

31 July 2014

# Press Release

## Schroders plc

### Half-year results to 30 June 2014 (unaudited)

- Profit before tax and exceptional items up 15 per cent. to £261.5 million (H1 2013: £228.0 million)
- Profit before tax up 6 per cent. to £233.9 million (H1 2013: £221.7 million)
- Net inflows £4.8 billion (H1 2013: £4.5 billion)
- Assets under management up 15 per cent. to £271.5 billion (30 June 2013: £235.7 billion)
- Interim dividend up 50 per cent. to 24.0 pence per share (interim dividend 2013: 16.0 pence per share)

	<b>Six months ended 30 June 2014</b>	Six months ended 30 June 2013	Year ended 31 December 2013
	£m	£m	£m
<b>Profit before tax and exceptional items</b>			
Asset Management	235.1	212.1	468.6
Wealth Management	26.3	10.6	34.3
Group segment	0.1	5.3	4.9
<b>Profit before tax and exceptional items</b>	<b>261.5</b>	<b>228.0</b>	<b>507.8</b>
<b>Profit before tax</b>	<b>233.9</b>	<b>221.7</b>	<b>447.5</b>
<b>Earnings per share before exceptional items (pence)</b>	<b>77.1</b>	<b>66.3</b>	<b>149.9</b>
<b>Earnings per share (pence)</b>	<b>69.0</b>	<b>64.2</b>	<b>130.6</b>
<b>Dividend (pence)</b>	<b>24.0</b>	<b>16.0</b>	<b>58.0</b>

Michael Dobson, Chief Executive, commented: “*Schroders achieved record results in the first half of 2014. We have seen good inflows in July and we have a significant pipeline of business we have won in Institutional which has not yet been funded. Our focus on delivering long-term value for shareholders is reflected in the 50 per cent. increase in the interim dividend.*”

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# Management report

Against a background of quieter markets and some slowdown in investor demand following the strong performance of 2013, Schroders produced satisfactory results in the first half of 2014. Net revenue was up 13 per cent. to £728.6 million (H1 2013: £645.1 million) and profit before tax and exceptional items was up 15 per cent. to £261.5 million (H1 2013: £228.0 million). The strength of sterling over the past twelve months had an adverse impact on profit before tax of approximately £18.0 million.

Net inflows were £4.8 billion taking assets under management at the end of June to a record £271.5 billion (30 June 2013: £235.7 billion).

## Asset Management

Asset Management net revenue increased 6 per cent. to £621.0 million (H1 2013: £585.7 million) and included performance fees of £8.3 million (H1 2013: £11.8 million). Net revenue margins, excluding performance fees, were 52 basis points (2013: 53 basis points). Profit before tax and exceptional items increased 11 per cent. to £235.1 million (H1 2013: £212.1 million). Exceptional items, principally the amortisation of the value of client relationships acquired with Cazenove Capital and STW, were £9.6 million (H1 2013: £0.3 million).

Investment performance remains competitive with 72 per cent. of assets under management outperforming their benchmark or peer group over three years.

Net inflows in Institutional were £0.7 billion, with small net outflows in the second quarter principally due to outflows in Commodities which reflected a challenging environment for this asset class. Assets under management in Institutional at the end of June were £148.0 billion (30 June 2013: £139.6 billion).

Net inflows in Intermediary were £3.8 billion, predominantly into branded funds and concentrated in Multi-asset and Equities. Assets under management in Intermediary at the end of June were £92.8 billion (30 June 2013: £79.2 billion).

## Wealth Management

Net revenues in Wealth Management increased 88 per cent. to £100.5 million (H1 2013: £53.5 million), reflecting the inclusion of Cazenove Capital, and profit before tax and exceptional items more than doubled to £26.3 million (H1 2013: £10.6 million). Exceptional items of £8.9 million (H1 2013: £nil) included integration costs and the amortisation of client relationships acquired.

The integration of the wealth management business of Cazenove Capital is progressing well and the response from clients has been encouraging. Net inflows in the first half were £0.3 billion. Assets under management in Wealth Management at the end of June were £30.7 billion (30 June 2013: £16.9 billion).

## Group

The Group segment comprises central costs and returns on investment capital, including seed capital deployed in building an investment track record in new products. Profit before tax and exceptional items was £0.1 million (H1 2013: £5.3 million). Exceptional items relating to the acquisitions of Cazenove Capital and STW, were £9.1 million (H1 2013: £6.0 million).

Shareholders' equity at the end of June was £2.3 billion (31 December 2013: £2.3 billion).

## Dividend

The Board has declared an interim dividend of 24.0 pence per share (interim dividend 2013: 16.0 pence), an increase of 50 per cent. This is in line with our target of a higher payout ratio and a rebalancing towards the interim dividend following greater increases in the final dividend in recent years. The dividend will be payable on 25 September 2014 to shareholders on the register at 15 August 2014.

## Outlook

Although we have generated good levels of Intermediary flows in July, the short-term outlook for retail investor demand is uncertain given no clear trend in markets. In Institutional, we have more visibility with a significant pipeline of new business won but which has not yet been funded. We continue to see a wide range of growth opportunities across our business in the longer term.

