

# Press Release

## Schroders plc

Half-year results to 30 June 2015 (unaudited)

30 July 2015

- Profit before tax and exceptional items\* up 17 per cent. to £305.7 million (H1 2014: £261.5 million)
- Profit before tax up 24 per cent. to £290.3 million (H1 2014: £233.9 million)
- Net inflows £8.8 billion (H1 2014: £4.8 billion)
- Assets under management up 14 per cent. to £309.9 billion (30 June 2014: £271.5 billion)
- Interim dividend up 21 per cent. to 29.0 pence per share (interim dividend 2014: 24.0 pence per share)

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m	Year ended 31 December 2014 £m
<b>Profit before tax and exceptional items*</b>			
Asset Management	271.0	235.1	499.3
Wealth Management	30.0	26.3	61.7
Group segment	4.7	0.1	4.2
<b>Profit before tax and exceptional items*</b>	<b>305.7</b>	<b>261.5</b>	<b>565.2</b>
<b>Profit before tax</b>	<b>290.3</b>	<b>233.9</b>	<b>517.1</b>
<b>Earnings per share before exceptional items (pence)</b>	<b>88.5</b>	<b>77.1</b>	<b>166.8</b>
<b>Earnings per share (pence)</b>	<b>84.0</b>	<b>69.0</b>	<b>152.7</b>
<b>Dividend (pence)</b>	<b>29.0</b>	<b>24.0</b>	<b>78.0</b>

Michael Dobson, Chief Executive, commented: *"We generated £8.8 billion of net new business in the first half of 2015 despite heightened volatility in markets towards the end of the period. Net inflows were particularly strong in fixed income and, regionally, in Asia Pacific and Continental Europe. Profit before tax and exceptional items was up 17 per cent. and the interim dividend is increased by 21 per cent."*

### Contacts

For further information please contact:

#### Investors

James Grant	Investor Relations	+44 (0) 20 7658 6744	<a href="mailto:james.grant@schroders.com">james.grant@schroders.com</a>
Alex James	Investor Relations	+44 (0) 20 7658 4308	<a href="mailto:alex.james@schroders.com">alex.james@schroders.com</a>

#### Press

Beth Saint	Head of Communications	+44 (0) 20 7658 6168	<a href="mailto:beth.saint@schroders.com">beth.saint@schroders.com</a>
Anita Scott	Brunswick	+44 (0) 20 7404 5959	<a href="mailto:schroders@brunswickgroup.com">schroders@brunswickgroup.com</a>

\* See notes 2 and 3 for further details and a definition of exceptional items.

# Management report

After a strong start to the year, mounting uncertainties in the eurozone and in China led to increased volatility in financial markets towards the end of the period. In addition, the strength of sterling in the second quarter had the effect of reducing assets under management by £10.2 billion by comparison with 31 March 2015.

Against this background, Schroders benefitted from the strength of our international business and the diversity of our product range. Net revenue was up 11 per cent. to £806.2 million (H1 2014: £728.6 million) and profit before tax and exceptional items was up 17 per cent. to £305.7 million (H1 2014: £261.5 million).

Net flows were positive across all channels and totalled £8.8 billion (H1 2014: £4.8 billion), taking assets under management at the end of June to £309.9 billion (30 June 2014: £271.5 billion).

## Asset Management

Asset Management net revenue increased 12 per cent. to £694.3 million (H1 2014: £621.0 million) including performance fees of £5.9 million (H1 2014: £8.3 million). Profit before tax and exceptional items increased 15 per cent. to £271.0 million (H1 2014: £235.1 million). Exceptional items, principally the amortisation of the value of client relationships acquired with Cazenove Capital and STW, were £6.0 million (H1 2014: £9.6 million).

Investment performance is competitive across asset classes with 77 per cent. of assets under management outperforming their benchmark or peer group over three years.

In Institutional we generated net inflows of £3.6 billion, with high levels of new business in Fixed Income and Multi-asset, and a strong performance across our Asia Pacific franchise, particularly Japan. Assets under management in Institutional at the end of June were £175.5 billion (30 June 2014: £148.0 billion).

Net inflows in Intermediary were £4.8 billion, diversified across Equities, Fixed Income and Multi-asset with high levels of net sales in Continental Europe and Asia Pacific. Assets under management in Intermediary at the end of June were £102.4 billion (30 June 2014: £92.8 billion).

