

Press Release

Schroders plc

Half-year results to 30 June 2020 (unaudited)

30 July 2020

- Our diversified business model has enabled us to deliver a resilient performance in the first half of 2020, despite the exceptionally challenging market environment, with profit before tax and exceptional items of £306.2 million
- The investments we have made in technology and improvements to our operating platform over recent years have facilitated an efficient transition to remote working, helping to keep our people safe while maintaining a high level of productivity
- We generated total net inflows of £38.1 billion, with positive contributions from Solutions and Wealth Management. Assets under management increased 5% to reach a new high of £525.8 billion

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Year ended 31 December 2019 £m
Net income	1,003.9	1,032.6	2,124.8
Operating expenses	(697.7)	(692.2)	(1,423.6)
Profit before tax and exceptional items	306.2	340.4	701.2
Profit before tax	280.1	319.3	624.6
Profit after tax	222.7	255.0	495.7
Basic earnings per share before exceptional items (pence)	85.8	98.6	201.6
Basic earnings per share (pence)	78.7	92.4	178.9
Dividend per share (pence)	35.0	35.0	114.0

Peter Harrison, Group Chief Executive, commented: "We have delivered a robust performance in the first half of 2020, despite the extraordinary period of market volatility and continuing social and economic uncertainty.

Throughout this challenging period, our primary focus has been on our clients and I am proud of how our people have responded. Through their efforts, and aided by the investments we have made in technology, our diversified business model has continued to perform well, enabling us to generate £38.1 billion of positive net new business. We saw client demand for Solutions strategies as well as momentum across Wealth Management. Assets under management grew by 5% to £525.8 billion.

ESG is of critical importance. We recognise that we have a responsibility not only to our clients and shareholders, but also to wider society and the communities in which we operate. As an active investor in many companies, we continue to be engaged in supporting them through this challenging period. Through directors' contributions and employees' donations, we have collectively raised around £4 million for charities dedicated to supporting those most affected by Covid-19. We have not furloughed any employees, enacted any related redundancy programmes or sought any government assistance globally.

We have declared an unchanged interim dividend and continue to maintain a strong capital position, allowing us to invest in the future growth of the business. We are mindful of short-term risks, but believe that we will continue to generate value over the long term for our clients and our shareholders."

Management statement

In an extraordinary environment when our clients and employees around the world are facing many challenges, our diversified business model has again demonstrated its benefits. We have delivered resilient results with a focus on cost discipline and have generated strong client inflows despite the challenging market conditions.

Profit before tax and exceptional items decreased by 10% to £306.2 million (H1 2019: £340.4 million). Exceptional items of £26.1 million (H1 2019: £21.1 million) principally comprised the amortisation of acquired intangibles. Profit before tax but after exceptional items decreased by 12% to £280.1 million (H1 2019: £319.3 million). Profit after tax and exceptional items was down 13% at £222.7 million (H1 2019: £255.0 million).

Our core strategy of continuing to diversify the business by building closer relationships with our end clients in Wealth Management, expanding our capabilities in Private Assets and growing our asset management business through Solutions remains unchanged and we remained committed to delivering against it.

As an active investor in companies, we have a responsibility not only to our clients and shareholders, but also to wider society and the communities in which we operate. We are actively engaged in supporting and recapitalising businesses through these exceptional times, while protecting the interests of all stakeholders. We have enacted a number of initiatives directly related to the economic and financial recovery from Covid-19.

Through direct contributions and matching employees' donations, we have also materially increased our support for charities. In the first half of the year, we have collectively raised around £4 million for charities that support those most affected by Covid-19.

The investments we have made over recent years in developing our operating platform have enabled the business to grow and to function without disruption.

Despite the challenging environment, we generated net inflows of £38.1 billion in the first half of 2020 (H1 2019: net outflows of £1.2 billion). This was led by continued client demand for Solutions strategies, with net new business of £42.7 billion, as well as continued momentum across Wealth Management, which saw £1.3 billion of net inflows.

Assets under management rose by 5% to close the period at a new high of £525.8 billion (31 December 2019: £500.2 billion), despite significant market weakness towards the end of the first quarter. Primarily as a result of the funding of a number of Solutions mandates at lower revenue margins, the net operating revenue margin excluding performance fees, carried interest and real estate transaction fees fell to 39 basis points (H1 2019: 46 basis points).

As a result of these dynamics, net operating revenue decreased by 2% to £971.6 million (H1 2019: £993.3 million), which includes performance fees and net carried interest of £18.9 million (H1 2019: £27.4 million). Net income declined 3% to £1,003.9 million (H1 2019: £1,032.6 million). This was partially offset by continued strong performance from our joint ventures and associates, which contributed £27.6 million in the first half of the year (H1 2019: £14.1 million).

We continued to maintain our strategy of investing for the growth of the business, while remaining disciplined on cost control. Compensation costs were £450.2 million (H1 2019: £453.4 million), which represents a total compensation ratio of 45%. Non-compensation costs for the first half of the year were £247.5 million (H1 2019: £238.8 million).

Asset Management

Asset Management net income before exceptional items was down 3% to £835.6 million (H1 2019: £864.6 million), including performance fees and net carried interest of £18.4 million (H1 2019: £27.3 million). The net operating revenue margin before performance fees, carried interest and real estate transaction fees was 37 basis points (H1 2019: 44 basis points). Profit before tax and exceptional items declined

11% to £260.3 million (H1 2019: £292.4 million), as did profit before tax to £253.2 million (H1 2019: £284.4 million).

Private Assets & Alternatives

Assets under management in the Private Assets & Alternatives business area closed the period at £45.3 billion (31 December 2019: £44.2 billion). There was ongoing client demand for Private Assets strategies, such as Real Estate, Private Equity and Infrastructure, offset by outflows from more liquid alternatives, such as Emerging Market Debt Absolute Return and our GAIA range of UCITS-compatible hedge funds. Overall, there were small net outflows of £0.4 billion in the first half of 2020 (H1 2019: £0.4 billion outflows). The net operating revenue margin excluding performance fees, carried interest and real estate transaction fees was 63 basis points (H1 2019: 63 basis points).

