	10	194
Net cash outflow from investing activities - continuing operations		**(2,026)**	(2,995)	(4,621)
Cash flows from financing activities				
Dividends paid to:				
Ordinary equity holders of the Company		**(161)**	(299)	(426)
Non-controlling interests and preferred security interests		**(129)**	(90)	(178)
Interest paid (excluding banking interest paid)		**(31)**	(35)	(69)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)		**3**	1	2
Net sale/(acquisition) of treasury shares - ordinary shares		**24**	(37)	(33)
Redemption of perpetual preferred callable securities		**(287)**	-	-
Proceeds from issue of preferred equity		**36**	-	95
Acquisition of treasury shares - preferred equity		**-**	-	(26)
Proceeds from issue of subordinated and other debt		**450**	415	809
Subordinated and other debt repaid		**(282)**	(27)	(492)
Net cash outflow from financing activities - continuing operations		**(377)**	(72)	(318)
Net cash inflow/(outflow) - continuing operations		**248**	(646)	(155)
Net cash inflow/(outflow) - discontinued operations	I1(c)	**48**	(55)	45
Effects of exchange rate changes on cash and cash equivalents		**(17)**	439	1,018
Cash and cash equivalents at beginning of the year		**6,055**	5,147	5,147
Cash and cash equivalents at end of the period		**6,334**	4,885	6,055
Consisting of:				
Cash and cash equivalents		**5,175**	4,002	4,847
Mandatory reserve deposits with central banks		**1,159**	866	1,111
Cash and cash equivalents included in assets held for sale		**-**	17	97
Total		**6,334**	4,885	6,055

1 The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and I1 for more information.

2 The acquisition of interests in subsidiaries, associated undertakings, joint ventures and strategic investments, is stated net of cash acquired on acquisition of the undertakings.

3 The proceeds from disposal of interests in associated undertakings, joint ventures and strategic investments is stated net of any cash held by undertakings at the date of sale.

Cash and cash equivalents in the cash flow statement above include mandatory reserve deposits, in line with market practice in South Africa. Except for mandatory reserve deposits with central banks of £1,159 million (June 2016: £866 million; December 2016: £1,111 million) and cash and cash equivalents subject to consolidation of funds of £1,311 million (June 2016: £1,168 million; December 2016: £976 million), management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day-to-day operations.

Consolidated statement of changes in equity

For the six months ended 30 June 2017

Six months ended 30 June 2017	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		**4,930**	**563**	**1,042**	**1,252**	**38**
Total comprehensive income for the financial period						
Profit after tax for the financial period		**-**	**-**	**-**	**-**	**-**
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Property revaluation		-	-	-	-	-
Measurement loss on defined benefit plans		-	-	-	-	-
Shadow accounting		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value gains[1]		-	-	-	-	-
Recycled to profit or loss		-	-	-	-	-
Currency translation differences on translating foreign operations[1]		-	-	-	-	-
Exchange differences and other reserves recycled to profit or loss on disposal of business[2]		-	-	-	-	-
Other movements		-	-	-	-	-
Share of other comprehensive income of investments		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
Total comprehensive income for the financial period		**-**	**-**	**-**	**-**	**-**
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the period	C3	-	-	-	-	-
Tax relief on dividends paid		-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
Transfer between reserves[3]		-	-	-	-	-
Proceeds from BEE transactions		-	-	**13**	-	-
Merger reserve released		-	-	-	**(104)**	-
Additional Tier 1 capital instruments issued[4]		-	-	-	-	-
Preferred securities repurchased		-	-	-	-	-
Other movements in share capital		**2**	-	**3**	-	-
Total contributions and distributions		**2**	**-**	**16**	**(104)**	**-**
Changes in ownership						
Disposal of a non-controlling interest in OM Asset Management plc		-	-	-	-	-
Change in participation in subsidiaries		-	-	-	-	-
Total changes in ownership		**-**	**-**	**-**	**-**	**-**
Total transactions with the owners of the Company		**2**	**-**	**16**	**(104)**	**-**
Shareholders' equity at end of the period		**4,932**	**563**	**1,058**	**1,148**	**38**

1 Included in other reserves is a gain of £7 million relating to Ecobank Transnational Inc. (ETI) available-for-sale reserve. Currency translation differences on translating foreign operations include £14 million relating to foreign exchange losses on translation of ETI.

2 A net gain of £130 million was realised and recycled to profit and loss on the disposal of OM Asset Management plc (OMAM) consisting of £(21)million other reserves and £151 million foreign currency translation. A gain of £19 million was realised from the recycling of foreign currency reserves relating to disposal of Old Mutual Wealth Italy.

3 Transfers between reserves comprise a transfer from the share-based payment reserve to retained earnings as a result of the disposal of OMAM (£61 million) and a transfer for fully vested share based-payments within plc Head Office (£47 million).

4 On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme which has been classified as equity. Interest is payable quarterly in arrears at a floating rate of 3-month JIBAR + 5.65%. Refer to note A2 for more information.

£m

Property revaluation reserve	Share-based payments reserve	Other reserves[1]	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
182	409	17	(1,008)	5,286	273	8,054	3,114	11,168
-	-	-	-	516	15	531	148	679
1	-	-	-	-	-	1	-	1
-	-	-	-	(47)	-	(47)	5	(42)
(2)	-	-	-	-	-	(2)	-	(2)
-	-	-	-	(2)	-	(2)	(1)	(3)
(1)	-	-	-	(49)	-	(50)	4	(46)
-	-	-	188	-	-	188	-	188
-	-	7	-	(2)	-	5	2	7
-	-	-	-	-	-	-	-	-
-	-	-	(96)	-	-	(96)	(56)	(152)
-	-	21	(170)	(9)	-	(158)	9	(149)
-	-	(1)	-	(7)	-	(8)	4	(4)
-	-	17	-	(8)	-	9	8	17
-	-	-	-	-	-	-	-	-
(1)	-	44	(78)	441	15	421	119	540
-	-	-	-	(161)	(15)	(176)	(114)	(290)
-	-	-	-	-	-	-	-	-
-	(39)	-	-	4	-	(35)	(9)	(44)
-	(108)	-	-	108	-	-	-	-
-	-	-	-	-	-	13	-	13
-	-	-	-	104	-	-	-	-
-	-	-	-	-	-	-	36	36
-	-	-	-	(14)	(273)	(287)	-	(287)
16	-	-	-	(5)	-	14	-	14
16	(147)	-	-	36	(288)	(471)	(87)	(558)
-	-	-	-	-	-	-	(550)	(550)
-	-	-	-	29	-	29	63	92
-	-	-	-	29	-	29	(487)	(458)
16	(147)	-	-	65	(288)	(442)	(574)	(1,016)
197	262	61	(1,086)	5,792	-	8,033	2,659	10,692

Consolidated statement of changes in equity

For the six months ended 30 June 2016

	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the period		4,929	563	1,040	1,252	40
Total comprehensive income for the financial period						
Profit after tax for the financial period		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains						
Property revaluation		-	-	-	-	-
Measurement gains on defined benefit plans		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value gains		-	-	-	-	(2)
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	-
Total comprehensive income for the financial period		-	-	-	-	(2)
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the year	C3	-	-	-	-	-
Tax relief on dividends paid		-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
Old Mutual Asset Management plc share buyback		-	-	-	-	-
Tier 1 instruments issued		-	-	-	-	-
Preferred securities repurchased		-	-	-	-	-
Other movements in share capital		1	-	1	-	-
Total contributions and distributions		1	-	1	-	-
Changes in ownership						
Change in participation in subsidiaries		-	-	-	-	-
Total changes in ownership		-	-	-	-	-
Total transactions with owners of the Company		1	-	1	-	-
Shareholders' equity at end of the period		4,930	563	1,041	1,252	38

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
184	367	30	(2,243)	5,174	273	6,680	2,254	8,934
-	-	-	-	268	16	284	141	425
(1)	-	-	-	-	-	(1)	-	(1)
-	-	-	-	6	-	6	1	7
-	4	-	-	-	-	4	2	6
(1)	4	-	-	6	-	9	3	12
-	-	-	(42)	-	-	(42)	-	(42)
-	-	10	-	(4)	-	4	3	7
-	-	-	694	-	-	694	268	962
(3)	-	(5)	-	(8)	-	(16)	(12)	(28)
(4)	4	5	652	262	16	933	403	1,336
-	-	-	-	(299)	(17)	(316)	(78)	(394)
-	-	-	-	-	1	1	-	1
-	(6)	-	-	7	-	1	(5)	(4)
-	-	-	-	(8)	-	(8)	(3)	(11)
-	-	-	-	-	-	-	67	67
-	-	-	-	-	-	-	(26)	(26)
-	-	-	-	(37)	-	(36)	-	(36)
-	(6)	-	-	(337)	(16)	(358)	(45)	(403)
-	-	-	-	3	-	3	17	20
-	-	-	-	3	-	3	17	20
-	(6)	-	-	(334)	(16)	(355)	(28)	(383)
180	365	35	(1,591)	5,102	273	7,258	2,629	9,887

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Notes	Millions Number of shares issued and fully paid	Share capital	Share premium	Merger reserve	Available-for-sale reserve
Shareholders' equity at beginning of the year		4,929	563	1,040	1,252	40
Total comprehensive income for the financial year						
Profit after tax for the financial year		-	-	-	-	-
Other comprehensive income						
Items that will not be reclassified subsequently to profit or loss						
Fair value gains						
Property revaluation		-	-	-	-	-
Measurement gains on defined benefit plans		-	-	-	-	-
Shadow accounting		-	-	-	-	-
Income tax on items that will not be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	-
		-	-	-	-	-
Items that may be reclassified subsequently to profit or loss						
Fair value gains/(losses)						
Net investment hedge		-	-	-	-	-
Available-for-sale investments						
Fair value gains		-	-	-	-	(5)
Recycled to profit or loss		-	-	-	-	-
Exchange differences recycled to profit or loss on disposal of business		-	-	-	-	-
Currency translation differences on translating foreign operations		-	-	-	-	-
Other movements		-	-	-	-	1
Share of other comprehensive income of investments		-	-	-	-	-
Income tax on items that may be reclassified subsequently to profit or loss	D1(c)	-	-	-	-	2
Total comprehensive income for the financial year		-	-	-	-	(2)
Transactions with the owners of the Company						
Contributions and distributions						
Dividends for the year	C3	-	-	-	-	-
Tax relief on dividends paid		-	-	-	-	-
Equity share-based payment transactions		-	-	-	-	-
OM Asset Management plc shares buyback		-	-	-	-	-
Additional Tier 1 capital instruments issued		-	-	-	-	-
Preferred securities repurchased		-	-	-	-	-
Other movements in share capital		1	-	2	-	-
Total contributions and distributions		1	-	2	-	-
Changes in ownership						
Acquisition of shareholding in Banco Unico		-	-	-	-	-
Disposal of a non-controlling interest in OM Asset Management plc		-	-	-	-	-
Change in participation in subsidiaries		-	-	-	-	-
Total changes in ownership		-	-	-	-	-
Total transactions with owners of the Company		1	-	2	-	-
Shareholders' equity at end of the year		4,930	563	1,042	1,252	38

£m

Property revaluation reserve	Share-based payments reserve	Other reserves	Foreign currency translation reserve	Retained earnings	Perpetual preferred callable securities	Attributable to equity holders of the parent	Total non-controlling interests	Total equity
184	367	30	(2,243)	5,174	273	6,680	2,254	8,934
-	-	-	-	556	14	570	275	845
7	-	-	-	(1)	-	6	1	7
-	-	-	-	(18)	-	(18)	(9)	(27)
(7)	-	-	-	-	-	(7)	-	(7)
-	-	-	-	5	-	5	3	8
-	-	-	-	(14)	-	(14)	(5)	(19)
-	-	-	(104)	-	-	(104)	-	(104)
-	-	-	-	2	-	(3)	(2)	(5)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	1,365	-	-	1,365	536	1,901
(2)	-	(12)	-	(4)	-	(17)	(6)	(23)
-	-	(1)	-	-	-	(1)	-	(1)
-	4	-	-	-	-	6	2	8
(2)	4	(13)	1,261	540	14	1,802	800	2,602
-	-	-	-	(426)	(17)	(443)	(171)	(614)
-	-	-	-	-	3	3	-	3
-	38	-	-	(4)	-	34	5	39
-	-	-	-	(8)	-	(8)	(3)	(11)
-	-	-	-	-	-	-	95	95
-	-	-	-	-	-	-	(26)	(26)
-	-	-	-	(35)	-	(33)	-	(33)
-	38	-	-	(473)	(14)	(447)	(100)	(547)
-	-	-	(1)	(6)	-	(7)	7	-
-	-	-	(25)	38	-	13	153	166
-	-	-	-	13	-	13	-	13
-	-	-	(26)	45	-	19	160	179
-	38	-	(26)	(428)	(14)	(428)	60	(368)
182	409	17	(1,008)	5,286	273	8,054	3,114	11,168

A: Significant accounting policies

A1: Basis of preparation

The Group interim financial statements contained herein are presented in accordance with the requirements of IAS 34 'Interim Financial Reporting' and are in compliance with IAS 34 as adopted by the EU. The Group's results for the six months ended 30 June 2017 and the financial position at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2016 Annual Report and Accounts. The results for the six months ended 30 June 2017 and the six months ended 30 June 2016, and the financial positions at these dates are unaudited. The results for the year ended 31 December 2016 and the financial position at this date are audited.

The Group interim financial statements have been prepared on the going concern basis, which the directors believe is appropriate. Part 2 – Detailed Business Review provides further details on the performance of the Group and the principal risks and uncertainties.

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

Translation of foreign operations

The assets and liabilities of foreign operations are translated from their respective functional currencies into pound sterling, the Group's presentation currency using the period end exchange rates, and their income and expenses using the average exchange rates. Other than in respect of cumulative translation gains and losses up to 1 January 2004, cumulative unrealised gains or losses resulting from translation of functional currencies to the presentation currency are included as a separate component of shareholders' equity. To the extent that these gains and losses are effectively hedged, the cumulative effect of such gains and losses arising on the hedging instruments are also included in that component of shareholders' equity. Upon the disposal of subsidiaries the cumulative amount of exchange differences deferred in shareholders' equity, net of attributable amounts in relation to net investments, is recognised in the income statement.

The exchange rates used to translate the operating results, assets and liabilities of key foreign business segments to pounds sterling are:

	Six months ended 30 June 2017		Six months ended 30 June 2016		Year ended 31 December 2016	
	Income statement (average rate)	**Statement of financial position (closing rate)**	Income Statement (average rate)	Statement of financial position (closing rate)	Income statement (average rate)	Statement of financial position (closing rate)
Rand	**16.6431**	**16.9831**	22.0983	19.4900	19.9305	16.9551
US dollars	**1.2591**	**1.3008**	1.4339	1.3268	1.3558	1.2345
Euro	**1.1627**	**1.1398**	1.2845	1.1982	1.2251	1.1705

New standards, interpretations and amendments adopted by the Group affecting the financial statements for the six months ended 30 June 2017

During the period, there were no new standards implemented that had a material effect on the financial statements of the Group.

A2: Significant corporate activity and business changes during the period

Acquisitions completed during the period

Caerus Capital Group Limited (Caerus)

On 1 June 2017, Old Mutual Wealth, completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic and which has approximately £4 billion of funds under advice and 300 advisers.

The total consideration includes up to £3 million that has been deferred for two years and £6 million that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

Goodwill of £11 million and other intangible assets of £10 million were recognised as a result of the acquisition.

Old Mutual Private Client Advisers (PCA)

During the six months ended 30 June 2017, Old Mutual Wealth completed the acquisition of five adviser businesses as part of the expansion of the PCA business that was launched in October 2015. Potential total consideration payable is £11 million, including up to £6 million which is deferred, dependent upon performance targets, generally relating to funds under management. The deferred consideration has been included as part of the cost of the acquisition. Total goodwill of £3 million and total other intangible assets of £8 million have been recognised as a result of these acquisitions.

Attivo Investment Management Limited (AIM)

On 29 March 2017, Old Mutual Wealth completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service. Other intangible assets of £9 million, relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised on this transaction.

More information regarding these acquisitions can be found in note H2.

Disposals completed during the period

OM Asset Management plc (OMAM) share sales and share buyback

During the period, the following transactions involving the Group's ownership in OMAM shares were completed:

- on 12 May 2017, OM Group (UK) Limited (OMGUK), a wholly owned subsidiary of Old Mutual plc, sold 11.4 million OMAM shares to HNA Capital US at a price of $15.30 per share;
- on 19 May 2017, following the closing of a public offering, OMGUK sold 17.3 million OMAM shares at a price of $14.55 per share. Pursuant to this, on 14 June 2017, the underwriters of the public offer exercised their right to purchase 2.6 million shares at the same price less an underwriting discount;
- on 19 May 2017, OMAM repurchased 5.0 million ordinary shares directly from OMGUK at a price of $14.55 per share.

As a consequence of the transactions described above, the Group's stake in OMAM's equity decreased from 51.7% to 20.1% and, in accordance with the criteria set out in IFRS 3 'Business Combinations', the Group no longer considered that it exercised control over the business form 19 May 2017. This resulted in OMAM being deconsolidated from the Group financial statements and instead being equity accounted for as an associated undertaking and classified as held for sale. At the point of deconsolidation, the residual holding in OMAM was revalued based on the market value prevailing at that time.

The total cash proceeds from these transactions, after underwriting and other transaction costs, were $531 million (£412 million). A profit on disposal of £108 million was realised as a result of the transactions in OMAM shares, comprising:

- a loss of £134 million related to:
  - net proceeds of £412 million received less 51.7% of OMAM net asset value (£512 million);
  - foreign currency translation reserve gains of £151 million; and
  - net investment hedge and other reserve losses of £185 million.
- a profit of £242 million was recognised on the fair value of the remaining 20.1% stake that is now equity accounted as an associated undertaking.

Disposal of Old Mutual Wealth Italy

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy, part of the Old Mutual Wealth business for cash consideration of £210 million, net of costs. The profit on disposal was £24 million, comprising a gain of £5 million relating to the unwind of a forward currency contract used to hedge the value of the proceeds to be received and a gain of £19 million from the recycling of foreign currency reserves. Merger reserves of £104 million created on the original acquisition of Old Mutual Wealth Italy were transferred to retained earnings and became distributable. During 2016, an impairment of £46 million was incurred against the carrying value of Old Mutual Wealth Italy's goodwill to reflect the expected realisable value.

Sale of a minority stake in Credit Guarantee Insurance Company (CGIC)

On 1 April 2017, Emerging Markets completed the sale of 25% of CGIC to Atradius N.V. for R494 million (£29 million). A gain on disposal of R280 million (£17 million) was recognised directly in equity on completion of the sale.

Disposals announced during the period, but not yet completed

Sale of OM Asset Management plc (OMAM) shares to HNA Capital US

On 25 March 2017, the Group announced that, in addition to the 11.4 million shares sold on 12 May 2017, OMGUK had contracted to sell additional OMAM shares to HNA Capital US representing approximately 14.5% of OMAM's ordinary share capital. This transaction is subject to regulatory approval and is contracted to complete in the second half of 2017. After the sale, the Group's holding in OMAM's share capital is expected to be approximately 5.5% and accounted for as an investment at fair value through profit or loss.

Sale of Kotak Mahindra Old Mutual Life Insurance Limited (Kotak)

On 27 April 2017, the Group announced that it has agreed to sell its 26% stake in Kotak to its joint venture partner Kotak Mahindra Bank Limited. The net consideration is expected to be approximately INR 11,700 million (£138 million). The conclusion of the transaction will also terminate the joint venture arrangement, extinguishing the respective put and call option arrangements between the parties relating to a 23% stake in the joint venture. This transaction is subject to regulatory approval, which is expected to be received in the second half of 2017.

Financing activities completed during the period

Nedbank

On 30 June 2017, Nedbank Limited issued R600 million additional Tier 1 capital instruments under its R10 billion Domestic Medium Term Note Programme. Interest is payable quarterly in arrears at a floating rate of 3-month JIBAR + 5.65%. The first interest payment date is 1 October 2017 and the first call date in 1 July 2022.

Nedbank issued and redeemed further debt instruments in the normal course of its funding programme. Refer to note F3 for more information.