## Wealth Management

Wealth Management net revenue increased 5 per cent. to £105.5 million (H1 2014: £100.5 million) and profit before tax and exceptional items increased 14 per cent. to £30.0 million (H1 2014: £26.3 million). Exceptional items of £4.0 million (H1 2014: £8.9 million) comprised amortisation of client relationships acquired with Cazenove Capital.

Net inflows were £0.4 billion and assets under management at the end of June were £32.0 billion (30 June 2014: £30.7 billion).

## Group

The Group segment comprises central costs and returns on investment capital. Profit before tax and exceptional items was £4.7 million (H1 2014: £0.1 million). Exceptional items relating to the acquisition of Cazenove Capital and STW were £5.4 million (H1 2014: £9.1 million).

Shareholders' equity at the end of June was £2.6 billion (31 December 2014: £2.5 billion).

## Dividend

The Board has declared an interim dividend of 29.0 pence per share (interim dividend 2014: 24.0 pence), an increase of 21 per cent. The dividend will be payable on 24 September 2015 to shareholders on the register at 14 August 2015.

## Outlook

Schroders is well positioned across Institutional, Intermediary and Wealth Management. In the short term, with continuing uncertainty in the eurozone and China and the prospect of interest rate rises in the US, market volatility is likely to remain high which may impact retail investor demand in particular.

## Additional information

### Assets under management

Six months to 30 June 2015	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
<b>31 December 2014</b>	<b>171.1</b>	<b>97.8</b>	<b>268.9</b>	<b>31.1</b>	<b>300.0</b>
Net flows	3.6	4.8	8.4	0.4	8.8
Investment returns*	0.8	(0.2)	0.6	0.5	1.1
<b>30 June 2015</b>	<b>175.5</b>	<b>102.4</b>	<b>277.9</b>	<b>32.0</b>	<b>309.9</b>

\* The strengthening of sterling since 31 December 2014 had the effect of reducing total assets under management by £6.4 billion.

Three months to 30 June 2015	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
<b>31 March 2015</b>	<b>181.0</b>	<b>105.9</b>	<b>286.9</b>	<b>32.6</b>	<b>319.5</b>
Net flows	1.6	1.9	3.5	0.2	3.7
Investment returns*	(7.1)	(5.4)	(12.5)	(0.8)	(13.3)
<b>30 June 2015</b>	<b>175.5</b>	<b>102.4</b>	<b>277.9</b>	<b>32.0</b>	<b>309.9</b>

\* The strengthening of sterling since 31 March 2015 had the effect of reducing total assets under management by £10.2 billion.

### Income and cost metrics for the Group

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
Costs: net revenue ratio	65%	66%	64%
Compensation costs: net revenue ratio	45%	47%	45%
Bonus: pre-bonus profit before tax and exceptional items	38%	39%	37%
Return on average capital before exceptional items (pre-tax)	24%	23%	24%
Return on average capital before exceptional items (post-tax)	19%	18%	19%

Copies of today's announcement are available on the Schroders website: [www.schroders.com](http://www.schroders.com).

Michael Dobson, 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 BST on Thursday, 30 July 2015 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at [www.schroders.com/ir](http://www.schroders.com/ir) and [www.cantos.com](http://www.cantos.com). For individuals unable to participate in the live webcast, a replay will be available from midday on Thursday, 30 July on [www.schroders.com/ir](http://www.schroders.com/ir).

## **Forward-looking statements**

This interim management statement 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', 'will have', 'will be', '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 interim management 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 interim management statement should be construed as a forecast, estimate or projection of future financial performance.

## **Investment performance**

Investment performance as referred to in this interim management statement is calculated by Schroders, using published benchmarks for products, where available, for Asset Management only. It excludes private equity, LDI and externally managed GAIA funds, and funds which do not have the required track record. If no benchmark is published or agreed with the client but the fund is listed in competitor rankings, the relative position of the fund to its peer group is used. Funds with no benchmark but an absolute return target over the one or three-year period are measured against that absolute target. Funds with no benchmark and no target may be measured against a cash return, if applicable. As at 30 June 2015, such comparator data existed for 75 per cent. of Asset Management AUM over three years.