## Additional information

### Assets under management

Six months to 30 June 2014	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
<b>31 December 2013</b>	<b>144.3</b>	<b>88.5</b>	<b>232.8</b>	<b>30.1</b>	<b>262.9</b>
Net flows	0.7	3.8	4.5	0.3	4.8
Investment returns	3.0	0.5	3.5	0.3	3.8
<b>30 June 2014</b>	<b>148.0</b>	<b>92.8</b>	<b>240.8</b>	<b>30.7</b>	<b>271.5</b>

Three months to 30 June 2014	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
<b>31 March 2014</b>	<b>146.3</b>	<b>91.5</b>	<b>237.8</b>	<b>30.2</b>	<b>268.0</b>
Net flows	(0.3)	1.0	0.7	0.3	1.0
Investment returns	2.0	0.3	2.3	0.2	2.5
<b>30 June 2014</b>	<b>148.0</b>	<b>92.8</b>	<b>240.8</b>	<b>30.7</b>	<b>271.5</b>

### Income and cost metrics for the Group

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
Costs: net revenue ratio	66%	66%	65%
Compensation costs: operating revenue ratio	47%	48%	46%
Bonus: pre-bonus operating profit	39%	40%	39%
Return on average capital before exceptional items (pre-tax)	23%	21%	23%
Return on average capital before exceptional items (post-tax)	18%	17%	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, 31 July 2014 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, 31 July on [www.schroders.com/ir](http://www.schroders.com/ir).

### **Forward-looking statements**

These half-year results may contain certain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the 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. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'believes', 'expects', 'aims' or 'anticipates' or the negative of these terms and 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 these half-year results. 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 these half-year results should be construed as a profit forecast.

# Consolidated income statement

	Notes	Six months ended 30 June 2014 (unaudited)			Six months ended 30 June 2013 (unaudited)			Year ended 31 December 2013 (audited)		
		Before exceptional items £m	Exceptional items** £m	Total £m	Before exceptional items £m	Exceptional items** £m	Total £m	Before exceptional items £m	Exceptional items** £m	Total £m
Revenue	4	954.4	-	954.4	815.6	-	815.6	1,809.1	-	1,809.1
Cost of sales		(244.6)	-	(244.6)	(190.2)	-	(190.2)	(431.1)	-	(431.1)
Net gains on financial instruments and other income		18.8	-	18.8	19.7	-	19.7	29.6	-	29.6
<b>Net revenue*</b>		<b>728.6</b>	<b>-</b>	<b>728.6</b>	<b>645.1</b>	<b>-</b>	<b>645.1</b>	<b>1,407.6</b>	<b>-</b>	<b>1,407.6</b>
Operating expenses		(478.1)	(26.5)	(504.6)	(426.4)	(6.3)	(432.7)	(919.7)	(58.1)	(977.8)
<b>Operating profit</b>		<b>250.5</b>	<b>(26.5)</b>	<b>224.0</b>	<b>218.7</b>	<b>(6.3)</b>	<b>212.4</b>	<b>487.9</b>	<b>(58.1)</b>	<b>429.8</b>
Net finance income		4.9	-	4.9	7.4	-	7.4	11.7	-	11.7
Share of profit of associates and joint ventures		6.1	(1.1)	5.0	1.9	-	1.9	8.2	(2.2)	6.0
<b>Profit before tax</b>		<b>261.5</b>	<b>(27.6)</b>	<b>233.9</b>	<b>228.0</b>	<b>(6.3)</b>	<b>221.7</b>	<b>507.8</b>	<b>(60.3)</b>	<b>447.5</b>
Tax	5	(53.5)	5.8	(47.7)	(48.0)	0.5	(47.5)	(103.0)	8.2	(94.8)
<b>Profit after tax</b>		<b>208.0</b>	<b>(21.8)</b>	<b>186.2</b>	<b>180.0</b>	<b>(5.8)</b>	<b>174.2</b>	<b>404.8</b>	<b>(52.1)</b>	<b>352.7</b>
<b>Earnings per share</b>										
Basic	6	77.1p	(8.1)p	69.0p	66.3p	(2.1)p	64.2p	149.9p	(19.3)p	130.6p
Diluted	6	74.5p	(7.9)p	66.6p	64.1p	(2.1)p	62.0p	144.6p	(18.6)p	126.0p

\* 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 2014 (unaudited) £m</b>	Six months ended 30 June 2013 (unaudited) £m	Year ended 31 December 2013 (audited) £m
<b>Profit for the period</b>	<b>186.2</b>	<b>174.2</b>	<b>352.7</b>
<b>Items to be reclassified to the income statement on fulfilment of specific conditions:</b>			
Net exchange differences on translation of foreign operations after hedging	(14.6)	27.2	(18.6)
Net fair value movement arising from available-for-sale financial assets	5.5	3.5	6.0
Net fair value movement arising from available-for-sale financial assets held by associates	0.3	(1.0)	(0.9)
Tax on items taken directly to other comprehensive income	(0.3)	-	-
	<b>(9.1)</b>	<b>29.7</b>	<b>(13.5)</b>
<b>Reclassification to the income statement:</b>			
Transfer to income statement on derecognition or impairment of available-for-sale financial assets	(4.4)	(5.2)	(7.3)
	<b>(4.4)</b>	<b>(5.2)</b>	<b>(7.3)</b>
<b>Items not to be reclassified to the income statement:</b>			
Actuarial gains/(losses) on defined benefit pension schemes	5.6	5.1	(9.8)
Tax on items taken directly to other comprehensive income	(1.1)	(2.1)	(0.2)
	<b>4.5</b>	<b>3.0</b>	<b>(10.0)</b>
<b>Other comprehensive (losses)/income for the period</b>	<b>(9.0)</b>	<b>27.5</b>	<b>(30.8)</b>
<b>Total comprehensive income for the period net of tax</b>	<b>177.2</b>	<b>201.7</b>	<b>321.9</b>