In July, we announced that we had reached an agreement to acquire a majority stake in Pamfleet, a real estate investment manager with a strong track record of investing in Asia. This acquisition allows us to expand our geographical capabilities within Real Estate into Asia, which contains some of the highest value, fastest growing and most dynamic real estate markets in the world. Pamfleet manages £0.9 billion of assets and we expect the deal to complete shortly.

Solutions

Solutions strategies continue to attract high levels of client demand with total net new business over the last six months of £42.7 billion (H1 2019: £2.1 billion). We successfully onboarded the remainder of the Scottish Widows mandate of £29.5 billion as well as seeing the funding of a number of other mandates.

Total Solutions assets under management at the end of the period were £175.2 billion (31 December 2019: £142.8 billion). The net operating revenue margin excluding performance fees decreased during the period to 15 basis points (H1 2019: 22 basis points) as the above mandates funded.

Mutual Funds

The first half of the year was characterised by a 'risk off' environment which, along with significant market volatility, resulted in limited demand from retail investors. Mutual Funds saw £4.8 billion of net outflows (H1 2019: outflows of £1.8 billion), driven by redemptions from equity products.

Assets under management in Mutual Funds at 30 June 2020 were £94.1 billion (31 December 2019: £102.4 billion). Changing business mix resulted in a decrease in the net operating revenue margin excluding performance fees to 71 basis points (H1 2019: 74 basis points).

Institutional

The Institutional business area saw net outflows of £0.7 billion (H1 2019: outflows of £2.0 billion), as net inflows from UK-based clients were offset by redemptions primarily in equity strategies from clients based in Asia Pacific. The net operating revenue margin excluding performance fees was 31 basis points (H1 2019: 33 basis points). Institutional assets under management ended the period at £145.5 billion (31 December 2019: £144.1 billion).

Wealth Management

We continued to see good momentum across the Wealth Management business area, with strong revenue growth and continued client demand in the first half of 2020.

Net income rose 30% to £187.6 million (H1 2019: £144.0 million), including performance fees of £0.5 million (H1 2019: £0.1 million). Profit before tax and exceptional items rose 40% to £60.3 million (H1 2019: £43.2 million), and profit before tax increased 37% to £41.3 million (H1 2019: £30.1 million).

Client demand also remained strong as we generated net new business in the first half of the year of £1.3 billion (H1 2019: £0.9 billion). Of this, £0.8 billion of net inflows were from Cazenove Capital clients and £0.4 billion were through Benchmark Capital. Schroders Personal Wealth saw net inflows of £0.1 billion, as the level of client referrals was impacted by Covid-related branch closures. The process of replatforming clients remains on schedule and we remain confident of the long-term growth opportunities of the business.

Total assets under management in Wealth Management ended the period at £65.7 billion (31 December 2019: £66.7 billion). The net operating revenue margin before performance fees was 57 basis points (H1 2019: 60 basis points).

Group

The Group segment saw a loss of £13.6 million in the first half of the year (H1 2019: profit of £4.8 million), driven by lower returns on investment capital and increases in charitable contributions.

Dividend

The group continues to maintain a strong capital position. Accordingly, and reflecting resilient performance, the Board has declared an unchanged interim dividend of 35.0 pence per share (H1 2019: 35.0 pence per share). The dividend will be paid on 24 September 2020 to shareholders on the register at 21 August 2020.

Outlook

The first half of 2020 was dominated by the social and economic impacts of Covid-19 around the globe. The current environment is more balanced and markets are less volatile than we saw towards the end of the first quarter. However, the ongoing impact on economies and markets will likely continue for some time and will be dependent on the extent and effectiveness of measures taken by governments globally.

We continue to see areas of growth across our business and there are opportunities for those companies that are looking to expand their global footprint.

We believe that our strategy and diversified business model will continue to demonstrate its resilience through these challenging periods, leaving us positioned to continue to deliver long-term value for our clients and shareholders.

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Additional information

Assets under management (AUM)

Six months to 30 June 2020

£bn	Private Assets & Alternatives	Solutions	Mutual Funds	Institutional	Asset Management	Wealth Management	Total
1 January 2020	44.2	142.8	102.4	144.1	433.5	66.7	500.2
Gross inflows	3.6	55.8	18.8	11.4	89.6	4.4	94.0
Gross outflows	(4.0)	(13.1)	(23.6)	(12.1)	(52.8)	(3.1)	(55.9)
Net flows	(0.4)	42.7	(4.8)	(0.7)	36.8	1.3	38.1
Acquisitions	-	-	-	-	-	0.3	0.3
Investment returns	1.5	(10.3)	(3.5)	2.1	(10.2)	(2.6)	(12.8)
30 June 2020	45.3	175.2	94.1	145.5	460.1	65.7	525.8
Assets managed by associates							85.0

Client investment performance

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

	Percentage of assets outperforming		
	One year	Three years	Five years
To 30 June 2020	58%	63%	70%
To 31 December 2019*	70%	70%	72%

* Restated to include additional Solutions and Wealth Management assets.

Over three years to 30 June 2020 (our key performance indicator), 63% of assets outperformed relative to their comparator. Over five years, 70% of assets were outperforming and over one year, the figure was 58%. This compares to 70% over one year, 70% over three years and 72% over five years at 31 December 2019.

For the full year 2019, we presented our results in a new way across the five business areas in the AUM table above, which is more aligned with our strategic objectives and more reflective of how we measure

performance. In line with this, we are now reporting client investment performance to include virtually all applicable assets under management that have a complete track record over the reporting period, across those business areas. The performance figures to 31 December 2019 in the table above have been restated on this new basis.