## Consolidated income statement

	Notes	Six months ended 30 June 2015 (unaudited)			Six months ended 30 June 2014 (unaudited)		
		Before exceptional items £m	Exceptional items** £m	Total £m	Before exceptional items £m	Exceptional items*** £m	Total £m
Revenue	4	1,022.4	-	1,022.4	954.4	-	954.4
Cost of sales		(228.0)	-	(228.0)	(244.6)	-	(244.6)
Net gains on financial instruments and other income		11.8	-	11.8	18.8	-	18.8
<b>Net revenue*</b>		<b>806.2</b>	<b>-</b>	<b>806.2</b>	<b>728.6</b>	<b>-</b>	<b>728.6</b>
Operating expenses		(520.7)	(14.3)	(535.0)	(478.1)	(26.5)	(504.6)
<b>Operating profit</b>		<b>285.5</b>	<b>(14.3)</b>	<b>271.2</b>	<b>250.5</b>	<b>(26.5)</b>	<b>224.0</b>
Net finance income		6.6	-	6.6	4.9	-	4.9
Share of profit of associates and joint ventures		13.6	(1.1)	12.5	6.1	(1.1)	5.0
<b>Profit before tax</b>		<b>305.7</b>	<b>(15.4)</b>	<b>290.3</b>	<b>261.5</b>	<b>(27.6)</b>	<b>233.9</b>
Tax	5	(64.1)	3.0	(61.1)	(53.5)	5.8	(47.7)
<b>Profit after tax</b>		<b>241.6</b>	<b>(12.4)</b>	<b>229.2</b>	<b>208.0</b>	<b>(21.8)</b>	<b>186.2</b>
<b>Earnings per share</b>							
Basic	6	88.5p	(4.5)p	84.0p	77.1p	(8.1)p	69.0p
Diluted	6	86.1p	(4.4)p	81.7p	74.5p	(7.9)p	66.6p

\*Non-GAAP measure of performance.

\*\*Please refer to notes 2 and 3 for a definition and further details of exceptional items.

## Consolidated statement of comprehensive income

	<b>Six months ended 30 June 2015 (unaudited) £m</b>	Six months ended 30 June 2014 (unaudited) £m
<b>Profit for the period</b>	<b>229.2</b>	<b>186.2</b>
<b>Items that may be reclassified to the income statement on fulfilment of specific conditions:</b>		
Net exchange differences on translation of foreign operations after hedging	(12.4)	(14.6)
Net fair value movement arising from available-for-sale financial assets	5.5	5.5
Net fair value movement arising from available-for-sale financial assets held by associates	4.8	0.3
Tax on items taken directly to other comprehensive income	1.3	(0.3)
	<b>(0.8)</b>	<b>(9.1)</b>
<b>Items reclassified to the income statement:</b>		
Net realised gains on disposal of available-for-sale financial assets	(2.7)	(4.4)
	<b>(2.7)</b>	<b>(4.4)</b>
<b>Items that will not be reclassified to the income statement:</b>		
Actuarial (losses)/gains on defined benefit pension schemes	(7.6)	5.6
Tax on items taken directly to other comprehensive income	1.5	(1.1)
	<b>(6.1)</b>	<b>4.5</b>
<b>Other comprehensive losses for the period net of tax</b>	<b>(9.6)</b>	<b>(9.0)</b>
<b>Total comprehensive income for the period net of tax</b>	<b>219.6</b>	<b>177.2</b>

## Consolidated statement of financial position

	<b>30 June 2015 (unaudited) £m</b>	31 December 2014 (audited) £m
<b>Assets</b>		
Cash and cash equivalents	3,388.3	3,535.3
Trade and other receivables	794.0	541.0
Financial assets	1,913.6	1,763.4
Associates and joint ventures	107.6	92.6
Property, plant and equipment	31.9	29.9
Goodwill and intangible assets	467.1	474.5
Deferred tax	47.3	47.8
Retirement benefit scheme surplus	97.9	103.7
	<b>6,847.7</b>	<b>6,588.2</b>
<b>Assets backing unit-linked liabilities</b>		
Cash and cash equivalents	794.7	696.3
Financial assets	11,441.9	12,962.1
	<b>12,236.6</b>	<b>13,658.4</b>
<b>Total assets</b>	<b>19,084.3</b>	<b>20,246.6</b>
<b>Liabilities</b>		
Trade and other payables	883.6	752.1
Financial liabilities	3,243.8	3,193.5
Current tax	55.5	44.1
Provisions	47.2	54.0
Deferred tax	0.9	0.4
Retirement benefit scheme deficits	6.5	6.3
	<b>4,237.5</b>	<b>4,050.4</b>
<b>Unit-linked liabilities</b>	<b>12,236.6</b>	<b>13,658.4</b>
<b>Total liabilities</b>	<b>16,474.1</b>	<b>17,708.8</b>
<b>Net assets</b>	<b>2,610.2</b>	<b>2,537.8</b>
<b>Equity</b>	<b>2,610.2</b>	<b>2,537.8</b>