## Consolidated statement of financial position

	Note	30 June 2014 (unaudited) £m	Restated 31 December 2013 (audited) £m	Restated 1 January 2013 (audited) £m
<b>Assets</b>				
Cash and cash equivalents		2,500.6	2,533.5	2,547.8
Trade and other receivables		639.5	583.9	412.7
Financial assets		1,647.0	1,678.8	2,030.0
Associates and joint ventures		86.6	83.1	79.4
Property, plant and equipment		26.5	22.5	15.0
Goodwill and intangible assets		476.4	489.0	142.1
Deferred tax		43.3	48.5	47.8
Retirement benefit scheme surpluses		70.6	63.7	67.2
		<b>5,490.5</b>	<b>5,503.0</b>	<b>5,342.0</b>
<b>Assets backing unit-linked liabilities</b>				
Cash and cash equivalents		800.6	786.9	824.3
Financial assets		11,386.9	10,899.5	8,993.3
		<b>12,187.5</b>	<b>11,686.4</b>	<b>9,817.6</b>
<b>Total assets</b>		<b>17,678.0</b>	<b>17,189.4</b>	<b>15,159.6</b>
<b>Liabilities</b>				
Trade and other payables		763.5	764.1	559.5
Financial liabilities		2,314.2	2,364.9	2,598.1
Current tax		36.9	46.6	40.8
Provisions	13	46.8	51.2	64.0
Deferred tax		0.4	1.7	1.9
Retirement benefit scheme deficits		5.8	5.9	7.8
		<b>3,167.6</b>	<b>3,234.4</b>	<b>3,272.1</b>
<b>Unit-linked liabilities</b>		<b>12,187.5</b>	<b>11,686.4</b>	<b>9,817.6</b>
<b>Total liabilities</b>		<b>15,355.1</b>	<b>14,920.8</b>	<b>13,089.7</b>
<b>Net assets</b>		<b>2,322.9</b>	<b>2,268.6</b>	<b>2,069.9</b>
<b>Equity</b>		<b>2,322.9</b>	<b>2,268.6</b>	<b>2,069.9</b>

Comparative information has been restated to reflect the adoption of IFRS 10 Consolidated Financial Statements – see notes 1 and 12.

## 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 income for the period</b>	-	-	-	(14.6)	5.3	0.8	185.7	177.2
Shares issued	-	-	-	-	-	-	-	-
Shares cancelled	(0.2)	-	-	-	-	-	0.2	-
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)
Own shares purchased	-	-	(45.4)	-	-	-	-	(45.4)
<b>Transactions with shareholders</b>	<b>(0.2)</b>	-	<b>(45.4)</b>	-	-	-	<b>(77.3)</b>	<b>(122.9)</b>
<b>Transfers</b>	-	-	<b>57.9</b>	-	<b>(1.7)</b>	-	<b>(56.2)</b>	-
<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 statement of changes in equity

Six months ended 30 June 2013 (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 2013	282.5	90.1	(165.1)	101.8	25.5	25.6	1,709.5	2,069.9
<b>Profit for the period</b>	-	-	-	-	<b>1.9</b>	-	<b>172.3</b>	<b>174.2</b>
<b>Other comprehensive income/(losses)*</b>	-	-	-	<b>27.2</b>	<b>(1.0)</b>	<b>(1.7)</b>	<b>3.0</b>	<b>27.5</b>
<b>Total comprehensive income for the period</b>	-	-	-	<b>27.2</b>	<b>0.9</b>	<b>(1.7)</b>	<b>175.3</b>	<b>201.7</b>
Shares issued	-	0.1	-	-	-	-	-	0.1
Share-based payments	-	-	-	-	-	-	24.2	24.2
Tax in respect of share schemes	-	-	-	-	-	-	6.3	6.3
Other movements in associates and joint ventures reserve	-	-	-	-	(1.0)	-	-	(1.0)
Dividends attributable to shareholders	-	-	-	-	-	-	(80.4)	(80.4)
Dividends attributable to non-controlling interests	-	-	-	-	-	-	(0.2)	(0.2)
Own shares purchased	-	-	(35.6)	-	-	-	-	(35.6)
<b>Transactions with shareholders</b>	-	<b>0.1</b>	<b>(35.6)</b>	-	<b>(1.0)</b>	-	<b>(50.1)</b>	<b>(86.6)</b>
<b>Transfers</b>	-	-	<b>24.0</b>	-	<b>(3.0)</b>	-	<b>(21.0)</b>	-
<b>At 30 June 2013</b>	<b>282.5</b>	<b>90.2</b>	<b>(176.7)</b>	<b>129.0</b>	<b>22.4</b>	<b>23.9</b>	<b>1,813.7</b>	<b>2,185.0</b>

\* Other comprehensive income in the net exchange differences reserve represent foreign exchange gains and losses on the translation of foreign operations net of hedging. Other comprehensive losses 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 statement of changes in equity

