Press Release
Schroders plc
Half-year results to 30 June 2018 (unaudited) 26 July 2018

- Net income before exceptional items up 11% to £1,086.1 million (H1 2017: £974.4 million)
- Profit before tax and exceptional items up 10% to £397.1 million (H1 2017: £361.5 million)
- Profit before tax up 8% to £371.1 million (H1 2017: £342.8 million)
- Assets under management and administration £449.4 billion (31 December 2017: £447.0 billion)
- Net inflows £1.2 billion (H1 2017: £0.8 billion)
- Interim dividend up 3% to 35.0 pence per share (interim dividend 2017: 34.0 pence per share)

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m	Year ended 31 December 2017 £m
Net income	1,086.1	974.4	2,068.9
Operating expenses	(689.0)	(612.9)	(1,268.6)
Profit before tax and exceptional items	**397.1**	**361.5**	**800.3**
Profit before tax	**371.1**	**342.8**	**760.2**
Basic earnings per share before exceptional items (pence)	**114.0**	**103.5**	**226.9**
Basic earnings per share (pence)	**106.0**	**97.8**	**215.3**
Ratio of total costs to net income (%)	**63%**	**63%**	**61%**
Dividend (pence per share)	**35.0**	**34.0**	**113.0**

Peter Harrison, Group Chief Executive, commented: *"We have delivered good results in the first half of 2018 with profit before tax and exceptional items increasing 10% to £397.1 million. Against a challenging backdrop we have delivered robust revenue growth through our strategy of focusing on new markets and by continuing to evolve our products and solutions.*

Our diversified business model has again proven its worth. Wealth Management has seen strong client demand and we have continued to expand our capabilities within Private Assets and Alternatives, offsetting industry headwinds in other areas. We remain confident that we can generate growth through the cycle and that we are well placed to continue to create value for our clients and shareholders over the long term."

Management Statement

Our diversified business model has continued to perform well in the first half of 2018, with strategic investments in new markets and product solutions delivering revenue growth.

Net income before exceptional items increased by 11% to £1,086.1 million (H1 2017: £974.4 million), including £16.1 million of performance fees (H1 2017: £13.8 million) and carried interest of £19.6 million (H1 2017: nil) (see note 3(b)). Profit before tax and exceptional items grew 10% to £397.1 million (H1 2017: £361.5 million).

In the first half of the year, we generated net new business of £1.2 billion (H1 2017: £0.8 billion). Net inflows from Institutional clients were offset by redemptions within the Intermediary sales channel. There was net new business from Wealth Management clients of £1.2 billion.

Assets under management and administration at the end of the period were £449.4 billion (31 December 2017: £447.0 billion).

Asset Management

Asset management net income before exceptional items was up 12% to £921.5 million (H1 2017: £820.0 million), including carried interest of £19.6 million (H1 2017: nil) and performance fees of £15.8 million (H1 2017: £13.2 million). Profit before tax and exceptional items rose 12% to £347.4 million (H1 2017: £310.6 million) and profit before tax increased 10% to £332.2 million (H1 2017: £301.0 million). Assets under management at the end of June 2018 were £389.3 billion (31 December 2017: £389.8 billion).

The net operating revenue margin before performance fees and carried interest was 45 basis points (FY 2017: 45 basis points).

There was no net new business in the first half of the year (H1 2017: £0.2 billion), as inflows from Institutional clients were offset by outflows in the Intermediary sales channel.

The Institutional sales channel saw strong demand from clients in North America and Latin America, offset by outflows in continental Europe and Australia. There were net inflows into Multi-asset and Private Assets and Alternatives strategies, partially offset by redemptions from Equity mandates. Institutional assets under management at the end of June 2018 were £257.2 billion.

In the Intermediary sales channel, outflows from sub-advised clients more than offset net positive branded fund sales, particularly in North America and Asia Pacific. Intermediary assets under management at the end of June 2018 were £132.1 billion.

We have continued to strategically invest in the future growth of the business. In May, we acquired Algonquin Management Partners S.A., a specialist pan-European hotels investment and management business, which complements our existing Real Estate expertise. This acquisition added £1.6 billion of Institutional assets under management and accelerated growth in our Private Assets and Alternatives capabilities.

Wealth Management

Wealth Management net income rose 8% to £143.8 million (H1 2017: £133.7 million), including performance fees of £0.3 million (H1 2017: £0.6 million). Profit before tax and exceptional items was up 7% to £48.7 million (H1 2017: £45.5 million) and profit before tax increased 4% to £37.9 million (H1 2017: £36.4 million).

There were net inflows of £1.2 billion (H1 2017: £0.6 billion) in the first half of the year, £0.7 billion of which came from clients of Benchmark Capital.

Assets under management and administration at the end of June were £60.1 billion (31 December 2017: £57.2 billion).

The net operating revenue margin before performance fees was 62 basis points (FY 2017: 61 basis points).

Group

The Group segment comprises central costs and returns on investment capital. Profit before tax and exceptional items in the first half of 2018 was £1.0 million (H1 2017: £5.4 million). Total equity at 30 June 2018 was £3.5 billion (31 December 2017: £3.5 billion).

Dividend

The Board has declared an interim dividend of 35.0 pence per share (interim dividend 2017: 34.0 pence per share). The dividend will be payable on 20 September 2018 to shareholders on the register at 17 August 2018.

Outlook

The first half of 2018 saw continued industry headwinds. However, we continue to believe that there are growth opportunities, including in some of the key strategic areas where we have been investing for the future.

Our diversified business model has shown that it can deliver growth through the market cycle. We remain committed to delivering on our strategy of building on the investments we have made, as well as looking for select additional opportunities to further develop our business.

Our core focus remains on helping our clients achieve their financial goals and build their future prosperity.

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Additional information

Assets under management and administration

Six months to 30 June 2018

£bn	Institutional	Intermediary	Asset Management	Wealth Management	Total	AUA	AUMA[1]
	Assets under management (AUM)						
1 January 2018	**255.8**	**134.0**	**389.8**	**45.9**	**435.7**	**11.3**	**447.0**
Gross inflows	21.0	27.9	48.9	3.8	52.7		
Gross outflows	(20.8)	(28.1)	(48.9)	(2.6)	(51.5)		
Net flows	**0.2**	**(0.2)**	**–**	**1.2**	**1.2**		
Acquisitions and disposals	1.6	–	1.6	(0.5)[2]	1.1		
Investment returns	(0.4)	(1.7)	(2.1)	(0.2)	(2.3)		
30 June 2018	**257.2**	**132.1**	**389.3**	**46.4**	**435.7**	**13.7**	**449.4**

[1]Assets under management and administration comprise assets managed or advised on behalf of clients (assets under management) and assets where Schroders solely provides administrative support through the Benchmark Capital business (assets under administration or AUA).

[2] Refers to the disposal of the Wealth Management business in Italy.

Investment performance

Client investment performance is calculated internally by Schroders to give shareholders and financial analysts general guidance on how our AUM is performing. The data is aggregated and is intended to provide information for comparison to prior reporting periods only. It is not intended for clients or potential clients investing in our products.

