Press Release
Schroders plc

Annual Results to 31 December 2014* — 5 March 2015

- Profit before tax and exceptional items up 11 per cent. to £565.2 million** (2013: £507.8 million)
- Profit before tax up 16 per cent. to £517.1 million (2013: £447.5 million)
- Earnings per share up 17 per cent. to 152.7 pence (2013: 130.6 pence)
- 78 per cent. of assets under management outperforming over three years***
- Net inflows £24.8 billion (2013: £7.9 billion)
- Assets under management up 14 per cent. to £300.0 billion (2013: £262.9 billion)
- Full-year dividend up 34 per cent. to 78.0 pence per share (2013: 58.0 pence)

	2014 £m	2013 £m
Profit before tax and exceptional items		
Asset Management	499.3	468.6
Wealth Management	61.7	34.3
	561.0	**502.9**
Group segment	4.2	4.9
Total profit before tax and exceptional items	**565.2**	**507.8**
Total profit before tax	**517.1**	**447.5**
Earnings per share before exceptional items (pence)	**166.8**	**149.9**
Earnings per share (pence)	**152.7**	**130.6**
Total dividend (pence per share)	**78.0**	**58.0**

Michael Dobson, Chief Executive, commented: *"2014 was a record year for Schroders. Profit before tax and exceptional items was up 11 per cent. to £565.2 million and assets under management were up 14 per cent. to £300.0 billion. We generated net new business of £24.8 billion from clients around the world on the back of competitive investment performance across a broad product range and strong distribution.*

The Board is recommending a final dividend of 54.0 pence per share bringing the total dividend for the year to 78.0 pence per share (2013: 58.0 pence), an increase of 34 per cent.

We believe our focus on building a diversified business across a broad range of investment strategies will continue to deliver value for clients and shareholders over the long term."

Contacts:

Investors

Emily Koya	Head of Investor Relations	+44 (0) 20 7658 2718	emily.koya@schroders.com

Press

Beth Saint	Head of Communications	+44 (0) 20 7658 6168	beth.saint@schroders.com
Anita Scott	Brunswick	+44 (0) 20 7404 5959	schroders@brunswickgroup.com

* The Annual IFRS results for the year ended 31 December 2014 have been extracted from the audited 2014 Schroders plc consolidated group financial statements.
** See notes 1 and 2 on pages 13 and 14 for further details and a definition of exceptional items.
*** See page 5 for a definition of investment performance.

Management Statement

2014 was a strong year for Schroders with high levels of net new business and increased profit, as we benefited from the diversity of our business across a broad range of asset classes, client channels and regions. Net revenue increased by 9 per cent. to £1,531.2 million (2013: £1,407.6 million) and profit before tax and exceptional items increased by 11 per cent. to £565.2 million (2013: £507.8 million). We won net new business of £24.8 billion (2013: £7.9 billion) and assets under management were up 14 per cent. to £300.0 billion (2013: £262.9 billion).

Asset Management

Asset Management net revenue increased 5 per cent. to £1,303.5 million (2013: £1,247.2 million) despite lower performance fees of £34.2 million compared to an unusually high level of performance fees in 2013 at £80.2 million. Net revenue margins, excluding performance fees, were marginally down at 52 basis points (2013: 53 basis points) which was caused by business mix changes during the year. Profit before tax and exceptional items was up 7 per cent. at £499.3 million (2013: £468.6 million). Exceptional items of £17.6 million (2013: £13.5 million) related principally to the amortisation of the value of client relationships acquired with Cazenove Capital and STW and integration costs arising from those two acquisitions.

Our depth of investment talent in the UK and internationally across portfolio management and research, disciplined investment processes and a programme of active engagement with the companies in which we invest, led to competitive investment performance with 78 per cent. of assets under management outperforming benchmark or peer group over three years to the end of 2014. We generated £24.3 billion (2013: £9.4 billion) of net new business during the year as a result of good investment performance, a broad product range across asset classes and a proven distribution capability.