Year ended 31 December 2013 (audited)	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 2013	282.5	90.1	(165.1)	101.8	25.5	25.6	1,709.5	2,069.9
<b>Profit for the year</b>	-	-	-	-	<b>6.0</b>	-	<b>346.7</b>	<b>352.7</b>
<b>Other comprehensive losses*</b>	-	-	-	<b>(18.6)</b>	<b>(0.9)</b>	<b>(1.3)</b>	<b>(10.0)</b>	<b>(30.8)</b>
<b>Total comprehensive income for the year</b>	-	-	-	<b>(18.6)</b>	<b>5.1</b>	<b>(1.3)</b>	<b>336.7</b>	<b>321.9</b>
Shares issued	1.8	29.3	-	-	-	-	-	31.1
Shares cancelled	(1.6)	-	-	-	-	-	1.6	-
Share-based payments	-	-	-	-	-	-	56.6	56.6
Share-based payment obligations acquired in business combinations	-	-	-	-	-	-	39.0	39.0
Tax in respect of share schemes	-	-	-	-	-	-	17.6	17.6
Other movements in associates and joint ventures reserve	-	-	-	-	(0.9)	-	-	(0.9)
Dividends attributable to shareholders	-	-	-	-	-	-	(123.5)	(123.5)
Dividends attributable to non-controlling interests	-	-	-	-	-	-	(0.4)	(0.4)
Own shares purchased	-	-	(142.3)	-	-	-	(0.4)	(142.7)
<b>Transactions with shareholders</b>	<b>0.2</b>	<b>29.3</b>	<b>(142.3)</b>	-	<b>(0.9)</b>	-	<b>(9.5)</b>	<b>(123.2)</b>
<b>Transfers</b>	-	-	<b>77.5</b>	-	<b>(6.2)</b>	-	<b>(71.3)</b>	-
<b>At 31 December 2013</b>	<b>282.7</b>	<b>119.4</b>	<b>(229.9)</b>	<b>83.2</b>	<b>23.5</b>	<b>24.3</b>	<b>1,965.4</b>	<b>2,268.6</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 losses 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 cash flow statement

	Note	Six months ended 30 June 2014 (unaudited) £m	Restated six months ended 30 June 2013 (unaudited) £m	Restated year ended 31 December 2013 (audited) £m
Net cash from operating activities	11	144.7	249.3	210.0
<b>Cash flows from investing activities</b>				
Net cash consideration for the acquisition of subsidiaries, including loan redemptions		-	(30.8)	(273.2)
Acquisition of associates and joint ventures		(1.2)	(7.8)	(7.8)
Net acquisition of property, plant and equipment and intangible assets		(10.8)	(11.3)	(25.8)
Net disposal of financial assets		36.9	417.9	271.2
Non-banking interest received		3.5	11.6	15.7
Distributions received from associates and joint ventures		1.7	3.2	6.5
<b>Net cash from/(used in) investing activities</b>		<b>30.1</b>	<b>382.8</b>	<b>(13.4)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of non-voting ordinary shares		-	0.1	0.6
Acquisition of own shares		(45.4)	(35.6)	(112.2)
Dividends paid		(113.0)	(80.4)	(123.5)
Other flows		-	(0.6)	(1.2)
<b>Net cash used in financing activities</b>		<b>(158.4)</b>	<b>(116.5)</b>	<b>(236.3)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>16.4</b>	<b>515.6</b>	<b>(39.7)</b>
Opening cash and cash equivalents		3,320.4	3,372.1	3,372.1
Net increase/(decrease) in cash and cash equivalents		16.4	515.6	(39.7)
Effect of exchange rate changes		(35.6)	45.1	(12.0)
<b>Closing cash and cash equivalents</b>		<b>3,301.2</b>	<b>3,932.8</b>	<b>3,320.4</b>
<b>Closing cash and cash equivalents consists of:</b>				
Cash backing unit-linked liabilities		800.6	841.7	786.9
Cash held in funds		10.9	14.0	11.0
		<b>811.5</b>	<b>855.7</b>	<b>797.9</b>
Other cash and cash equivalents held by the Group:				
Cash		1,573.3	2,012.1	1,771.5
Cash equivalents		916.4	1,065.0	751.0
		<b>2,489.7</b>	<b>3,077.1</b>	<b>2,522.5</b>
		<b>3,301.2</b>	<b>3,932.8</b>	<b>3,320.4</b>

Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements – see notes 1 and 11.

The cash held in the Life Company's long-term fund and cash held in funds where the Group is deemed to hold a controlling interest cannot be used by the Group for its own corporate purposes.

# Explanatory notes to the half-year results

Within the notes to the half-year results, 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 2013 and as at 1 January 2013 is audited.

## 1. Basis of preparation

The half-year results are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2013, 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 results 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 results.

Except for the Standards and Interpretations adopted in 2014 listed below, the accounting policies applied in these half-year results are consistent with those applied in the Group's statutory accounts for 2013. On 1 January 2014, the following Standards and Interpretations were adopted:

IFRS 10	Consolidated Financial Statements
IFRS 12	Disclosure of Interests in Other Entities

The adoption of IFRS 10 has led to additional funds being consolidated where the Group is now deemed to hold a controlling interest, as defined by this accounting standard. This results in the whole of the assets and liabilities of those funds being presented within the Group's statement of financial position, and the third party interest in the fund being recorded within liabilities. There is no impact on net assets, operating profit or profit before tax. The Group's previously reported cash flows have also been restated to include cash flows from those funds. The effect of the restatement on the statement of financial position is set out in note 12.