Applicable assets under management excludes £33.4 billion of assets, principally comprising those managed by third parties, hotels managed by Algonquin and Wealth Management assets held on a custody-only, advisory or execution-only basis.

All calculations for investment performance in this statement are made gross of fees with the exception of those for which the relevant comparator is a net of fees competitor ranking. When a product's investment performance is disclosed in product or client documentation it is specific to the strategy or product. Performance will either be shown net of fees at the relevant fund share-class level or it will be shown gross of fees with a fee schedule for the strategy supplied.

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

- For 72% of assets included in the calculation, the comparator is the relevant benchmark
- If the relevant comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 10% of assets in the calculation
- Assets for which the relevant comparator is an absolute return target are measured against that absolute target. This applies to 11% of assets in the calculation
- Assets with no stated objective or a buy and maintain objective are measured against a cash alternative, if applicable. This applies to 7% of assets in the calculation

Copies of this announcement are available on the Schroders website: www.schroders.com. Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a webcast for the investment community to discuss the Group's Half-year results at 9.00 a.m. BST on Thursday, 30 July 2020. The webcast can be viewed live at www.schroders.com/ir. For individuals unable to participate in the live webcast, a replay will be available from midday on Thursday, 30 July 2020 at www.schroders.com/ir.

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

Forward-looking statements

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

Consolidated income statement

	Notes	30 June 2020 (unaudited)			30 June 2019 (unaudited)		
		Before exceptional items £m	Exceptional items ² £m	Total £m	Before exceptional items £m	Exceptional items ² £m	Total £m
Six months ended							
Revenue	3	1,190.7	–	1,190.7	1,224.8	–	1,224.8
Cost of sales	3	(219.1)	–	(219.1)	(231.5)	–	(231.5)
Net operating revenue		971.6	–	971.6	993.3	–	993.3
Net gain on financial instruments and other income	4	4.7	5.6	10.3	25.2	(1.6)	23.6
Share of profit of associates and joint ventures	10	27.6	(6.5)	21.1	14.1	(0.4)	13.7
Net income		1,003.9	(0.9)	1,003.0	1,032.6	(2.0)	1,030.6
Operating expenses	5	(697.7)	(25.2)	(722.9)	(692.2)	(19.1)	(711.3)
Profit before tax		306.2	(26.1)	280.1	340.4	(21.1)	319.3
Tax	6	(61.3)	3.9	(57.4)	(67.3)	3.0	(64.3)
Profit after tax¹		244.9	(22.2)	222.7	273.1	(18.1)	255.0
Earnings per share							
Basic	7	85.8p	(7.1)p	78.7p	98.6p	(6.2)p	92.4p
Diluted	7	84.4p	(6.9)p	77.5p	97.0p	(6.1)p	90.9p

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

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

Consolidated statement of comprehensive income

Six months ended	Notes	30 June 2020 (unaudited) £m	30 June 2019 (unaudited) £m
Profit after tax		222.7	255.0
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		95.9	4.5
Net gain on financial assets at fair value through other comprehensive income	4	0.8	6.1
Tax on items taken directly to other comprehensive income	6	(1.5)	(0.5)
		95.2	10.1
Items that will not be reclassified to the income statement:			
Net actuarial gain/(loss) on defined benefit pension schemes	12	5.3	(32.1)
Tax on items taken directly to other comprehensive income	6	(0.6)	5.5
		4.7	(26.6)
Other comprehensive income for the year, net of tax¹		99.9	(16.5)
Total comprehensive income for the year¹		322.6	238.5

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

Consolidated statement of financial position

	Notes	30 June 2020 (unaudited) £m	31 December 2019 (audited) £m
Assets			
Cash and cash equivalents		3,525.0	2,660.3
Trade and other receivables	9	932.6	806.7
Financial assets	9	2,855.0	3,016.4
Associates and joint ventures	10	393.4	398.0
Property, plant and equipment		640.2	652.3
Goodwill and intangible assets	11	1,167.2	1,133.4
Deferred tax		38.6	36.9
Retirement benefit scheme surplus	12	142.5	136.3
		9,694.5	8,840.3
Assets backing unit-linked liabilities			
Cash and cash equivalents		823.1	972.6
Financial assets		11,080.0	11,453.3
	9	11,903.1	12,425.9
Total assets		21,597.6	21,266.2
Liabilities			
Trade and other payables	9	903.1	921.7
Financial liabilities	9	4,354.3	3,531.1
Lease liabilities		428.8	425.3
Current tax		29.5	54.1
Provisions		26.2	32.2
Deferred tax		16.4	16.2
Retirement benefit scheme deficits		12.5	12.2
		5,770.8	4,992.8
Unit-linked liabilities	9	11,903.1	12,425.9
Total liabilities		17,673.9	17,418.7
Net assets		3,923.7	3,847.5
Total equity¹		3,923.7	3,847.5

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

Consolidated statement of changes in equity

		Attributable to owners of the parent								
		Share capital	Share premium	Own shares	Net exchange differences reserve	Associates and joint ventures reserve	Profit and loss reserve	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2020 (unaudited)	Notes									
At 1 January 2020		282.5	124.2	(169.1)	128.4	106.1	3,308.8	3,780.9	66.6	3,847.5
Profit for the period		-	-	-	-	21.1	196.5	217.6	5.1	222.7
Other comprehensive income ¹		-	-	-	95.1	-	4.0	99.1	0.8	99.9
Total comprehensive income for the period		-	-	-	95.1	21.1	200.5	316.7	5.9	322.6
Own shares purchased	14	-	-	(55.5)	-	-	-	(55.5)	-	(55.5)
Share-based payments		-	-	-	-	-	26.4	26.4	-	26.4
Tax in respect of share schemes	6	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Other movements		-	-	-	-	0.1	-	0.1	(1.0)	(0.9)
Dividends	8	-	-	-	-	-	(216.0)	(216.0)	(0.1)	(216.1)
Transactions with shareholders		-	-	(55.5)	-	0.1	(189.9)	(245.3)	(1.1)	(246.4)
Transfers		-	-	56.5	-	(14.7)	(41.8)	-	-	-
At 30 June 2020		282.5	124.2	(168.1)	223.5	112.6	3,277.6	3,852.3	71.4	3,923.7