	Percentage of assets outperforming		
	One year	**Three years**	**Five years**
To 30 June 2018	**65%**	**71%**	**77%**
To 31 December 2017	70%	74%	84%

All calculations for investment performance in this statement are made gross of fees with the exception of those for which the stated comparator is a net of fees competitor ranking. When a product's investment performance is discussed or shared with a client or potential client it is specific to the strategy or product: for Intermediary clients, performance will be shown net of fees at the relevant fund share-class level; for Institutional clients, it will typically be shown gross of fees with a fee schedule for the strategy supplied.

The calculation includes 100% of internally-managed Asset Management assets, excluding Liability-Driven Investment (LDI) strategies, that have a complete track record over the respective reporting period. Assets held in LDI strategies, which currently amount to £27.1 billion, are excluded as these are not seeking to outperform a stated objective but to match the liability profile of pension funds. Assets managed by third parties are excluded and primarily comprise the Luxembourg-domiciled GAIA fund range of £6.3 billion and legacy private equity assets of £1.5 billion, but include Schroder Adveq managed private equity assets.

Performance is calculated relative to the relevant stated comparator for each strategy as below. These fall into one of four categories, the percentages for each of which refer to the three year calculation:

- For 78% of assets included in the calculation, the stated comparator is the benchmark.
- If the stated comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 5% of assets in the calculation.

- Assets for which the stated comparator is to an absolute return target are measured against that absolute target. This applies to 10% of assets in the calculation.
- Assets with no stated objective are measured against a cash return, if applicable. This applies to 7% of assets in the calculation.

Metrics for the Group

	Six months ended 30 June 2018	Six months ended 30 June 2017
Ratio of total costs to net income*†	**63%**	63%
Total compensation ratio*†	**43.5%**	44.0%

*Before exceptional items.

†Defined and explained within the 2017 Annual Report and Accounts, available on the Schroders investor relations website www.schroders.com/ir. The calculation basis of the ratios is unchanged from the year end.

Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a presentation and webcast for the investment community to discuss the Group's Half-year results at 9.00am GMT +1 on Thursday 26 July 2018 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.cantos.com. For individuals unable to participate in the live webcast, a replay will be available from 1.00pm GMT +1 on Thursday 26 July on www.schroders.com/ir.

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Please visit www.schroders.com/shareholders-privacy-policy to learn how we handle personal data.

Forward-looking statements

This announcement and the Schroders website may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a forecast, estimate or projection of future financial performance.

Consolidated income statement

	Notes	Six months ended 30 June 2018 (unaudited) Before exceptional items £m	Exceptional items[1] £m	Total £m	Six months ended 30 June 2017 (unaudited) Before exceptional items £m	Exceptional items[1] £m	Total £m
Revenue	3	1,336.2	–	1,336.2	1,179.6	–	1,179.6
Cost of sales	3	(285.2)	–	(285.2)	(239.5)	–	(239.5)
Net operating revenue		**1,051.0**	**–**	**1,051.0**	**940.1**	**–**	**940.1**
Net gains on financial instruments and other income	4	24.0	(8.0)	16.0	20.2	(1.3)	18.9
Share of profit of associates and joint ventures		11.1	(0.4)	10.7	14.1	(1.1)	13.0
Net income		**1,086.1**	**(8.4)**	**1,077.7**	**974.4**	**(2.4)**	**972.0**
Operating expenses	5	(689.0)	(17.6)	(706.6)	(612.9)	(16.3)	(629.2)
Profit before tax		**397.1**	**(26.0)**	**371.1**	**361.5**	**(18.7)**	**342.8**
Tax	6	(81.4)	2.9	(78.5)	(76.0)	3.1	(72.9)
Profit after tax[2]		**315.7**	**(23.1)**	**292.6**	**285.5**	**(15.6)**	**269.9**

Earnings per share							
Basic	7	114.0p	(8.0)p	106.0p	103.5p	(5.7)p	97.8p
Diluted	7	112.0p	(7.8)p	104.2p	101.5p	(5.5)p	96.0p

[1] Please refer to notes 2 and 3 for a definition and further details of exceptional items respectively.
[2] Non-controlling interest is presented in the Consolidated statement of changes in equity.

Consolidated statement of comprehensive income

	Notes	**Six months ended 30 June 2018 (unaudited) £m**	Six months ended 30 June 2017 (unaudited) £m
Profit for the period		**292.6**	**269.9**
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		0.6	(8.1)
Net loss on available-for-sale financial instruments[1]	4	–	(3.9)
Net loss on available-for-sale financial instruments held by associates[1]		–	(3.2)
Net loss on fair value through other comprehensive income financial instruments[1]	4	(4.6)	–
Tax on items taken directly to other comprehensive income	6	0.8	(0.4)
		(3.2)	**(15.6)**
Items that will not be reclassified to the income statement:			
Actuarial gains on defined benefit pension schemes	12	38.1	0.6
Tax on items taken directly to other comprehensive income	6	(6.3)	(0.1)
		31.8	**0.5**
Other comprehensive income/(losses) for the period net of tax[2]		**28.6**	**(15.1)**
Total comprehensive income for the period net of tax[2]		**321.2**	**254.8**

[1] Re-presented following the adoption of IFRS 9 ‘Financial Instruments’.
[2] Non-controlling interest is presented in the Consolidated statement of changes in equity.

Consolidated statement of financial position

	Notes	30 June 2018 (unaudited) £m	31 December 2017 (audited) £m
Assets			
Cash and cash equivalents		2,725.0	2,947.0
Trade and other receivables	9	1,029.7	739.0
Financial assets	9	3,621.5	3,480.8
Associates and joint ventures	10	169.3	143.9
Property, plant and equipment	11	212.4	162.8
Goodwill and intangible assets		928.7	825.8
Deferred tax		40.0	39.3
Retirement benefit scheme surplus	12	203.2	162.9
		8,929.8	**8,501.5**
Assets backing unit-linked liabilities			
Cash and cash equivalents		656.4	572.5
Financial assets		11,630.1	13,413.9
	9	**12,286.5**	**13,986.4**
Total assets		**21,216.3**	**22,487.9**
Liabilities			
Trade and other payables	9	1,145.2	937.7
Financial liabilities	9	4,124.0	3,955.3
Current tax		69.6	78.1
Provisions		41.0	44.0
Deferred tax		11.9	0.1
Retirement benefit scheme deficits	12	16.0	15.3
		5,407.7	**5,030.5**
Unit-linked liabilities	9	**12,286.5**	**13,986.4**
Total liabilities		**17,694.2**	**19,016.9**
Net assets		**3,522.1**	**3,471.0**
Total equity[1]		**3,522.1**	**3,471.0**

[1] Non-controlling interest is presented in the Consolidated statement of changes in equity.