Prior to the adoption of IFRS 10, the Group consolidated investees when its shareholding resulted in control, as defined by IFRS. This policy has not changed subsequent to the adoption of IFRS 10. However, the change to the definition of control under IFRS 10 means that certain of the Group's funds, principally held by the Life Company, now meet the definition of a subsidiary as they are deemed to be controlled by the Group.

IFRS 12 requires certain disclosures to be made in respect of the Group's interests in the funds it manages. These disclosures are not required to be presented as part of the Group's half-year results, but will be presented within the 2014 Annual Report and Accounts.

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 in issue had not been adopted by the Group:

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, and a 2013 provision in the Swiss bank related to the US Department of Justice programme (see note 13).

## 3. Segmental reporting

The Group has three business segments: Asset Management, Wealth Management, and Group. Asset Management principally comprises investment management including advisory services, equity products, fixed income securities, multi-asset investments, property and alternative asset classes such as commodities, private equity and funds of hedge funds. Wealth Management principally comprises investment management, financial planning and banking services provided to high net worth individuals and charities. Group principally comprises the Group's investment capital and treasury management activities, insurance arrangements and the management costs associated with governance and corporate management. Insurance activities comprise acting as insurer to the Group, including the results of the captive insurer which provides reinsurance for certain activities of the Group. Provisions for actual and potential claims that are within the insurance cover are consequently recorded in the Group segment, net of any recognisable external insurance asset. If it is concluded that there is no insurance cover available or the insurance cover will not cover the charge in full, the actual and estimated cost in excess of the insurance recovery is transferred to the relevant operating segment. The expected insurance recovery may be in excess of the amount that is allowed to be recorded under accounting rules.

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 with information about the business performance, enabling it to manage and control expenditure.

### 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>				
Integration costs	(1.0)	(3.8)	-	(4.8)
Amortisation of acquired intangible assets	(5.9)	(5.1)	-	(11.0)
Deferred compensation arising directly from acquisitions	-	-	(9.1)	(9.1)
Costs of closure of the Opus commodities business	(1.6)	-	-	(1.6)
	<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>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>

### 3. Segmental reporting (continued)

Six months ended 30 June 2013	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	750.8	50.7	-	801.5
Banking interest receivable	-	14.1	-	14.1
<b>Revenue</b>	<b>750.8</b>	<b>64.8</b>	<b>-</b>	<b>815.6</b>
Fee expense	(178.7)	(3.6)	-	(182.3)
Banking interest payable	-	(7.9)	-	(7.9)
<b>Cost of sales</b>	<b>(178.7)</b>	<b>(11.5)</b>	<b>-</b>	<b>(190.2)</b>
Net gains on financial instruments and other income	13.6	0.2	5.9	19.7
<b>Net revenue</b>	<b>585.7</b>	<b>53.5</b>	<b>5.9</b>	<b>645.1</b>
Operating expenses	(376.0)	(42.9)	(7.5)	(426.4)
<b>Operating profit/(loss)</b>	<b>209.7</b>	<b>10.6</b>	<b>(1.6)</b>	<b>218.7</b>
Net finance income	-	-	7.4	7.4
Share of profit/(loss) of associates and joint ventures	2.4	-	(0.5)	1.9
<b>Profit before tax and exceptional items</b>	<b>212.1</b>	<b>10.6</b>	<b>5.3</b>	<b>228.0</b>
<b>Exceptional items within operating expenses:</b>				
Acquisition costs	-	-	(4.0)	(4.0)
Integration costs	-	-	(1.5)	(1.5)
Amortisation of acquired intangible assets	(0.3)	-	-	(0.3)
Deferred compensation arising directly from acquisitions	-	-	(0.5)	(0.5)
	<b>(0.3)</b>	<b>-</b>	<b>(6.0)</b>	<b>(6.3)</b>
<b>Profit/(loss) before tax and after exceptional items</b>	<b>211.8</b>	<b>10.6</b>	<b>(0.7)</b>	<b>221.7</b>

### 3. Segmental reporting (continued)

Year ended 31 December 2013	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	1,639.7	140.9	0.2	1,780.8
Banking interest receivable	-	28.3	-	28.3
<b>Revenue</b>	<b>1,639.7</b>	<b>169.2</b>	<b>0.2</b>	<b>1,809.1</b>
Fee expense	(411.4)	(4.9)	(0.1)	(416.4)
Banking interest payable	-	(14.7)	-	(14.7)
<b>Cost of sales</b>	<b>(411.4)</b>	<b>(19.6)</b>	<b>(0.1)</b>	<b>(431.1)</b>
Net gains on financial instruments and other income	18.9	0.4	10.3	29.6
<b>Net revenue</b>	<b>1,247.2</b>	<b>150.0</b>	<b>10.4</b>	<b>1,407.6</b>
Operating expenses	(784.9)	(115.7)	(19.1)	(919.7)
<b>Operating profit/(loss)</b>	<b>462.3</b>	<b>34.3</b>	<b>(8.7)</b>	<b>487.9</b>
Net finance (charge)/income	(0.4)	-	12.1	11.7
Share of profit of associates and joint ventures	6.7	-	1.5	8.2
<b>Profit before tax and exceptional items</b>	<b>468.6</b>	<b>34.3</b>	<b>4.9</b>	<b>507.8</b>
<b>Exceptional items within operating expenses:</b>				
Acquisition costs	-	-	(4.2)	(4.2)
Integration costs	(4.0)	(7.2)	-	(11.2)
Amortisation of acquired intangible assets	(7.3)	(6.0)	-	(13.3)
Deferred compensation arising directly from acquisitions	-	-	(11.7)	(11.7)
Provisions and related costs	-	(17.7)	-	(17.7)
	<b>(11.3)</b>	<b>(30.9)</b>	<b>(15.9)</b>	<b>(58.1)</b>
<b>Exceptional items within share of profit of associates and joint ventures:</b>				
Amortisation of acquired intangible assets	(2.2)	-	-	(2.2)
<b>Profit/(loss) before tax and after exceptional items</b>	<b>455.1</b>	<b>3.4</b>	<b>(11.0)</b>	<b>447.5</b>