¹ Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial gain on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

Consolidated statement of changes in equity

	Notes	Attributable to owners of the parent								Total equity £m
		Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	
Six months ended 30 June 2019 (unaudited)										
At 1 January 2019		282.5	124.2	(163.9)	184.4	83.1	3,108.2	3,618.5	2.7	3,621.2
Restatement on adoption of IFRS 16 ¹		-	-	-	-	-	(6.9)	(6.9)	-	(6.9)
At 1 January 2019 (restated)		282.5	124.2	(163.9)	184.4	83.1	3,101.3	3,611.6	2.7	3,614.3
Profit for the period		-	-	-	-	13.7	241.7	255.4	(0.4)	255.0
Other comprehensive income ²		-	-	-	4.5	-	(21.0)	(16.5)	-	(16.5)
Total comprehensive income for the year		-	-	-	4.5	13.7	220.7	238.9	(0.4)	238.5
Own shares purchased	14	-	-	(65.6)	-	-	-	(65.6)	-	(65.6)
Share-based payments		-	-	-	-	-	29.6	29.6	-	29.6
Tax in respect of share schemes	6	-	-	-	-	-	1.3	1.3	-	1.3
Other movements ³		-	-	-	-	0.1	(21.7)	(21.6)	(2.2)	(23.8)
Dividends	8	-	-	-	-	-	(216.5)	(216.5)	(1.6)	(218.1)
Transactions with shareholders		-	-	(65.6)	-	0.1	(207.3)	(272.8)	(3.8)	(276.6)
Transfers		-	-	54.6	-	(2.7)	(51.9)	-	-	-
At 30 June 2019		282.5	124.2	(174.9)	188.9	94.2	3,062.8	3,577.7	(1.5)	3,576.2

¹ The adoption of IFRS 16 on 1 January 2019 reduced the Group's equity by £6.9 million.

² Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial loss on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

³ Other movements includes amounts relating to the purchase of an additional interest in a subsidiary.

Consolidated cash flow statement

	Notes	Six months ended 30 June 2020 (unaudited) £m	Six months ended 30 June 2019 (unaudited) £m
Net cash from operating activities	15	638.4	590.5
Cash flows from investing activities			
Net disposal/(acquisition) of businesses and associates		27.5	(40.5)
Net acquisition of property, plant and equipment and intangible assets		(41.7)	(65.1)
Acquisition of financial assets		(828.3)	(682.9)
Disposal of financial assets		1,140.5	890.3
Non-banking interest received		8.8	12.1
Distributions received from associates and joint ventures	10	-	2.7
Net cash from investing activities		306.8	116.6
Cash flows from financing activities			
Purchase of subsidiary shares		-	(23.9)
Lease payments		(18.2)	(13.7)
Acquisition of own shares	14	(55.5)	(65.6)
Dividends paid	8	(216.1)	(218.1)
Other flows		(0.3)	-
Net cash used in financing activities		(290.1)	(321.3)
Net increase in cash and cash equivalents		655.1	385.8
Opening cash and cash equivalents		3,632.9	3,281.6
Net increase in cash and cash equivalents		655.1	385.8
Effect of exchange rate changes		60.1	6.0
Closing cash and cash equivalents		4,348.1	3,673.4
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		3,473.8	2,610.7
Cash held in consolidated pooled investment vehicles		51.2	41.8
Cash and cash equivalents presented within assets		3,525.0	2,652.5
Cash and cash equivalents presented within assets backing unit-linked liabilities		823.1	1,020.9
Closing cash and cash equivalents		4,348.1	3,673.4

Explanatory notes to the financial statements

1. Presentation of the financial statements

(a) Basis of preparation

The condensed consolidated financial statements for the half year ended 30 June 2020 (the Half-year financial statements) have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Half-year financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2019. The accounting policies adopted in the preparation of the Half-year financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

The Half-year financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the Act). Within the notes to the Half-year financial statements, all current and comparative data covering periods to (or as at) 30 June is unaudited. Data given in respect of the year ended 31 December 2019 is audited. The statutory accounts for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards (IFRS), comprising Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee (IFRIC) or their predecessors, as adopted by the European Union (EU), and with those parts of the Act applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498 of the Act.

(b) Future accounting developments

The Group did not implement the requirements of any Standards or Interpretations that were in issue but were not required to be adopted by the Group at the half year. No other Standards or Interpretations have been issued that are expected to have an impact on the Group's financial statements.

(c) Going concern

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

2. Exceptional items

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

3. Segmental reporting

(a) Operating segments

The Group has three segments: Asset Management, Wealth Management and the Group segment. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset solutions and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services. The Group segment principally comprises the Group's investment capital and treasury management activities, corporate development and strategy activities and the management costs associated with governance and corporate management.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive. Following the acquisition in 2019 of a 49.9% interest in Scottish Widows Schroder Wealth Holdings Limited, a joint venture with Lloyds Banking Group plc (LBG) that trades as Schroders Personal Wealth (SPW), the Wealth Management segment now includes the Group's proportional share of the income and expenses of SPW on an individual account line basis. This reflects the basis on which the Group monitors the performance of the business. The adjustment column represents the results of SPW on a post-tax basis within share of profit of associates and joint ventures in accordance with the accounting rules.

Operating expenses includes an allocation of costs between the individual segments on a basis that aligns the charge with the resources employed by the Group in respect of particular segments. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure.