In addition to £13.3 billion of net inflows in the UK we saw the strength of our international network with net inflows of £6.0 billion in continental Europe and £5.3 billion in Asia Pacific. By asset class, we had net inflows of £16.9 billion in Multi-asset, £4.7 billion in Fixed Income and £4.5 billion in Equities, with net outflows in Commodities stemming from the challenging environment in this asset class.

In Institutional, we won net new business of £17.6 billion (2013: £4.6 billion), including a £12.0 billion mandate in Multi-asset and Equities from Friends Life. Assets under management in Institutional ended the year at £171.1 billion (2013: £144.3 billion).

We also had a strong year in Intermediary with net inflows of £6.7 billion (2013: £4.8 billion) and high levels of demand in continental Europe and Asia Pacific. Income products continued to be an important theme behind investor demand. Assets under management in Intermediary ended the year at £97.8 billion (2013: £88.5 billion).

Wealth Management

Our Wealth Management business generated significantly higher revenues and profit in 2014, benefiting from a full year of contribution from Cazenove Capital. Net revenue increased 42 per cent. to £213.5 million (2013: £150.0 million), including performance fees of £2.9 million (2013: £0.4 million) and a release of £6.1 million of loan loss provisions. Profit before tax and exceptional items was up 80 per cent. to £61.7 million (2013: £34.3 million). Exceptional items of £20.4 million (2013: £30.9 million) related principally to integration costs and the amortisation of the value of client relationships acquired with Cazenove Capital.

Our focus in 2014 was on ensuring a successful integration of Cazenove Capital with minimal disruption to clients, but we nevertheless generated net inflows of £0.5 billion (2013: net outflows £1.5 billion) as the strength of our wealth management proposition was widely recognised. Assets under management ended the year at £31.1 billion (2013: £30.1 billion).

Group

The Group segment comprises returns on investment capital and seed capital deployed in building a track record in new investment strategies, and central costs. Profit before tax and exceptional items was £4.2 million (2013: £4.9 million). Exceptional items of £10.1 million (2013: £15.9 million) comprised costs relating to the acquisitions of Cazenove Capital and STW.

Shareholders' equity at the end of 2014 was £2.5 billion (2013: £2.3 billion).

Dividend

Our policy is to increase dividends progressively, in line with the trend in profitability, and to target a dividend payout ratio of 45 to 50 per cent. In light of the results achieved in 2014, the Board will recommend to shareholders at the Annual General Meeting an increase in the final dividend of 29 per cent., taking the final dividend to 54.0 pence (2013: 42.0 pence). This will bring the total dividend for the year to 78.0 pence (2013: 58.0 pence), an increase of 34 per cent. The final dividend will be paid on 6 May 2015 to shareholders on the register at 27 March 2015.

Outlook

In an extraordinarily low interest rate environment financial markets have been resilient despite numerous macro-economic uncertainties. This may continue for some time although we expect to see greater volatility in markets and therefore in investor demand in 2015.

Our focus remains on the long term where we see a wide range of growth opportunities in the UK and internationally. We believe that our strategy of building a business which is highly diversified across different clients, asset classes and regions will continue to deliver value for clients and shareholders.

Schroders

Additional information

Assets under management

Twelve months to 31 December 2014	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total AUM £bn
1 January 2014	**144.3**	**88.5**	**232.8**	**30.1**	**262.9**
Gross inflows	38.1	47.0	85.1	6.9	92.0
Gross outflows	(20.5)	(40.3)	(60.8)	(6.4)	(67.2)
Net flows	**17.6**	**6.7**	**24.3**	**0.5**	**24.8**
Investment returns	9.2	2.6	11.8	0.5	12.3
31 December 2014	**171.1**	**97.8**	**268.9**	**31.1**	**300.0**

Three months to 31 December 2014	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total AUM £bn
30 September 2014	**151.1**	**94.6**	**245.7**	**30.5**	**276.2**
Net flows	16.1	1.6	17.7	0.1	17.8
Investment returns	3.9	1.6	5.5	0.5	6.0
31 December 2014	**171.1**	**97.8**	**268.9**	**31.1**	**300.0**