Old Mutual plc

On 3 February 2017, the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. In addition to repaying the nominal value of the securities, £29 million was paid to holders of the securities for accrued interest and a premium in excess of nominal value. The premium was recognised directly in equity.

A: Significant accounting policies continued

A2: Significant corporate activity and business changes during the period continued

Other activities during the period

Old Mutual plc Legacy Pension Schemes

On 13 June 2017, bulk annuity arrangements for two legacy defined benefit schemes, the Old Mutual Staff Pension Fund and the G&N Retirement Benefits Scheme, were agreed with Legal & General Assurance Society Limited. The agreements have resulted in the buy-in of the benefits of the two schemes, with the intention of moving to a full buy-out and wind-up of the schemes by Q4 2017.

In order to effect the transaction, Old Mutual plc has made a one off contribution of £27 million into the two schemes, which together with the writing off the majority of the combined existing IAS 19 surplus for the schemes, resulted in a £51 million reduction in IFRS NAV recognised in measurement (losses)/gains on defined benefit plans in the consolidated statement of comprehensive income. Once the buy-out and winding up processes have been completed, Old Mutual plc will no longer be responsible for the administration or funding of these two schemes. Old Mutual plc had previously been contributing annually £7 million of cash to the two schemes.

Amendment of the OMAM Deferred Tax Asset Deed (DTA)

During 2014, OMAM entered into a Deferred Tax Asset Deed with Old Mutual plc, which was amended in June 2016. Under the terms of the Deferred Tax Asset Deed, as amended, the OMAM agreed to make a payment equal to the net present value of the future payments due to Old Mutual plc valued as of December 31, 2016. This payment of $143 million (£115 million) is being made over three instalments, the first of which amounted to $46 million (£59 million) and was paid on June 30, 2017, with the remaining two instalments to be paid on December 31, 2017 and June 30, 2018. The continuation of certain protections provided by Old Mutual plc related to the realised tax benefit resulting from OMAM's use of deferred tax assets remains unaffected.

Restatement of IFRS financial statement prior year comparative amounts

Overview

In preparing the Group financial statements for the six months ended 30 June 2017, the IFRS financial statements for the six months ended 30 June 2016 have required adjustments for:

- the classification of the Institutional Asset Management (IAM) operating segment as a discontinued operation, and
- the identification of additional investment funds managed by Emerging Markets as being controlled by the Group.

These adjustments, in aggregate and individually, result in presentational changes to the financial statements, and neither of these adjustments affects the reported IFRS or AOP results or equity attributable to equity holders of the parent.

The comparative information for the year ended 31 December 2016 is unchanged from that previously disclosed.

IAM classified as a discontinued operation in 2016 (IAM – Discontinued operations)

The six months ended 30 June 2016 has been restated to reflect IAM as a discontinued operation. This is consistent with the disclosure adopted for the year ended 31 December 2016. During the six months ended 30 June 2017, IAM continued to be classified as a discontinued operation in the IFRS consolidated income statement and consolidated statement of cash flows for the period from 1 January 2017 to 19 May 2017, at which date the Group ceased to consolidate the business following the sale of its controlling interest.

Consolidation of additional Emerging Markets investment funds (Consolidation of investment funds)

During 2016, the Group re-evaluated the criteria applied in determining whether investment funds should be consolidated under IFRS 10 'Consolidated Financial Statements' in the Group financial statements. This resulted in the identification of additional investment funds that are required to be included in the consolidated financial statements. As a result, comparative information in respect of the full year 2016 financial statements required restatement and similarly in the six months ended 30 June 2016 the prior year comparative information have been restated accordingly. These restatements had no impact on the net assets of the Group, the equity attributable to ordinary equity holders of the parent, profit after tax or any key performance indicators reported by the Group.

Summary impact

The following table summarises the restatement impact, for both the classification of IAM as a discontinued operation and the identification of additional entities to be consolidated on the Group's financial statements:

£m

	June 2016 As Reported	Restatement: IAM – Discontinued operations	Restatement: Consolidation of investment funds	June 2016 As Restated
Statement of financial position				
Assets				
Investments and securities	88,996	-	576	89,572
Trade, other receivables and other assets	3,368	-	10	3,378
Cash and cash equivalents	3,978	-	24	4,002
Total assets	152,053	-	610	152,663
Liabilities				
Third-party interests in consolidated funds	6,585	-	593	7,178
Trade, other payables and other liabilities	5,631	-	17	5,648
Total liabilities	142,166	-	610	142,776
Income statement				
Revenue				
Investment Return (non-banking)	2,947	-	54	3,001
Fee and commission income, and income from service activities	1,395	(222)	-	1,173
Total revenue	7,648	(222)	54	7,480
Expenses				
Finance costs	(38)	1	-	(37)
Fee and commission expenses, and other acquisition costs	(330)	4	-	(326)
Change in third-party interest in consolidated funds	(244)	-	(50)	(294)
Other operating and administrative expenses	(1,813)	162	(4)	(1,655)
Total expenses	(7,053)	167	(54)	(6,940)
Share of associated undertakings' and joint ventures' losses after tax	(11)	(5)	-	(16)
Profit on disposal of subsidiaries, associated undertakings and strategic investments	24	(14)	-	10
Profit before tax	608	(74)	-	534
Income tax expense	(183)	20	-	(163)
Profit from continuing operations after tax	425	(54)	-	371
Profit from discontinued operations after tax	-	54	-	54
Statement of cash flows				
Net cash inflow from operating activities - continuing operations	2,315	49	57	2,421
Net cash outflow from investing activities - continuing operations	(3,072)	1	76	(2,995)
Net cash outflow from financing activities - continuing operations	(77)	5	-	(72)
Net cash (outflow)/inflow - continuing operations	(834)	55	133	(646)
Net cash outflow - discontinued operations	-	(55)	-	(55)

A3: Critical accounting estimates and judgements

In the preparation of these condensed financial statements, the Group is required to make estimates and judgements that affect items reported in the consolidated income statement, statement of financial position, and other primary statements and related supporting notes.

Critical accounting estimates and judgements are those which involve the most complex or subjective judgements or assessments. Where applicable, the Group applies estimation and assumption setting techniques that are aligned with relevant actuarial and accounting guidance based on knowledge of the current situation and require assumptions and predictions of future events and actions. During the period, there have been no other significant changes to the areas of critical accounting estimates and judgements that the Group applied at 31 December 2016.

The key areas of the Group's business that typically require such estimates and the relevant accounting policies and notes are set out in the following notes of the 2016 Annual Report and Accounts:

Area	Policy note	More detail
Loans and advances	G1	G1
Insurance and investment contracts	G6	G6
Goodwill and other intangible assets	H1	H1
Consolidation	I1	I3
Tax	D1	D1/H7

B: Segment information

B1: Basis of segmentation

Segment presentation

The Group's reported segments are Emerging Markets, Nedbank, Old Mutual Wealth, Institutional Asset Management (IAM) and plc Head Office, (which includes the plc Parent Company and the other centre companies of the Group, which typically own and manage the Group's interests). All these businesses, except IAM, have been classified as continuing operations in the IFRS income statement for all reporting periods. In determining the Group's adjusted operating profit (AOP), all these businesses have been classified as core operations for all reporting periods.

During the period, the Group further sold down its stake in OM Asset Management plc (OMAM) from 51.7% to 20.1%. As a consequence, the Group no longer considered that it exercised control over the business. From 19 May 2017, OMAM was deconsolidated from the Group financial statements. Refer to note A2 for more information.

The IAM operating segment for the six months ended 30 June 2017 therefore includes the consolidated operating results of OMAM for the period from 1 January 2017 to 19 May 2017. During this period, IAM has been classified as a discontinued operation in the IFRS consolidated income statement. This is consistent with the classification at 31 December 2016 and with the requirements of IFRS, given the Group's stated strategic intentions to sell down IAM. Comparative profit and loss segment information for the six months ended 30 June 2016 has been similarly restated.

The Group's remaining investment in OMAM has been equity accounted as an associated undertaking from 19 May 2017 and the equity accounted earnings for the period from 19 May 2017 to 30 June 2017 are included in the IAM operating segment in the share of associated undertakings' and joint ventures' (losses)/profits after tax line. From 19 May 2017, IAM is no longer classified as a discontinued operation. At 30 June 2017, the equity accounted investment in OMAM has been classified as assets held for sale in the consolidated statement of financial position and is included within the plc Head Office operating segment in the statement of financial position – segment information.

The operating result of IAM for the six months ended 30 June 2016 and the year ended 31 December 2016 also includes Rogge Global Partners Limited up to the date of disposal on 31 May 2016.

Consistent with the Group's AOP policy as described in the basis of preparation of adjusted operating profit on pages 64 and 65, we will continue to recognise OMAM's operating result within the Group's AOP despite it being classified as a discontinued operation in the IFRS income statement and as held for sale in the statement of financial position. The long-term investment return on excess assets, previously shown within plc Head Office segment is now included in AOP of the Emerging Markets segment for all periods. This is consistent with where the excess assets are managed and will be managed in the future.

For all reporting periods, Old Mutual Bermuda is classified as a continuing operation in the IFRS income statement, but as non-core in determining the Group's AOP. For the six months ended 30 June 2017, following the repayment of the majority of outstanding notes, interest payable in respect of Bermuda loan notes issued to Old Mutual plc are also included within non-core operations and excluded from AOP as it is no longer considered material.

The Group's segmental results are analysed and reported on a basis consistent with the way that management and the Board of directors of Old Mutual plc assesses performance of the underlying businesses and allocates resources. Information is presented to the Board on a consolidated basis in pounds sterling (the presentation currency) and in the functional currency of each business.

Adjusted operating profit is one of the key measures reported to the Group's management and Board of directors for their consideration in the allocation of resources to, and the review of the performance of the segments. As appropriate to the business line, the Board reviews additional measures to assess the performance of each of the segments. These typically include sales, net client cash flows, funds under management, gross earned premiums, underwriting results, net interest income, non-interest revenue and credit losses.

Consistent with internal reporting, assets, liabilities, revenues and expenses that are not directly attributable to a particular segment are allocated between segments where appropriate and where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

The revenues generated in each reported segment can be seen in the analysis of profits and losses in note B3. The segmental information in notes B3 and B4, reflects the adjusted and IFRS measures of profit or loss and the assets and liabilities for each operating segment as provided to management and the Board of directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments.

The Group is primarily engaged in the following business activities from which it generates revenue: life assurance (premium income), asset management business (fee and commission income), banking (banking interest receivable and investment banking income) and property & casualty (premium income). Other revenue includes gains and losses on investment securities. An analysis of segment revenues and expenses and the Group's revenues and expenses is shown in note B3.

The principal lines of business from which each operating segment derives its revenues are as follows:

Core operations, continuing businesses:

- Emerging Markets – life assurance, property & casualty, asset management and banking
- Nedbank – banking, asset management and life assurance
- Old Mutual Wealth – life assurance and asset management

Core operations, discontinued businesses:

- Institutional Asset Management – asset management

Non-core operations, continuing businesses:

- Old Mutual Bermuda – life assurance

B2: Gross earned premiums and deposits to investment contracts

			£m
Six months ended 30 June 2017	**Emerging Markets**	**Old Mutual Wealth**	**Total**
Life assurance – insurance contracts	**792**	**74**	**866**
Life assurance – investment contracts with discretionary participation features	**842**	**-**	**842**
Property & casualty	**480**	**-**	**480**
Gross earned premiums	**2,114**	**74**	**2,188**

			£m
Six months ended 30 June 2016	Emerging Markets	Old Mutual Wealth	Total
Life assurance – insurance contracts	595	70	665
Life assurance – investment contracts with discretionary participation features	672	-	672
Property & casualty	366	-	366
Gross earned premiums	1,633	70	1,703

			£m
Year ended 31 December 2016	Emerging Markets	Old Mutual Wealth	Total
Life assurance – insurance contracts	1,393	142	1,535
Life assurance – investment contracts with discretionary participation features	1,525	-	1,525
Property & casualty	808	-	808
Gross earned premiums	3,726	142	3,868

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the six months ended 30 June 2017

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	2,114	-
Outward reinsurance		(196)	-
Net earned premiums		1,918	-
Investment return (non-banking)		1,698	-
Banking interest and similar income		123	2,240
Banking trading, investment and similar income		7	137
Fee and commission income, and income from service activities		356	552
Other income		51	19
Total revenue[3]		4,153	2,948
Expenses			
Claims and benefits (including change in insurance contract provisions)		(2,308)	-
Reinsurance recoveries		165	-
Net claims and benefits incurred		(2,143)	-
Change in investment contract liabilities		(630)	-
Credit impairment charges		(24)	(96)
Finance costs		(21)	-
Banking interest payable and similar expenses		(41)	(1,397)
Fee and commission expenses, and other acquisition costs		(202)	(8)
Change in third-party interest in consolidated funds		-	-
Other operating and administrative expenses		(687)	(912)
Income tax attributable to policyholder returns		(29)	-
Total expenses		(3,777)	(2,413)
Share of associated undertakings' and joint ventures' (losses)/profits after tax		(14)	(63)
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-
Adjusted operating profit before tax and non-controlling interests		362	472
Income tax expense	D1	(103)	(131)
Non-controlling interests		(11)	(166)
Adjusted operating profit after tax and non-controlling interests		248	175
Adjusting items after tax and non-controlling interests	C1(a)	(18)	1
Profit/(loss) after tax from continuing operations		230	176
Profit from discontinued operations after tax	I1	-	-
Profit after tax attributable to equity holders of the parent		230	176

1 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

2 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.

3 Included within total revenue prior to consolidation adjustments are the following amounts derived from inter-segment trading: Emerging Markets: £47 million (June 2016: £30 million; December 2016: £75 million); Nedbank: £7 million (June 2016: £4 million; December 2016: £9 million); Old Mutual Wealth: £1 million (June 2016: £1 million; December 2016: £2 million); Institutional Asset Management: £2 million (June 2016: £6 million; December 2016: £6 million); and non-core operations: £nil million (June 2016: £1 million; December 2016: £nil million).

4 Non-core operations for the six months ended 30 June 2017 comprises Old Mutual Bermuda.

5 Discontinued operations relate to the Institutional Asset Management (IAM) segment.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Consolidation adjustments[2]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[4]	Discontinued operations[5]	IFRS Income statement
74	-	-	-	2,188	-	-	-	2,188
(44)	-	-	-	(240)	-	-	-	(240)
30	-	-	-	1,948	-	-	-	1,948
2,354	6	6	766	4,830	42	(23)	(6)	4,843
-	-	-	-	2,363	-	-	-	2,363
-	-	-	-	144	-	-	-	144
567	207	-	(7)	1,675	(6)	-	(207)	1,462
5	-	-	(13)	62	-	-	-	62
2,956	213	6	746	11,022	36	(23)	(213)	10,822
(60)	-	-	-	(2,368)	-	51	-	(2,317)
52	-	-	-	217	-	-	-	217
(8)	-	-	-	(2,151)	-	51	-	(2,100)
(2,307)	-	-	-	(2,937)	-	-	-	(2,937)
-	-	-	-	(120)	-	-	-	(120)
-	(6)	(35)	-	(62)	(15)	-	6	(71)
-	-	-	-	(1,438)	-	-	-	(1,438)
(141)	(5)	-	(30)	(386)	10	-	5	(371)
-	-	-	(731)	(731)	-	-	-	(731)
(337)	(147)	(34)	15	(2,102)	(243)	3	176	(2,166)
(29)	-	-	-	(58)	58	-	-	-
(2,822)	(158)	(69)	(746)	(9,985)	(190)	54	187	(9,934)
-	9	-	-	(68)	(6)	-	(3)	(77)
-	-	-	-	-	129	-	-	129
134	64	(63)	-	969	(31)	31	(29)	940
(22)	(18)	8	-	(266)	(24)	-	6	(284)
-	(20)	-	-	(197)	49	-	-	(148)
112	26	(55)	-	506	(6)	31	(23)	508
(70)	(14)	95	-	(6)	6	-	-	-
42	12	40	-	500	-	31	(23)	508
-	-	-	-	-	-	-	23	23
42	12	40	-	500	-	31	-	531

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the six months ended 30 June 2016 (Restated)[1]

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	1,633	-
Outward reinsurance		(136)	-
Net earned premiums		1,497	-
Investment return (non-banking)		1,203	-
Banking interest and similar income		108	1,501
Banking trading, investment and similar income		4	96
Fee and commission income, and income from service activities		261	410
Other income		52	12
Total revenue		3,125	2,019
Expenses			
Claims and benefits (including change in insurance contract provisions)		(1,819)	-
Reinsurance recoveries		95	-
Net claims and benefits incurred		(1,724)	-
Change in investment contract liabilities		(386)	-
Credit impairment charges		(16)	(100)
Finance costs		(16)	-
Banking interest payable and similar expenses		(29)	(895)
Fee and commission expenses, and other acquisition costs		(136)	(4)
Change in third-party interest in consolidated funds		-	-
Other operating and administrative expenses		(533)	(655)
Income tax attributable to policyholder returns		(19)	-
Total expenses		(2,859)	(1,654)
Share of associated undertakings' and joint ventures' profits/(losses) after tax		4	(20)
Profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		270	345
Income tax expense	D1	(75)	(88)
Non-controlling interests		(6)	(123)
Adjusted operating profit/(loss) after tax and non-controlling interests		189	134
Adjusting items after tax and non-controlling interests	C1(a)	(25)	2
Profit/(loss) after tax from continuing operations		164	136
Loss from discontinued operations after tax	I1	-	-
Profit/(loss) after tax attributable to equity holders of the parent		164	136

1 The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation and the adjustment for the consolidation of investment funds. Refer to notes A2 and I1 for more information.

2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

3 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.

4 Non-core operations for the six months ended 30 June 2016 relate to Old Mutual Bermuda.

5 Discontinued operations primarily relate to the Institutional Asset Management (IAM) segment.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[2]	Consolidation adjustments[3]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[4]	Discontinued operations[5]	IFRS Income statement
70	-	-	-	1,703	-	-	-	1,703
(42)	-	-	-	(178)	-	-	-	(178)
28	-	-	-	1,525	-	-	-	1,525
1,499	-	23	309	3,034	(28)	(5)	-	3,001
-	-	-	-	1,609	-	-	-	1,609
-	-	-	-	100	-	-	-	100
526	222	-	(15)	1,404	(9)	-	(222)	1,173
7	1	-	(1)	71	-	1	-	72
2,060	223	23	293	7,743	(37)	(4)	(222)	7,480
(141)	-	-	-	(1,960)	-	-	-	(1,960)
112	-	-	2	209	-	-	-	209
(29)	-	-	2	(1,751)	-	-	-	(1,751)
(1,451)	-	-	-	(1,837)	-	-	-	(1,837)
-	-	-	-	(116)	-	-	-	(116)
-	(1)	(44)	-	(61)	23	-	1	(37)
-	-	-	-	(924)	-	-	-	(924)
(185)	(4)	-	(13)	(342)	12	-	4	(326)
-	-	-	(294)	(294)	-	-	-	(294)
(284)	(165)	(48)	12	(1,673)	(139)	(5)	162	(1,655)
(7)	-	-	-	(26)	26	-	-	-
(1,956)	(170)	(92)	(293)	(7,024)	(78)	(5)	167	(6,940)
-	5	-	-	(11)	-	-	(5)	(16)
-	-	-	-	-	24	-	(14)	10
104	58	(69)	-	708	(91)	(9)	(74)	534
(16)	(17)	15	-	(181)	(2)	-	20	(163)
-	(16)	-	-	(145)	4	-	-	(141)
88	25	(54)	-	382	(89)	(9)	(54)	230
(111)	14	31	-	(89)	89	-	-	-
(23)	39	(23)	-	293	-	(9)	(54)	230
-	-	-	-	-	-	-	54	54
(23)	39	(23)	-	293	-	(9)	-	284

B: Segment information continued

B3: Adjusted operating profit statement - segment information for the year ended 31 December 2016

	Notes	Emerging Markets	Nedbank
Revenue			
Gross earned premiums	B2	3,726	-
Outward reinsurance		(314)	-
Net earned premiums		3,412	-
Investment return (non-banking)		1,834	-
Banking interest and similar income		229	3,677
Banking trading, investment and similar income		14	241
Fee and commission income, and income from service activities		588	922
Other income		64	24
Total revenue		6,141	4,864
Expenses			
Claims and benefits (including change in insurance contract provisions)		(3,507)	-
Reinsurance recoveries		222	-
Net claims and benefits incurred		(3,285)	-
Change in investment contract liabilities		(545)	-
Credit impairment charges		(44)	(228)
Finance costs		(33)	-
Banking interest payable and similar expenses		(90)	(2,311)
Fee and commission expenses, and other acquisition costs		(350)	(8)
Change in third-party interest in consolidated funds		-	-
Other operating and administrative expenses		(1,115)	(1,512)
Income tax attributable to policyholder returns		(50)	-
Total expenses		(5,512)	(4,059)
Share of associated undertakings' and joint ventures' profits/(losses) after tax		10	(6)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests		639	799
Income tax expense	D1	(170)	(199)
Non-controlling interests		(17)	(288)
Adjusted operating profit/(loss) after tax and non-controlling interests		452	312
Adjusting items after tax and non-controlling interests	C1(a)	(93)	(30)
Profit/(loss) after tax from continuing operations		359	282
Profit from discontinued operations after tax	I1	-	-
Profit/(loss) after tax attributable to equity holders of the parent		359	282

1 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

2 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment transactions.