Consolidated statement of changes in equity

		Attributable to owners of the parent								
Six months ended 30 June 2018 (unaudited)	Notes	**Share capital £m**	**Share premium £m**	**Own shares £m**	**Net exchange differences reserve £m**	**Associates and joint ventures reserve £m**	**Profit and loss reserve £m**	**Total £m**	**Non-controlling interest £m**	**Total equity £m**
At 1 January 2018		282.5	124.2	(162.3)	153.4	65.8	2,995.1	3,458.7	12.3	3,471.0
Restatement on adoption of IFRS 9	1	–	–	–	–	–	(0.6)	(0.6)	–	(0.6)
At 1 January 2018 (restated)		**282.5**	**124.2**	**(162.3)**	**153.4**	**65.8**	**2,994.5**	**3,458.1**	**12.3**	**3,470.4**
Profit for the period		–	–	–	–	10.7	281.6	292.3	0.3	292.6
Other comprehensive income[1]		–	–	–	0.6	–	28.0	28.6	–	28.6
Total comprehensive income for the period		**–**	**–**	**–**	**0.6**	**10.7**	**309.6**	**320.9**	**0.3**	**321.2**
Own shares purchased	14	–	–	(67.7)	–	–	–	(67.7)	–	(67.7)
Share-based payments		–	–	–	–	–	35.8	35.8	–	35.8
Tax in respect of share schemes	6	–	–	–	–	–	(0.5)	(0.5)	–	(0.5)
Other movements[2]		–	–	–	–	1.0	(17.0)	(16.0)	(3.8)	(19.8)
Dividends		–	–	–	–	–	(216.0)	(216.0)	(1.3)	(217.3)
Transactions with shareholders		**–**	**–**	**(67.7)**	**–**	**1.0**	**(197.7)**	**(264.4)**	**(5.1)**	**(269.5)**
Transfers		**–**	**–**	**59.5**	**–**	**(1.9)**	**(57.6)**	**–**	**–**	**–**
At 30 June 2018		**282.5**	**124.2**	**(170.5)**	**154.0**	**75.6**	**3,048.8**	**3,514.6**	**7.5**	**3,522.1**

[1] Other comprehensive income reported in the net exchange differences reserve represents foreign exchange gains and losses on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve represents post-tax actuarial gains and post-tax fair value movements on financial instruments held at fair value through other comprehensive income.

[2] Other movements relate to the acquisition of NEOS Finance Group B.V. (see note 16) and an additional interest in Benchmark Capital Limited.

Consolidated statement of changes in equity

Six months ended 30 June 2017 (unaudited)	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the parent								
At 1 January 2017		282.7	124.2	(163.6)	187.7	50.1	2,657.3	3,138.4	14.4	3,152.8
Profit for the period		–	–	–	–	13.0	256.5	269.5	0.4	269.9
Other comprehensive losses[1]		–	–	–	(8.1)	(3.2)	(3.8)	(15.1)	–	(15.1)
Total comprehensive (losses)/income for the period		**–**	**–**	**–**	**(8.1)**	**9.8**	**252.7**	**254.4**	**0.4**	**254.8**
Shares cancelled	13, 14	(0.2)	–	5.4	–	–	(5.2)	–	–	–
Own shares purchased	14	–	–	(47.9)	–	–	–	(47.9)	–	(47.9)
Share-based payments		–	–	–	–	–	27.8	27.8	–	27.8
Tax in respect of share schemes	6	–	–	–	–	–	1.3	1.3	–	1.3
Other movements		–	–	–	–	(0.5)	–	(0.5)	–	(0.5)
Dividends		–	–	–	–	–	(174.7)	(174.7)	(3.4)	(178.1)
Transactions with shareholders		**(0.2)**	**–**	**(42.5)**	**–**	**(0.5)**	**(150.8)**	**(194.0)**	**(3.4)**	**(197.4)**
Transfers		**–**	**–**	**45.2**	**–**	**(2.3)**	**(42.9)**	**–**	**–**	**–**
At 30 June 2017		**282.5**	**124.2**	**(160.9)**	**179.6**	**57.1**	**2,716.3**	**3,198.8**	**11.4**	**3,210.2**

[1] Other comprehensive losses reported in the net exchange differences reserve represent foreign exchange gains and losses on the translation of foreign operations net of hedging. Other comprehensive losses reported in the associates and joint ventures reserve represent post-tax fair value movements on available-for-sale assets held. Other comprehensive losses reported in the profit and loss reserve represent post-tax actuarial gains and post-tax fair value movements on available-for-sale assets held.

Consolidated cash flow statement

	Notes	Six months ended 30 June 2018 (unaudited) £m	Six months ended 30 June 2017 (unaudited) £m
Net cash from operating activities	15	**386.0**	**567.6**
Cash flows from investing activities:			
Net acquisition of businesses and associates		(139.8)	(72.0)
Net acquisition of property, plant and equipment and intangible assets		(88.7)	(60.9)
Acquisition of financial assets		(1,152.2)	(1,070.1)
Proceeds from financial assets		1,124.7	869.6
Non-banking interest received		12.1	13.8
Distributions received from associates and joint ventures		2.5	2.3
Net cash used in investing activities		**(241.4)**	**(317.3)**
Cash flows from financing activities:			
Acquisition of own shares	14	(67.7)	(47.9)
Dividends paid	8	(217.3)	(178.1)
Net cash used in financing activities		**(285.0)**	**(226.0)**
Net increase in cash and cash equivalents		**(140.4)**	**24.3**
Opening cash and cash equivalents		3,519.5	3,785.6
Net increase in cash and cash equivalents		(140.4)	24.3
Effect of exchange rate changes		2.3	4.4
Closing cash and cash equivalents		**3,381.4**	**3,814.3**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		2,673.5	3,010.4
Cash held in consolidated pooled investment vehicles		51.5	60.5
Cash and cash equivalents presented within assets		**2,725.0**	**3,070.9**
Cash and cash equivalents presented within assets backing unit-linked liabilities		656.4	743.4
Closing total cash and cash equivalents		**3,381.4**	**3,814.3**

Explanatory notes to the Half-year financial statements

1. Presentation of Financial Statements

(a) Basis of preparation

The condensed consolidated financial statements for the half year ended 30 June 2018 (the Half-year financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Half-year financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2017. The accounting policies adopted in the preparation of the Half-year financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of certain new accounting standards, further details of which are outlined below.

The Half-year financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the Act). Within the notes to the Half-year financial statements, all current and comparative data covering periods to (or as at) 30 June is unaudited. Data given in respect of the year ended 31 December 2017 is audited. The statutory accounts for the year ended 31 December 2017, which were prepared in accordance with International Financial Reporting Standards (IFRS), comprising Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee (IFRIC) or their predecessors, as adopted by the European Union (EU), and with those parts of the Act applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498 of the Act.

(b) Accounting developments

On 1 January 2018, the Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'. The nature and effect of these changes are disclosed further below. The Group has not implemented the requirements of any other standard, interpretation or amendment that were issued but not required to be implemented at the half year. The following Standards and Interpretations relevant to the Group that had been issued but not yet effective at 30 June 2018 were:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments

No other Standards or Interpretations issued and not yet effective are expected to have an impact on the Group's financial statements.

1. Presentation of Financial Statements (continued)

(i) IFRS 9 'Financial Instruments' (IFRS 9)

IFRS 9 replaces the classification and measurement models previously contained in IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39).

The Group has applied IFRS 9 retrospectively, but has not restated comparative information.

a. Classification and measurement

On adoption of IFRS 9 the Group's financial assets were re-classified at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

– Financial assets at amortised cost

The Group's financial assets are classified at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect contractual cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. Interest income is recorded in the income statement.

– Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are classified at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. This measurement classification applies to certain debt securities within the Group's Wealth Management entities and to debt securities held as part of the Group's investment capital portfolio.

Unrealised gains and losses on FVOCI investments are recorded in other comprehensive income and the cumulative gains and losses are transferred to the income statement if the investment is sold or otherwise realised.

An irrevocable election exists for equity investments to be classified at fair value through other comprehensive income. Where this option is applied, dividends are recognised in profit or loss, but gains or losses are recorded in other comprehensive income and are not reclassified to profit or loss upon derecognition.