Income and cost metrics for the Group

	2014	2013
Cost: net revenue ratio	**64%**	65%
Compensation cost: net revenue ratio	**45%**	46%
Bonus: pre-bonus profit before tax and exceptional items	**37%**	38%
Return on average capital before exceptional items (pre-tax)	**24%**	23%
Return on average capital before exceptional items (post-tax)	**19%**	19%

Copies of this announcement are available on the Schroders website: 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 results at 8.45 a.m. GMT on Thursday, 5 March 2015 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.cantos.com. For individuals unable to attend the presentation or participate in the live webcast, a replay will be available from midday on Thursday, 5 March 2015 at www.schroders.com/ir. The Annual Report and Accounts will be available on the Schroders website: www.schroders.com on 20 March 2015.

Forward-looking statements

This announcement, the Annual Report and Accounts for 2014 from which it is extracted 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 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', 'believes', 'expects', 'aims', 'will have', 'will be', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement. 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.

Investment performance

Investment performance is calculated by Schroders, using published benchmarks for products, where available, for Asset Management only. It excludes private equity, LDI and externally managed GAIA funds, and funds which do not have the required track record. If no benchmark is published or agreed with the client but the fund is listed in competitor rankings, the relative position of the fund to its peer group is used. Funds with no benchmark but an absolute return target over the one or three-year period are measured against that absolute target. Funds with no benchmark and no target may be measured against a cash return, if applicable. As at 31 December 2014, such comparator data existed for 74 per cent. of Asset Management AUM over three years and 84 per cent. over one year.

Consolidated income statement

for the year ended 31 December 2014

		2014			2013		
	Notes	**Before exceptional items £m**	**Exceptional Items*** £m**	**Total £m**	Before exceptional items £m	Exceptional Items*** £m	Total £m
Revenue	3	1,914.7	-	1,914.7	1,809.1	-	1,809.1
Cost of sales		(429.1)	-	(429.1)	(431.1)	-	(431.1)
Net gains on financial instruments and other income		42.8	2.8	45.6	29.6	-	29.6
Net revenue*		**1,528.4**	**2.8**	**1,531.2**	**1,407.6**	-	**1,407.6**
Operating expenses	4	(984.3)	(48.8)	(1,033.1)	(919.7)	(58.1)	(977.8)
Operating profit		**544.1**	**(46.0)**	**498.1**	**487.9**	**(58.1)**	**429.8**
Net finance income		10.5	-	10.5	11.7	-	11.7
Share of profit of associates and joint ventures		10.6	(2.1)	8.5	8.2	(2.2)	6.0
Profit before tax		**565.2**	**(48.1)**	**517.1**	**507.8**	**(60.3)**	**447.5**
Tax	5	(113.9)	10.0	(103.9)	(103.0)	8.2	(94.8)
Profit after tax		**451.3**	**(38.1)**	**413.2**	**404.8**	**(52.1)**	**352.7**
Earnings per share							
Basic	6	**166.8p**	**(14.1)p**	**152.7p**	**149.9p**	**(19.3)p**	**130.6p**
Diluted	6	**161.5p**	**(13.7)p**	**147.8p**	**144.6p**	**(18.6)p**	**126.0p**
Dividends per share**	7			**66.0p**			**46.0p**

* Non-GAAP measure of performance.
** Interim and final dividends declared during the year.
*** See notes 1 and 2 for a definition and further details of exceptional items.

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	2014 £m	2013 £m
Profit for the year	413.2	352.7
Items that may be reclassified to the income statement on fulfilment of specific conditions:		
Net exchange differences on translation of foreign operations after hedging	(1.8)	(18.6)
Net fair value movement arising from available-for-sale financial assets	10.4	6.0
Net fair value movement arising from available-for-sale financial assets held by associates	3.9	(0.9)
Tax on items taken directly to other comprehensive income	0.6	-
	13.1	**(13.5)**
Items reclassified to the income statement:		
Net realised gains on disposal of available-for-sale financial assets	(8.3)	(7.3)
	(8.3)	**(7.3)**
Items that will not be reclassified to the income statement:		
Actuarial gains/(losses) on defined benefit pension schemes	36.9	(9.8)
Tax on items taken directly to other comprehensive income	(7.4)	(0.2)
	29.5	**(10.0)**
Other comprehensive gains/(losses) for the year net of tax	**34.3**	**(30.8)**
Total comprehensive income for the year net of tax	**447.5**	**321.9**