## Consolidated statement of changes in equity

Six months ended 30 June 2015 (unaudited)	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2015	282.5	119.4	(200.1)	81.4	29.6	27.0	2,198.0	2,537.8
<b>Profit for the period</b>	-	-	-	-	12.5	-	216.7	229.2
<b>Other comprehensive (losses)/income*</b>	-	-	-	(12.4)	4.8	4.1	(6.1)	(9.6)
<b>Total comprehensive (losses)/income for the period</b>	-	-	-	(12.4)	17.3	4.1	210.6	219.6
Own shares purchased	-	-	(40.9)	-	-	-	-	(40.9)
Share-based payments	-	-	-	-	0.2	-	32.2	32.4
Tax in respect of share schemes	-	-	-	-	-	-	8.6	8.6
Dividends attributable to shareholders	-	-	-	-	-	-	(147.3)	(147.3)
<b>Transactions with shareholders</b>	-	-	(40.9)	-	0.2	-	(106.5)	(147.2)
<b>Transfers</b>	-	-	45.1	-	(1.7)	-	(43.4)	-
<b>At 30 June 2015</b>	<b>282.5</b>	<b>119.4</b>	<b>(195.9)</b>	<b>69.0</b>	<b>45.4</b>	<b>31.1</b>	<b>2,258.7</b>	<b>2,610.2</b>

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



## Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
<b>Six months ended 30 June 2014 (unaudited)</b>								
At 1 January 2014	282.7	119.4	(229.9)	83.2	23.5	24.3	1,965.4	2,268.6
<b>Profit for the period</b>	-	-	-	-	5.0	-	181.2	186.2
<b>Other comprehensive (losses)/income*</b>	-	-	-	(14.6)	0.3	0.8	4.5	(9.0)
<b>Total comprehensive (losses)/income for the period</b>	-	-	-	(14.6)	5.3	0.8	185.7	177.2
Shares cancelled	(0.2)	-	-	-	-	-	0.2	-
Own shares purchased	-	-	(45.4)	-	-	-	-	(45.4)
Share-based payments	-	-	-	-	-	-	33.1	33.1
Tax in respect of share schemes	-	-	-	-	-	-	2.4	2.4
Dividends attributable to shareholders	-	-	-	-	-	-	(113.0)	(113.0)
<b>Transactions with shareholders</b>	<b>(0.2)</b>	-	<b>(45.4)</b>	-	-	-	<b>(77.3)</b>	<b>(122.9)</b>
<b>Transfers</b>	-	-	57.9	-	(1.7)	-	(56.2)	-
<b>At 30 June 2014</b>	<b>282.5</b>	<b>119.4</b>	<b>(217.4)</b>	<b>68.6</b>	<b>27.1</b>	<b>25.1</b>	<b>2,017.6</b>	<b>2,322.9</b>

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

## Consolidated cash flow statement

	Note	Six months ended 30 June 2015 (unaudited) £m	Six months ended 30 June 2014 (unaudited) £m
<b>Net cash from operating activities</b>	<b>11</b>	<b>369.8</b>	<b>144.7</b>
<b>Cash flows from investing activities</b>			
Net acquisition of associates and joint ventures		-	(1.2)
Net acquisition of property, plant and equipment and intangible assets		(13.1)	(10.8)
Acquisition of financial assets		(309.4)	(332.0)
Disposal of financial assets		74.9	368.9
Non-banking interest received		7.4	3.5
Distributions received from associates and joint ventures		1.7	1.7
<b>Net cash (used in)/from investing activities</b>		<b>(238.5)</b>	<b>30.1</b>
<b>Cash flows from financing activities</b>			
Acquisition of own shares		(35.6)	(45.4)
Dividends paid		(147.3)	(113.0)
<b>Net cash used in financing activities</b>		<b>(182.9)</b>	<b>(158.4)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(51.6)</b>	<b>16.4</b>
Opening cash and cash equivalents		4,231.6	3,320.4
Net (decrease)/increase in cash and cash equivalents		(51.6)	16.4
Effect of exchange rate changes		3.0	(35.6)
<b>Closing cash and cash equivalents</b>		<b>4,183.0</b>	<b>3,301.2</b>
<b>Closing cash and cash equivalents consists of:</b>			
Cash backing unit-linked liabilities		794.7	800.6
Cash held in consolidated funds		9.0	10.9
<b>Cash that the Group cannot use for its own corporate purposes</b>		<b>803.7</b>	<b>811.5</b>
Cash		2,483.3	1,573.3
Cash equivalents		896.0	916.4
<b>Cash and cash equivalents available for use by the Group</b>		<b>3,379.3</b>	<b>2,489.7</b>
<b>Closing cash and cash equivalents</b>		<b>4,183.0</b>	<b>3,301.2</b>