– Financial assets at value through profit or loss (FVTPL)

All other financial assets are measured at FVTPL. The Group's financial instruments at FVTPL principally comprise investments in debt securities, equities, pooled investment vehicles and derivatives (which mainly arise from hedging activities).

Certain of the Group's financial assets previously classified at available-for-sale in accordance with IAS 39 have been re-classified at FVTPL. The accumulated gains and losses on these available-for-sale financial assets were transferred to retained earnings on 1 January 2018.

The tables below set out the reclassification of the Group's financial assets in accordance with IFRS 9 as at 1 January 2018.

IAS 39 classifications:	£m
Financial assets at amortised cost	1,492.2
Available-for-sale	994.9
Fair value through profit or loss	993.7
Total financial assets	**3,480.8**

IFRS 9 classifications:	£m
Financial assets at amortised cost	1,492.2
Fair value through other comprehensive income	925.4
Fair value through profit or loss	1,063.2
Total financial assets	**3,480.8**

The accounting for the Group's financial liabilities is largely unchanged following the adoption of IFRS 9.

1. Presentation of Financial Statements (continued)

b. Impairment

IFRS 9 introduces an expected loss model for the calculation of impairment. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event.

IFRS 9 requires the Group to record an allowance for expected credit losses (ECL) for all debt instruments not classified at FVTPL.

A three stage model is used for calculating ECLs which requires financial assets to be assessed as:

– Performing (stage 1) – Financial assets where there has been no significant increase in credit risk since original recognition; or

– Under-performing (stage 2) – Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or

– Non-performing (stage 3) – Financial assets that have defaulted.

For financial assets in stage 1, a 12 month ECL is calculated based on the credit losses that are expected to be incurred over the following 12 month period. For financial assets in stage 2 and 3, the ECL is calculated based on the expected credit losses over the life of the instrument.

The Group has internal processes designed to assess the credit risk profile of its financial instruments, and to determine the relevant stage for calculating the ECLs. These processes include consideration of internal, external, historic and forward-looking information about specific securities as well as market data.

For customer loans, the Group calculates ECLs based on historical credit loss experience and by taking into account the Wealth Management approval authority's current lending rates against the various types of collateral. A record is kept of all information that has or could have an impact on a client's servicing and repayment as well as of all loan exposures where collateral has decreased in value and/or quality. This record is used to identify stage 2 or 3 loans.

For financial assets held with rated counterparties (such as loans to banks and debt securities), the Group calculates ECLs based on default information published by rating agencies and considers any known factors not yet reflected in this information.

The Group applies the simplified approach to calculate ECLs for trade and other receivables based on lifetime expected credit losses. The Group has established a provision matrix that incorporates the Group's historical credit loss experience, counterparty groupings and whether a receivable is overdue or not.

The adoption of IFRS 9's impairment requirements has had an insignificant impact on the Group. This reflects the Group's conservative approach to its treasury investments. The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis. The adoption of IFRS 9 on 1 January 2018 has resulted in a decrease in the Group's net assets of £0.6 million net of tax.

The statement of other comprehensive income, statement of changes in equity and note 4 have been re-presented to reflect the IFRS 9 changes described above.

c. Hedge accounting

The Group applies hedge accounting for certain net investments in foreign operations. All of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships on adoption of IFRS 9.

1. Presentation of Financial Statements (continued)

(ii) IFRS 15 'Revenue from Contracts with Customers' (IFRS 15)

IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. It applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other standards. The Standard introduces a five step model for recognising revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied.

The Group has undertaken a comprehensive review of its contracts with customers and concluded that there is no material impact on the way in which the Group recognises its revenues. The Group has applied IFRS 15 retrospectively although no restatements were required. The Group did not apply any of the practical expedients available under the full retrospective method. The segmental reporting note (note 3) has been re-presented following the adoption of IFRS 15 to further disaggregate revenue into categories that better depict the nature of the revenues.

(c) Going Concern

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and has continued to adopt the going concern basis in preparing these Half-year financial statements.

2. Exceptional items

Exceptional items are significant items of income and expenditure that have been presented separately by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items relate principally to acquisitions undertaken by the Group, including amortisation of acquired intangible assets.

3. Segmental reporting

(a) Operating segments

The Group has three business segments: Asset Management, Wealth Management and the Group segment. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset, real estate and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and banking services provided to high net worth individuals and charities within the Cazenove Capital business, and the Benchmark Capital business, which includes an independent financial adviser network. The Group segment principally comprises the Group's investment capital and treasury management activities, corporate development and strategy activities and the management costs associated with governance and corporate management.

Segment information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive.

Operating expenses include an allocation of costs between the individual business segments on a basis that aligns the charge with the resources employed by the Group in particular business areas. This allocation provides relevant information on the business performance from which to manage and control expenditure.

3. Segmental reporting (continued)

	Six months ended 30 June 2018				Six months ended 30 June 2017			
	Asset Management £m	Wealth Management £m	Group £m	Total £m	Asset Management £m	Wealth Management £m	Group £m	Total £m
Revenue	1,184.7	151.5	–	1,336.2	1,038.4	141.2	–	1,179.6
Cost of sales	(273.6)	(11.6)	–	(285.2)	(229.1)	(10.4)	–	(239.5)
Net operating revenue	**911.1**	**139.9**	**–**	**1,051.0**	**809.3**	**130.8**	**–**	**940.1**
Net gains/(losses) on financial instruments and other income	1.5	3.7	18.8	24.0	(1.3)	2.9	18.6	20.2
Share of profit of associates and joint ventures	8.9	0.2	2.0	11.1	12.0	–	2.1	14.1
Net income	**921.5**	**143.8**	**20.8**	**1,086.1**	**820.0**	**133.7**	**20.7**	**974.4**
Operating expenses	(574.1)	(95.1)	(19.8)	(689.0)	(509.4)	(88.2)	(15.3)	(612.9)
Profit before tax and exceptional items	**347.4**	**48.7**	**1.0**	**397.1**	**310.6**	**45.5**	**5.4**	**361.5**
Exceptional items within net income:								
Net gains/(losses) on financial instruments and other income	(8.0)	–	–	(8.0)	(1.3)	–	–	(1.3)
Amortisation of acquired intangible assets relating to associates and joint ventures	–	(0.4)	–	(0.4)	(1.1)	–	–	(1.1)
	(8.0)	**(0.4)**	**–**	**(8.4)**	**(2.4)**	**–**	**–**	**(2.4)**
Exceptional items within operating expenses:								
Amortisation of acquired intangible assets	(3.7)	(9.7)	–	(13.4)	(6.1)	(8.8)	–	(14.9)
Other expenses	(3.5)	(0.7)	–	(4.2)	(1.1)	(0.3)	–	(1.4)
	(7.2)	**(10.4)**	**–**	**(17.6)**	**(7.2)**	**(9.1)**	**–**	**(16.3)**
Profit before tax and after exceptional items	**332.2**	**37.9**	**1.0**	**371.1**	**301.0**	**36.4**	**5.4**	**342.8**

3. Segmental reporting (continued)

(b) Net operating revenue by fee type is presented below:

	Six months ended 30 June 2018			
	Asset Management £m	Wealth Management £m	Group £m	Total £m
Management fees	1,123.2	111.8	–	1,235.0
Performance fees	15.8	0.3	–	16.1
Carried interest[1]	40.1	–	–	40.1
Other fees	5.6	20.6	–	26.2
Wealth Management interest income earned	–	18.8	–	18.8
Revenue	**1,184.7**	**151.5**	**–**	**1,336.2**
Fee expense	(253.1)	(5.6)	–	(258.7)
Financial obligations in respect of carried interest[1]	(20.5)	–	–	(20.5)
Wealth Management interest expense incurred	–	(6.0)	–	(6.0)
Cost of sales	**(273.6)**	**(11.6)**	**–**	**(285.2)**
Net operating revenue[2]	**911.1**	**139.9**	**–**	**1,051.0**

[1] Carried interest is the Group's share of profits from investment vehicles it manages on behalf of third parties, earned when the vehicles meet specified performance conditions. The Group recognises financial obligations in respect of carried interest arising from co-investment arrangements.