### 4. Revenue

	Six months ended 30 June 2014 £m	Six months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Management fees	845.4	707.5	1,533.9
Performance fees	8.4	11.8	80.6
Other fees	88.7	82.2	166.3
Interest income receivable by Wealth Management	11.9	14.1	28.3
	<b>954.4</b>	<b>815.6</b>	<b>1,809.1</b>



## 5. Tax expense

Analysis of tax charge reported in the income statement:

	Six months ended 30 June 2014 £m	Six months ended 30 June 2013 £m	Year ended 31 December 2013 £m
UK Corporation Tax on profits for the period	28.0	16.6	47.5
Adjustments in respect of prior period estimates	-	1.3	(0.1)
Foreign tax – current	20.2	28.3	58.1
Foreign tax – adjustments in respect of prior periods	1.3	(0.7)	(1.3)
<b>Current tax</b>	<b>49.5</b>	<b>45.5</b>	<b>104.2</b>
Origination and reversal of temporary differences	(0.9)	2.5	(8.1)
Adjustments in respect of prior period estimates	(0.9)	(0.2)	0.5
Effect of changes in Corporation Tax rates	-	(0.3)	(1.8)
<b>Deferred tax</b>	<b>(1.8)</b>	<b>2.0</b>	<b>(9.4)</b>
<b>Tax charge reported in the income statement</b>	<b>47.7</b>	<b>47.5</b>	<b>94.8</b>

Analysis of tax charge reported in other comprehensive income:

	Six months ended 30 June 2014 £m	Six months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Current income tax on movements in available-for-sale financial assets	0.3	-	-
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	1.1	1.1	(2.3)
Deferred tax – effect of changes in Corporation Tax rates	-	1.0	2.5
<b>Tax charge reported in other comprehensive income</b>	<b>1.4</b>	<b>2.1</b>	<b>0.2</b>

Analysis of tax credit reported in equity:

	Six months ended 30 June 2014 £m	Six months ended 30 June 2013 £m	Year ended 31 December 2013 £m
Current income tax on Equity Compensation Plans and other share-based remuneration	(6.4)	(5.2)	(8.3)
Deferred tax on Equity Compensation Plans and other share-based remuneration	4.0	(1.7)	(11.2)
Deferred tax – effect of changes in Corporation Tax rates	-	0.6	1.9
<b>Tax credit reported in equity</b>	<b>(2.4)</b>	<b>(6.3)</b>	<b>(17.6)</b>

The tax charge 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 2014 Millions</b>	Six months ended 30 June 2013 Millions	Year ended 31 December 2013 Millions
Weighted average number of shares used in calculation of basic earnings per share	269.7	271.1	270.0
Effect of dilutive potential shares – share options	8.8	8.4	8.9
Effect of dilutive potential shares – contingently issuable shares	0.8	1.2	0.9
<b>Weighted average number of shares used in calculation of diluted earnings per share</b>	<b>279.3</b>	<b>280.7</b>	<b>279.8</b>

There have been no material transactions involving shares or potential shares since 30 June 2014 and before the publication of these half-year results.

## 7. Dividends

	<b>Six months ended 30 June 2014</b>		Six months ended 30 June 2013		Year ended 31 December 2013	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
<b>Declared and paid in period:</b>						
Final dividend	113.0	42.0	80.4	30.0	80.4	30.0
Interim dividend	-	-	-	-	43.1	16.0
	<b>113.0</b>	<b>42.0</b>	<b>80.4</b>	<b>30.0</b>	<b>123.5</b>	<b>46.0</b>
<b>Interim dividend for 2014</b>	<b>64.7</b>	<b>24.0</b>				

## 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 bid 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.

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 included within Level 1 for the asset or liability and principally comprise corporate bonds and foreign exchange contracts. 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, e.g. property funds, 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 and hedge 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 2014			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets:</b>				
Equities	309.0	24.9	40.8	374.7
Debt securities*	425.4	9.3	-	434.7
Derivative contracts	0.8	8.4	-	9.2
Other instruments	-	33.3	-	33.3
	<b>735.2</b>	<b>75.9</b>	<b>40.8</b>	<b>851.9</b>
<b>Trade and other receivables*</b>	<b>15.6</b>	<b>-</b>	<b>-</b>	<b>15.6</b>
<b>Assets backing unit-linked liabilities*</b>	<b>9,943.1</b>	<b>1,104.0</b>	<b>160.4</b>	<b>11,207.5</b>
	<b>10,693.9</b>	<b>1,179.9</b>	<b>201.2</b>	<b>12,075.0</b>
<b>Financial liabilities:</b>				
Derivative contracts	0.9	9.4	-	10.3
Other financial liabilities held at fair value through profit or loss	35.0	13.8	3.2	52.0
	<b>35.9</b>	<b>23.2</b>	<b>3.2</b>	<b>62.3</b>
<b>Trade and other payables*</b>	<b>77.0</b>	<b>-</b>	<b>-</b>	<b>77.0</b>
<b>Unit-linked liabilities*</b>	<b>12,016.3</b>	<b>6.3</b>	<b>-</b>	<b>12,022.6</b>
	<b>12,129.2</b>	<b>29.5</b>	<b>3.2</b>	<b>12,161.9</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)