# Explanatory notes to the Half-year financial statements

Within the notes to the Half-year financial statements, all current and comparative data covering periods to (or as at) 30 June are unaudited. Data given in respect of the year ended 31 December 2014 is audited.

## 1. Basis of preparation

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 statutory accounts for 2014, which were prepared in accordance with International Financial Reporting Standards (IFRS), which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 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 Companies Act 2006.

The Half-year financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the Disclosure and Transparency Rules of the Financial Conduct Authority.

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. They therefore continue to adopt the going concern basis in preparing these Half-year financial statements.

The accounting policies applied in these Half-year financial statements are consistent with those applied in the Group's statutory accounts for 2014. The Group did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the half-year. The following Standards and Interpretations relevant to the Group have been issued but not yet endorsed by the EU or adopted by the Group in these Half-year financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

No other Standards or Interpretations issued and not yet effective are expected to have an impact on the Group's 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 made by the Group in 2013, including costs of acquisition and integration, amortisation of acquired intangible assets and deferred compensation.

## 3. Segmental reporting

The Group has three business segments: Asset Management, Wealth Management, and the Group segment. Asset Management principally comprises investment management including advisory services, equity products, fixed income securities, multi-asset investments, real estate and alternative asset classes such as commodities and private equity. Wealth Management principally comprises investment management, wealth planning and banking services provided to high net worth individuals and charities. The Group segment principally comprises the Group's investment capital and treasury management activities and the management costs associated with governance and corporate management.

### 3. Segmental reporting (continued)

Segment information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision-maker, the 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 management information on the business performance to manage and control expenditure.

Six months ended 30 June 2015	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	907.2	101.5	0.1	1,008.8
Banking interest receivable	-	13.6	-	13.6
<b>Revenue</b>	<b>907.2</b>	<b>115.1</b>	<b>0.1</b>	<b>1,022.4</b>
Fee expense	(218.5)	(3.2)	(0.1)	(221.8)
Banking interest payable	-	(6.2)	-	(6.2)
<b>Cost of sales</b>	<b>(218.5)</b>	<b>(9.4)</b>	<b>(0.1)</b>	<b>(228.0)</b>
Net gains/(losses) on financial instruments and other income	5.6	(0.2)	6.4	11.8
<b>Net revenue</b>	<b>694.3</b>	<b>105.5</b>	<b>6.4</b>	<b>806.2</b>
Operating expenses	(431.1)	(75.5)	(14.1)	(520.7)
<b>Operating profit/(loss)</b>	<b>263.2</b>	<b>30.0</b>	<b>(7.7)</b>	<b>285.5</b>
Net finance income	1.1	-	5.5	6.6
Share of profit of associates and joint ventures	6.7	-	6.9	13.6
<b>Profit before tax and exceptional items</b>	<b>271.0</b>	<b>30.0</b>	<b>4.7</b>	<b>305.7</b>
<b>Exceptional items within operating expenses:</b>				
Amortisation of acquired intangible assets	(4.9)	(4.0)	-	(8.9)
Deferred compensation arising directly from acquisitions	-	-	(5.4)	(5.4)
	<b>(4.9)</b>	<b>(4.0)</b>	<b>(5.4)</b>	<b>(14.3)</b>
<b>Exceptional items within share of profit of associates and joint ventures:</b>				
Amortisation of acquired intangible assets	(1.1)	-	-	(1.1)
<b>Total exceptional items</b>	<b>(6.0)</b>	<b>(4.0)</b>	<b>(5.4)</b>	<b>(15.4)</b>
<b>Profit/(loss) before tax and after exceptional items</b>	<b>265.0</b>	<b>26.0</b>	<b>(0.7)</b>	<b>290.3</b>