Half-year financial statements

3. Segmental reporting (continued)

	Asset Management	Wealth Management	Group	Segmental total	Adjustments	Group total
Six months ended 30 June 2020	£m	£m	£m	£m	£m	£m
Revenue	1,029.6	191.7	-	1,221.3	(30.6)	1,190.7
Cost of sales	(209.7)	(11.3)	-	(221.0)	1.9	(219.1)
Net operating revenue	819.9	180.4	-	1,000.3	(28.7)	971.6
Net gain on financial instruments and other income	(4.1)	6.6	5.7	8.2	(3.5)	4.7
Share of profit of associates and joint ventures	19.8	0.6	-	20.4	7.2	27.6
Net income	835.6	187.6	5.7	1,028.9	(25.0)	1,003.9
Operating expenses	(575.3)	(127.3)	(19.3)	(721.9)	24.2	(697.7)
Profit before tax and exceptional items	260.3	60.3	(13.6)	307.0	(0.8)	306.2
Exceptional items presented within net income:						
Net gain on financial instruments and other income	5.6	-	-	5.6	-	5.6
Associates and joint ventures amortisation of acquired intangible assets and other costs	-	(6.5)	-	(6.5)	-	(6.5)
	5.6	(6.5)	-	(0.9)	-	(0.9)
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(6.5)	(11.2)	-	(17.7)	-	(17.7)
Other expenses	(6.2)	(1.3)	-	(7.5)	-	(7.5)
	(12.7)	(12.5)	-	(25.2)	-	(25.2)
Profit before tax and after exceptional items	253.2	41.3	(13.6)	280.9	(0.8)	280.1

Half-year financial statements

3. Segmental reporting (continued)

Six months ended 30 June 2019	Asset Management £m	Wealth Management £m	Group £m	Total £m
Revenue	1,069.4	155.4	-	1,224.8
Cost of sales	(216.5)	(15.0)	-	(231.5)
Net operating revenue	852.9	140.4	-	993.3
Net gain on financial instruments and other income	0.5	3.2	21.5	25.2
Share of profit of associates and joint ventures	11.2	0.4	2.5	14.1
Net income	864.6	144.0	24.0	1,032.6
Operating expenses	(572.2)	(100.8)	(19.2)	(692.2)
Profit before tax and exceptional items	292.4	43.2	4.8	340.4
Exceptional items presented within net income:				
Net loss on financial instruments and other income	(1.6)	-	-	(1.6)
Amortisation of acquired intangible assets relating to associates and joint ventures	-	(0.4)	-	(0.4)
	(1.6)	(0.4)	-	(2.0)
Exceptional items presented within operating expenses:				
Amortisation of acquired intangible assets	(4.3)	(10.1)	-	(14.4)
Other expenses	(2.1)	(2.6)	-	(4.7)
	(6.4)	(12.7)	-	(19.1)
Profit before tax and after exceptional items	284.4	30.1	4.8	319.3

3. Segmental reporting (continued)

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

Six months ended 30 June 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	1,003.4	158.4	-	1,161.8	(30.6)	1,131.2
Performance fees	17.4	0.5	-	17.9	-	17.9
Carried interest	2.5	-	-	2.5	-	2.5
Other fees	6.3	21.4	-	27.7	-	27.7
Wealth Management interest income earned	-	11.4	-	11.4	-	11.4
Revenue	1,029.6	191.7	-	1,221.3	(30.6)	1,190.7
Cost of sales	(209.7)	(11.3)	-	(221.0)	1.9	(219.1)
Net operating revenue	819.9	180.4	-	1,000.3	(28.7)	971.6

Six months ended 30 June 2019	Asset Management £m	Wealth Management £m	Group £m	Total £m
Management fees	1,049.8	114.9	-	1,164.7
Performance fees	1.9	0.1	-	2.0
Carried interest	12.8	-	-	12.8
Other fees	4.9	18.3	-	23.2
Wealth Management interest income earned	-	22.1	-	22.1
Revenue	1,069.4	155.4	-	1,224.8
Cost of sales	(216.5)	(15.0)	-	(231.5)
Net operating revenue	852.9	140.4	-	993.3

3. Segmental reporting (continued)

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

Six months ended 30 June 2020	Continental				Segmental total	Adjustments	Group total
	UK	Europe & Middle East	Asia Pacific	Americas			
	£m	£m	£m	£m	£m	£m	£m
Management fees	382.7	351.7	288.7	138.7	1,161.8	(30.6)	1,131.2
Performance fees	3.1	4.0	3.6	7.2	17.9	-	17.9
Carried interest	-	2.5	-	-	2.5	-	2.5
Other fees	18.4	5.1	4.2	-	27.7	-	27.7
Wealth Management interest income earned	9.5	1.5	0.4	-	11.4	-	11.4
Revenue	413.7	364.8	296.9	145.9	1,221.3	(30.6)	1,190.7
Cost of sales	(30.7)	(86.9)	(86.0)	(17.4)	(221.0)	1.9	(219.1)
Net operating revenue	383.0	277.9	210.9	128.5	1,000.3	(28.7)	971.6

Six months ended 30 June 2019	Continental				Total
	UK	Europe & Middle East	Asia Pacific	Americas	
	£m	£m	£m	£m	£m
Management fees	350.8	365.2	303.1	145.6	1,164.7
Performance fees	0.3	0.2	0.7	0.8	2.0
Carried interest	-	12.8	-	-	12.8
Other fees	15.5	4.6	3.0	0.1	23.2
Wealth Management interest income earned	17.7	3.7	0.7	-	22.1
Revenue	384.3	386.5	307.5	146.5	1,224.8
Cost of sales	(35.5)	(89.2)	(86.2)	(20.6)	(231.5)
Net operating revenue	348.8	297.3	221.3	125.9	993.3

4. Net gain on financial instruments and other income

	30 June 2020			30 June 2019		
	Income statement £m	Other comprehensive income £m	Total £m	Income statement £m	Other comprehensive income £m	Total £m
Six months ended						
Net gain on financial instruments at fair value through profit and loss	18.6	-	18.6	7.6	-	7.6
Net gain arising from fair value movements	-	1.0	1.0	-	6.1	6.1
Net transfers on disposal	0.2	(0.2)	-	-	-	-
Net gain on financial assets at fair value through other comprehensive income	0.2	0.8	1.0	-	6.1	6.1
Net finance income	2.1	-	2.1	3.9	-	3.9
Other income	(10.6)	-	(10.6)	12.1	-	12.1
Net gain on financial instruments and other income¹	10.3	0.8	11.1	23.6	6.1	29.7

¹ Includes a credit of £5.6 million (H1 2019: £1.6 million charge) of exceptional items.