3 Non-core operations for the year ended 31 December 2016 relate to Old Mutual Bermuda.

4 Discontinued operations primarily relate to the Institutional Asset Management (IAM) segment.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Consolidation adjustments[2]	Adjusted operating profit	Adjusting items (note C1)	Non-core operations[3]	Discontinued operations[4]	IFRS Income statement
142	-	-	-	3,868	-	-	-	3,868
(84)	-	-	-	(398)	-	-	-	(398)
58	-	-	-	3,470	-	-	-	3,470
5,827	-	34	712	8,407	(69)	(13)	-	8,325
-	-	-	-	3,906	-	-	-	3,906
-	-	-	-	255	-	-	-	255
1,168	500	-	(25)	3,153	(17)	-	(500)	2,636
11	1	-	4	104	-	-	-	104
7,064	501	34	691	19,295	(86)	(13)	(500)	18,696
(199)	-	-	-	(3,706)	-	24	-	(3,682)
169	-	-	-	391	-	-	-	391
(30)	-	-	-	(3,315)	-	24	-	(3,291)
(5,671)	-	-	-	(6,216)	-	-	-	(6,216)
-	-	-	-	(272)	-	-	-	(272)
-	(6)	(88)	-	(127)	(7)	-	6	(128)
-	-	-	-	(2,401)	-	-	-	(2,401)
(392)	(9)	-	(19)	(778)	24	-	9	(745)
-	-	-	(691)	(691)	-	-	-	(691)
(617)	(356)	(118)	19	(3,699)	(407)	(16)	381	(3,741)
(94)	-	-	-	(144)	144	-	-	-
(6,804)	(371)	(206)	(691)	(17,643)	(246)	8	396	(17,485)
-	11	-	-	15	-	-	(11)	4
-	-	-	-	-	19	-	(18)	1
260	141	(172)	-	1,667	(313)	(5)	(133)	1,216
(47)	(36)	54	-	(398)	(106)	-	29	(475)
-	(36)	-	-	(341)	66	-	-	(275)
213	69	(118)	-	928	(353)	(5)	(104)	466
(217)	3	(16)	-	(353)	353	-	-	-
(4)	72	(134)	-	575	-	(5)	(104)	466
-	-	-	-	-	-	-	104	104
(4)	72	(134)	-	575	-	(5)	-	570

B: Segment information continued

B4: Statement of financial position – segment information at 30 June 2017

	Notes	Emerging Markets[1]	Nedbank
Assets			
Goodwill and other intangible assets	G1	386	605
Mandatory reserve deposits with central banks		7	1,152
Property, plant and equipment		330	509
Investment property		1,721	1
Deferred tax assets		49	9
Investments in associated undertakings and joint ventures		86	351
Deferred acquisition costs		167	-
Reinsurers' share of policyholder liabilities	F2	286	5
Loans and advances	F1	1,179	41,798
Investments and securities		34,331	9,187
Current tax receivable		22	9
Trade, other receivables and other assets		1,066	783
Derivative financial instruments		239	1,103
Cash and cash equivalents		1,514	1,137
Assets held for sale[4]	I2	160	35
Inter-segment funding - assets		-	-
Total assets		41,543	56,684
Liabilities			
Long-term business insurance policyholder liabilities	F2	9,175	150
Investment contract liabilities	F2	24,324	1,025
Property & casualty liabilities	F2	532	-
Third-party interests in consolidated funds		-	-
Borrowed funds	F3	611	3,293
Provisions and accruals		118	-
Deferred revenue		70	-
Deferred tax liabilities		214	57
Current tax payable		108	10
Trade, other payables and other liabilities		2,638	1,497
Amounts owed to bank depositors		605	44,910
Derivative financial instruments		311	766
Inter-segment funding - liabilities		-	-
Total liabilities		38,706	51,708
Net assets[1]		2,837	4,976
Equity			
Equity attributable to equity holders of the parent		2,635	2,519
Non-controlling interests		202	2,457
Ordinary shares		202	2,080
Preferred securities		-	377
Total equity		2,837	4,976

1 The net assets of Emerging Markets exclude £218 million (June 2016: £199 million; December 2016: £258 million) of investments held by policyholder funds in Group equity and debt instruments. These investments are in the Company's ordinary shares and in the subordinated liabilities and preferred securities issued by Nedbank.

2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

3 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment balances.

4 Assets held for sale at 30 June 2017 include the equity accounted investment in OM Asset Management plc. Refer to notes B1 and I2 for more information.

£m

Old Mutual Wealth	plc Head Office[2]	Non-core operation	Consolidation adjustments[3]	Total
1,439	-	-	-	2,430
-	-	-	-	1,159
21	-	-	-	860
-	-	-	-	1,722
11	-	1	-	70
3	-	-	-	440
582	-	-	-	749
3,085	-	-	-	3,376
200	-	-	(24)	43,153
54,718	85	89	9,550	107,960
24	-	1	-	56
740	147	3	311	3,050
2	43	3	57	1,447
1,089	876	29	530	5,175
3	242	-	-	440
-	788	21	(809)	-
61,917	2,181	147	9,615	172,087
436	-	33	-	9,794
57,256	-	-	-	82,605
-	-	-	-	532
-	-	-	10,787	10,787
1	1,027	-	(85)	4,847
35	4	-	-	157
221	-	-	-	291
190	9	-	-	470
36	6	-	-	160
1,066	219	5	(412)	5,013
-	-	-	(265)	45,250
-	13	-	399	1,489
788	21	-	(809)	-
60,029	1,299	38	9,615	161,395
1,888	882	109	-	10,692
1,888	882	109	-	8,033
-	-	-	-	2,659
-	-	-	-	2,282
-	-	-	-	377
1,888	882	109	-	10,692

B: Segment information continued

B4: Statement of financial position – segment information at 30 June 2016 (Restated)[1]

	Notes	Emerging Markets	Nedbank
Assets			
Goodwill and other intangible assets		468	466
Mandatory reserve deposits with central banks		6	860
Property, plant and equipment		292	457
Investment property		1,506	2
Deferred tax assets		38	17
Investments in associated undertakings and joint ventures		77	409
Deferred acquisition costs		101	-
Reinsurers' share of policyholder liabilities	F2	189	6
Loans and advances	F1	1,029	35,574
Investments and securities		29,870	7,557
Current tax receivable		34	64
Trade, other receivables and other assets		873	717
Derivative financial instruments		211	1,017
Cash and cash equivalents		1,275	1,141
Assets held for sale		17	-
Inter-segment funding - assets		-	-
Total assets		35,986	48,287
Liabilities			
Long-term business insurance policyholder liabilities	F2	8,610	182
Investment contract liabilities	F2	20,397	679
Property & casualty liabilities	F2	425	-
Third-party interests in consolidated funds		-	-
Borrowed funds	F3	505	2,658
Provisions and accruals		112	-
Deferred revenue		22	-
Deferred tax liabilities		174	77
Current tax payable		88	19
Trade, other payables and other liabilities		2,505	1,471
Amounts owed to bank depositors		550	38,057
Derivative financial instruments		263	1,005
Liabilities held for sale	I2	-	-
Inter-segment funding - liabilities		-	-
Total liabilities		33,651	44,148
Net assets		2,335	4,139
Equity			
Equity attributable to equity holders of the parent		2,119	2,095
Non-controlling interests		216	2,044
Ordinary shares		216	1,731
Preferred securities		-	313
Total equity		2,335	4,139

1 The comparative information for June 2016 has been restated to reflect the adjustment for the consolidation of investment funds. Refer to note A2 for more information.

2 The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

3 Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment balances.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[2]	Non-core operation	Consolidation adjustments[3]	Total
1,450	958	-	-	-	3,342
-	-	-	-	-	866
21	24	-	-	-	794
-	-	-	-	-	1,508
10	245	-	1	-	311
1	30	10	-	-	527
599	29	-	-	-	729
2,863	-	-	-	-	3,058
198	-	-	-	-	36,801
45,286	95	454	-	6,310	89,572
38	-	-	-	-	136
1,382	124	116	8	158	3,378
-	-	55	19	239	1,541
761	49	351	80	345	4,002
6,081	-	-	-	-	6,098
-	-	903	90	(993)	-
58,690	1,554	1,889	198	6,059	152,663
391	-	-	-	-	9,183
47,867	-	-	97	-	69,040
-	-	-	-	-	425
-	-	-	-	7,178	7,178
-	38	1,103	-	(73)	4,231
36	3	7	-	-	158
232	-	-	-	-	254
139	1	17	-	-	408
-	80	20	-	-	207
1,431	277	271	4	(311)	5,648
-	-	-	-	-	38,607
-	25	31	2	258	1,584
5,853	-	-	-	-	5,853
790	97	106	-	(993)	-
56,739	521	1,555	103	6,059	142,776
1,951	1,033	334	95	-	9,887
1,951	664	334	95	-	7,258
-	369	-	-	-	2,629
-	369	-	-	-	2,316
-	-	-	-	-	313
1,951	1,033	334	95	-	9,887

B: Segment information continued

B4: Statement of financial position – segment information at 31 December 2016

	Notes	Emerging Markets	Nedbank
Assets			
Goodwill and other intangible assets	G1	461	576
Mandatory reserve deposits with central banks		8	1,103
Property, plant and equipment		345	529
Investment property		1,696	1
Deferred tax assets		57	29
Investments in associated undertakings and joint ventures		143	388
Deferred acquisition costs		166	-
Reinsurers' share of policyholder liabilities	F2	246	6
Loans and advances	F1	1,210	41,703
Investments and securities		33,699	8,844
Current tax receivable		20	33
Trade, other receivables and other assets		843	966
Derivative financial instruments		228	1,040
Cash and cash equivalents		1,820	1,556
Assets held for sale		116	17
Inter-segment funding - assets		-	-
Total assets		41,058	56,791
Liabilities			
Long-term business insurance policyholder liabilities	F2	9,310	172
Investment contract liabilities	F2	23,614	905
Property & casualty liabilities	F2	482	-
Third-party interests in consolidated funds		-	-
Borrowed funds	F3	694	3,072
Provisions and accruals		118	-
Deferred revenue		68	1
Deferred tax liabilities		203	39
Current tax payable		100	13
Trade, other payables and other liabilities		2,860	2,081
Amounts owed to bank depositors		643	44,915
Derivative financial instruments		295	784
Liabilities held for sale	I2	1	-
Inter-segment funding - liabilities		-	-
Total liabilities		38,388	51,982
Net assets		2,670	4,809
Equity			
Equity attributable to equity holders of the parent		2,455	2,476
Non-controlling interests		215	2,333
Ordinary shares		215	1,992
Preferred securities		-	341
Total equity		2,670	4,809

[1] The plc Head Office segment includes the Old Mutual plc holding company and other centre companies.

[2] Consolidation adjustments comprise the consolidation of investment funds and eliminations of inter-segment balances.

£m

Old Mutual Wealth	Institutional Asset Management	plc Head Office[1]	Non-core operations	Consolidation adjustments[2]	Total
1,434	-	-	-	-	2,471
-	-	-	-	-	1,111
18	-	-	-	-	892
-	-	-	-	-	1,697
8	-	-	2	-	96
1	-	10	-	-	542
590	-	-	-	-	756
2,863	-	-	-	-	3,115
220	-	-	-	(25)	43,108
50,784	-	309	53	6,844	100,533
21	-	-	-	-	74
590	-	157	3	(143)	2,416
-	-	31	27	14	1,340
769	-	611	22	69	4,847
6,478	1,959	-	-	-	8,570
-	-	874	58	(932)	-
63,776	1,959	1,992	165	5,827	171,568
416	-	-	84	-	9,982
53,080	-	-	-	-	77,599
-	-	-	-	-	482
-	-	-	-	7,981	7,981
-	-	1,017	-	(89)	4,694
29	-	6	7	-	160
221	-	-	-	-	290
193	-	5	-	-	440
21	-	10	-	-	144
865	-	226	6	(926)	5,112
-	-	-	-	(249)	45,309
1	-	39	-	42	1,161
6,264	781	-	-	-	7,046
789	85	58	-	(932)	-
61,879	866	1,361	97	5,827	160,400
1,897	1,093	631	68	-	11,168
1,897	527	631	68	-	8,054
-	566	-	-	-	3,114
-	566	-	-	-	2,773
-	-	-	-	-	341
1,897	1,093	631	68	-	11,168

C: Other key performance information

C1: Operating profit adjusting items

(a) Summary of adjusting items for determination of adjusted operating profit (AOP)

In determining the AOP of the Group for core operations, certain adjustments are made to IFRS profit before tax to reflect the Directors' view of the underlying long-term performance of the Group. The following table shows an analysis of those adjustments from AOP to profit before and after tax.

£m

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
(Expense)/income				
Goodwill impairment and impact of acquisition accounting	C1(b)	**(130)**	(90)	(278)
Net profit on disposal of subsidiaries, associated undertakings and strategic investments	C1(c)	**129**	24	19
Short-term fluctuations in investment return	C1(d)	**37**	(23)	(26)
Investment return adjustment for Group equity and debt instruments held in life funds	C1(e)	**5**	(5)	(43)
Dividends declared to holders of perpetual preferred callable securities	C1(f)	**2**	9	17
Institutional Asset Management equity plans	C1(g)	**(33)**	2	(20)
Credit-related fair value (losses)/gains on Group debt instruments	C1(h)	**(17)**	14	(24)
Managed separation and business standalone costs	C1(i)	**(28)**	**-**	**-**
Income/(expenses) from resolution of plc Head Office pre-existing items	C1(j)	**5**	**-**	**-**
Old Mutual Wealth business transformation costs	C1(k)	**(59)**	(48)	(102)
Total adjusting items		**(89)**	(117)	(457)
Tax on adjusting items	D1(d)	**34**	24	38
Non-controlling interest on adjusting items		**49**	4	66
Total adjusting items after tax and non-controlling interests		**(6)**	(89)	(353)

(b) Goodwill impairment and impact of acquisition accounting

The application of acquisition accounting results in deferred acquisition costs and deferred revenue existing in the acquired entity at the point of acquisition that are not recognised under IFRS. These are reversed on acquisition in the consolidated statement of financial position and are replaced by goodwill and other intangible assets, including the value of the acquired present value of in-force business (acquired PVIF). In determining AOP, the Group recognises deferred revenue, acquisition costs and deferred revenue in relation to businesses sold by acquired businesses prior to the acquisition date. The Group excludes the impairment of goodwill, the impairment of investments in associated undertakings, the amortisation and impairment of acquired other intangible assets, acquired PVIF and the movements in certain acquisition date provisions from the determination of AOP. Costs incurred on completed acquisitions are also excluded from AOP.

Certain deferred consideration recognised as compensation expenses under accounting rules is excluded from the determination of AOP where these payments meet the criteria that suggest they are capital in nature.

The net effect of these adjustments to determine AOP are summarised below:

£m

Six months ended 30 June 2017	**Emerging Markets**	**Old Mutual Wealth**	**Nedbank**	**Institutional Asset Management**	**plc Head Office**	**Total**
Impairment of goodwill and other intangible assets	**(71)**	**-**	**-**	**-**	**-**	**(71)**
Amortisation of acquired PVIF	**(2)**	**(18)**	**-**	**-**	**-**	**(20)**
Amortisation of acquired deferred costs and revenue	**-**	**4**	**-**	**-**	**-**	**4**
Amortisation of other acquired intangible assets	**(11)**	**(19)**	**(1)**	**(2)**	**-**	**(33)**
Acquisition costs	**-**	**(10)**	**-**	**-**	**-**	**(10)**
	(84)	**(43)**	**(1)**	**(2)**	**-**	**(130)**

£m

Six months ended 30 June 2016	Emerging Markets	Old Mutual Wealth	Nedbank	Institutional Asset Management	plc Head Office	Total
Impairment of goodwill and other intangible assets	-	(44)	-	-	-	(44)
Amortisation of acquired PVIF	(2)	(19)	-	-	-	(21)
Amortisation of acquired deferred costs and revenue	-	3	-	-	-	3
Amortisation of other acquired intangible assets	(3)	(20)	-	-	-	(23)
Acquisition costs	-	(7)	-	-	-	(7)
Deferred consideration and other acquisition date provisions	2	-	-	-	-	2
	(3)	(87)	-	-	-	(90)

£m

Year ended 31 December 2016	Emerging Markets	Old Mutual Wealth	Nedbank	Institutional Asset Management	plc Head Office	Total
Impairment of goodwill and other intangible assets	(64)	(46)	-	-	-	(110)
Impairment of investment in associated undertakings	-	-	(50)	-	-	(50)
Amortisation of acquired PVIF	(4)	(45)	-	-	-	(49)
Amortisation of acquired deferred costs and revenue	-	8	-	-	-	8
Amortisation of other acquired intangible assets	(14)	(38)	-	(2)	-	(54)
Acquisition costs	-	(17)	-	(5)	-	(22)
Deferred consideration and other acquisition date provisions	6	-	-	-	(7)	(1)
	(76)	(138)	(50)	(7)	(7)	(278)

The impairment of goodwill and other intangible assets and impairment of investment in associated undertakings relate to:

Emerging Markets

The goodwill impairment of £71 million recognised in the period (June 2016: £nil million; December 2016: £64 million) relates to the Old Mutual East Africa cash generating unit (previously the Old Mutual Southern and East Africa (OMSEA)) cash generating unit. Refer to note G1 for more information.

Old Mutual Wealth

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy. During the year ended 31 December 2016, a goodwill impairment of £46 million (six months ended 30 June 2016: £44 million) was recognised being the excess of the net asset value of the business compared with the expected net proceeds. Refer to note A2 for further information.

Nedbank

For the year ended 31 December 2016 an impairment loss of £50 million was recognised in relation to Nedbank's investment in Ecobank Transnational Incorporated (ETI), an associated undertaking. No further impairment was recognised during the six months ended 30 June 2017.

(c) Net profit on disposal of subsidiaries, associated undertakings and strategic investments

The net profit on disposal of subsidiaries, associated undertakings and strategic investments is analysed below:

£m

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Emerging Markets		**-**	-	3
Nedbank		**-**	-	(12)
Old Mutual Wealth		**24**	-	-
plc Head Office		**105**	10	10
Net profit on disposal of subsidiaries, associated undertakings and strategic investments - continuing operations		**129**	10	1
Net profit on disposal of subsidiaries, associated undertakings and strategic investments - discontinued operations	I1	**-**	14	18
Net profit on disposal of subsidiaries, associated undertakings and strategic investments		**129**	24	19

Old Mutual Wealth

Current period transactions

On 9 January 2017, the Group completed the disposal of Old Mutual Wealth Italy, part of the Old Mutual Wealth business for cash consideration of £210 million, net of costs. The profit on disposal was £24 million, comprising a gain of £5 million relating to the unwind of a forward currency contract used to hedge the value of the proceeds to be received and a gain £19 million from the recycling of foreign currency reserves. During 2016, an impairment of £46 million was recognised in relation to the carrying value of the Old Mutual Wealth Italy business in anticipation of the subsequent sale.