	Restated 31 December 2013			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets:</b>				
Equities	201.7	65.6	35.8	303.1
Debt securities*	279.7	197.4	-	477.1
Derivative contracts	3.4	14.5	3.0	20.9
Other instruments	-	37.7	-	37.7
	<b>484.8</b>	<b>315.2</b>	<b>38.8</b>	<b>838.8</b>
<b>Trade and other receivables*</b>	<b>36.4</b>	<b>-</b>	<b>-</b>	<b>36.4</b>
<b>Assets backing unit-linked liabilities*</b>	<b>9,971.2</b>	<b>718.3</b>	<b>158.2</b>	<b>10,847.7</b>
	<b>10,492.4</b>	<b>1,033.5</b>	<b>197.0</b>	<b>11,722.9</b>
<b>Financial liabilities:</b>				
Derivative contracts	2.5	13.3	-	15.8
Other financial liabilities held at fair value through profit or loss	30.0	14.8	3.3	48.1
	<b>32.5</b>	<b>28.1</b>	<b>3.3</b>	<b>63.9</b>
<b>Trade and other payables*</b>	<b>112.6</b>	<b>-</b>	<b>-</b>	<b>112.6</b>
<b>Unit-linked liabilities*</b>	<b>11,644.6</b>	<b>8.6</b>	<b>-</b>	<b>11,653.2</b>
	<b>11,789.7</b>	<b>36.7</b>	<b>3.3</b>	<b>11,829.7</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.

Comparative figures have been restated as a result of the adoption of IFRS 10 Consolidated Financial Statements – see notes 1 and 12.

The fair value of assets and liabilities held at amortised cost approximates to their carrying value (31 December 2013: same).

## 8. Fair value measurement disclosures (continued)

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

	30 June 2014			31 December 2013		
	Assets backing		Financial liabilities	Assets backing		Financial liabilities
	Financial assets	unit-linked liabilities		Financial assets	unit-linked liabilities	
	£m	£m	£m	£m	£m	£m
At 1 January	38.8	158.2	3.3	59.4	170.7	-
Exchange translation adjustments	(1.1)	(5.2)	(0.1)	0.6	-	(0.3)
Total unrealised gains/(losses) recognised in the income statement	0.1	7.0	-	1.2	(0.7)	-
Total unrealised gains recognised in other comprehensive income	2.2	-	-	5.1	-	-
Additions	8.0	1.6	-	1.7	0.6	3.6
Disposals	(7.1)	(1.2)	-	(29.2)	(12.4)	-
Transfers out	(0.1)	-	-	-	-	-
<b>At 30 June/31 December</b>	<b>40.8</b>	<b>160.4</b>	<b>3.2</b>	<b>38.8</b>	<b>158.2</b>	<b>3.3</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 2014	282.7	226.0	56.7	282.7	119.4
Shares cancelled	(0.2)	-	(0.2)	(0.2)	-
<b>At 30 June 2014</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>119.4</b>

During the period, the Group purchased and cancelled 0.2 million non-voting ordinary shares.

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2013	282.5	226.0	56.5	282.5	90.1
Shares issued	-	-	-	-	0.1
<b>At 30 June 2013</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>90.2</b>

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2013	282.5	226.0	56.5	282.5	90.1
Shares issued	1.8	-	1.8	1.8	29.3
Shares cancelled	(1.6)	-	(1.6)	(1.6)	-
<b>At 31 December 2013</b>	<b>282.7</b>	<b>226.0</b>	<b>56.7</b>	<b>282.7</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 2014 £m	Six months ended 30 June 2013 £m	Year ended 31 December 2013 £m
At 1 January	(229.9)	(165.1)	(165.1)
Own shares purchased	(45.4)	(35.6)	(142.3)
Cancellation of own shares held in treasury*	3.8	-	30.8
Awards vested*	54.1	24.0	46.7
<b>At 30 June/31 December</b>	<b>(217.4)</b>	<b>(176.7)</b>	<b>(229.9)</b>

\* When shares vest unconditionally or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost.

## 11. Reconciliation of net cash from operating activities

	Six months ended 30 June 2014 £m	Restated six months ended 30 June 2013 £m	Restated year ended 31 December 2013 £m
<b>Operating profit</b>	224.0	212.4	429.8
<b>Adjustments for income statement non-cash movements:</b>			
Depreciation of property, plant and equipment and amortisation of intangible assets	18.7	6.6	25.8
Net gains and impairments taken through the income statement on financial instruments	(7.0)	(17.3)	(16.7)
Share-based payments	33.1	24.2	56.6
Net (release of)/charge for provisions	(2.1)	(0.7)	16.3
Other non-cash movements	0.8	8.2	3.9
	<b>43.5</b>	<b>21.0</b>	<b>85.9</b>
<b>Adjustments for statement of financial position movements:</b>			
(Increase)/decrease in trade and other receivables	(51.5)	(178.9)	44.7
(Decrease)/increase in trade and other payables, financial liabilities and provisions	(38.1)	224.7	(218.9)
	<b>(89.6)</b>	<b>45.8</b>	<b>(174.2)</b>
<b>Adjustments for Life Company movements:</b>			
Net increase in assets backing unit-linked liabilities	(487.4)	(1,208.7)	(1,906.2)
Net increase in unit-linked liabilities	501.1	1,226.1	1,868.8
	<b>13.7</b>	<b>17.4</b>	<b>(37.4)</b>
<b>Tax paid</b>	(46.9)	(47.3)	(93.9)
<b>Interest paid</b>	-	-	(0.2)
<b>Net cash from operating activities</b>	<b>144.7</b>	<b>249.3</b>	<b>210.0</b>