### 3. Segmental reporting (continued)

Six months ended 30 June 2014	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	844.2	98.2	0.1	942.5
Banking interest receivable	-	11.9	-	11.9
<b>Revenue</b>	<b>844.2</b>	<b>110.1</b>	<b>0.1</b>	<b>954.4</b>
Fee expense	(234.2)	(4.9)	(0.1)	(239.2)
Banking interest payable	-	(5.4)	-	(5.4)
<b>Cost of sales</b>	<b>(234.2)</b>	<b>(10.3)</b>	<b>(0.1)</b>	<b>(244.6)</b>
Net gains on financial instruments and other income	11.0	0.7	7.1	18.8
<b>Net revenue</b>	<b>621.0</b>	<b>100.5</b>	<b>7.1</b>	<b>728.6</b>
Operating expenses	(391.2)	(74.2)	(12.7)	(478.1)
<b>Operating profit/(loss)</b>	<b>229.8</b>	<b>26.3</b>	<b>(5.6)</b>	<b>250.5</b>
Net finance (charge)/income	(0.4)	-	5.3	4.9
Share of profit of associates and joint ventures	5.7	-	0.4	6.1
<b>Profit before tax and exceptional items</b>	<b>235.1</b>	<b>26.3</b>	<b>0.1</b>	<b>261.5</b>
<b>Exceptional items within operating expenses:</b>				
Restructuring and integration costs	(2.6)	(3.8)	-	(6.4)
Amortisation of acquired intangible assets	(5.9)	(5.1)	-	(11.0)
Deferred compensation arising directly from acquisitions	-	-	(9.1)	(9.1)
	<b>(8.5)</b>	<b>(8.9)</b>	<b>(9.1)</b>	<b>(26.5)</b>
<b>Exceptional items within share of profit of associates and joint ventures:</b>				
Amortisation of acquired intangible assets	(1.1)	-	-	(1.1)
<b>Total exceptional items</b>	<b>(9.6)</b>	<b>(8.9)</b>	<b>(9.1)</b>	<b>(27.6)</b>
<b>Profit/(loss) before tax and after exceptional items</b>	<b>225.5</b>	<b>17.4</b>	<b>(9.0)</b>	<b>233.9</b>

### 4. Revenue

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m
Management fees	896.9	845.4
Performance fees	5.9	8.4
Other fees	106.0	88.7
Interest income earned by Wealth Management	13.6	11.9
	<b>1,022.4</b>	<b>954.4</b>

## 5. Tax expense

Analysis of tax charge reported in the income statement:

	<b>Six months ended 30 June 2015 £m</b>	Six months ended 30 June 2014 £m
UK Corporation Tax on profits for the period	23.5	28.0
Adjustments in respect of prior period estimates	(0.9)	-
Foreign tax – current	37.1	20.2
Foreign tax – adjustments in respect of prior period estimates	0.5	1.3
<b>Current tax</b>	<b>60.2</b>	<b>49.5</b>
Origination and reversal of temporary differences	1.7	(0.9)
Adjustments in respect of prior period estimates	(0.8)	(0.9)
<b>Deferred tax</b>	<b>0.9</b>	<b>(1.8)</b>
<b>Tax charge reported in the income statement</b>	<b>61.1</b>	<b>47.7</b>

Analysis of tax (credit)/charge reported in other comprehensive income:

	<b>Six months ended 30 June 2015 £m</b>	Six months ended 30 June 2014 £m
Current income tax (credit)/charge on movements in available-for-sale financial assets	(1.3)	0.3
Deferred tax (credit)/charge on actuarial (losses)/gains on defined benefit pension schemes	(1.5)	1.1
<b>Tax (credit)/charge reported in other comprehensive income</b>	<b>(2.8)</b>	<b>1.4</b>

Analysis of tax credit reported in equity:

	<b>Six months ended 30 June 2015 £m</b>	Six months ended 30 June 2014 £m
Current income tax credit on Equity Compensation Plans and other share-based remuneration	(9.3)	(6.4)
Deferred tax charge on Equity Compensation Plans and other share-based remuneration	0.7	4.0
<b>Tax credit reported in equity</b>	<b>(8.6)</b>	<b>(2.4)</b>

The net tax charge or credit for the period has been calculated by forecasting an effective annual tax rate for each tax jurisdiction and applying that rate individually to the pre-tax income of that jurisdiction.