[2] Asset Management net operating revenue comprises £432.5 million from the Institutional sales channel and £478.6 million from the Intermediary channel for the six months to 30 June 2018.

	Six months ended 30 June 2017			
	Asset Management £m	Wealth Management £m	Group £m	Total £m
Management fees[3]	1,018.6	104.0	–	1,122.6
Performance fees	13.2	0.6	–	13.8
Other fees[3]	6.6	21.1	–	27.7
Wealth Management interest income earned	–	15.5	–	15.5
Revenue	**1,038.4**	**141.2**	**–**	**1,179.6**
Fee expense	(229.1)	(5.5)	–	(234.6)
Wealth Management interest expense incurred	–	(4.9)	–	(4.9)
Cost of sales	**(229.1)**	**(10.4)**	**–**	**(239.5)**
Net operating revenue[4]	**809.3**	**130.8**	**–**	**940.1**

[3] Certain revenues which are earned as a percentage of the valuation of assets under management, and previously reported within other fees, are now presented within management fees. This change resulted in £89.9 million of other fees being reclassified to management fees for the six months to 30 June 2017.

[4] Asset Management net operating revenue comprises £372.8 million from the Institutional sales channel and £436.5 million from the Intermediary sales channel for the six months to 30 June 2017.

3. Segmental reporting (continued)

(c) Net operating revenue by region is presented below based on the location of clients:

	Six months ended 30 June 2018				
	UK	**Continental Europe & Middle East**	**Asia Pacific**	**Americas**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Management fees	361.7	415.7	316.1	141.5	1,235.0
Performance fees	0.2	3.5	6.9	5.5	16.1
Carried interest	–	40.1	–	–	40.1
Other fees	16.5	5.9	3.7	0.1	26.2
Wealth Management interest income earned	12.8	5.3	0.7	–	18.8
Revenue	**391.2**	**470.5**	**327.4**	**147.1**	**1,336.2**
Fee expense	(31.3)	(119.1)	(90.6)	(17.7)	(258.7)
Financial obligations in respect of carried interest	–	(20.5)	–	–	(20.5)
Wealth Management interest expense incurred	(4.2)	(1.7)	(0.1)	–	(6.0)
Cost of sales	**(35.5)**	**(141.3)**	**(90.7)**	**(17.7)**	**(285.2)**
Net operating revenue	**355.7**	**329.2**	**236.7**	**129.4**	**1,051.0**

	Six months ended 30 June 2017				
	UK	Continental Europe & Middle East	Asia Pacific	Americas	Total
	£m	£m	£m	£m	£m
Management fees[1]	337.0	357.9	304.6	123.1	1,122.6
Performance fees	2.1	3.7	3.5	4.5	13.8
Other fees[1]	15.9	7.2	4.3	0.3	27.7
Wealth Management interest income earned	8.9	6.0	0.6	–	15.5
Revenue	**363.9**	**374.8**	**313.0**	**127.9**	**1,179.6**
Fee expense	(30.8)	(111.3)	(80.5)	(12.0)	(234.6)
Wealth Management interest expense incurred	(2.6)	(2.2)	(0.1)	–	(4.9)
Cost of sales	**(33.4)**	**(113.5)**	**(80.6)**	**(12.0)**	**(239.5)**
Net operating revenue	**330.5**	**261.3**	**232.4**	**115.9**	**940.1**

[1] Certain revenues which are earned as a percentage of the valuation of assets under management, and previously reported within other fees, are now presented within management fees. This change resulted in £89.9 million of other fees being reclassified to management fees for the six months to 30 June 2017.

4. Net gains on financial instruments and other income

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Income statement £m	**Other comprehensive income £m**	**Total £m**	Income statement £m	Other comprehensive income £m	Total £m
Net (losses)/gains on financial instruments held at fair value through profit or loss[1]	**(11.1)**	**–**	**(11.1)**	**4.9**	**–**	**4.9**
Net losses arising from fair value movements	–	–	–	–	(1.8)	(1.8)
Net transfers on disposal	–	–	–	2.1	(2.1)	–
Net gains/(losses) on AFS financial instruments[2]	**–**	**–**	**–**	**2.1**	**(3.9)**	**(1.8)**
Net losses arising from fair value movements	–	(5.0)	(5.0)	–	–	–
Net transfers on disposal	(0.4)	0.4	–	–	–	–
Net losses on FVOCI financial instruments[2]	**(0.4)**	**(4.6)**	**(5.0)**	**–**	**–**	**–**
Net finance income	**4.8**	**–**	**4.8**	**6.4**	**–**	**6.4**
Other income	**22.7**	**–**	**22.7**	**5.5**	**–**	**5.5**
Net gains/(losses) on financial instruments and other income	**16.0**	**(4.6)**	**11.4**	**18.9**	**(3.9)**	**15.0**
Net (losses)/gains on financial instruments held to hedge deferred cash awards – presented within operating expenses	(0.5)	–	(0.5)	6.1	–	6.1
Financial obligations in respect of carried interest – presented within cost of sales	(20.5)	–	(20.5)	–	–	–
Net (losses)/gains on financial instruments and other items – net of hedging	**(5.0)**	**(4.6)**	**(9.6)**	**25.0**	**(3.9)**	**21.1**

[1] Includes £8.0 million of exceptional items (2017: £1.3 million), of which £6.0 million is in respect of contingent consideration related to carried interest.
[2] Financial instruments have been re-presented from 1 January 2018 on the adoption of IFRS 9 (see note 1).

5. Operating expenses

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Salaries, wages and other remuneration	411.2	381.9
Social security costs	38.7	31.8
Pension costs	22.0	20.7
Employee benefits expense	**471.9**	**434.4**
Net losses/(gains) on financial instruments held to hedge deferred cash awards	0.5	(6.1)
Employee benefits expense net of hedging	**472.4**	**428.3**

The employee benefits expense net of hedging of £472.4 million (H1 2017: £428.3 million) includes a £0.4 million charge (H1 2017: nil) within exceptional items in relation to deferred compensation costs relating to acquisitions.