5. Operating expenses

Operating expenses includes:

Six months ended	30 June 2020	30 June 2019
	£m	£m
Salaries, wages and other remuneration	396.4	417.6
Social security costs	35.4	36.3
Pension costs	27.1	19.1
Employee benefits expense	458.9	473.0
Net gain on financial instruments held to hedge deferred cash awards	(3.2)	(17.4)
Employee benefits expense - net of hedging	455.7	455.6

The employee benefits expense includes a charge of £5.5 million (H1 2019: £2.2 million) that is presented within exceptional items mainly in relation to deferred compensation costs arising from prior acquisitions completed by the Group.

6. Tax expense

Analysis of tax charge reported in the income statement:

Six months ended	30 June 2020	30 June 2019
	£m	£m
UK current year charge	31.6	37.3
Rest of the world current year charge	29.2	28.3
Adjustments in respect of prior year estimates	(0.2)	0.3
Total current tax	60.6	65.9
Origination and reversal of temporary differences	(4.2)	(1.7)
Adjustments in respect of prior year estimates	1.0	0.1
Total deferred tax	(3.2)	(1.6)
Tax charge reported in the income statement	57.4	64.3

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

Six months ended	30 June 2020	30 June 2019
	£m	£m
Current tax charge on movements in financial assets at fair value through other comprehensive income	0.1	0.1
Deferred tax charge/(credit) on actuarial (gain)/loss on defined benefit pension scheme	0.9	(5.5)
Deferred tax credit resulting from change in corporation tax rates	(0.3)	-
Deferred tax charge on other movements through other comprehensive income	1.4	0.4
Tax charge/(credit) reported in other comprehensive income	2.1	(5.0)

6. Tax expense (continued)

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

	30 June 2020	30 June 2019
Six months ended	£m	£m
Current tax credit on Equity Compensation Plan and other share-based remuneration	(0.1)	(0.4)
Deferred tax charge/(credit) on Equity Compensation Plan and other share-based remuneration	0.5	(0.9)
Deferred tax debit resulting from change in corporation tax rates	(0.1)	-
Tax charge/(credit) reported in equity	0.3	(1.3)

7. Earnings per share

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

	30 June 2020	30 June 2019
Six months ended	Number Millions	Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	276.1	276.4
Effect of dilutive potential shares – share options	4.5	4.5
Effect of dilutive potential shares – contingently issuable shares	-	-
Weighted average number of shares used in the calculation of diluted earnings per share	280.6	280.9

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £8.0 million (H1 2019: £0.6 million). After exceptional items, the profit after tax attributable to non-controlling interest was £5.1 million (H1 2019: loss of £0.5 million).

8. Dividends

	30 June 2020		30 June 2019	
Six months ended	£m	Pence per share	£m	Pence per share
Prior year final dividend paid	216.0	79.0	216.5	79.0

The Board has declared an interim dividend of 35.0 pence per share (interim dividend 2019: 35.0 pence), amounting to £95.6 million (H1 2019: £95.8 million) in total. The dividend will be paid on 24 September 2020 to shareholders on the register at 21 August 2020.

The Group paid £0.1 million of dividends to holders of non-controlling interests in subsidiaries of the Group during the six months ended 30 June 2020 (H1 2019: £1.6 million), resulting in total dividends paid of £216.1 million (H1 2019: £218.1 million).

The Company offers a dividend reinvestment plan (DRIP). The last date for shareholders to elect to participate in the DRIP for the purposes of the 2020 interim dividend is 3 September 2020. Further details are contained on the Group's website.

9. Fair value measurement disclosures

Estimates and judgements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may require some estimation or may be derived from readily available sources. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. The hierarchy also reflects the extent of judgements used in the valuation but this does not necessarily indicate that the fair value is more or less likely to be realised. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below, with no individual input giving rise to a material component of the carrying value for the Group. The fair value 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 pooled investment vehicles, quoted equities and government debt, daily-priced funds and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques which make primary use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, asset and mortgage backed securities, and loans held at fair value. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group's level 3 financial assets are valued by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Valuations Guidelines 2018. The Group's level 3 financial assets principally comprise investments in private equity funds that are measured using the net asset value of the fund which is derived from the fair value of the underlying investments. Level 3 financial assets also include investments in property investment vehicles that operate hotel businesses. These are valued based on the expected future cash flows that could be generated from the hotel business. The Group's financial liabilities categorised as level 3 principally consist of contingent consideration and other third party liabilities related to carried interest arrangements and other financial liabilities arising from prior acquisitions completed by the Group. The carrying values of level 3 financial liabilities are typically derived from an estimate of the expected future cash flows required to settle the liability. These estimates reflect the projected performance of the acquired businesses for a number of years into the future.