## 6. Earnings per share

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

	<b>Six months ended 30 June 2015 Number Millions</b>	Six months ended 30 June 2014 Number Millions
<b>Weighted average number of shares used in calculation of basic earnings per share</b>	<b>272.7</b>	<b>269.7</b>
Effect of dilutive potential shares – share options	7.3	8.8
Effect of dilutive potential shares – contingently issuable shares	0.5	0.8
<b>Weighted average number of shares used in calculation of diluted earnings per share</b>	<b>280.5</b>	<b>279.3</b>

There have been no material transactions involving shares or potential shares since 30 June 2015 and before the publication of these Half-year financial statements.

## 7. Dividends

	Six months ended 30 June 2015		Six months ended 30 June 2014	
	£m	Pence per share	£m	Pence per share
<b>Prior year final dividend paid</b>	<b>147.3</b>	<b>54.0</b>	<b>113.0</b>	<b>42.0</b>

The Board has declared an interim dividend of 29.0 pence per share (interim dividend 2014: 24.0 pence), amounting to £78.9 million (H1 2014: £64.7 million) in total. The dividend will be paid on 24 September 2015 to shareholders on the register at 14 August 2015.

## 8. 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 judgement or may be derived from readily available sources. The degree of judgement 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 and derivatives. The determination of fair value requires significant judgement, particularly in determining whether changes in fair value have occurred since the last formal valuation. In making this judgement the Group evaluates amongst other factors the effect of cash distributions and changes in the business outlook.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. 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, daily-priced funds, gilts 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 corporate bonds, interest rate swaps, foreign exchange contracts and investments in real estate funds. 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 and principally comprise investments in private equity funds. These funds are managed by third parties and are measured at the values provided by the relevant fund managers. The most recent available valuation data is used and adjusted for known events such as calls or distributions. The valuation review is a continual process throughout the year.



## 8. 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 2015			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets:</b>				
Equities	573.6	8.8	45.6	628.0
Debt securities*	524.4	12.3	-	536.7
Derivative contracts	1.0	8.7	-	9.7
Other instruments	-	10.9	-	10.9
	<b>1,099.0</b>	<b>40.7</b>	<b>45.6</b>	<b>1,185.3</b>
<b>Trade and other receivables*</b>	<b>27.2</b>	<b>-</b>	<b>-</b>	<b>27.2</b>
<b>Assets backing unit-linked liabilities*</b>	<b>9,320.1</b>	<b>1,879.0</b>	<b>45.6</b>	<b>11,244.7</b>
	<b>10,446.3</b>	<b>1,919.7</b>	<b>91.2</b>	<b>12,457.2</b>
<b>Financial liabilities:</b>				
Derivative contracts	0.1	16.3	-	16.4
Other financial liabilities held at fair value through profit or loss	41.7	6.5	0.8	49.0
	<b>41.8</b>	<b>22.8</b>	<b>0.8</b>	<b>65.4</b>
<b>Trade and other payables*</b>	<b>87.2</b>	<b>-</b>	<b>-</b>	<b>87.2</b>
<b>Unit-linked liabilities*</b>	<b>11,987.8</b>	<b>16.8</b>	<b>-</b>	<b>12,004.6</b>
	<b>12,116.8</b>	<b>39.6</b>	<b>0.8</b>	<b>12,157.2</b>

\*For each of these categories, the Group holds instruments at fair value as well as at amortised cost. Instruments held at amortised cost are not included in the analysis above.

## 8. Fair value measurement disclosures (continued)

	31 December 2014			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets:</b>				
Equities	434.3	12.6	40.0	486.9
Debt securities*	450.7	7.6	-	458.3
Derivative contracts	0.6	25.8	-	26.4
Other instruments	-	31.2	-	31.2
	<b>885.6</b>	<b>77.2</b>	<b>40.0</b>	<b>1,002.8</b>
<b>Trade and other receivables*</b>	<b>29.2</b>	<b>-</b>	<b>-</b>	<b>29.2</b>
<b>Assets backing unit-linked liabilities*</b>	<b>10,830.7</b>	<b>1,950.4</b>	<b>49.6</b>	<b>12,830.7</b>
	<b>11,745.5</b>	<b>2,027.6</b>	<b>89.6</b>	<b>13,862.7</b>
<b>Financial liabilities:</b>				
Derivative contracts	1.8	13.6	-	15.4
Other financial liabilities held at fair value through profit or loss	43.2	7.6	0.8	51.6
	<b>45.0</b>	<b>21.2</b>	<b>0.8</b>	<b>67.0</b>
<b>Trade and other payables*</b>	<b>102.0</b>	<b>-</b>	<b>-</b>	<b>102.0</b>
<b>Unit-linked liabilities*</b>	<b>13,488.2</b>	<b>5.5</b>	<b>-</b>	<b>13,493.7</b>
	<b>13,635.2</b>	<b>26.7</b>	<b>0.8</b>	<b>13,662.7</b>

\*For each of these categories, the Group holds instruments at fair value as well as at amortised cost. Instruments held at amortised cost are not included in the analysis above.