6. Tax expense

Analysis of tax charge reported in the income statement:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
UK Corporation Tax on profits for the period	33.0	33.1
Foreign tax - current	43.4	43.2
Total current tax	**76.4**	**76.3**
Origination and reversal of temporary differences	1.7	(3.5)
Adjustments in respect of prior period estimates	0.4	0.1
Total deferred tax	**2.1**	**(3.4)**
Tax charge reported in the income statement	**78.5**	**72.9**

Analysis of the tax charge reported in other comprehensive income:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Current income tax charge on movements on available-for-sale financial instruments[1]	–	0.4
Deferred tax on movements on fair value through other comprehensive income financial instruments[1]	(0.8)	–
Deferred tax charge on actuarial gains on defined benefit pension schemes	6.3	0.1
Tax charge reported in other comprehensive income	**5.5**	**0.5**

[1] Financial instruments have been re-classified from 1 January 2018 on the adoption of IFRS 9 (see note 1).

6. Tax expense (continued)

Analysis of tax charge/(credit) reported in equity:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Current income tax credit on Equity Compensation Plans and other share-based remuneration	(1.0)	(1.4)
Deferred tax charge on Equity Compensation Plans and other share-based remuneration	1.5	0.1
Total charge/(credit) reported in equity	**0.5**	**(1.3)**

7. Earnings per share

Reconciliation of the figures used in calculating basic and diluted earnings per share:

	Six months ended 30 June 2018 Number Millions	Six months ended 30 June 2017 Number Millions
Weighted average number of shares used in calculation of basic earnings per share	**275.8**	**275.4**
Effect of dilutive potential shares – share options	4.8	5.2
Effect of dilutive potential shares – contingently issuable shares	0.1	0.1
Weighted average number of shares used in calculation of diluted earnings per share	**280.7**	**280.7**

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interests of £1.4 million (H1 2017: £0.4 million). After exceptional items, the profit after tax attributable to non-controlling interests was £0.3 million (H1 2017: £0.4 million).

8. Dividends

	Six months ended 30 June 2018		Six months ended 30 June 2017	
	£m	**Pence per share**	£m	Pence per share
Prior year final dividend paid	**216.0**	**79.0**	174.7	64.0

The Board has declared an interim dividend of 35.0 pence per share (interim dividend 2017: 34.0 pence), amounting to £95.7 million (H1 2017: £92.9 million) in total. The dividend will be paid on 20 September 2018 to shareholders on the register at 17 August 2018.

The Group paid £1.3 million of dividends to holders of non-controlling interests in subsidiaries of the Group during the six months ended 30 June 2018 (H1 2017: £3.4 million), resulting in total dividends paid in the period of £217.3 million (H1 2017: £178.1 million).

Schroders plc offers a dividend reinvestment plan (DRIP). The last date for shareholders to elect to participate in the DRIP for the purposes of the 2018 interim dividend is 30 August 2018. Further details are available on the Group's website.

9. Fair value measurement disclosures

The Group holds financial instruments that are measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of financial instruments may require some estimation or may be derived from readily available sources. The degree of estimation involved is reflected below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

For investments that are actively traded in financial markets, fair value is determined by reference to official quoted market prices. For investments that are not actively traded, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies.

Financial assets that have no quoted price principally consist of investments in private equity funds, derivatives and client loans in Wealth Management. The determination of fair value for these instruments requires significant estimation, particularly in determining whether changes in fair value have occurred since the last formal valuation.

The Group's financial instruments have been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 investments, the judgement applied by the Group gives rise to an estimate of fair value. The fair value estimate of level 2 and 3 investments is set out on the next page, with no individual input giving rise to a material component of the carrying value for the Group. These levels are based on the degree to which the fair value is observable and are defined as follows:

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities and government debt, daily-priced funds and exchange-traded derivatives;

– Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, assets and mortgage backed securities and loans held at fair value. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group's level 3 financial assets principally comprise investments in private equity funds which are measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Valuation Guidelines 2015. Following the Group's acquisition of Algonquin Management Partners S.A. (see note 16) level 3 financial assets now also include investments in property investment vehicles which are valued in accordance with Royal Institution of Chartered Surveyors Valuation – Professional Standards. Level 3 financial liabilities principally comprise contingent consideration and other financial liabilities arising from acquisitions completed by the Group. The carrying values of level 3 financial liabilities are derived from an estimate of the expected future cash flows required to settle the liability. These estimates are typically derived from the projected performance of the investment for a number of years into the future.

9. Fair value measurement disclosures (continued)

The Group holds certain assets and liabilities at fair value. Their categorisation within the fair value hierarchy is shown below:

	30 June 2018				
	Level 1 £m	Level 2 £m	Level 3 £m	Assets and liabilities not at fair value[1] £m	Total £m
Financial assets:					
Equities	222.2	0.2	19.5	–	241.9
Pooled investment vehicles	509.6	6.4	75.4	–	591.4
Debt securities	463.8	758.2	7.5	154.1	1,383.6
Derivative contracts	2.9	14.8	10.9	–	28.6
Loans and advances	–	0.6	–	1,375.4	1,376.0
	1,198.5	**780.2**	**113.3**	**1,529.5**	**3,621.5**
Trade and other receivables	**25.6**	**–**	**–**	**1,004.1**	**1,029.7**
Assets backing unit-linked liabilities	**7,095.6**	**4,245.1**	**35.9**	**909.9**	**12,286.5**
	8,319.7	**5,025.3**	**149.2**	**3,443.5**	**16,937.7**
Financial liabilities:					
Derivative contracts	2.0	35.6	–	–	37.6
Client accounts	–	–	–	3,706.5	3,706.5
Deposits by banks	–	–	–	60.2	60.2
Other financial liabilities	168.3	1.9	144.0	5.5	319.7
	170.3	**37.5**	**144.0**	**3,772.2**	**4,124.0**
Trade and other payables	**213.4**	–	**–**	**931.8**	**1,145.2**
Unit-linked liabilities	**11,791.0**	**66.8**	**–**	**428.7**	**12,286.5**
	12,174.7	**104.3**	**144.0**	**5,132.7**	**17,555.7**

[1] The fair value of financial instruments not held at fair value approximates to their carrying value.

There were no material transfers of financial assets or liabilities between different levels in the fair value hierarchy during the current or prior period.

9. Fair value measurement disclosures (continued)

	31 December 2017				
	Level 1 £m	Level 2 £m	Level 3 £m	Assets and liabilities not at fair value[1] £m	Total £m
Financial assets:					
Equities	135.1	0.2	12.4	–	147.7
Pooled investment vehicles	657.9	8.5	46.1	–	712.5
Debt securities	450.5	631.9	–	151.7	1,234.1
Derivative contracts	2.6	29.3	13.4	–	45.3
Loans and advances	–	0.7	–	1,340.5	1,341.2
	1,246.1	**670.6**	**71.9**	**1,492.2**	**3,480.8**
Trade and other receivables	**26.5**	**–**	**–**	**712.5**	**739.0**
Assets backing unit-linked liabilities	**9,576.3**	**3,704.5**	**54.6**	**651.0**	**13,986.4**
	10,848.9	**4,375.1**	**126.5**	**2,855.7**	**18,206.2**
Financial liabilities:					
Derivative contracts	4.9	19.3	–	–	24.2
Client accounts	–	–	–	3,685.7	3,685.7
Deposits by banks	–	–	–	59.3	59.3
Other financial liabilities	87.3	–	72.4	26.4	186.1
	92.2	**19.3**	**72.4**	**3,771.4**	**3,955.3**
Trade and other payables	**164.1**	–	–	**773.6**	**937.7**
Unit-linked liabilities	**13,906.1**	**42.8**	–	**37.5**	**13,986.4**
	14,162.4	**62.1**	**72.4**	**4,582.5**	**18,879.4**

[1] The fair value of financial instruments not held at fair value approximates to their carrying value.