C: Other key performance information continued

C1: Operating profit adjusting items continued

(c) Net profit on disposal of subsidiaries, associated undertakings and strategic investments continued

Plc Head Office

Current period transactions

During May and June 2017, the Group sold 36.3 million ordinary shares in Old Mutual Asset Management plc (OMAM) through a number of separate transactions. As a consequence, the Group's effective interest in OMAM's equity decreased from 51.7% to 20.1%.

The total cash proceeds from these transactions, after underwriting and other transaction costs, were $531 million (£412 million). A profit on disposal of £108 million was realised as a result of the transactions in OMAM shares, comprising:

- a loss of £134 million related to:
  - net proceeds of £412 million received less 51.7% of OMAM net asset value (£512 million);
  - foreign currency translation reserve gains of £151 million; and
  - net investment hedge and other reserve losses of £185 million.
- a profit of £242 million was recognised on the fair value of the remaining 20.1% stake that is now equity accounted as an associated undertaking.

On 31 May 2016, the Group completed the sale of its interest in Rogge Global Partners Limited (Rogge), a fixed income asset manager, to Allianz Global Investors GmbH. The sales proceeds received are subject to adjustment as amounts could either be clawed back or future amounts become payable based on Rogge's future performance. As highlighted below, the sale of Rogge was previously recognised in the Institutional Asset Management (IAM) segment. However, following the sell down of the Group's interest in OMAM, adjustments to profit on Rogge as a result of various claw back arrangements will be recognised in the plc Head Office segment.

Prior year transaction

During the year ended 31 December 2016, plc Head Office received £10 million from Skandia Liv in respect of various matters relating to the completion of the separation of the Skandia Nordic business from the Group.

Institutional Asset Management

Prior period transactions

On 31 May 2016, the Group completed the sale of its interest in Rogge Global Partners Limited (Rogge), a fixed income asset manager, to Allianz Global Investors GmbH. The sales proceeds received are subject to adjustment as amounts could either be clawed back or future amounts become payable based on Rogge's future performance. For the year ended 31 December 2016, profit on disposal of £10 million (six months ended 30 June 2016: £12 million) was recognised reflecting the directors' assessment of the likely final amount recoverable.

During the year ended 31 December 2016, Institutional Asset Management received additional income of £8 million (six months ended 30 June 2016: £2 million) from earn-outs on affiliates disposed in prior periods.

Emerging Markets

Prior year transactions

During the year ended 31 December 2016, Emerging Markets reduced or disposed of its holdings in a number of associated undertakings resulting in a net profit on disposal of £3 million.

Nedbank

Prior year transaction

On 3 October 2016, Nedbank acquired an additional 10.9% stake in Banco Unico. The accounting related to the step up in ownership from 38.3% to 50% plus one share is such that it effectively requires a simultaneous sale of 38.3% followed by an acquisition of the fair value of 50% plus one share of the business. Consequently a loss of £11 million, comprising of a loss on step up acquisition of the associate and a release of foreign currency translation reserves, was realised on the transaction.

In addition, a loss of £1 million was recognised on conversion of preference shares to ordinary shares by ETI. Consistent with usual Group practice, these losses were recognised in profit or loss but excluded from the determination of AOP.

(d) Short-term fluctuations in investment return

Profit before tax, as disclosed in the consolidated IFRS income statement, includes actual investment returns earned on the shareholder assets of the Group's life assurance and property & casualty businesses. AOP is stated after recalculating shareholder asset investment returns based on a long-term investment return rate. The difference between the actual and the long-term investment returns is referred to as the short-term fluctuation in investment return.

Long-term rates of investment return are based on achieved rates of return appropriate to the underlying asset base, adjusted for current inflation expectations, default assumptions, costs of investment management and consensus economic investment forecasts. The underlying rates are principally derived with reference to 10-year government bond rates, cash and money market rates and an explicit equity risk premium for South African businesses. The rates set out below reflect the apportionment of underlying investments in cash deposits, money market instruments and equity assets. Long-term rates of return are reviewed annually by the Board. The Board's review of the long-term rates of return seeks to ensure that the returns credited to AOP are consistent with the actual returns expected to be earned over the long-term.

For Emerging Markets, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For Old Mutual Wealth, the return is applied to average investible assets.

			%
Long-term investment rates	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Emerging Markets			
Old Mutual Insure[1] (June 2017: Cash: 90%; Equities: 10%) (June 2016: Cash: 90%; Equities: 10%; December 2016: Cash: 90%; Equities: 10%)	**7.4**	7.4	7.4
Old Mutual South Africa - (June 2017: Cash: 75%; Equities: 25%) (June 2016: Cash: 75%; Equities: 25%; December 2016: Cash: 75%; Equities: 25%)	**8.0**	8.0	8.0
Rest of Africa - (June 2017: Cash: 57%; Equities: 43%) (June 2016: Cash: 57%; Equities: 43%; December 2016: Cash: 57%; Equities: 43%)	**8.5**	8.5	8.5
Old Mutual Wealth - (June 2017: Cash: 94%; Equities: 6%) (June 2016: Cash: 80%; Equities: 20%; December 2016: Cash: 80%; Equities: 20%)	**1.0**	1.0	1.0

[1] The long-term investment rate for Old Mutual Insure relates solely to its South African property & casualty businesses.

Analysis of short-term fluctuations in investment return

			£m
Six months ended 30 June 2017	**Emerging Markets**	**Old Mutual Wealth**	**Total**
Actual shareholder investment return	**119**	**3**	**122**
Less: Long-term investment return	**82**	**3**	**85**
Short-term fluctuations in investment return	**37**	**-**	**37**

			£m
Six months ended 30 June 2016	Emerging Markets (Restated)[1]	Old Mutual Wealth	Total
Actual shareholder investment return	39	10	49
Less: Long-term investment return	69	3	72
Short-term fluctuations in investment return	(30)	7	(23)

			£m
Year ended 31 December 2016	Emerging Markets (Restated)[1]	Old Mutual Wealth	Total
Actual shareholder investment return	120	7	127
Less: Long-term investment return	147	6	153
Short-term fluctuations in investment return	(27)	1	(26)

[1] Long-term investment return on excess assets (June 2016: £10 million; December 2016: £20 million), previously shown within the AOP of plc Head Office is now included in AOP of Emerging Markets for all periods. As a result the related actual shareholder investment return (June 2016: £5 million; December 2016: £9 million) and short-term fluctuations in investment return (June 2016: £(5) million; December 2016: £(11) million) on these excess assets, previously show within the AOP adjusting items of plc Head Office, are now included in the AOP adjusting items of Emerging Markets for all reporting periods.

C: Other key performance information continued

C1: Operating profit adjusting items continued

(e) Investment return adjustment for Group equity and debt instruments held in policyholder funds

AOP includes investment returns on policyholder investments in Group equity and debt instruments held by the Group's life funds. These include investments in the Company's ordinary shares and the subordinated liabilities and ordinary shares issued by the Group. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are included in AOP. This ensures consistency of treatment with the measures of the related policyholder liability. During the six months ended 30 June 2017, the investment return adjustment decreased AOP by £5 million (six months ended 30 June 2016: £5 million increase; year ended 31 December 2016: £43 million increase).

(f) Dividends declared to holders of perpetual preferred callable securities

Dividends declared to the holders of the Group's perpetual preferred callable securities on an AOP basis were £2 million for the six months ended 30 June 2017 (six months ended 30 June 2016: £9 million; year ended 31 December 2016: £17 million). For the purpose of determining AOP, these are recognised in finance costs on an accrual basis. In accordance with IFRS, the total cash distribution is recognised directly in equity.

(g) Institutional Asset Management equity plans

Institutional Asset Management has a number of long-term incentive arrangements with senior employees in its asset management affiliates. As part of the incentive schemes in the Institutional Asset Management business, the Group has granted put options over the equity of certain affiliates to senior affiliate employees. The impact of revaluing these instruments in accordance with IFRS, is excluded from AOP. This adjustment also includes the service component of the contingent consideration and employee equity related to the Landmark acquisition.

At 30 June 2017, the impact of these adjustments was a loss of £33 million (six months ended 30 June 2016: gain of £2 million; year ended 31 December 2016: loss of £20 million).

(h) Credit-related fair value losses on Group debt instruments

The widening of the credit spread on the Group's debt instruments can cause the market value of these instruments to decrease, resulting in gains being recognised in profit or loss. Conversely, if the credit spread narrows the market value of debt instruments will increase causing losses to be recognised in the consolidated income statement. In the directors' view, such movements are not reflective of the underlying performance of the Group and will reverse over time. Therefore they have been excluded from AOP. For the six months ended 30 June 2017, due to narrowing of credit spreads, a net loss of £17 million was recognised (six months ended 30 June 2016: net gain of £14 million; year ended 31 December 2016: net loss of £24 million).

(i) Managed separation and business standalone costs

For the six months ended 30 June 2017, one-off costs related to the implementation of managed separation recognised in the IFRS income statement have been excluded from AOP on the basis that they are not representative of the operating activity of the Group. These costs relate to the wind-down of the Old Mutual plc Head Office, capacitation of the businesses in readiness to operate as standalone businesses and the execution of various transactions required to implement the managed separation strategy. They are not expected to persist in the long term as they relate to a fundamental restructuring of the Group, which is not operational in nature, rather than more routine restructuring activity which would be seen as part of the usual course of business. The treatment and the disclosure of these costs as an adjusting item are also intended to make these costs more visible to the readers of the financial statements in the context of publicly disclosed estimates previously given in relation to these items.

The table below summarises the managed separation and business standalone costs incurred for the six months ended 30 June 2017:

	£m
	Six months ended 30 June 2017
Plc wind-down costs	**(5)**
Business standalone costs	**(14)**
Transaction advisory costs	**(9)**
Total managed separation and business standalone costs	**(28)**

AOP in the prior periods has not been restated for managed separation and business standalone costs. The table below summarises the costs incurred in the comparative periods which were included in AOP:

	£m	
	Six months ended 30 June 2016	Year ended 31 December 2016
Plc wind-down costs	(1)	(8)
Business standalone costs	(2)	(5)
Transaction advisory costs	(2)	(18)
Total managed separation and business standalone costs	(5)	(31)

(j) Income/(expense) from resolution of plc Head Office pre-existing items

For the six months ended 30 June 2017, income/(expense) from resolution of plc Head Office pre-existing items recognised in the IFRS income statement have been excluded from the calculation of AOP. These items relate to the crystallisation of plc Head Office pre-existing matters and the related income and costs are deemed not to be reflective of the underlying operating activity of the Group.

The table below summarises the income/(expense) from resolution of plc Head Office pre-existing items for the six months ended 30 June 2017:

	£m
	Six months ended 30 June 2017
Pension fund	**5**
Income/(expense) from resolution of plc Head Office pre-existing items	**5**

No amounts related to income/(expense) from resolution of plc Head Office pre-existing items were recorded in the comparative periods.

Income/(expense) from resolution of plc Head Office pre-existing items for the six months ended 30 June 2017 include a gain of £6 million on actions taken to prepare the legacy Old Mutual plc pension schemes for the bulk purchase transaction that took place on 13 June 2017. Costs of £1 million related to preparing the legacy Old Mutual plc pension schemes for buy-in has also been recognised in profit or loss. Buy in costs of £27 million and pension fund surplus write off of £20 million were recognised directly in equity. Refer to note A2 for more information.

(k) Old Mutual Wealth restructuring expenditure

In 2013, Old Mutual Wealth UK business embarked on a significant programme to develop new platform capabilities and to outsource UK business administration. This involved replacing many aspects of the existing UK platform, and on completion the outsourcing of associated business processing under a long-term outsourcing agreement. Contracts related to the UK Platform Transformation with IFDS and DST were ended by mutual agreement effective as of 2 May 2017. At the same time, Old Mutual Wealth announced a contract with FNZ to complete the delivery the UK Platform Transformation Programme.

Under IFRS rules, these costs and the costs of decommissioning existing technology and migrating of services to FNZ are included in IFRS profit. However, long-term costs that are directly attributable to the programme are excluded from AOP on the basis that this significant near term investment relates to a fundamental reorganisation of the business and is not reflective of the underlying costs of the business.

For the six months ended 30 June 2017, platform transformation costs totalled £59 million (six months ended 30 June 2016: £48 million; year ended 31 December 2016: £102 million).

C2: Earnings and earnings per share

					Pence
	Source of guidance	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Basic earnings per share	IFRS	C2(a)	**11.0**	5.7	11.9
Diluted basic earnings per share	IFRS	C2(b)	**10.8**	5.6	11.6
Adjusted operating earnings per share	Group policy	C2(c)	**10.6**	8.0	19.4
Headline earnings per share	JSE Listing Requirements	C2(d)	**9.0**	6.2	14.0
Diluted headline earnings per share	JSE Listing Requirements	C2(d)	**8.8**	6.0	13.6

C: Other key performance information continued

C2: Earnings and earnings per share continued

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the year excluding own shares held in policyholder funds, Employee Share Ownership Plan Trusts (ESOP), Black Economic Empowerment trusts and other consolidated related undertakings.

The table below reconciles the profit attributable to equity holders of the parent to profit attributable to ordinary equity holders:

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
				£m
Profit for the financial period attributable to equity holders of the parent from continuing operations		**519**	246	498
Profit for the financial period attributable to equity holders of the parent from discontinued operations	I1	**12**	38	72
Profit for the financial period attributable to equity holders of the parent		**531**	284	570
Dividends paid to holders of perpetual preferred callable securities, net of tax credits		**(15)**	(16)	(14)
Profit attributable to ordinary equity holders		**516**	268	556

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

Total dividends paid to holders of perpetual preferred callable securities of £15 million for the six months ended 30 June 2017 (six months ended 30 June 2016: £16 million; year ended 31 December 2016: £14 million) are stated net of tax credits of £nil million (six months ended 30 June 2016: £1 million; year ended 31 December 2016: £3 million).

The table below summarises the calculation of the weighted average number of ordinary shares for the purposes of calculating basic earnings per share:

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
			Millions
Weighted average number of ordinary shares in issue	**4,930**	4,929	4,929
Shares held in charitable foundations and trusts	**(21)**	(21)	(21)
Shares held in ESOP and similar trusts	**(138)**	(135)	(135)
Adjusted weighted average number of ordinary shares	**4,771**	4,773	4,773
Shares held in life funds	**(80)**	(80)	(80)
Shares held in Black Economic Empowerment trusts	**(4)**	(7)	(7)
Weighted average number of ordinary shares used to calculate basic earnings per share	**4,687**	4,686	4,686
Basic earnings per ordinary share (pence)	**11.0**	5.7	11.9

(b) Diluted basic earnings per share

Diluted basic EPS recognises the dilutive impact of shares and options held in ESOP and similar trusts and Black Economic Empowerment trusts, to the extent they have value, in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full period.

The table below reconciles the profit attributable to ordinary equity holders to diluted profit attributable to ordinary equity holders and summarises the calculation of weighted average number of shares for the purpose of calculating diluted basic earnings per share:

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Profit attributable to ordinary equity holders (£m)		**516**	268	556
Dilution effect on profit relating to share options issued by subsidiaries (£m)		**(3)**	(2)	(7)
Diluted profit attributable to ordinary equity holders of the parent (£m)		**513**	266	549
Weighted average number of ordinary shares (millions)	C2(a)	**4,687**	4,686	4,686
Adjustments for share options held by ESOP and similar trusts (millions)		**78**	68	59
Adjustments for shares held in Black Economic Empowerment trusts (millions)		**3**	7	7
Weighted average number of ordinary shares used to calculate diluted basic earnings per share (millions)		**4,768**	4,761	4,752
Diluted basic earnings per ordinary share (pence)		**10.8**	5.6	11.6

(c) Adjusted operating earnings per share

The following table presents a reconciliation of profit for the financial period to adjusted operating profit after tax attributable to ordinary equity holders and summarises the calculation of adjusted operating earnings per share:

	Notes	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Profit for the financial period attributable to equity holders of the parent		**531**	284	570
Adjusting items	C1(a)	**89**	117	457
Tax on adjusting items		**(34)**	(24)	(38)
Non-core operations	B3	**(31)**	9	5
Non-controlling interest on adjusting items		**(49)**	(4)	(66)
Adjusted operating profit after tax attributable to ordinary equity holders (£m)		**506**	382	928
Adjusted weighted average number of ordinary shares used to calculate adjusted operating earnings per share (millions)	C2(a)	**4,771**	4,773	4,773
Adjusted operating earnings per share (pence)		**10.6**	8.0	19.4

(d) Headline earnings per share

The Group is required to calculate headline earnings per share (HEPS) in accordance with the JSE Limited (JSE) Listing Requirements, determined by reference to the South African Institute of Chartered Accountants' circular 02/2015 'Headline Earnings'. The table below sets out a reconciliation of basic EPS and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of IFRS, but it is a commonly used measure of earnings in South Africa. The table below reconciles the profit for the financial year attributable to equity holders of the parent to headline earnings and summarises the calculation of basic HEPS:

		Six months ended 30 June 2017		Six months ended 30 June 2016		Year ended 31 December 2016	
	Notes	**Gross**	**Net of tax and non-controlling interests**	Gross	Net of tax and non-controlling interests	Gross	Net of tax and non-controlling interests
Profit for the financial period attributable to equity holders of the parent			**531**		284		570
Dividends paid to holders of perpetual preferred callable securities			**(15)**		(16)		(14)
Profit attributable to ordinary equity holders			**516**		268		556
Adjustments:							
Impairments of goodwill and other intangible assets (IAS36)		**71**	**43**	44	44	113	89
Impairment of investment in associated undertakings (IAS28)		**-**	**-**	-	-	50	28
Loss on disposal of property and equipment (IAS16)		**1**	**1**	-	-	2	1
Profit on disposal of subsidiaries, associated undertakings and strategic investments (including amounts recycled from the foreign currency translation reserve) (IFRS3)		**(129)**	**(139)**	(24)	(23)	(19)	(20)
Other adjustments		**1**	**1**	-	-	1	1
Headline earnings		**(56)**	**422**	20	289	147	655
Dilution effect on earnings relating to share options issued by subsidiaries			**(3)**		(2)		(7)
Diluted headline earnings (£m)			**419**		287		648
Weighted average number of ordinary shares (millions)	C2(a)		**4,687**		4,686		4,686
Diluted weighted average number of ordinary shares (millions)	C2(b)		**4,768**		4,761		4,752
Headline earnings per share (pence)			**9.0**		6.2		14.0
Diluted headline earnings per share (pence)			**8.8**		6.0		13.6

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

C: Other key performance information continued

C3: Dividends

£m

	Ordinary dividend payment date	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
2015 Second interim dividend paid – 6.25p per 11 3/7p ordinary share	26 April 2016	**-**	299	299
2016 Interim dividend paid – 2.67p per 11 3/7p ordinary share	28 October 2016	**-**	-	127
2016 Second interim dividend paid – 3.39p per 11 3/7p ordinary share	28 April 2017	**161**	-	-
Dividends to ordinary equity holders		**161**	299	426
Dividends paid to holders of perpetual preferred callable securities		**15**	17	17
Dividend payments for the period		**176**	316	443

Final and interim dividends paid to ordinary equity holders are calculated using the number of shares in issue at the record date less own shares held in ESOP and similar trusts, life funds of Group entities, Black Economic Empowerment trusts and related undertakings.

As a consequence of the exchange control arrangements in place in certain African territories, dividends paid to ordinary equity holders on the branch registers of those countries (or, in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

An interim dividend of 3.53 pence (or its equivalent in other applicable currencies) per ordinary share in the Company has been recommended by the directors in relation to the six months ended 30 June 2017. The interim dividend will be paid on 31 October 2017 to shareholders on the registers at the close of business on 22 September 2017. The Company is not offering a scrip dividend alternative.

On 3 February 2017, all of the Group's outstanding perpetual preferred callable securities were redeemed. At this date a final dividend payment of £15 million was made to the holders of the securities.