9. Fair value measurement disclosures (continued)

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

	30 June 2020				Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	287.5	287.5
Loans and advances to clients	-	-	-	443.7	443.7
Debt securities	-	-	-	151.3	151.3
	-	-	-	882.5	882.5
Financial assets at fair value through other comprehensive income:					
Debt securities	384.0	281.5	-	-	665.5
	384.0	281.5	-	-	665.5
Financial assets at fair value through profit or loss:					
Loans and advances to clients	-	4.1	-	-	4.1
Debt securities	151.8	226.6	3.5	-	381.9
Pooled investment vehicles	433.6	34.4	85.2	-	553.2
Equities	271.8	1.8	26.6	-	300.2
Derivative contracts	2.0	63.7	1.9	-	67.6
	859.2	330.6	117.2	-	1,307.0
Financial assets	1,243.2	612.1	117.2	882.5	2,855.0
Trade and other receivables	4.2	-	-	928.4	932.6
Assets backing unit-linked liabilities	8,226.3	2,686.3	26.5	964.0	11,903.1
	9,473.7	3,298.4	143.7	2,774.9	15,690.7
Financial liabilities at amortised cost:					
Client accounts	-	-	-	3,749.2	3,749.2
Deposits by banks	-	-	-	90.5	90.5
Other financial liabilities	-	-	-	7.4	7.4
	-	-	-	3,847.1	3,847.1
Financial liabilities at fair value through profit or loss:					
Derivative contracts	3.9	69.4	-	-	73.3
Other financial liabilities	274.3	-	159.6	-	433.9
	278.2	69.4	159.6	-	507.2
Financial liabilities	278.2	69.4	159.6	3,847.1	4,354.3
Trade and other payables	175.2	-	-	727.9	903.1
Unit-linked liabilities	11,788.1	47.9	-	67.1	11,903.1
	12,241.5	117.3	159.6	4,642.1	17,160.5

9. Fair value measurement disclosures (continued)

	31 December 2019				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	350.2	350.2
Loans and advances to clients	-	-	-	398.5	398.5
Debt securities	-	-	-	67.0	67.0
	-	-	-	815.7	815.7
Financial assets at fair value through other comprehensive income:					
Debt securities	598.3	318.6	-	-	916.9
	598.3	318.6	-	-	916.9
Financial assets at fair value through profit or loss:					
Loans and advances to clients	-	4.6	-	-	4.6
Debt securities	4.4	213.6	5.6	-	223.6
Pooled investment vehicles	546.6	28.5	95.3	-	670.4
Equities	282.5	13.7	29.7	-	325.9
Derivative contracts	0.5	54.5	4.3	-	59.3
	834.0	314.9	134.9	-	1,283.8
Financial assets	1,432.3	633.5	134.9	815.7	3,016.4
Trade and other receivables	5.4	-	-	801.3	806.7
Assets backing unit-linked liabilities	8,724.3	2,596.2	29.5	1,075.9	12,425.9
	10,162.0	3,229.7	164.4	2,692.9	16,249.0
Financial liabilities at amortised cost:					
Client accounts	-	-	-	3,041.3	3,041.3
Deposits by banks	-	-	-	97.1	97.1
Other financial liabilities	-	-	-	7.3	7.3
	-	-	-	3,145.7	3,145.7
Financial liabilities at fair value through profit or loss:					
Derivative contracts	3.1	39.6	-	-	42.7
Other financial liabilities	187.6	-	155.1	-	342.7
	190.7	39.6	155.1	-	385.4
Financial liabilities	190.7	39.6	155.1	3,145.7	3,531.1
Trade and other payables	161.5	-	-	760.2	921.7
Unit-linked liabilities	12,310.5	56.5	-	58.9	12,425.9
	12,662.7	96.1	155.1	3,964.8	16,878.7

9. Fair value measurement disclosures (continued)

The fair value of financial assets at amortised cost approximates to their carrying value. No financial assets were transferred between levels during 2020 (2019: none).

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

	30 June 2020			31 December 2019		
	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	134.9	29.5	155.1	116.4	37.3	154.4
Exchange translation adjustments	6.9	(0.8)	12.5	(2.4)	(1.8)	(2.9)
Net gain or loss recognised in the income statement	(9.0)	2.9	(5.5)	1.3	2.7	(12.0)
Additions	4.4	-	0.2	35.2	1.4	54.4
Disposals	(20.0)	(5.1)	(2.7)	(15.6)	(10.1)	(38.8)
At 30 June/31 December	117.2	26.5	159.6	134.9	29.5	155.1

10. Associates and joint ventures

	30 June 2020			31 December 2019		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	200.2	197.8	398.0	173.1	2.1	175.2
Exchange translation adjustments	8.1	-	8.1	(8.3)	(0.1)	(8.4)
Additions	-	-	-	12.6	196.3	208.9
Disposals ¹	(28.7)	-	(28.7)	(0.7)	-	(0.7)
Profit for the period after tax ²	19.4	1.7	21.1	26.9	0.3	27.2
Other movements in reserves of associates and joint ventures	0.1	-	0.1	(0.7)	-	(0.7)
Distributions of profit	(5.2)	-	(5.2)	(2.7)	(0.8)	(3.5)
At 30 June/31 December	193.9	199.5	393.4	200.2	197.8	398.0

¹ On 31 January 2020, the Group disposed of its 41.0% interest in RWC for £34.0 million. Peter Harrison disposed of his interest at the same time and on the same terms as the Group disposed of its interest.

² Includes £6.5 million of costs that are presented within exceptional items.

11. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2020	761.8	326.0	340.6	1,428.4
Exchange translation adjustments	29.3	11.4	2.5	43.2
Additions	0.9	4.5	32.8	38.2
Disposals	-	-	-	-
At 30 June 2020	792.0	341.9	375.9	1,509.8
Accumulated amortisation				
At 1 January 2020	-	(182.7)	(112.3)	(295.0)
Exchange translation adjustments	-	(4.3)	(1.8)	(6.1)
Amortisation charge for the year	-	(17.7)	(23.8)	(41.5)
Disposals	-	-	-	-
At 30 June 2020	-	(204.7)	(137.9)	(342.6)
Carrying amount at 30 June 2020	792.0	137.2	238.0	1,167.2

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2019	676.5	278.4	251.4	1,206.3
Exchange translation adjustments	(10.3)	(3.6)	(2.0)	(15.9)
Additions	104.5	51.2	99.8	255.5
Disposals	(8.9)	-	(8.6)	(17.5)
At 31 December 2019	761.8	326.0	340.6	1,428.4
Accumulated amortisation				
At 1 January 2019	-	(154.1)	(84.0)	(238.1)
Exchange translation adjustments	-	1.5	1.0	2.5
Amortisation charge for the year	-	(30.0)	(37.2)	(67.2)
Disposals	-	(0.1)	7.9	7.8
At 31 December 2019	-	(182.7)	(112.3)	(295.0)
Carrying amount at 31 December 2019	761.8	143.3	228.3	1,133.4

12. Retirement benefit obligations

Movements in respect of the assets and liabilities of the UK defined benefit scheme, Schroders Retirement Benefits Scheme (the Scheme), are:

	Six months ended 30 June 2020 £m	Year ended 31 December 2019 £m
At 1 January	1,001.5	951.2
Interest on assets	10.3	27.1
Remeasurement of assets	52.1	54.6
Benefits paid	(19.6)	(31.4)
Fair value of plan assets	1,044.3	1,001.5
At 1 January	(865.2)	(795.6)
Interest cost	(8.9)	(22.6)
Actuarial gains due to change in demographic assumptions	-	6.4
Actuarial losses due to change in financial assumptions	(52.4)	(90.4)
Actuarial gains due to experience	5.1	5.6
Benefits paid	19.6	31.4
Present value of funded obligations	(901.8)	(865.2)
Net assets	142.5	136.3

The amount recognised in the Consolidated statement of comprehensive income includes a £0.5 million gain in respect of other defined benefit schemes.

The principal assumptions used for the UK defined benefit scheme, Schroders Retirement Benefits Scheme (the Scheme) are:

	Six months ended 30 June 2020 %	Year ended 31 December 2019 %
Discount rate	1.6	2.1
RPI inflation rate	2.9	3.1
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	2.8	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.1	2.2
Average number of years a current pensioner is expected to live beyond age 60:	Years	Years
Men	28	28
Women	29	29
Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	Years	Years
Men	29	29
Women	30	30

The last completed triennial valuation of the Scheme was carried out as at 31 December 2017. The funding level at that date was 115% on the technical provisions basis and no contribution to the Scheme was required (2019: nil). The next triennial valuation is due as at 31 December 2020 and will be performed in 2021.

13. Share capital and share premium

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2020	282.5	226.0	56.5	282.5	124.2
At 30 June 2020	282.5	226.0	56.5	282.5	124.2

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2019	282.5	226.0	56.5	282.5	124.2
At 30 June 2019	282.5	226.0	56.5	282.5	124.2

14. Own shares

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

Movements in own shares during the year were as follows:

	30 June 2020 £m	30 June 2019 £m
At 1 January	(169.1)	(163.9)
Own shares purchased	(55.5)	(65.6)
Awards vested	56.5	54.6
At 30 June	(168.1)	(174.9)

During the year 2.3 million own shares (H1 2019: 2.3 million own shares) were purchased and held for hedging share-based awards. 2.1 million shares (H1 2019: 2.0 million shares) awarded to employees vested during the year and were transferred out of own shares.

15. Reconciliation of net cash from operating activities

	30 June 2020 £m	30 June 2019 £m
Profit before tax	280.1	319.3
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	78.6	67.1
Net gain on financial instruments	(22.0)	(37.5)
Share-based payments	26.4	29.6
Net (release)/charge for provisions	(6.8)	0.1
Other non-cash movements	4.7	(10.9)
	80.9	48.4
Adjustments for which the cash effects are investing activities:		
Net finance income	(2.1)	(3.9)
Interest expense on lease liabilities	6.2	5.9
Share of profit of associates and joint ventures	(21.1)	(13.7)
	(17.0)	(11.7)
Adjustments for statement of financial position movements:		
Decrease in loans and advances within Wealth Management	34.9	46.7
Increase in trade and other receivables	(83.0)	(348.7)
Increase/(decrease) in deposits and client accounts within Wealth Management	649.3	(5.1)
(Decrease)/increase in trade and other payables, other financial liabilities and provisions	(45.3)	161.1
	555.9	(146.0)
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net decrease/(increase) in financial assets backing unit-linked liabilities	373.3	(939.5)
Net (decrease)/increase in unit-linked liabilities	(522.8)	1,362.2
Net (decrease)/increase in cash within consolidated pooled investment vehicles	(30.7)	8.8
	(180.2)	431.5
Tax paid	(81.3)	(51.0)
Net cash from operating activities	638.4	590.5

Key risks

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

We have assessed our key risks disclosed in the Group's Annual Report and Accounts. Notwithstanding the various changes to the working environment, market volatility and heightened cyber risks brought on by the Covid-19 pandemic, the key risks to which the Group will be exposed in the second half of 2020 are expected to be substantially the same as those described in the 2019 Annual Report. They comprise strategic risks, business risks and operational risks.

We believe that we remain well-positioned to manage the challenges arising from the current market environment including those related to Covid-19 and Brexit.

Directors' responsibility statement

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

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

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

On behalf of the Board

Richard Keers

Chief Financial Officer

29 July 2020

Independent review report to Schroders plc

Introduction

We have been engaged by Schroders plc (the 'Company') to review the condensed consolidated financial statements for the half year ended 30 June 2020 ('Half-year financial statements'), which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement and Explanatory notes to the Half-year financial statements. We have read the other information contained in the Half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half-year financial statements.

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

Directors' Responsibilities

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

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

Our Responsibility

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

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Half-year financial statements in the Half-year results for the six months ended 30 June 2020 are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
29 July 2020

Notes:

1. The maintenance and integrity of the Schroders plc web site 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 information since it was initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.