9. Fair value measurement disclosures (continued)

Movements in assets and liabilities categorised as level 3 during the period were:

	30 June 2018			31 December 2017		
	Financial assets £m	**Assets backing unit-linked liabilities £m**	**Financial liabilities £m**	Financial assets £m	Assets backing unit-linked liabilities £m	Financial liabilities £m
At 1 January	71.9	54.6	72.4	56.8	44.5	44.2
Exchange translation adjustments	–	(0.1)	0.1	(0.1)	1.5	0.1
Total gains/(losses) recognised in the income statement	4.3	(0.5)	26.1	(3.0)	4.8	(4.1)
Total losses recognised in other comprehensive income	–	–	–	(6.8)	–	–
Additions[1]	40.8	–	45.6	36.0	14.1	32.2
Disposals	(3.7)	(18.1)	(0.2)	(11.0)	(10.3)	–
At 30 June/31 December	**113.3**	**35.9**	**144.0**	**71.9**	**54.6**	**72.4**

[1] Additions during 2018 primarily relate to the acquisition of Algonquin Management Partners S.A. (see note 16).

10. Associates and joint ventures

	30 June 2018			31 December 2017		
	Associates £m	**Joint ventures £m**	**Total £m**	Associates £m	Joint ventures £m	Total £m
At 1 January	141.8	2.1	143.9	123.1	1.9	125.0
Exchange translation adjustments	0.1	(0.1)	–	(2.7)	–	(2.7)
Additions[1]	19.5	–	19.5	5.9	–	5.9
Disposals[2]	(3.3)	–	(3.3)	–	–	–
Profit for the period after tax	10.3	0.4	10.7	20.9	0.8	21.7
Losses recognised in other comprehensive income	–	–	–	(3.0)	–	(3.0)
Other movements	1.0	–	1.0	(0.3)	–	(0.3)
Distributions of profit	(2.3)	(0.2)	(2.5)	(2.1)	(0.6)	(2.7)
At 30 June/31 December	**167.1**	**2.2**	**169.3**	**141.8**	**2.1**	**143.9**

[1] On 1 May 2018, the Group acquired a 20% equity interest in A10 Capital Parent Company LLC (A10), a US-based full-service commercial real estate lending platform, for a consideration of £8.8 million. On the same date, the Group also purchased £22.7 million of redeemable preference shares issued by A10. On 11 June 2018, the Group purchased a 20% interest in Planar Investments Private Ltd, a Singapore-based digital wealth services business that trades as 'WeInvest', for a consideration of £7.5 million. The Group invested in two other associate undertakings during the period for a combined consideration of £3.2 million.

[2] On 28 February 2018, the Group increased its holding in NEOS Finance Group B.V. (NEOS) from 25% to 49%, which resulted in NEOS being consolidated into the Group as a subsidiary from this date. Prior to 28 February 2018, NEOS was accounted for as an associate using the equity accounting method. This change in ownership is required to be accounted for as a disposal of an associate and an acquisition of a subsidiary (see note 16).

11. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2018	166.0	23.1	72.4	261.5
Exchange translation adjustments	0.6	–	0.3	0.9
Additions	52.1	2.3	4.0	58.4
Disposals	–	–	(0.5)	(0.5)
At 30 June 2018	**218.7**	**25.4**	**76.2**	**320.3**
Accumulated depreciation				
At 1 January 2018	(50.5)	(0.1)	(48.1)	(98.7)
Exchange translation adjustments	(0.2)	–	(0.2)	(0.4)
Depreciation charge for the period	(2.6)	(0.2)	(6.4)	(9.2)
Disposals	–	–	0.4	0.4
At 30 June 2018	**(53.3)**	**(0.3)**	**(54.3)**	**(107.9)**
Net book value at 30 June 2018	**165.4**	**25.1**	**21.9**	**212.4**

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2017	89.7	3.9	61.2	154.8
Exchange translation adjustments	(1.1)	0.2	(0.8)	(1.7)
Additions	81.4	19.0	13.0	113.4
Disposals	(4.0)	–	(1.0)	(5.0)
At 31 December 2017	**166.0**	**23.1**	**72.4**	**261.5**
Accumulated depreciation				
At 1 January 2017	(50.5)	–	(37.9)	(88.4)
Exchange translation adjustments	0.5	–	0.5	1.0
Depreciation charge for the year	(4.5)	(0.1)	(11.7)	(16.3)
Disposals	4.0	–	1.0	5.0
At 31 December 2017	**(50.5)**	**(0.1)**	**(48.1)**	**(98.7)**
Net book value at 31 December 2017	**115.5**	**23.0**	**24.3**	**162.8**

12. Retirement benefit obligations

The amounts recognised in the consolidated statement of financial position are:

	Six months ended 30 June 2018 (unaudited) £m	Year ended 31 December 2017 £m
At 1 January	1,029.2	1,093.2
Interest on assets	13.1	28.0
Remeasurement of assets	(19.1)	20.6
Benefits paid	(21.9)	(112.6)
Fair value of plan assets	**1,001.3**	**1,029.2**
At 1 January	(866.3)	(975.0)
Interest cost	(10.9)	(24.8)
Actuarial gains due to change in demographic assumptions	23.7	27.2
Actuarial gains/(losses) due to change in financial assumptions	51.0	(1.7)
Actuarial losses due to experience	(17.5)	(4.6)
Benefits paid	21.9	112.6
Present value of funded obligations	**(798.1)**	**(866.3)**
Net asset in respect of the UK defined benefit scheme	**203.2**	**162.9**
Net liabilities in respect of other defined benefit schemes	**16.0**	**15.3**

The principal assumptions used for the UK defined benefit scheme were as follows:

	Six months ended 30 June 2018 (unaudited) %	Year ended 31 December 2017 %
Discount rate	2.9	2.6
RPI inflation rate	3.2	3.3
CPI inflation rate	2.1	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.1	3.1
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.2
Average number of years a current pensioner is expected to live beyond age 60:		
Men	28	28
Women	29	30
Average number of years future pensioners currently aged 45 are expected to live beyond age 60:		
Men	29	29
Women	30	31

The last completed triennial actuarial valuation of the UK defined benefit scheme was carried out as at 31 December 2017. The valuation determined that the scheme had a funding level of 115% on the Technical Provisions (funding) basis and concluded that no contributions were required.

13. Share capital and share premium

	Number of shares Millions	**Ordinary shares £m**	**Non-voting ordinary shares £m**	**Total shares £m**	**Share premium £m**
At 1 January 2018	282.5	226.0	56.5	282.5	124.2
At 30 June 2018	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2017	282.7	226.0	56.7	282.7	124.2
Shares cancelled	(0.2)	–	(0.2)	(0.2)	–
At 30 June 2017	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

During the six months ended 30 June 2017, 233,623 non-voting ordinary shares were bought back by the Group for a value of £5.4 million and cancelled.

	30 June 2018 Number Millions	30 June 2017 Number Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	282.5	**282.5**

14. Own shares

Own shares include the Group's shares (both ordinary and non-voting ordinary) that are held by employee benefit trusts.