D: Other income statement notes

D1: Income tax expense

(a) Analysis of total income tax expense

The total income tax expense for the year comprises:

£m

	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Current tax			
United Kingdom	**28**	11	56
Overseas tax			
- South Africa	**173**	182	401
- Rest of Africa	**17**	4	28
- Europe	**2**	5	15
- Rest of the world	**-**	4	10
Withholding taxes	**4**	4	9
Adjustments to current tax in respect of prior years	**4**	1	(20)
Total current tax	**228**	211	499
Deferred tax			
Origination and reversal of temporary differences	**58**	(48)	(43)
Effect on deferred tax of changes in tax rates	**(2)**	(1)	21
Adjustments to deferred tax in respect of prior years	**-**	1	(2)
Total deferred tax	**56**	(48)	(24)
Total income tax expense	**284**	163	475

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

(b) Reconciliation of total income tax expense

The income tax expense charged to profit or loss differs from the income tax expense that would apply if all of the Group's profits from the different tax jurisdictions had been taxed at the UK standard corporation tax rate. The difference in the effective rate is explained below:

£m

	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Profit before tax	**940**	534	1,216
Tax at UK standard rate of 19.25% (2016: 20.00%)	**181**	107	243
Different tax rate or basis on overseas operations	**47**	43	105
Untaxed and low taxed income	**(50)**	(48)	(121)
Disallowable expenses	**50**	32	103
Adjustments to current tax in respect of prior years	**5**	1	(20)
Net movement on deferred tax assets not recognised	**1**	7	30
Effect on deferred tax of changes in tax rates	**(1)**	(1)	21
Adjustments to deferred tax in respect of prior years	**-**	1	(2)
Withholding taxes	**4**	-	2
Income tax attributable to policyholder returns	**47**	21	115
Total income tax expense	**284**	163	475

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

(c) Income tax relating to components of other comprehensive income

The total income tax expense relating to items recognised in other comprehensive income for the year comprises of the following:

£m

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Measurement gains on defined benefit plans	**3**	-	(8)
Income tax on items that will not be reclassified subsequently to profit or loss	**3**	-	(8)
Available-for-sale reserves	**-**	-	(2)
Share-based payments	**-**	(6)	(6)
Income tax on items that may be reclassified subsequently to profit or loss	**-**	(6)	(8)
Income tax expense relating to components of other comprehensive income	**3**	(6)	(16)

(d) Reconciliation of income tax expense in the IFRS income statement to income tax on adjusted operating profit

£m

	Six months ended 30 June 2017	Six months ended 30 June 2016 (Restated)[1]	Year ended 31 December 2016
Income tax expense - continuing operation	**284**	163	475
Income tax expense - discontinued operation	**6**	20	29
Tax on adjusting items			
Goodwill impairment and impact of acquisition accounting	**10**	7	19
Net profit on disposal of subsidiaries, associates and strategic investments	**-**	(1)	(3)
Short-term fluctuations in investment return	**(1)**	11	-
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	**-**	(1)	(3)
Institutional Asset Management equity plans	**12**	(1)	6
Managed separations and business standalone costs	**2**	**-**	**-**
Old Mutual Wealth business transformation costs	**11**	9	19
Total tax on adjusting items	**34**	24	38
Income tax attributable to policyholders returns	**(58)**	(26)	(144)
Income tax on adjusted operating profit	**266**	181	398

[1] The six months ended 30 June 2016 has been restated to reflect Institutional Asset Management as a discontinued operation. Refer to note I1 for more information.

E: Financial assets and liabilities

E1: Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. Assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

All gains and losses on measuring the financial assets and liabilities at each reporting date are included in the determination of profit or loss, with the exception of unrealised gains or losses on financial assets classified as available-for-sale, which are recognised in other comprehensive income.

At 30 June 2017 **£m**

Measurement basis		Fair value (note E3)			Amortised cost			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	1,159	-	-	-	-	1,159	-	-
Investments in associated undertakings and joint ventures[1]	440	-	158	-	-	-	-	282
Reinsurers' share of policyholder liabilities[2]	3,376	-	2,759	-	-	6	-	611
Loans and advances	43,153	1,203	3,897	-	-	38,040	-	13
Investments and securities	107,960	3,278	100,223	1,111	3,348	-	-	-
Trade, other receivables and other assets	3,050	224	-	-	-	1,944	-	882
Derivative financial instruments	1,447	1,447	-	-	-	-	-	-
Cash and cash equivalents	5,175	-	-	-	-	5,175	-	-
Total assets that include financial instruments	165,760	6,152	107,037	1,111	3,348	46,324	-	1,788
Total other non-financial assets	6,327	-	-	-	-	-	-	6,327
Total assets	172,087	6,152	107,037	1,111	3,348	46,324	-	8,115
Liabilities								
Long-term business insurance policyholder liabilities	9,794	-	-	-	-	-	-	9,794
Investment contract liabilities[2]	82,605	-	72,068	-	-	-	-	10,537
Third-party interest in consolidation of funds	10,787	-	10,787	-	-	-	-	-
Borrowed funds	4,847	-	947	-	-	-	3,900	-
Trade, other payables and other liabilities	5,013	686	601	-	-	-	2,271	1,455
Amounts owed to bank depositors	45,250	417	3,635	-	-	-	41,198	-
Derivative financial instruments	1,489	1,489	-	-	-	-	-	-
Total liabilities that include financial instruments	159,785	2,592	88,038	-	-	-	47,369	21,786
Total other non-financial liabilities	1,610	-	-	-	-	-	-	1,610
Total liabilities	161,395	2,592	88,038	-	-	-	47,369	23,396

1 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

2 Reinsurers' share of policyholder liabilities categorised as Designated at Fair value through Profit or Loss of £2,759 million (June 2016: £2,596 million; December 2016: £2,560 million) relate to investment contracts of Old Mutual Wealth where management of assets are ceded to third parties through a reinsurance arrangements. Due to the nature of these arrangements, there is no transfer of insurance risk.

At 30 June 2016 (Restated)[1] £m

Measurement basis		Fair value (note E3)			Amortised cost			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	866	-	-	-	-	866	-	-
Investments in associated undertakings and joint ventures[2]	527	-	74	-	-	-	-	453
Reinsurers' share of policyholder liabilities	3,058	-	2,596	-	-	6	-	456
Loans and advances	36,801	1,300	3,242	2	-	32,257	-	-
Investments and securities	89,572	1,241	84,661	791	2,879	-	-	-
Trade, other receivables and other assets	3,378	282	-	-	-	1,701	-	1,395
Derivative financial instruments	1,541	1,541	-	-	-	-	-	-
Cash and cash equivalents	4,002	-	-	-	-	4,002	-	-
Total assets that include financial instruments	139,745	4,364	90,573	793	2,879	38,832	-	2,304
Total other non-financial assets	12,918	-	-	-	-	-	-	12,918
Total assets	152,663	4,364	90,573	793	2,879	38,832	-	15,222
Liabilities								
Long-term business insurance policyholder liabilities	9,183	-	-	-	-	-	-	9,183
Investment contract liabilities	69,040	-	60,364	-	-	-	-	8,676
Third-party interest in consolidation of funds	7,178	-	7,178	-	-	-	-	-
Borrowed funds	4,231	-	868	-	-	-	3,363	-
Trade, other payables and other liabilities	5,648	823	667	-	-	-	2,237	1,921
Amounts owed to bank depositors	38,607	5,385	2,796	-	-	-	30,426	-
Derivative financial instruments	1,584	1,584	-	-	-	-	-	-
Total liabilities that include financial instruments	135,471	7,792	71,873	-	-	-	36,026	19,780
Total other non-financial liabilities	7,305	-	-	-	-	-	-	7,305
Total liabilities	142,776	7,792	71,873	-	-	-	36,026	27,085

1 Comparative information for June 2016 has been restated to reflect the adjustment for the consolidation of investment funds (refer to note A2 for more information). In addition, loans and advances of £484 million and £240 million previously shown as held-for-trading and designated at fair value through profit or loss respectively have been reclassified as loans and receivables. Amounts owed to bank depositors of £504 million, previously shown as designated at fair value through profit or loss have been reclassified as financial liabilities at amortised cost.

2 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

E: Financial assets and liabilities continued

E1: Categories of financial instruments continued

At 31 December 2016 (Restated)[1] £m

Measurement basis		Fair value (note E3)			Amortised cost			
	Total	Held-for-trading	Designated	Available-for-sale financial assets	Held-to-maturity investments	Loans and receivables	Financial liabilities amortised cost	Non-financial assets and liabilities
Assets								
Mandatory reserve deposits with central banks	1,111	-	-	-	-	1,111	-	-
Investments in associated undertakings and joint ventures[2]	542	-	139	-	-	-	-	403
Reinsurers' share of policyholder liabilities	3,115	-	2,560	-	-	7	-	548
Loans and advances	43,108	1,264	3,606	2	-	38,225	-	11
Investments and securities	100,533	3,229	93,069	957	3,278	-	-	-
Trade, other receivables and other assets	2,416	268	-	-	-	1,429	-	719
Derivative financial instruments	1,340	1,340	-	-	-	-	-	-
Cash and cash equivalents	4,847	-	-	-	-	4,847	-	-
Total assets that include financial instruments	157,012	6,101	99,374	959	3,278	45,619	-	1,681
Total other non-financial assets	14,556	-	-	-	-	-	-	14,556
Total assets	171,568	6,101	99,374	959	3,278	45,619	-	16,237
Liabilities								
Long-term business policyholder liabilities	9,982	-	-	-	-	-	-	9,982
Investment contract liabilities	77,599	-	67,515	-	-	-	-	10,084
Third-party interest in consolidation of funds	7,981	-	7,981	-	-	-	-	-
Borrowed funds	4,694	-	935	-	-	-	3,759	-
Trade, other payables and other liabilities	5,112	1,293	620	-	-	-	2,049	1,150
Amounts owed to bank depositors	45,309	446	3,240	-	-	-	41,623	-
Derivative financial instruments	1,161	1,161	-	-	-	-	-	-
Total liabilities that include financial instruments	151,838	2,900	80,291	-	-	-	47,431	21,216
Total other non-financial liabilities	8,562	-	-	-	-	-	-	8,562
Total liabilities	160,400	2,900	80,291	-	-	-	47,431	29,778

1 Loans and advances of £801 million and £183 million previously shown as held-for-trading and designated at fair value through profit or loss respectively have been reclassified as loans and receivables. In addition, amounts owed to depositors of £550 million previously shown as designated at fair value through profit or loss have been reclassified as financial liabilities at amortised cost.

2 Investments in associated undertakings and joint ventures classified as non-financial assets and liabilities are equity accounted.

E2: Fair values of financial assets and liabilities

(a) Determination of fair value

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, or quoted prices cannot be obtained without undue effort, another valuation technique is used.

In general, the following inputs are taken into account when evaluating the fair value of financial instruments:

- Assessing whether instruments are trading with sufficient frequency and volume, that they can be considered liquid
- The inclusion of a measure of the counterparties' non-performance risk in the fair-value measurement of loans and advances, which involves the modelling of dynamic credit spreads
- The inclusion of credit valuation adjustment (CVA) and debit valuation adjustment (DVA) in the fair-value measurement of derivative instruments, and
- The inclusion of own credit risk in the calculation of the fair value of financial liabilities.

There have been no significant changes in the valuation techniques applied when valuing financial instruments. The general principles applied to those instruments measured at fair value are outlined below:

Reinsurers' share of policyholder liabilities

Reinsurers' share of policyholder liabilities are measured on a basis that is consistent with the measurement of the provisions held in respect of the related insurance contracts. Reinsurance contracts which cover financial risk are measured at the fair value of the underlying assets contained in the related policy.

Loans and advances

Loans and advances include mortgage loans, other asset-based loans, including collateralised debt obligations, and other secured and unsecured loans.

In the absence of an observable market for these instruments, the fair value is determined by using internally developed models that are specific to the instrument and that incorporate all available observable inputs. These models involve discounting the contractual cash flows by using a credit-adjusted zero-coupon rate.

Investments and securities

Investments and securities include government and government-guaranteed securities, listed and unlisted debt securities, preference shares and debentures, listed and unlisted equity securities, listed and unlisted pooled investments (see below), short-term funds and securities treated as investments and certain other securities.

Pooled investments relate to the Group's holdings of shares/units in open-ended investment companies, unit trusts, mutual funds and similar investment vehicles and are recognised at fair value. The fair value of pooled investments is based on published prices that are regularly updated or models based on the market prices of investments held in the underlying pooled investment funds.

Other investment and securities that are measured at fair value are measured at observable market prices where available. In the absence of observable market prices, these investments and securities are fair valued utilising one or more of the following techniques: discounted cash flows, the application of an EBITDA multiple or any other relevant modelling technique.

Investments in associated undertakings and joint ventures

Investments in associated undertakings and joint ventures are valued using appropriate valuation techniques. These techniques may include price earnings multiples, discounted cash flows or the adjusted value of similar completed transactions.

Derivatives

The fair value of derivatives is determined with reference to the exchange traded prices of the specific instruments. In situations where the derivatives are traded over the counter the fair value of the instruments is determined by the utilisation of option pricing models.

Investment contract liabilities

The fair value of the investment contract liabilities is determined with reference to the fair value of the underlying funds that are held by the Group.

Third-party interest in consolidation of funds

Third-party interests in consolidation of funds are measured at the proportionate share of the fair value of the net assets of each fund.

Amounts owed to bank depositors

The fair values of amounts owed to bank depositors correspond with the carrying amount shown in the statement of financial position, which generally reflects the amount payable on demand.

Borrowed funds

The fair values of amounts included in borrowed funds are based on quoted market prices at the reporting date where applicable, or by reference to quoted prices of similar instruments.

Other financial assets and liabilities

The fair values of other financial assets and liabilities (comprising cash and cash equivalents; cash with central banks; trade, other receivables and other assets; and trade, other payables and other liabilities) reasonably approximate their carrying amounts as included in the statement of financial position as they are short-term in nature or re-price to current market rates frequently.

E: Financial assets and liabilities continued

E2: Fair values of financial assets and liabilities continued

(b) Fair value hierarchy

Fair values are determined according to the following hierarchy.

Description of hierarchy	Types of instruments classified in the respective levels
Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.	Listed equity securities, government securities and other listed debt securities and similar instruments, actively traded pooled investments, certain quoted derivative assets and liabilities, listed borrowed funds, reinsurance share of policyholder liabilities and investment contract liabilities directly linked to other Level 1 financial assets.
Level 2 – valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.	Unlisted equity and debt securities where the valuation is based on models involving no significant unobservable data, with a majority determined with reference to observable prices. Certain loans and advances, certain privately placed debt instruments, third-party interests in consolidated funds and amounts owed to bank depositors.
Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.	Unlisted equity and securities with significant unobservable inputs, securities where the market is not considered sufficiently active, including certain inactive pooled investments, and derivatives embedded in certain portfolios of insurance contracts where the derivative is not closely related to the host contract and the valuation contains significant unobservable inputs.

The judgement as to whether a market is active may include, for example, consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads. In inactive markets, obtaining assurance that the transaction price provides evidence of fair value or determining the adjustments to transaction prices that are necessary to measure the fair value of the asset or liability requires additional work during the valuation process. All businesses have significant processes in place to perform reviews of the appropriateness of the valuation of Level 3 instruments.

The majority of valuation techniques employ only observable data and so the reliability of the fair value measurement is high. However, certain financial assets and liabilities are valued on the basis of valuation techniques that feature one or more significant inputs that are unobservable and, for them, the derivation of fair value is more judgemental. A financial asset or liability in its entirety is classified as valued using significant unobservable inputs if a significant proportion of that asset or liability's carrying amount is driven by unobservable inputs.

In this context, 'unobservable' means that there is little or no current market data available for which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable data may be attributable to observable inputs. Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

The determination of the fair value on an instrument does not necessarily represent the price that the Group accept for the sale of the instrument or the price the Group would pay to exit the liability.

(c) Transfer between fair value hierarchies

The Group deems a transfer to have occurred between Level 1 and Level 2 when an active, traded primary market ceases to exist for that financial instrument. A transfer between Level 2 and Level 3 occurs when the majority of the significant inputs used to determine fair value of the instrument become unobservable.

E3: Disclosure of financial assets and liabilities measured at fair value

(a) Financial assets and liabilities measured at fair value, classified according to fair value hierarchy

The tables below presents a summary of the Group's financial assets and liabilities that are measured at fair value in the consolidated statement of financial position according to their IAS 39 classification, as set out in the accounting policies note L1 of the 2016 Annual Report and Accounts and in terms of the fair value hierarchy described in note E2. The majority of the Group's financial assets are measured utilising market observable inputs (Level 1) and there has been no significant change compared to the prior year.

Summary

	At 30 June 2017		At 30 June 2016 (Restated)[1]		At 31 December 2016	
	£m	**%**	£m	%	£m	%
Financial assets measured at fair value						
Level 1	**78,817**	**68.9%**	65,632	68.5%	73,738	69.3%
Level 2	**33,789**	**29.6%**	28,692	30.0%	31,075	29.2%
Level 3	**1,694**	**1.5%**	1,406	1.5%	1,621	1.5%
Total	**114,300**	**100.0%**	95,730	100.0%	106,434	100.0%
Financial liabilities measured at fair						
Level 1	**57,702**	**63.6%**	48,096	60.4%	54,235	65.2%
Level 2	**32,248**	**35.6%**	31,008	38.9%	28,340	34.1%
Level 3	**680**	**0.8%**	561	0.7%	616	0.7%
Total	**90,630**	**100.0%**	79,665	100.0%	83,191	100.0%

[1] The comparative information for June 2016 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

Detailed analysis

				£m
At 30 June 2017	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	**6,152**	**874**	**5,273**	**5**
Loans and advances	**1,203**	**149**	**1,054**	**-**
Investments and securities	**3,278**	**493**	**2,785**	**-**
Other financial assets	**224**	**224**	**-**	**-**
Derivative financial instruments – assets	**1,447**	**8**	**1,434**	**5**
Designated (fair value through profit or loss)	**107,037**	**77,853**	**27,521**	**1,663**
Investments in associated undertakings and joint ventures	**158**	**-**	**-**	**158**
Reinsurers' share of policyholder liabilities	**2,759**	**2,759**	**-**	**-**
Loans and advances	**3,897**	**186**	**3,704**	**7**
Investments and securities	**100,223**	**74,908**	**23,817**	**1,498**
Available-for-sale financial assets (fair value through equity)	**1,111**	**90**	**995**	**26**
Investments and securities	**1,111**	**90**	**995**	**26**
Total assets measured at fair value	**114,300**	**78,817**	**33,789**	**1,694**
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	**2,592**	**666**	**1,896**	**30**
Other liabilities	**686**	**663**	**-**	**23**
Amounts owed to bank depositors	**417**	**-**	**417**	**-**
Derivative financial instruments – liabilities	**1,489**	**3**	**1,479**	**7**
Designated (fair value through profit or loss)	**88,038**	**57,036**	**30,352**	**650**
Investment contract liabilities[1]	**72,068**	**56,052**	**15,366**	**650**
Third-party interests in consolidated funds	**10,787**	**-**	**10,787**	**-**
Borrowed funds	**947**	**930**	**17**	**-**
Other liabilities	**601**	**54**	**547**	**-**
Amounts owed to bank depositors	**3,635**	**-**	**3,635**	**-**
Total liabilities measured at fair value	**90,630**	**57,702**	**32,248**	**680**

[1] Investment contract liabilities amount excludes £10,537 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at fair value

£m

At 30 June 2016 (Restated)[1]	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	4,364	843	3,501	20
Loans and advances	1,300	-	1,300	-
Investments and securities	1,241	561	680	-
Other financial assets	282	282	-	-
Derivative financial instruments – assets	1,541	-	1,521	20
Designated (fair value through profit or loss)	90,573	64,786	24,401	1,386
Investments in associated undertakings and joint ventures	74	-	-	74
Reinsurers' share of policyholder liabilities	2,596	2,596	-	-
Loans and advances	3,242	189	3,051	2
Investments and securities	84,661	62,001	21,350	1,310
Available-for-sale financial assets (fair value through equity)	793	3	790	-
Loans and advances	2	2	-	-
Investments and securities	791	1	790	-
Total assets measured at fair value	95,730	65,632	28,692	1,406
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	7,792	824	6,961	7
Other liabilities	823	812	11	-
Amounts owed to bank depositors	5,385	-	5,385	-
Derivative financial instruments – liabilities	1,584	12	1,565	7
Designated (fair value through profit or loss)	71,873	47,272	24,047	554
Investment contract liabilities[2]	60,364	46,277	13,533	554
Third-party interests in consolidated funds	7,178	-	7,178	-
Borrowed funds	868	854	14	-
Other liabilities	667	141	526	-
Amounts owed to bank depositors	2,796	-	2,796	-
Total liabilities measured at fair value	79,665	48,096	31,008	561

1 Comparative information for June 2016 have been restated for the impact of consolidation of investment funds (refer to note A2 for more information). In addition, loans and advances (held-for-trading), loans and advances (designated at fair value through profit or loss) and amounts owed to bank depositors (designated at fair value through profit or loss) have been restated to reflect the reclassification of certain amounts to amortised cost categories. More information can be found in footnote 1 to the 30 June 2016 categories of financial instruments table in note E1.