## 8. Fair value measurement disclosures (continued)

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

	30 June 2015			31 December 2014		
	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	40.0	49.6	(0.8)	38.8	158.2	(3.3)
Exchange translation adjustments	(2.2)	(0.4)	-	(1.8)	(6.5)	(0.3)
Total (losses)/gains recognised in the income statement	-	(1.9)	-	-	13.2	2.8
Total gains recognised in other comprehensive income	11.6	-	-	7.7	-	-
Additions	-	-	-	8.0	1.8	-
Disposals	(3.8)	(1.7)	-	(11.7)	(117.1)	-
Transfers out of level 3	-	-	-	(1.0)	-	-
<b>At 30 June/31 December</b>	<b>45.6</b>	<b>45.6</b>	<b>(0.8)</b>	<b>40.0</b>	<b>49.6</b>	<b>(0.8)</b>

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

## 9. 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 2015	282.5	226.0	56.5	282.5	119.4
<b>At 30 June 2015</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>119.4</b>

## 10. Own shares

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

Movements during the period were as follows:

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m
At 1 January	(200.1)	(229.9)
Own shares purchased	(40.9)	(45.4)
Cancellation of own shares held in treasury	-	3.8
Awards vested	45.1	54.1
<b>At 30 June</b>	<b>(195.9)</b>	<b>(217.4)</b>

## 11. Reconciliation of net cash from operating activities

	Six months ended 30 June 2015 £m	Six months ended 30 June 2014 £m
<b>Operating profit</b>	271.2	224.0
<b>Adjustments for income statement non-cash movements:</b>		
Depreciation of property, plant and equipment and amortisation of intangible assets	17.9	18.7
Net losses/(gains) taken through the income statement on financial instruments	8.4	(7.0)
Share-based payments	32.2	33.1
Net release of provisions	(4.1)	(2.1)
Other non-cash movements	2.9	0.8
	<b>57.3</b>	<b>43.5</b>
<b>Adjustments for statement of financial position movements:</b>		
Increase in trade and other receivables	(170.8)	(51.5)
Increase/(decrease) in trade and other payables, financial liabilities and provisions	154.1	(38.1)
	<b>(16.7)</b>	<b>(89.6)</b>
<b>Adjustments for Life Company movements:</b>		
Net decrease/(increase) in financial assets backing unit-linked liabilities	1,520.2	(487.4)
Net (decrease)/increase in unit-linked liabilities	(1,421.8)	501.1
	<b>98.4</b>	<b>13.7</b>
<b>Tax paid</b>	<b>(40.4)</b>	<b>(46.9)</b>
<b>Net cash from operating activities</b>	<b>369.8</b>	<b>144.7</b>

## Key risks

Like any other asset management and wealth management business, 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. Some of them, like the risks 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 2015 are expected to be substantially the same as those described in the 2014 Annual Report, and include: reputational risk; business risks such as investment performance risk; market, credit and liquidity risks; and operational risks including conduct and regulatory risks 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 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 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.

A list of current Directors is maintained on the Schroders plc website: [www.schroders.com](http://www.schroders.com)

On behalf of the Board

**Richard Keers**  
Chief Financial Officer  
29 July 2015

# Independent review report to Schroders plc

## Report on the Half-year financial statements

### **Our conclusion**

We have reviewed the Half-year financial statements, defined below, in the Half-year Results of Schroders plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the Half-year financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

### **What we have reviewed**

The Half-year financial statements, which are prepared by Schroders plc, comprise:

- The consolidated statement of financial position as at 30 June 2015;
- The consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- The consolidated cash flow statement for the period then ended;
- The consolidated statement of changes in equity for the period then ended; and
- The explanatory notes to the Half-year financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **What a review of Half-year financial statements involves**

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

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

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

## Responsibilities for the Half-year financial statements and the review

### **Our responsibilities and those of the Directors**

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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP  
Chartered Accountants  
29 July 2015  
London

#### Notes:

- (a) 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 financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.