Movements in own shares during the period were as follows:

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
At 1 January	(162.3)	(163.6)
Own shares purchased	(67.7)	(47.9)
Own shares cancelled	–	5.4
Awards vested	59.5	45.2
At 30 June	**(170.5)**	**(160.9)**

During the period 2.0 million own shares (H1 2017: 1.6 million own shares) were purchased and held for hedging share-based awards. 2.3 million shares (H1 2017: 1.9 million shares) awarded to employees vested in the period and were transferred out of own shares.

15. Reconciliation of net cash from operating activities

	Six months ended 30 June 2018 £m	Six months ended 30 June 2017 £m
Profit before tax	**371.1**	**342.8**
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	33.7	30.7
Net losses/(gains) taken through the income statement on financial instruments	12.0	(13.1)
Share-based payments	35.8	27.8
Net (release)/charge for provisions	(2.4)	1.6
Other non-cash movements	(8.8)	0.8
	70.3	**47.8**
Adjustments for which the cash effects are investing activities:		
Net finance income	(4.8)	(6.4)
Share of profit of associates and joint ventures	(10.7)	(13.0)
	(15.5)	**(19.4)**
Adjustments for statement of financial position movements:		
Increase in loans and advances within Wealth Management	(34.1)	(296.1)
Increase in trade and other receivables	(274.0)	(259.5)
Increase in deposits and customer accounts within Wealth Management	13.4	359.5
Increase in trade and other payables, other financial liabilities and provisions	237.1	185.6
	(57.6)	**(10.5)**
Adjustments for Life Company movements:		
Net decrease in financial assets backing unit-linked liabilities	1,783.8	364.9
Net decrease in unit-linked liabilities	(1,699.9)	(88.2)
	83.9	**276.7**
Tax paid	**(66.2)**	**(69.8)**
Net cash from operating activities	**386.0**	**567.6**

16. Business combinations

The Group completed four business combinations during the six months ended 30 June 2018.

The most significant of these transactions completed on 2 May 2018 when the Group acquired 100% of the issued share capital of Algonquin Management Partners S.A. (Algonquin), a specialist pan-European hotels investment and management business, for a total consideration of £118.5 million. The acquisition contributed £1.6 billion of Asset Management AUM and strengthens the Group's real estate capabilities.

On 28 February 2018, the Group increased its interest in NEOS from 25% to 49% of issued share capital. NEOS was previously held as an associate (see note 10).

On 30 April 2018, the Group acquired 100% of the issued share capital of City Capital Analysis (JCB) Limited and Richard Martin Financial Solutions Limited through the Benchmark Capital business for a combined consideration of £2.3 million.

Net assets acquired

The fair values of the net assets acquired in the transactions together with the goodwill and intangible assets recognised are as follows:

Net Assets acquired:	Algonquin £m	NEOS £m	Other £m	Total £m
Cash	1.4	–	0.2	1.6
Financial assets	23.3	–	–	23.3
Trade and other receivables	19.9	0.1	–	20.0
Other assets	0.2	1.5	–	1.7
Trade and other payables	(4.7)	(0.8)	–	(5.5)
Other liabilities	–	(2.2)	–	(2.2)
Tangible net assets	**40.1**	**(1.4)**	**0.2**	**38.9**
Goodwill	61.7	10.2	–	71.9
Intangible assets arising on acquisition	20.1	–	2.1	22.2
Deferred tax arising on Intangible assets	(3.4)	–	–	(3.4)
Non-controlling interest	–	0.7	–	0.7
Total	**118.5**	**9.5**	**2.3**	**130.3**

Satisfied by:	Algonquin £m	NEOS £m	Other £m	Total £m
Cash	94.7	4.7	0.8	100.2
Contingent consideration[1]	23.8	–	–	23.8
Deferred consideration	–	–	1.5	1.5
Fair value of the Group's pre existing 25% interest	–	4.8	–	4.8
Total	**118.5**	**9.5**	**2.3**	**130.3**

[1] Contingent consideration of £23.8 million is payable under the terms of the share purchase agreement for Algonquin. This amount is contingent upon the receipt of future revenues over a three year period post acquisition. The estimated range of amounts that will ultimately be payable is between £14.4 million and £27.8 million.

The amounts reported in respect of the acquisitions are provisional and subject to final review.

16. Business combinations (continued)

Algonquin

Goodwill arising on the acquisition of Algonquin represents the value of the acquired business arising from:

- A broader platform for business growth;
- Talented management and employees; and
- Opportunities for synergies from combining certain activities.

Goodwill arising on the acquisition of Algonquin will not be deductible for tax purposes.

In the period between the acquisition date on 2 May 2018 and 30 June 2018, Algonquin contributed £1.4 million to the Group's net income. The contribution to profit before tax and exceptional items was £0.4 million and exceptional costs of £0.4 million were incurred in respect of amortisation of the acquired intangible assets. Additionally, acquisition costs of £2.4 million were recorded within 'Operating expenses' and classified as exceptional in the Consolidated income statement.

If the acquisition had been completed on 1 January 2018, the Group's pre-exceptional net income for the period would have been £1,088.9 million, and the profit before tax and exceptional items for the period on the same basis would have been £397.9 million.

NEOS

The goodwill arising from the acquisition is attributable to the value of the additional investment capabilities acquired. The £0.7 million of non-controlling interest recognised at the acquisition date was determined as a proportion of the identifiable net liabilities at the date of acquisition attributable to third parties.

At 28 February 2018, the fair value of the 25% equity interest in NEOS was £4.8 million. As a result of remeasuring the equity interest to fair value at the acquisition date, a gain of £1.5 million was recognised through net gains on financial instruments and other income in the Group's income statement.

Key risks

Consistent with other asset management and wealth management businesses, we are exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Group not being able to meet its objectives and may lead to losses. Other risks, such as those inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take.

The key risks to which the Group will be exposed in the second half of 2018 are expected to be substantially the same as those described on pages 36 to 43 in the 2017 Annual Report and Accounts, and comprise: strategic risks; business risks such as investment performance risk; financial risks, comprising market, credit, liquidity and sufficiency of capital risks; and operational risks, including conduct and regulatory risk, technology and information security risk, and third-party service provider risk.

Directors' responsibility statement

On behalf of the Directors, I confirm to the best of my knowledge that the Half-year results:

- Have been prepared in accordance with International Accounting Standard 34 as adopted by the European Union;
- Include a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7, namely important events that have occurred during the first six months of the financial period and their impact on the Half-year financial statements, as well as a description of the principal risks and uncertainties faced by the Group and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
- Include, as required by Disclosure Guidance and Transparency Rule 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial period and any material changes to the related party transactions described in the last Annual Report and Accounts.

A list of current Directors is maintained on the Schroders plc website: www.schroders.com.

On behalf of the Board

Richard Keers
Chief Financial Officer
25 July 2018

Independent review report to Schroders plc

Report on the Half-year financial statements

Introduction

We have been engaged by Schroders plc (the "Company") to review the condensed consolidated financial statements for the half year ended 30 June 2018 (the "Half-year financial statements"), which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement and Explanatory notes to the Half-year financial statements. We have read the other information contained in the Half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half-year financial statements.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Half-year financial statements have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the Half-year financial statements in the Half-year results based on our review.

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 United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Half-year financial statements in the Half-year results for the six months ended 30 June 2018 are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
25 July 2018

Notes:

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