2 Investment contract liabilities amount excludes £8,676 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

£m

At 31 December 2016 (Restated)[1]	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Held-for-trading (fair value through profit or loss)	6,101	1,523	4,549	29
Loans and advances	1,264	346	918	-
Investments and securities	3,229	906	2,323	-
Other financial assets	268	268	-	-
Derivative financial instruments – assets	1,340	3	1,308	29
Designated (fair value through profit or loss)	99,374	72,160	25,646	1,568
Investments in associated undertakings and joint ventures	139	-	-	139
Reinsurers' share of policyholder liabilities	2,560	2,560	-	-
Loans and advances	3,606	206	3,395	5
Investments and securities	93,069	69,394	22,251	1,424
Available-for-sale financial assets (fair value through equity)	959	55	880	24
Loans and advances	2	2	-	-
Investments and securities	957	53	880	24
Total assets measured at fair value	106,434	73,738	31,075	1,621
Financial liabilities measured at fair value				
Held-for-trading (fair value through profit or loss)	2,900	1,256	1,618	26
Other liabilities	1,293	1,250	24	19
Amounts owed to bank depositors	446	-	446	-
Derivative financial instruments – liabilities	1,161	6	1,148	7
Designated (fair value through profit or loss)	80,291	52,979	26,722	590
Investment contract liabilities[2]	67,515	52,011	14,914	590
Third-party interests in consolidated funds	7,981	-	7,981	-
Borrowed funds	935	918	17	-
Other liabilities	620	50	570	-
Amounts owed to bank depositors	3,240	-	3,240	-
Total liabilities measured at fair value	83,191	54,235	28,340	616

1 The fair value hierarchy for loans and advances (held-for-trading), loans and advances (designated at fair value through profit or loss) and amounts owed to bank depositors (designated at fair value through profit or loss) have been restated to reflect the reclassification of certain amounts to amortised cost categories. More information on this can be found in footnote 1 to the 31 December 2016 categories of financial instruments table in note E1.

2 Investment contract liabilities amount excludes £10,084 million discretionary participating investment contracts. These contracts are classified as non-financial liabilities and are not analysed according to their fair value hierarchy as permitted by IFRS 7 'Financial Instruments: Disclosures'.

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at Fair Value continued

(b) Level 3 fair value hierarchy disclosure

The tables below reconcile the opening balances of Level 3 financial assets and liabilities to closing balances at the end of the period:

£m

	Held-for-trading	Designated fair value through profit or loss			Available-for-sale	Total
Six months ended 30 June 2017	**Derivatives**	**Investments in associated undertakings and joint ventures**	**Loans and advances**	**Investments and securities**	**Investments and securities**	
Level 3 financial assets						
At beginning of the period	**29**	**139**	**5**	**1,424**	**24**	**1,621**
Total net fair value (losses)/gains recognised in profit or loss	**(21)**	**(3)**	**3**	**14**	**-**	**(7)**
Purchases and issues	**-**	**28**	**-**	**43**	**1**	**72**
Sales and settlements	**(2)**	**(7)**	**-**	**(21)**	**-**	**(30)**
Transfers in	**-**	**-**	**-**	**188**	**1**	**189**
Transfers out	**-**	**-**	**-**	**(201)**	**-**	**(201)**
Foreign exchange and other	**(1)**	**1**	**(1)**	**51**	**-**	**50**
Total Level 3 financial assets	**5**	**158**	**7**	**1,498**	**26**	**1,694**
Unrealised fair value (losses)/gains relating to assets held at 30 June 2017 recognised in profit or loss	**(21)**	**(3)**	**3**	**1**	**-**	**(20)**

The carrying amount of Level 3 assets at the reporting date principally comprises:

Investments in associated undertakings and joint ventures – designated at fair value through the income statement:

- £156 million (December 2016: £139 million) of investments in associated undertakings held by Nedbank.

Investments and securities – designated a fair value through the income statement:

- £10 million (December 2016: £22 million) of suspended funds; £384 million (December 2016: £370 million) of private company shares and unlisted pooled investments and equities, £244 million (December 2016: £189 million) of funds and other assets not being actively priced and £11 million (December 2016: £9 million) of structured and other notes held by Old Mutual Wealth. These assets are held by linked funds, with policyholders bearing all of the investment risk, and are matched exactly by Level 3 investment contract liabilities.
- £806 million (December 2016: £794 million) of private company shares and unlisted pooled investments held by Emerging Markets. Most of these assets are held by policyholder funds for which the bulk of the investment risk is borne by policyholders
- £43 million (December 2016: £40 million) of unlisted equities held by Nedbank

Investments and securities – available for sale

- £26 million (December 2016: £24 million) of investments held by Nedbank.

Amounts shown as purchases and issues arise principally from the purchase of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from investments in associated undertakings by Nedbank.

Amounts shown as sales and settlements arise principally from the sale of private company shares and unlisted pooled investments by Old Mutual Wealth and Emerging Markets and from distributions received in respect of Old Mutual Wealth's holdings in property funds.

Transfers into Level 3 assets principally relates to investments held by Old Mutual Wealth that were previously shown within Level 2 and for which are no longer being actively priced. Transfers out of Level 3 assets principally comprise investments held by Old Mutual Wealth that were not being repriced and that have been transferred into Level 2 as they are now actively priced.

£m

Six months ended 30 June 2017	Held-for-trading: Other liabilities	Held-for-trading: Derivatives	Designated fair value through profit or loss: Investment contract liabilities	Total
Level 3 financial liabilities				
At beginning of the period	**19**	**7**	**590**	**616**
Total net fair value losses recognised in profit or loss for the period	**4**	**-**	**-**	**4**
Sales and settlements	**-**	**-**	**(3)**	**(3)**
Transfers in	**-**	**-**	**187**	**187**
Transfers out	**-**	**-**	**(125)**	**(125)**
Foreign exchange and other	**-**	**-**	**1**	**1**
Total level 3 financial liabilities	**23**	**7**	**650**	**680**
Unrealised fair value losses relating to liabilities held at 30 June 2017 recognised profit or loss	**4**	**-**	**-**	**4**

The carrying amount of Level 3 liabilities at 30 June 2017 comprises:

- £650 million (December 2016: £590 million) of investment contract liabilities in Old Mutual Wealth related to linked funds and which exactly match against Level 3 assets disclosed above within Investments and securities – designated fair value through profit or loss; and
- £30 million (December 2016: £26 million) of held for trading liabilities which relate to the potential acquisitions of further stakes in businesses

£m

Six months ended 30 June 2016 (Restated)[1]	Held-for-trading: Derivatives	Designated at fair value through profit or loss: Investments in associated undertakings and joint ventures	Designated at fair value through profit or loss: Loans and advances	Designated at fair value through profit or loss: Investments and securities	Total
Level 3 financial assets					
At beginning of the period	18	51	1	1,280	1,350
Total net fair value gains recognised in:					
- profit or loss for the period	-	8	-	48	56
- comprehensive income	-	7	-	1	8
Purchases and issues	-	-	-	73	73
Sales and settlements	-	(2)	-	(122)	(124)
Transfers in	-	-	-	62	62
Transfers out	-	-	-	(46)	(46)
Foreign exchange and other	2	10	1	14	27
Total level 3 financial assets	20	74	2	1,310	1,406
Unrealised fair value gains/(losses) relating to assets held at 30 June 2016 recognised in:					
- profit or loss	-	8	-	41	49
- other comprehensive income	-	7	-	1	8

[1] The comparative information for June 2016 has been restated for the impact of consolidation of investment funds. Refer to note A2 for more information.

E: Financial assets and liabilities continued

E3: Disclosure of financial assets and liabilities measured at Fair Value continued

(b) Level 3 fair value hierarchy disclosure continued

£m

Six months ended 30 June 2016	Held-for-trading - Derivatives	Designated fair value through profit or loss - Investment contract liabilities	Total
Level 3 financial liabilities			
At beginning of the period	4	594	598
Total net fair value losses recognised in profit or loss	2	10	12
Purchases and issues	-	13	13
Sales and settlements	-	(101)	(101)
Transfers in	-	62	62
Transfers out	-	(36)	(36)
Foreign exchange and other	1	12	13
Total level 3 financial liabilities	7	554	561
Unrealised fair value gains relating to assets held at 30 June 2016 recognised in profit or loss	2	10	12

£m

	Held-for-trading	Designated at fair value through profit or loss			Available-for-sale	Total
Year ended 31 December 2016	Derivatives	Investments in associated undertakings and joint ventures	Loans and advances	Investments and securities	Investments and securities	
Level 3 financial assets						
At beginning of the period	18	51	1	1,280	-	1,350
Total net fair value (losses)/gains recognised in the profit or loss	(4)	14	-	64	-	74
Purchases and issues	25	57	-	134	-	216
Sales and settlements	(15)	(10)	-	(234)	21	(238)
Transfers in	-	-	2	246	-	248
Transfers out	-	-	-	(59)	-	(59)
Transferred to held-for-sale	-	-	-	(67)	-	(67)
Foreign exchange and other	5	27	2	60	3	97
Total Level 3 financial assets	29	139	5	1,424	24	1,621
Unrealised fair value (losses)/gains relating to assets held at 31 December 2016 recognised in profit or loss	(4)	14	-	63	-	73

£m

Year ended 31 December 2016	Other liabilities	Held-for-trading - Derivatives	Designated fair value through profit or loss - Investment contract liabilities	Total
Level 3 financial liabilities				
At beginning of the period	-	4	594	598
Total net fair value losses recognised in profit or loss	2	7	13	22
Purchases and issues	15	-	21	36
Sales and settlements	-	(4)	(115)	(119)
Transfers in	-	-	188	188
Transfers out	-	-	(31)	(31)
Foreign exchange and other	2	-	(80)	(78)
Total Level 3 financial liabilities	19	7	590	616
Unrealised fair value gains relating to liabilities held at 31 December 2016 recognised in profit or loss	2	7	13	22

(c) Effect of changes in significant unobservable assumptions to reasonable possible alternatives

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameters using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental.

When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually.

The valuations of the private equity investments are performed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment and in line with industry guidelines. In determining the valuation of the investment the principal assumption used is the valuation multiple applied to the main financial indicators (such as adjusted earnings). The source of this multiple may include multiples for comparable listed companies which have been adjusted for discounts for non-tradability and valuation multiples earned on transactions in comparable sectors.

The valuations of asset-backed securities are determined by discounted cash flow models that generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets. The outputs from the models used are calibrated with reference to similar securities for which external market information is available.

Structured notes and other derivatives are generally valued using option pricing models. For structured notes and other derivatives, principal assumptions concern the future volatility of asset values and the future correlation between asset values. These principal assumptions used in the valuation of structured credit notes include credit volatilities and correlations. For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

The table below summarises the significant inputs to value instruments categorised as Level 3 hierarchy and their sensitivity to changes in the inputs used.

Types of financial instruments	**Fair values**		**Significant unobservable input**	**Fair value measurement sensitivity to unobservable inputs**	
	At 30 June 2017 £m	At 31 December 2016 £m		**At 30 June 2017 £m**	At 31 December 2016 £m
Assets					
Investments in associated undertakings and joint ventures	**158**	139	Valuation multiples	**Favourable: 14** **Unfavourable: 18**	Favourable: 13 Unfavourable: 16
Investments and securities	**1,524**	1,448	Valuation multiples Correlations Volatilities Credit spreads Dividend growth rates Internal rates of return Cost of capital Inflation rates Market adjusted price Exchange price of infrequently traded shares	**Favourable: 186** **Unfavourable: 176**	Favourable: 213 Unfavourable: 223
Loans and advances	**7**	5	Correlations Volatilities Credit spreads	**Favourable: 1** **Unfavourable: 1**	Favourable: £nil Unfavourable: 1
Derivatives	**5**	29	Interest rates Volatilities	**Favourable: 5** **Unfavourable: 3**	Favourable: 10 Unfavourable: 9
Liabilities					
Investment contract liabilities	**650**	590	Interest rates Volatilities	**Favourable: 65** **Unfavourable: 65**	Favourable: 59 Unfavourable: 59
Other liabilities	**23**	19	Valuation multiples	**Favourable: 2** **Unfavourable: 2**	Favourable: 1 Unfavourable: 1
Derivatives	**7**	7	Volatilities	**Favourable: 7** **Unfavourable: 16**	Favourable: 7 Unfavourable: 16

F: Analysis of financial assets and liabilities

F1: Loans and advances

(a) Categories of loans and advances

The following table provides an analysis of the categories of loans and advances that are provided by the Group. The amounts presented in this table are the carrying value of the underlying assets before provisions for impairment losses.

				£m
		At 30 June 2017	At 30 June 2016	At 31 December 2016
Home loans		**8,895**	7,555	8,772
Commercial mortgages		**9,226**	7,411	9,085
Unsecured retail lending		**1,980**	1,845	2,215
Other term loans		**6,943**	5,276	6,068
Other loans to clients		**5,831**	6,022	7,099
Net finance leases and instalment debtors		**6,311**	5,185	6,221
Deposits placed under reverse purchase agreements		**952**	1,018	923
Overdrafts		**1,220**	968	1,182
Preference shares and debentures		**1,174**	1,082	1,184
Credit cards		**923**	753	877
Factoring accounts		**290**	262	296
Policyholder loans		**254**	256	278
Properties in possession		**14**	17	15
Remittances in transit		**34**	72	22
Gross loans and advances		**44,047**	37,722	44,237
Provisions for impairment		**(894)**	(921)	(1,129)
Specific provisions	F1(b)	**(605)**	(642)	(820)
Portfolio provisions	F1(b)	**(289)**	(279)	(309)
Total net loans and advances		**43,153**	36,801	43,108

The majority of gross loans and advances are in respect of Nedbank £42,484 million (June 2016: £36,166 million; December 2016: £42,394 million) and Emerging Markets £1,363 million (June 2016: £1,358 million; December 2016: £1,622 million).

(b) Provision for impairments

This section analyses the provisions raised against loans and advances and the movements during the year.

Specific impairments have been raised against those loans identified as impaired. Portfolio impairments are recognised against loans and advances classified as neither past due nor impaired or past due but not impaired.

£m

	Nedbank			Emerging Markets			Group
Six months ended 30 June 2017	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Specific impairment**	**Portfolio impairment**	**Total impairment**	**Total impairment**
Balance at beginning of the period	**432**	**285**	**717**	**388**	**24**	**412**	**1,129**
Impairment charge	**149**	**(19)**	**130**	**27**	**(2)**	**25**	**155**
Credit impairment charges[2]	**114**	**(19)**	**95**	**27**	**(2)**	**25**	**120**
Recoveries of amounts previously written off	**35**	**-**	**35**	**-**	**-**	**-**	**35**
Amounts written off against the provision[1]	**(138)**	**-**	**(138)**	**(263)**	**-**	**(263)**	**(401)**
Foreign exchange and other movements	**-**	**1**	**1**	**10**	**-**	**10**	**11**
Balance at end of the period	**443**	**267**	**710**	**162**	**22**	**184**	**894**

£m

	Nedbank			Emerging Markets			Group
Six months ended 30 June 2016	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	Total impairment
Balance at beginning of the period	292	208	500	237	22	259	759
Impairment charge	120	5	125	3	13	16	141
Credit impairment charges[2]	95	5	100	3	13	16	116
Recoveries of amounts previously written off	25	-	25	-	-	-	25
Amounts written off against the provision	(115)	(3)	(118)	(1)	(4)	(5)	(123)
Foreign exchange and other movements	46	39	85	60	(1)	59	144
Balance at end of the year	343	249	592	299	30	329	921

£m

	Nedbank			Emerging Markets			Group
Year ended 31 December 2016	Specific impairment	Portfolio impairment	Total impairment	Specific impairment	Portfolio impairment	Total impairment	Total impairment
Balance at beginning of the year	292	208	500	237	22	259	759
Acquisitions through business combinations	1	4	5	-	-	-	5
Impairment charge	287	-	287	51	(5)	46	333
Credit impairment charges[2]	229	-	229	48	(5)	43	272
Recoveries of amounts previously written off	58	-	58	3	-	3	61
Amounts written off against the provision	(249)	(3)	(252)	-	-	-	(252)
Foreign exchange and other movements	101	76	177	100	7	107	284
Balance at end of the year	432	285	717	388	24	412	1,129

1 The £263 million shown as amounts written off against the provision in Emerging Markets relates to long outstanding loans that were written off as they were deemed to be irrecoverable.

2 Included in the credit impairment charge are the transfers between specific and portfolio impairment provisions.

F: Analysis of financial assets and liabilities continued

F2: Insurance and investment contracts

The tables below provide a summary of the Group's long-term business insurance policyholder liabilities and investment contract liabilities. Details of insurance contract accounting for the Group can be found in note G6 of the 2016 Annual Report and Accounts.

£m

	At 30 June 2017			At 30 June 2016		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
Life assurance policyholder liabilities						
Long-term business insurance policyholder liabilities	**9,794**	**(383)**	**9,411**	9,183	(312)	8,871
Life assurance policyholder liabilities	**9,644**	**(373)**	**9,271**	9,061	(302)	8,759
Outstanding claims	**150**	**(10)**	**140**	122	(10)	112
Investment contract liabilities	**82,605**	**(2,759)**	**79,846**	69,040	(2,597)	66,443
Unit-linked investment contracts and similar contracts	**70,975**	**(2,759)**	**68,216**	59,537	(2,597)	56,940
Other investment contracts	**1,093**	**-**	**1,093**	827	-	827
Discretionary participating investment contracts	**10,537**	**-**	**10,537**	8,676	-	8,676
Total life assurance policyholder liabilities	**92,399**	**(3,142)**	**89,257**	78,223	(2,909)	75,314
Property & casualty liabilities						
Claims incurred but not reported	**79**	**(18)**	**61**	59	(8)	51
Unearned premiums	**160**	**(72)**	**88**	142	(61)	81
Outstanding claims	**293**	**(144)**	**149**	224	(80)	144
Total property & casualty liabilities	**532**	**(234)**	**298**	425	(149)	276
Total policyholder liabilities	**92,931**	**(3,376)**	**89,555**	78,648	(3,058)	75,590

£m

	At 31 December 2016		
	Gross	Reinsurance	Net
Life assurance policyholder liabilities			
Long-term business insurance policyholder liabilities	9,982	(358)	9,624
Life assurance policyholder liabilities	9,844	(345)	9,499
Outstanding claims	138	(13)	125
Investment contract liabilities	77,599	(2,560)	75,039
Unit-linked investment contracts and similar contracts	66,543	(2,560)	63,983
Other investment contracts	972	-	972
Discretionary participating investment contracts	10,084	-	10,084
Total life assurance policyholder liabilities	87,581	(2,918)	84,663
Property & casualty liabilities			
Claims incurred but not reported	73	(14)	59
Unearned premiums	163	(76)	87
Outstanding claims	246	(107)	139
Total property & casualty liabilities	482	(197)	285
Total policyholder liabilities	88,063	(3,115)	84,948

The reinsurers' share of policyholder liabilities relating to investment contracts is where the direct management of assets are ceded to a third party through a reinsurance arrangement. Due to the nature of the arrangement, there is no transfer of insurance risk.