Comparative information has been restated to reflect the effect of adoption of IFRS 10 - see notes 1 and 12. Comparatives at 30 June 2013 and 31 December 2013 in respect of the net increase in assets backing unit-linked liabilities have been restated from £(1,094.2) million and £(1,828.7) million, a net increase of £(114.5) million and £(77.5) million respectively. Additionally, comparatives at 30 June 2013 and 31 December 2013 in respect of the net increase in unit-linked liabilities have been restated from £1,114.0 million and £1,785.4 million, a net increase of £112.1 million and £83.4 million respectively.



## 12. Impact of IFRS 10 adoption on the statement of financial position

As explained in note 1, the Group has adopted IFRS 10 in the period and restated comparative information where relevant, as shown in the table below. The Group's cash flow statement has also been restated as a result of the adoption.

	31 December 2013			1 January 2013		
	As originally reported £m	IFRS 10 restatement £m	As restated £m	As originally reported £m	IFRS 10 restatement £m	As restated £m
Cash and cash equivalents	2,522.5	11.0	2,533.5	2,542.8	5.0	2,547.8
Trade and other receivables	594.2	(10.3)	583.9	414.7	(2.0)	412.7
Financial assets	1,665.8	13.0	1,678.8	2,019.8	10.2	2,030.0
Other assets	706.8	-	706.8	351.5	-	351.5
	5,489.3	13.7	5,503.0	5,328.8	13.2	5,342.0
Assets backing unit-linked liabilities						
Cash and cash equivalents	777.2	9.7	786.9	820.5	3.8	824.3
Financial assets	10,354.5	545.0	10,899.5	8,525.8	467.5	8,993.3
	11,131.7	554.7	11,686.4	9,346.3	471.3	9,817.6
<b>Total assets</b>	<b>16,621.0</b>	<b>568.4</b>	<b>17,189.4</b>	<b>14,675.1</b>	<b>484.5</b>	<b>15,159.6</b>
Trade and other payables	764.1	-	764.1	559.3	0.2	559.5
Financial liabilities	2,351.2	13.7	2,364.9	2,585.1	13.0	2,598.1
Other liabilities	105.4	-	105.4	114.5	-	114.5
	3,220.7	13.7	3,234.4	3,258.9	13.2	3,272.1
Unit-linked liabilities	11,131.7	554.7	11,686.4	9,346.3	471.3	9,817.6
<b>Total liabilities</b>	<b>14,352.4</b>	<b>568.4</b>	<b>14,920.8</b>	<b>12,605.2</b>	<b>484.5</b>	<b>13,089.7</b>
<b>Equity</b>	<b>2,268.6</b>	<b>-</b>	<b>2,268.6</b>	<b>2,069.9</b>	<b>-</b>	<b>2,069.9</b>

## 13. Provisions

As at 31 December 2013 and 30 June 2014, the Group has recorded a £15.0 million provision for a possible penalty payable in connection with the US Department of Justice (DOJ) programme announced on 29 August 2013 that applies industry wide to Swiss banks in order to identify accounts related to clients who may not have been US-tax compliant. The Group's Swiss bank is participating voluntarily in the programme. Where a Swiss bank is unable to provide fully sufficient evidence that a client is compliant, a penalty may be payable. This programme is expected to complete in 2014 or 2015 and there is uncertainty as to the extent of any payment required by Schrodgers. Details of the programme can be found at the DOJ website.

The Group has established a provision based on a review of relevant accounts which existed on or after 1 August 2008. This review is ongoing. The provision relates principally to closed accounts. There is uncertainty mainly in respect of the range of probabilities applied to relevant accounts which will only become certain following the conclusion of the DOJ's analysis of the Swiss bank's submission of its evidence. As a result, the actual payment is expected to vary from the amount provided.

## 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 2014 are expected to be substantially the same as those described in the 2013 Annual Report, and include reputational risk, market, investment performance and liquidity risks, credit risk and operational 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 results, 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

30 July 2014

# Independent review report to Schroders plc

## Report on the half-year results

### **Our conclusion**

We have reviewed the half-year results, defined below, in the Press Release of Schroders plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the half-year results 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 results, which are prepared by Schroders plc comprise:

- The consolidated statement of financial position as at 30 June 2014;
- The consolidated income statement and statement of comprehensive income for the period then ended;
- The consolidated statement of cash flows 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 results.

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 results included in the Press Release 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 results 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 Press Release and considered whether it contains any apparent misstatements or material inconsistencies with the information in the half-year results.

# Responsibilities for the half-year results and the review

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

The Press Release, including the half-year results, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Press Release 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 results in the Press Release 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  
30 July 2014  
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.