F3: Borrowed funds

Summary of Borrowed Funds

£m

Type of securities – At 30 June 2017	Notes	plc Head Office	Emerging Markets	Nedbank	Institutional Asset Management[1]	Total
Senior debt securities and term loans		**-**	**215**	**2,152**	**-**	**2,367**
Floating rate notes	F3(a)(i)	**-**	**-**	**1,056**	**-**	**1,056**
Fixed rate notes	F3(a(ii)	**-**	**-**	**1,096**	**-**	**1,096**
Term and other loan	F3(a)(iii)	**-**	**215**	**-**	**-**	**215**
Revolving credit facilities	F3(b)	**-**	**21**	**-**	**-**	**21**
Mortgage-backed securities	F3(c)	**-**	**-**	**236**	**-**	**236**
Subordinated debt securities	F3(d)	**1,027**	**350**	**846**	**-**	**2,223**
Total Borrowed funds		**1,027**	**586**	**3,234**	**-**	**4,847**

[1] No borrowed funds are reflected for Institutional Asset Management (IAM) at 30 June 2017 as it has been equity accounted for as an associated undertaking. At 31 December 2016 no borrowed funds were reflected in IAM as it has been classified as held for sale. Refer to note A2 for more information.

£m

Type of securities – At 30 June 2016	Notes	plc Head Office	Emerging Markets	Nedbank	Institutional Asset Management	Total
Senior debt securities and term loans		112	203	1,941	-	2,256
Floating rate notes	F3(a)(i)	-	-	1,053	-	1,053
Fixed rate notes	F3(a(ii)	112	-	888	-	1,000
Term loans	F3(a)(iii)	-	203	-	-	203
Revolving credit facilities	F3(b)	-	-	-	38	38
Mortgage-backed securities	F3(c)	-	-	104	-	104
Subordinated debt securities	F3(d)	991	302	540	-	1,833
Total Borrowed funds		1,103	505	2,585	38	4,231
Instruments classified as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%[1]		273	-	-	-	273
Total book value of Group debt		1,376	505	2,585	38	4,504

[1] On 3 February 2017, the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. Refer to note A2 for more information.

£m

Type of securities – At 31 December 2016	Notes	Old Mutual plc	Emerging Markets	Nedbank	Institutional Asset Management	Total
Senior debt securities and term loans		-	287	2,088	-	2,375
Floating rate notes	F3(a)(i)	-	-	1,046	-	1,046
Fixed rate notes	F3(a(ii)	-	-	1,042	-	1,042
Term loans	F3(a)(iii)	-	287	-	-	287
Revolving credit facilities	F3(b)	-	34	-	-	34
Mortgage-backed securities	F3(c)	-	-	153	-	153
Subordinated debt securities	F3(d)	1,017	348	767	-	2,132
Total Borrowed funds		1,017	669	3,008	-	4,694
Instruments classified as equity for accounting purposes						
£273 million perpetual preferred callable securities at 6.38%[1]		273	-	-	-	273
Total book value of Group debt		1,290	669	3,008	-	4,967

[1] On 3 February 2017, the Group repurchased all of the £273 million Tier 1 preferred perpetual callable securities using cash from the Group's existing resources. Refer to note A2 for more information.

F: Financial assets and liabilities continued

F3: Borrowed funds continued

Total borrowed funds can be further analysed between non-banking and banking as follows:

£m

	At 30 June 2017			At 30 June 2016		
Type of security	**Non-banking**	**Banking[1]**	**Total**	Non-banking	Banking[1]	Total
Senior debt securities and term loans	**28**	**2,339**	**2,367**	147	2,109	2,256
Revolving credit facilities	**9**	**12**	**21**	38	-	38
Mortgage-backed securities	**-**	**236**	**236**	-	104	104
Subordinated debt securities	**1,377**	**846**	**2,223**	1,293	540	1,833
Total Borrowed funds	**1,414**	**3,433**	**4,847**	1,478	2,753	4,231

£m

	At 31 December 2016		
Type of security	Non-banking	Banking[1]	Total
Senior debt securities and term loans	96	2,279	2,375
Revolving credit facilities	16	18	34
Mortgage-backed securities	-	153	153
Subordinated debt securities	1,365	767	2,132
Total Borrowed funds	1,477	3,217	4,694

[1] Borrowed funds relating to banking businesses are those which are directly related to the lending and banking businesses of Nedbank and Emerging Markets.

Interest rate profile

The interest rate profiles of the Group's borrowed funds are analysed as follows:

£m

At 30 June 2017	**Old Mutual plc[1]**	**Emerging Markets**	**Nedbank**	**Institutional Asset Management**	**Total**
Fixed rate	**1,027**	**262**	**1,096**	**-**	**2,385**
Floating rate	**-**	**324**	**2,138**	**-**	**2,462**
Total	**1,027**	**586**	**3,234**	**-**	**4,847**

£m

At 30 June 2016	Old Mutual plc[1]	Emerging Markets	Nedbank	Institutional Asset Management	Total
Fixed rate	1,103	251	888	-	2,242
Floating rate	-	254	1,697	38	1,989
Total	1,103	505	2,585	38	4,231

£m

At 31 December 2016	Old Mutual plc[1]	Emerging Markets	Nedbank	Institutional Asset Management	Total
Fixed rate	1,017	278	1,042	-	2,337
Floating rate	-	391	1,966	-	2,357
Total	1,017	669	3,008	-	4,694

[1] Old Mutual plc has cross currency and interest rate swaps related to £500 million Tier 2 debt. Old Mutual plc receives fixed interest and pays floating rate interest. These instruments are designated as fair value through profit and loss. At 30 June 2017 the debt derivatives asset value was £32 million (June 2016: £55 million; December 2016: £31 million).

Analysis of security types

(a) Senior debt securities and term loans

(i) Floating rate notes (net of Group holdings)

	Maturity date	At 30 June 2017	At 30 June 2016	At 31 December 2016
				£m
Banking - Nedbank Floating rate unsecured senior debt				
R3,056 million at JIBAR + 0.80%	Repaid	**-**	158	-
R694 million at JIBAR + 0.75%	Repaid	**-**	36	-
R405 million at JIBAR + 1.30%	Repaid	**-**	21	22
R1,035 million at JIBAR + 0.85%	Repaid	**-**	53	61
R806 million at JIBAR + 0.90%	Repaid	**-**	41	48
R786 million at JIBAR + 1.30%	August 2017	**27**	37	27
R241 million at JIBAR + 1.12%	November 2017	**14**	13	14
R472 million at JIBAR + 1.25%	February 2018	**28**	24	28
R1,427 million at JIBAR + 1.30%	June 2018	**85**	74	85
R1,427 million at JIBAR + 1.45%	February 2019	**85**	74	85
R1,472 million at JIBAR + 1.45%	May 2019	**146**	129	149
R612 million at JIBAR + 1.40%	August 2019	**37**	-	37
R90 million at JIBAR + 1.45%	February 2020	**5**	5	5
R814 million at JIBAR + 1.29%	February 2020	**48**	-	-
R80 million at JIBAR + 2.15%	April 2020	**5**	4	5
R476 million at JIBAR + 1.55%	November 2020	**27**	25	28
R830 million at JIBAR + 1.80%	February 2021	**47**	43	49
R1,054 million at JIBAR + 1.80%	May 2021	**88**	76	88
R650 million at JIBAR + 1.30%	June 2021	**38**	33	38
R287 million at JIBAR +1.75%	August 2021	**17**	-	17
R12 million at JIBAR + 1.55%	February 2022	**1**	1	1
R568 million at JIBAR + 1.80%	February 2022	**34**	-	-
R270 million at JIBAR + 2.00%	February 2023	**16**	14	16
R528 million at JIBAR + 2.00%	May 2023	**32**	27	32
R1,500 million at JIBAR + 1.55%	February 2024	**89**	-	-
R1,980 million at JIBAR + 2.00%	February 2025	**118**	103	118
R500 million at JIBAR + 2.10%	April 2026	**30**	26	30
R750 million at JIBAR + 2.25%	May 2026	**45**	39	45
R302 million at JIBAR + 2.20%	July 2026	**18**	-	18
		1,080	1,056	1,046
Less: floating rate notes held by other Group companies		**(24)**	(3)	-
Total net floating rate notes		**1,056**	1,053	1,046

All floating rate unsecured senior debt are non-qualifying for the purposes of regulatory tiers of capital.

F: Financial assets and liabilities continued

F3: Borrowed funds continued

(a) Senior debt securities and term loans continued

(ii) Fixed rate notes (net of Group holdings)

				£m
	Maturity date	**At 30 June 2017**	At 30 June 2016	At 31 December 2016
Non-banking - Old Mutual plc				
£112 million at 7.13%	Repaid	**-**	112	-
Total non-banking fixed rate unsecured senior debt		**-**	112	-
Banking - Nedbank Fixed rate unsecured senior debt				
R151 million at 6.91%	Repaid	**-**	8	-
R1,273 million at 11.39%	September 2019	**80**	70	80
R380 million at 9.26%	June 2020	**23**	20	23
R1,888 million at 8.92%	November 2020	**112**	98	112
R855 million at 9.38%	March 2021	**52**	45	52
R417 million at 10.68%	May 2021	**25**	22	25
R500 million at 9.29%	June 2021	**29**	26	30
R215 million at 8.79%	February 2022	**13**	11	13
R280 million at 9.64%	June 2022	**17**	14	17
R250 million at 10.66%	February 2023	**15**	13	15
R334 million at 10.01%	August 2023	**20**	-	21
R952 million at 10.07%	November 2023	**57**	49	57
R618 million at 9.60%	February 2024	**19**	-	-
R391 million at 9.73%	March 2024	**24**	21	24
R660 million at zero coupon	October 2024	**38**	14	18
R2,607 million at 9.44%	February 2025	**159**	138	159
R884 million at 10.69%	November 2025	**53**	46	53
R800 million at 9.95%	April 2026	**48**	42	48
R360 million at 11.15%	May 2026	**22**	19	22
R1,739 million at 10.36%	June 2026	**103**	90	103
R423 million at 10.50%	July 2026	**26**	-	26
R2,000 million at 10.63%	July 2027	**123**	107	124
R666 million at 10.94%	November 2027	**40**	35	40
		1,098	888	1,062
Less: Fixed rate notes held by other Group companies		**(2)**	**-**	(20)
Total banking fixed rate unsecured senior debt (net of Group holdings)		**1,096**	888	1,042
Total net fixed rate notes		**1,096**	1,000	1,042

All fixed rate notes are non-qualifying for the purpose of regulatory tiers of capital.

(a) Senior debt securities and term loans

(iii) Term and other loans

	Maturity date	At 30 June 2017	At 30 June 2016	At 31 December 2016
				£m
Emerging Markets Floating rate loans				
KES451 million at KBRR[3] + 3.87%[1]	Repaid	**-**	1	-
KES450 million at GOK[4] 182 days TB + 2.50%[1]	Repaid	**-**	-	3
$65 million at 3 month JIBAR + 2.80%[2]	Reclassification[5]	**-**	-	55
R1,500 million at JIBAR + 2.95%[1]	August 2017	**92**	82	94
R800 million at JIBAR + 2.75%[1]	July 2018	**47**	41	47
KES450 million at GOK[4] + 2.00%[1]	November 2019	**3**	-	1
KES450 million at GOK[4] + 2.00%[1]	March 2020	**3**	-	-
NAD30 million at prime rate less 1% and compounded monthly[1]	May 2020	**2**	-	-
KES950 million rate at KBRR[1,3]	August 2021	**6**	-	7
$31 million at 3 month LIBOR plus 3.50%[2]	September 2021	**24**	-	25
Emerging Markets Fixed rate loans				
KES150 million at 5.00%[1]	Repaid	**-**	1	-
$3 million at 5.00%[1]	Repaid	**-**	-	2
KES2,000m at 13.00%[2]	July 2017	**16**	16	17
$2 million at 8.24%[1]	August 2017	**1**	2	2
$3 million at 8.72%[1]	September 2017	**2**	7	5
KES101 million at 13.00%[1]	June 2018	**1**	1	1
KES102 million at 13.50%[1]	June 2018	**1**	1	1
KES607 million at 12.50%[1]	December 2018	**5**	5	5
KES411 million at 11.50%[1]	April 2020	**3**	3	3
$3 million at 8.31%[1]	May 2020	**3**	5	5
KES474 million at 9.20%[1]	August 2020	**6**	7	4
KES200 million at 5.00%[1]	July 2022	**2**	1	2
$3 million at 8.75%[2]	August 2022	**3**	12	12
$3 million at 12.00%[1]	September 2022	**2**	3	3
$4 million at 6.50%[2]	June 2023	**3**	3	3
$4 million at 6.50%[2]	June 2023	**3**	-	3
$4 million at 6.50%[2]	June 2023	**3**	4	5
$7 million at 10.00%[1]	December 2023	**6**	7	7
$3 million at 5.00%[1]	December 2023	**2**	1	-
Total term and other loans		**239**	203	312
Less: Term loans held by other Group companies		**(24)**	-	(25)
Total net term and other loans		**215**	203	287
Total term and other loans are further analysed as:				
Banking[1]		**187**	168	192
Non-banking[2]		**52**	35	120
Total term and other loans		**239**	203	312

1 Banking term and other loans

2 Non-Banking and other loans

3 Kenya Bank's Reference Rate

4 Government of Kenya

5 During the period this loan has been evaluated and classified as other liabilities as it does not relate to corporate borrowing. Comparative information has not been restated as it is not deemed material to the consolidated statement of financial position.

F: Financial assets and liabilities continued

F3: Borrowed funds continued

(b) Revolving credit facilities

£m

	Maturity date	At 30 June 2017	At 30 June 2016	At 31 December 2016
Non-banking				
Institutional Asset Management - $50 million drawn of a $350 million facility at USD LIBOR + 1.25%[1]		**-**	38	-
Emerging Markets - R3,125 million facility at 3 month JIBAR + 1.60%	January 2019	**9**	-	16
Banking				
Emerging Markets - R1,200 million facility at 3 month JIBAR + 2.95%	July 2018	**12**	-	18
Total revolving credit facilities		**21**	38	34

[1] No borrowed funds are reflected in Institutional Asset Management (IAM) at 30 June 2017 as it was equity accounted as an associated undertaking. At 31 December 2016 no borrowed funds were reflected in IAM as it was classified as held for sale. Refer to note A2 for more information.

The Group has access to an external £764 million (2016: £764 million) multi-currency revolving credit facility available to the Company. £73 million of the facility expires in August 2019, a further £73 million of the facility expires in August 2020 and the remaining £618 million of the facility expires in August 2021. At 30 June 2017 this facility was undrawn.

In July 2015, Emerging Markets obtained access to a R1,200 million revolving credit facility which expires in July 2018. At 30 June 2017, R200 million (£12 million) of this facility was drawn (June 2016: Undrawn; December 2016: R300 million (£18 million)).

In December 2015, Emerging Markets obtained access to an external R3,125 million revolving credit facility which expires in January 2019 with an option to renew for a further year. At 30 June 2017, R157 million (£9 million) of this facility was drawn (June 2016: Fully undrawn; December 2016: R260 million (£16 million)).

Certain revolving credit facility arrangements may include guarantees by other subsidiary companies which, in the case of non-performance by the borrower, may limit the amount of distribution the guarantor declares to its parent.

(c) Mortgage-backed securities (net of Group holdings)

£m

	Tier	Maturity date	At 30 June 2017	At 30 June 2016	At 31 December 2016
Banking - Nedbank					
R161 million at JIBAR + 1.25%	Tier 2	Repaid	**-**	3	-
R210 million at 3 month JIBAR + 1.05%	Tier 2	February 2022	**13**	-	-
R195 million at 3 month JIBAR + 1.45%	Tier 2	February 2022	**12**	-	-
R525 million at 3 month JIBAR + 1.80%	Tier 2	February 2022	**13**	-	-
R70 million at 3 month JIBAR + 2.50%	Tier 2	February 2022	**4**	-	-
R50 million at 3 month JIBAR + 2.60%	Tier 2	February 2022	**3**	-	-
R30 million at 3 month JIBAR + 2.70%	Tier 2	February 2022	**2**	-	-
R600 million JIBAR + 1.34%	Tier 2	January 2028	**24**	-	30
R300 million JIBAR + 1.54%	Tier 2	January 2028	**13**	-	16
R550 million JIBAR + 1.25%	Tier 2	January 2028	**46**	-	-
R900 million (class A3) at JIBAR + 1.54%	Tier 2	October 2039	**44**	47	50
R110 million (class B) at JIBAR + 1.90%	Tier 2	October 2039	**7**	6	7
R558 million at JIBAR + 1.20%	Tier 2	February 2042	**13**	23	19
R100 million at JIBAR + 1.45%	Tier 2	February 2042	**24**	5	6
R680 million at JIBAR + 1.55%	Tier 2	February 2042	**40**	35	40
R80 million at JIBAR + 2.20%	Tier 2	February 2042	**5**	4	5
R65 million at JIBAR + 3.00%	Tier 2	February 2042	**4**	3	4
			267	126	177
Less: Mortgage-backed securities held by other Group companies			**(31)**	(22)	(24)
Total net mortgage-backed securities			**236**	104	153

(d) Subordinated debt securities (net of Group holdings)

	Tier	Maturity date	At 30 June 2017	At 30 June 2016	At 31 December 2016
					£m
Banking - Nedbank					
$100 million at 3 month USD LIBOR	Tier 2 (secondary)	Repaid	**-**	75	81
R2,000 million at JIBAR + 0.47%	Tier 2	July 2022	**120**	104	120
R1,800 million at JIBAR + 2.75%	Tier 2	July 2023	**108**	94	108
R1,200 million at JIBAR + 2.55%	Tier 2	November 2023	**71**	62	71
R450 million at JIBAR + 10.49%	Tier 2	April 2024	**27**	24	27
R1,737 million at 3 month JIBAR + 2.55%	Tier 2	April 2024	**105**	91	105
R300 million at JIBAR + 2.75%	Tier 2	October 2024	**18**	16	18
R225 million at JIBAR +2.75%	Tier 2	January 2025	**14**	12	14
R1,624 million at JIBAR + 3.5%	Tier 2	July 2025	**96**	86	98
R407 million at 11.29%	Tier 2	July 2025	**27**	22	25
R2,000 million at JIBAR + 4.00%	Tier 2	September 2026	**116**	-	118
R2,000 million at JIBAR + 3.80%	Tier 2	March 2027	**118**	-	-
R500 million at JIBAR + 3.75%	Tier 2	March 2027	**30**	-	-
			850	586	785
Less: Banking subordinated debt securities held by other Group companies			**(4)**	(46)	(18)
Net banking subordinated securities			**846**	540	767
Non-banking - Old Mutual plc					
£500 million at 8.00%	Tier 2	June 2021	**580**	543	569
£450 million at 7.88%	Tier 2	November 2025	**447**	448	448
			1,027	991	1,017
Non-banking - Emerging Markets[1]					
R300 million at 9.26%	Tier 2	November 2024	**17**	15	17
R700 million at 3 month JIBAR + 2.20%	Tier 2	November 2024	**41**	36	41
R537 million at 3 month JIBAR + 2.30%	Tier 2	March 2025	**32**	28	32
R425 million at 9.76%	Tier 2	March 2025	**25**	21	25
R1,288 million at 3 month JIBAR + 2.25%	Tier 2	September 2025	**76**	66	76
R409 million at 10.32%	Tier 2	March 2027	**24**	20	23
R568 million at 10.90%	Tier 2	September 2027	**34**	29	33
R1,150 million at 10.96%	Tier 2	March 2030	**65**	56	65
R623 million at 11.35%	Tier 2	September 2030	**36**	31	36
			350	302	348
Total subordinated debt securities			**2,223**	1,833	2,132

[1] All callable subordinated debt securities have a first call date five years before the maturity date.

G: Non-financial assets and liabilities

G1: Goodwill and other intangible assets

Analysis of goodwill and other intangible assets

This note shows the movements in cost, amortisation and impairment of goodwill and other intangible assets for the six months ended 30 June 2017 and year ended 31 December 2016.

£m

	Goodwill		Present value of acquired in-force business development costs		Software development costs		Other intangible assets		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Cost										
Balance at beginning of the period	**2,089**	3,129	**914**	982	**913**	598	**772**	710	**4,688**	5,419
Acquisitions through business combinations[1,2]	**14**	124	**-**	**-**	**-**	1	**27**	76	**41**	201
Purchase price adjustments		(12)	**-**	-	**-**	-		17	**-**	5
Additions	**-**	-	**-**	-	**70**	132	**1**	9	**71**	141
Disposals or retirements	**-**	-	**-**	-	**-**	(12)	**-**	-	**-**	(12)
Transfer to assets held for sale	**-**	(1,561)	**-**	(80)	**-**	-	**-**	(72)	**-**	(1,713)
Foreign exchange and other movements	**(12)**	409	**-**	12	**9**	194	**(1)**	32	**(4)**	647
Cost at end of the period / year	**2,091**	2,089	**914**	914	**992**	913	**799**	772	**4,796**	4,688
Amortisation and impairment losses										
Balance at beginning of the period	**(471)**	(617)	**(732)**	(751)	**(568)**	(403)	**(446)**	(372)	**(2,217)**	(2,143)
Amortisation charge for the period	**-**	-	**(20)**	(49)	**(29)**	(51)	**(31)**	(55)	**(80)**	(155)
Impairment losses[3]	**(71)**	(110)	**-**	-	**-**	(3)	**-**	-	**(71)**	(113)
Disposals or retirements	**-**	-	**-**	-	**-**	10	**-**	-	**-**	10
Transfer to assets held for sale	**-**	337	**-**	77	**-**	-	**-**	3	**-**	417
Foreign exchange and other movements	**7**	(81)	**-**	(9)	**(12)**	(121)	**7**	(22)	**2**	(233)
Accumulated amortisation and impairment losses at end of the period / year	**(535)**	(471)	**(752)**	(732)	**(609)**	(568)	**(470)**	(446)	**(2,366)**	(2,217)
Carrying amount										
Balance at beginning of the period	**1,618**	2,512	**182**	231	**345**	195	**326**	338	**2,471**	3,276
Balance at end of the period	**1,556**	1,618	**162**	182	**383**	345	**329**	326	**2,430**	2,471

1 Goodwill acquired through business combinations for the six months ended 30 June 2017 of £14 million relates to the acquisition of Caerus Capital Group Limited (£11 million) and five acquisitions by the Old Mutual Wealth Private Client Advisors business (£3 million). Refer to note A2 and H2 for more information.

2 Other intangible assets acquired through business combinations for the six months ended 30 June 2017 of £27 million relates to the acquisitions of Caerus Capital Group Limited (£10 million), Attivo Investment Management Limited (£9 million) and five acquisitions by the Old Mutual Wealth Private Client Advisors business (£8 million). Refer to note A2 and H2 for more information.

3 The Impairment loss of £71 million for the six months ended 30 June 2017 relates to the East Africa cash generating unit within Emerging Markets and is described in the Goodwill impairment testing – Emerging Markets section below.

The net carrying amount of present value of acquired in-force business at 30 June 2017 principally comprises £161 million (31 December 2016: £179 million) relating to the Skandia business acquired during 2006, which is due to be amortised over a further five to ten years.

The net carrying amount of other intangible assets at 30 June 2017 of £329 million (December 2016: £331 million) principally comprises:

Old Mutual Wealth:

- £209 million (December 2016: £223 million) relating to distribution channels that will be amortised over a further eight years;
- £64 million (December 2016: £30 million) relating to mutual fund and asset management relationship assets that will be amortised over a further six to eight years; and
- £8 million (December 2016: £10 million) relating to brands that will be amortised over a further three years.

Emerging Markets:

- £19 million (December 2016: £21 million) relating to the UAP brand, which is not being amortised; and
- £4 million (December 2016: £4 million) relating to the African Infrastructure Investments Managers brand, which is not being amortised.
- £5 million (December 2016: £2 million) held by Old Mutual Finance, which is being amortised over a further 3 years.

Goodwill impairment testing - Emerging Markets

During the six months ended 30 June 2017 an impairment charge of £71 million was recognised in relation to the Emerging Markets segment. This followed an impairment charge of £64 million during the year ended 31 December 2016.

The impairment of goodwill was principally the result of changes in the Cash Generating Unit (CGU) definition following the simplification of the Rest of Africa businesses' operating structure. Weaker performance in the East Africa businesses than was anticipated at the time of the previous impairment review also had a minor impact. The continued focus on identified strategic priorities in the East African business is already resulting in an improvement in the performance, albeit over a longer timeframe than anticipated at acquisition.

The change in the operating structure prompted the separation of the previously reported single Old Mutual Southern and East Africa (OMSEA) CGU into two CGUs for Southern Africa and East Africa. Businesses in Namibia, Zimbabwe, Botswana, Swaziland and Malawi are included in the Southern Africa CGU. The remaining entities of the former OMSEA CGU are included in the East Africa CGU. These include the former Old Mutual Kenya and the recently acquired business interests in UAP and Faulu. The goodwill balance of £114 million of the OMSEA CGU at 31 December 2016 has been allocated in its entirety to the East African CGU on the basis that it related to the acquisitions of UAP and Faulu within that region.

The impairment review of the East Africa CGU performed at 30 June 2017, included the following key assumptions in respect of the East African business performance:

- Cash flows – Initial cash flows were determined in accordance with the three-year business plan, these were adjusted downwards for economic uncertainties at 30 June 2017 by 30% (31 December 2016: No downward adjustment to business plan). Subsequent cash flows assumed growth rates of 13.0% (December 2016: 18.0%) for years four and five respectively and 8.5% (December 2016: 4.5%) after year five (terminal growth rates).
- Discount rate – The rate applied to the CGU was determined with reference to the relevant 10-year government bond rate adjusted for an equity market risk premium and other risk adjustments, determined using market valuation models and other observable references. This resulted in a current year discount rate for the East Africa CGU of 17.0% (December 2016: 22.3%).

The assumptions previously quoted for prior year goodwill impairment testing that related to the OMSEA CGU as a whole and are not directly comparable to the assumptions used in the 2017 impairment testing for the East Africa CGU.

The result of using the above assumptions is that the Group has recognised an impairment of £71 million in profit and loss relating to the East African CGU. The impairment of goodwill has been allocated to equity holders of the parent (£43 million) and non-controlling interests (£28 million).

Segmental analysis of goodwill and other intangibles

The following table shows a segmental analysis of the carrying amounts of goodwill and other intangible assets, together with amortisation and impairment charges, by operating segment:

£m

	Goodwill and intangible assets (carrying amount)		**Amortisation**		**Impairment**	
	At 30 June 2017	At 31 December 2016	**Six months ended 30 June 2017**	Year ended December 2016	**Six months ended 30 June 2017**	Year ended December 2016
Emerging Markets	**386**	461	**17**	25	**71**	67
Old Mutual Wealth	**1,439**	1,434	**39**	87	**-**	46
Nedbank	**605**	576	**24**	41	**-**	-
Institutional Asset Management[1]	**-**	-	**-**	2	**-**	-
	2,430	2,471	**80**	155	**71**	113

[1] Goodwill for the Institutional Asset Management segment was transferred to assets held for sale in the Consolidated Statement of Financial Position during 2016. Refer to note H2 for more information.

H: Other Notes

H1: Contingent liabilities and commitments

The Group, in the ordinary course of business, enters into transactions that expose it to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible obligations and known liabilities where no reliable estimate can be made or it is considered improbable that an outflow would result are reported as contingent liabilities in accordance with IAS 37: 'Provisions, Contingent Liabilities and Contingent Assets'.

Contingent liabilities – tax

The Revenue authorities in the principal jurisdictions in which the Group operates (South Africa, the United Kingdom and the United States) routinely review historic transactions undertaken and tax law interpretations made by the Group. The Group is committed to conducting its tax affairs in accordance with the tax legislation of the jurisdictions in which they operate. All interpretations made by management are made with reference to the specific facts and circumstances of the transaction and the relevant legislation.

There are occasions where the Group's interpretation of tax law may be challenged by the Revenue authorities. The financial statements include provisions that reflect the Group's assessment of liabilities which might reasonably be expected to materialise as part of their review. The Board is satisfied that adequate provisions have been made to cater for the resolution of tax uncertainties and that the resources required to fund such potential settlements are sufficient.

Due to the level of estimation required in determining tax provisions amounts eventually payable may differ from the provision recognised.

Litigation

There are a number of legal or potential claims against the Group, the outcome of which cannot at present be foreseen.

Consumer protection

The Group is committed to treating customers fairly and supporting its customers in meeting their lifetime goals and treating customers fairly is central to how our businesses operate. We routinely engage with customers and regulators to ensure that we meet this commitment, but there is the risk of regulatory intervention across various jurisdictions, giving rise to the potential for customer redress which can result in retrospective changes to policyholder benefits, penalties or fines. The Group monitors the exposure to these actions and makes provision for the related costs as appropriate.

On 3 March 2016, the UK Financial Conduct Authority (FCA) issued a report detailing its findings of their industry-wide thematic review on the fair treatment of long-standing customers invested in closed-book products sold by the life insurance sector (Thematic Review) and announced that it was initiating an investigation into a number of firms, including Old Mutual Wealth Life Assurance Limited (OMWLA), a subsidiary of Old Mutual Wealth, in relation to potential breaches of the FCA's standards relevant to the matters covered by the Thematic Review. OWMLA is working with the FCA and is cooperating with its investigation, but as with any regulatory investigation of this nature it is difficult to predict when the investigation will be completed or its outcome and therefore no provision has been recognised in the financial statements for the six months ended 30 June 2017.

Implications of the managed separation strategy

The Group routinely monitors and reassesses contingent liabilities arising from such as litigation, warranties and indemnities relating to past acquisitions and disposals. The announcement of the managed separation strategy on 11 March 2016 does not affect the nature of such items, however it is possible that the Group may seek to resolve certain matters as part of the implementation of the managed separation strategy.

H2: Businesses acquired during the year

Old Mutual Wealth continued to expand its operations in the United Kingdom through the following completed acquisitions:

Private Client Adviser Businesses

(i) Caerus Capital Group Limited (Caerus)

On 1 June 2017, Old Mutual Wealth, completed the acquisition of 100% of the share capital of Caerus, a UK based adviser network that operates in a similar manner to Intrinsic and which has approximately £4 billion of funds under advice and over 300 advisers.

The total consideration includes up to £3 million that has been deferred for two years and £6 million that has been deferred for three years. The deferred consideration has been included as part of the cost of the acquisition as there is no continuing employment condition applying to the sellers of the business. The deferred consideration payable is dependent on turnover targets post acquisition and is potentially reduced by the amount of any relevant claims arising from in-force business existing prior to the payment dates.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in Caerus's consolidated statement of financial position on acquisition date approximates the fair value of these items determined by the Group. In addition, the Group recognised identified intangible assets of £10 million and additional provisions of £2 million. The intangible assets recognised relate to customer distribution channels. The value of the intangible assets was determined by applying cash flows to standard industry valuations models. Goodwill of £11 million was recognised on the acquisition and is attributable to the delivery of significant cost and revenue synergies that cannot be linked to identifiable intangible assets.

Transaction costs incurred of £1 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

Old Mutual Wealth Private Client Advisers (OMWPCA)

During the first half of 2017, Old Mutual Wealth completed the acquisition of five adviser businesses as part of the expansion of its OMWPCA business that was launched in October 2015. The aim is to develop an Old Mutual Wealth branded, employed adviser business focused upon servicing upper affluent and high net worth clients, offering a restricted advice proposition focused upon Old Mutual Wealth's investment solutions and platform.

The total potential consideration payable is £11 million, including up to £6 million that has been deferred. The amount of deferred consideration is dependent upon the meeting certain performance targets, generally relating to the value of funds under management. The deferred consideration has been included as part of the cost of the acquisition as there are no continuing employment conditions applying to the sellers of the business.

Goodwill of £3 million and total other intangible assets of £8 million were recognised as a result of the acquisitions.

Transaction costs incurred of £1 million relating to the acquisitions have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

Attivo Investment Management Limited (AIM)

On 29 March 2017, Old Mutual Wealth, completed the acquisition of 100% of the share capital of AIM, a UK based investment management business offering a comprehensive investment management service.

The value of total assets and total net assets of the acquired business were both less than £1m.

The purchase price has been allocated based on a provisional estimate of the fair value of assets acquired and liabilities assumed at the date of acquisition determined in accordance to IFRS 3 'Business Combinations'. The provisional allocation required significant assumptions and it is possible that the preliminary estimates may change materially as the purchase price allocations are finalised. The accounting must be finalised within 12 months of the acquisition date.

The carrying value of assets and liabilities in AIM's statement of financial position on acquisition date approximates the fair value of these items determined by the Group. Other intangible assets of £9 million, relating to customer relationships, were recognised as a result of the acquisition. No goodwill was recognised.

Transaction costs incurred of £0.5 million relating to the acquisition have been recognised within other operating expenses in the consolidated income statement, but not included within adjusted operating profit.

H: Other Notes continued

H3: Events after the reporting date

Purchase of seed capital investments from Old Mutual plc

In July 2017, OM Asset Management plc (OMAM) purchased all of the remaining seed investments from Old Mutual plc for $63 million (£48 million), under the terms of the Seed Capital Management Agreement, as amended.

H4: Related party transactions

There were no transactions with related parties during the six months ended 30 June 2017 which had a material effect on the results or financial position of the Group. The nature of the related party transactions of the Group has not changed from those described in the 2016 Annual Report and Accounts.

I: Discontinued operations and disposal groups held for sale

I1: Discontinued operations

The phased reduction of the Group's majority stake in OM Asset Management plc (OMAM) began in 2016. In addition, on 31 May 2016, the Group sold its interest in Rogge Global Partners Limited (Rogge). These two businesses comprised one of the Group's reported segments, Institutional Asset Management (IAM). As a consequence of the plans to dispose of these businesses, for the six months ended 30 June 2017, the six months ended 30 June 2016 and the year ended 31 December 2016, IAM was classified as a discontinued operation, as required by IFRS.

As explained in note A2, during the current reporting period, reductions in the Group's investment in OMAM from 51.7% to 20.1%, meant loss of control over the business on 19 May 2017 (as defined under IFRS 3 - *'Business Combinations'*). From the date that control was lost, OMAM has been equity accounted as an associated undertaking. At 30 June 2017 the investment in OMAM as an associated undertaking has been classified as assets held for sale. At 31 December 2016, the total assets and total liabilities of OMAM were classified as assets held for sale and liabilities held for sale respectively.

The tables below show the summarised profit or loss, comprehensive income and cash flows of the discontinued business.

(a) Income statement from discontinued operations

			£m
	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Revenue	**213**	222	503
Expenses	**(187)**	(167)	(399)
Share of associated undertakings' and joint ventures' profit after tax	**3**	5	11
Profit on disposal of subsidiaries, associated undertakings and strategic investments	**-**	14	18
Profit before tax from discontinued operations	**29**	74	133
Income tax expense	**(6)**	(20)	(29)
Profit after tax from discontinued operations	**23**	54	104
Attributable to:			
Equity holders of the parent	**12**	38	72
Non-controlling interests - ordinary shares	**11**	16	32
	23	54	104

(b) Statement of comprehensive income from discontinued operations

			£m
	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Profit after tax from discontinued operations	**23**	54	104
Items that may be reclassified subsequently to profit or loss			
Currency translation differences/exchange differences on translating foreign operations	**1**	(1)	(3)
Other movements	**-**	14	**-**
Total comprehensive income for the financial period from discontinued operations	**24**	67	101
Attributable to:			
Equity holders of the parent	**12**	47	69
Non-controlling interests - ordinary shares	**12**	20	32
	24	67	101

(c) Net cash flows from discontinued operations

			£m
	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Operating activities	**12**	(49)	14
Investing activities	**40**	(2)	(172)
Financing activities [1]	**(4)**	(4)	203
Net cash inflow/(outflow) from discontinued operations	**48**	(55)	45

[1] Excludes dividend and financing payments made to Old Mutual plc

I2: Assets and liabilities held for sale

The table below summarises the assets held for sale in the consolidated statement of financial position, in addition to the IAM segment which are classified as a discontinued operation for all periods until 19 May 2017. The Group's remaining investment in OM Asset Management plc (OMAM) has been equity accounted as an associated undertaking from 19 May 2017 and has been classified as an asset held for sale in the consolidated statement of financial position at six months ended 30 June 2017. Refer to notes A2, B1 and I1 for more information. There are a number of other assets and businesses within other segments classified as held for sale.

					£m
At 30 June 2017	**Emerging Markets**	**Nedbank**	**Old Mutual Wealth**	**plc Head Office**	**Total**
Assets					
Property, plant and equipment	**95**	**35**	**3**	**-**	**133**
Investments in associated undertakings and joint ventures	**65**	**-**	**-**	**242**	**307**
Total assets	**160**	**35**	**3**	**242**	**440**

					£m
At 31 December 2016	Emerging Markets	Nedbank	Old Mutual Wealth	Institutional Asset Management	Total
Assets					
Goodwill and other intangible assets	-	-	78	1,216	1,294
Investment properties	116	-	-	-	116
Property, plant and equipment	-	17	4	32	53
Deferred tax assets	-	-	3	247	250
Investments in associated undertakings and joint ventures	-	-	-	29	29
Deferred acquisition costs	-	-	63	32	95
Investments and securities	-	-	6,189	165	6,354
Other assets	-	-	127	155	282
Cash and balances with central banks	-	-	14	83	97
Total assets	116	17	6,478	1,959	8,570
Liabilities					
Long-term business policyholder liabilities	-	-	6,164	-	6,164
Borrowed funds	-	-	-	319	319
Provisions	-	-	3	3	6
Deferred revenue	-	-	5	-	5
Deferred tax liabilities	-	-	21	4	25
Current tax payable	-	-	-	67	67
Other liabilities	1	-	71	388	460
Total liabilities	1	-	6,264	781	7,046

I: Discontinued operations and disposal groups held for sale continued

I2: Assets and liabilities held for sale continued

Emerging Markets

Current and prior period

At 30 June 2017, Emerging Markets classified £95 million (December 2016: £116 million) of investment properties as held for sale as it is expected that they will be sold within 12 months of the reporting date. These investment properties form part of the policyholder assets and the sale will have no impact on profit or loss of the Group.

On 27 April 2017, the Group announced that it has agreed to sell its 26% stake in Kotak Mahindra Old Mutual Life Insurance Limited (Kotak) to its joint venture partner Kotak Mahindra Bank Limited. The transaction is subject to Indian regulatory approvals and is expected to complete in the second half of 2017. At 30 June 2017, the carrying value of Kotak included within assets held for sale was £65 million.

Nedbank

Current and prior period

Following an internal review of its own office space requirements, at 30 June 2017, Nedbank has classified as held for sale buildings with a carrying value of £34 million (December 2016: £17 million) that are no longer required and which are being marketed for sale.

Old Mutual Wealth

Current and prior period

Old Mutual Wealth has identified property, plant and equipment of £3 million (December 2016: £4 million) as held for sale.

Prior period

On 9 August 2016, the Group announced that it had agreed to sell Old Mutual Wealth Italy, part of the Old Mutual Wealth business, to ERGO Italia (now renamed Phlavia Investimenti), subject to regulatory approval. From this date the business was disclosed as held for sale. The sale completed on 9 January 2017. At 31 December 2016, total assets of £6,474 million and total liabilities of £6,264 million were included as held for sale.

plc Head Office

Current period

At 30 June 2017, Old Mutual plc classified its equity accounted investment in OM Asset Management plc (OMAM) as held for sale as the anticipated sell down of 17.2 million OMAM shares to HNA Capital US is expected to complete in the second half of 2017. After the sale, the Group's holding in OMAM's share capital is expected to be approximately 5.5% and it will accounted for as an investment at fair value through profit or loss. Refer to note A2 for more information.

At 30 June 2017, the market value of the Group's investment in OMAM, based on its quoted share price was £251 million compared to the carrying value of £242 million. The Group has therefore concluded that the investment in OMAM is not impaired.

Institutional Asset Management

Prior period

On 9 March 2016, the Group announced its managed separation strategy, which included the phased reduction of its majority stake in OM Asset Management plc (OMAM), part of the Institutional Asset Management segment. At 31 December 2016, total OMAM assets of £1,959 million and total liabilities of £781 million were included as held for sale. During the six months ended 30 June 2017, the Group's interest in OMAM decreased from 51.7% to 20.1%. The residual equity accounted investment in OMAM was classified as assets held for sale, and is now disclosed within the Old Mutual plc segment.