Consolidated statement of financial position

31 December 2014

	Notes	**2014 £m**	Restated 2013 £m	Restated 2012 £m
Assets				
Cash and cash equivalents		3,535.3	2,533.5	2,547.8
Trade and other receivables		541.0	583.9	412.7
Financial assets		1,763.4	1,678.8	2,030.0
Associates and joint ventures		92.6	83.1	79.4
Property, plant and equipment		29.9	22.5	15.0
Goodwill and intangible assets		474.5	489.0	142.1
Deferred tax		47.8	48.5	47.8
Retirement benefit scheme surpluses		103.7	63.7	67.2
		6,588.2	**5,503.0**	**5,342.0**
Assets backing unit-linked liabilities				
Cash and cash equivalents		696.3	786.9	824.3
Financial assets		12,962.1	10,899.5	8,993.3
		13,658.4	**11,686.4**	**9,817.6**
Total assets		**20,246.6**	**17,189.4**	**15,159.6**
Liabilities				
Trade and other payables		752.1	764.1	559.5
Financial liabilities		3,193.5	2,364.9	2,598.1
Current tax		44.1	46.6	40.8
Provisions	12	54.0	51.2	64.0
Deferred tax		0.4	1.7	1.9
Retirement benefit scheme deficits		6.3	5.9	7.8
		4,050.4	**3,234.4**	**3,272.1**
Unit-linked liabilities		**13,658.4**	**11,686.4**	**9,817.6**
Total liabilities		**17,708.8**	**14,920.8**	**13,089.7**
Net assets		**2,537.8**	**2,268.6**	**2,069.9**
Equity		**2,537.8**	**2,268.6**	**2,069.9**

Comparative information has been restated to reflect the adoption of IFRS 10 Consolidated Financial Statements (see 'Basis of preparation' on page 12).

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Notes	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 2014		**282.7**	**119.4**	**(229.9)**	**83.2**	**23.5**	**24.3**	**1,965.4**	**2,268.6**
Profit for the year		-	-	-	-	8.5	-	404.7	413.2
Other comprehensive (losses)/income*		-	-	-	(1.8)	3.9	2.7	29.5	34.3
Total comprehensive (losses)/income for the year		**-**	**-**	**-**	**(1.8)**	**12.4**	**2.7**	**434.2**	**447.5**
Shares cancelled	9	(0.2)	-	-	-	-	-	0.2	-
Own shares purchased	10	-	-	(64.9)	-	-	-	-	(64.9)
Share-based payments		-	-	-	-	-	-	60.6	60.6
Tax in respect of share schemes		-	-	-	-	-	-	4.2	4.2
Other movements in associates and joint ventures reserve		-	-	-	-	(0.4)	-	-	(0.4)
Dividends attributable to shareholders		-	-	-	-	-	-	(177.7)	(177.7)
Dividends attributable to non-controlling interests		-	-	-	-	-	-	(0.1)	(0.1)
Transactions with shareholders		**(0.2)**	**-**	**(64.9)**	**-**	**(0.4)**	**-**	**(112.8)**	**(178.3)**
Transfers		-	-	94.7	-	(5.9)	-	(88.8)	-
At 31 December 2014		**282.5**	**119.4**	**(200.1)**	**81.4**	**29.6**	**27.0**	**2,198.0**	**2,537.8**

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

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Notes	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**
Profit for the year		-	-	-	-	6.0	-	346.7	352.7
Other comprehensive losses*		-	-	-	(18.6)	(0.9)	(1.3)	(10.0)	(30.8)
Total comprehensive (losses)/income for the year		**-**	**-**	**-**	**(18.6)**	**5.1**	**(1.3)**	**336.7**	**321.9**
Shares issued	9	1.8	29.3	-	-	-	-	-	31.1
Shares cancelled	9	(1.6)	-	-	-	-	-	1.6	-
Own shares purchased	10	-	-	(142.3)	-	-	-	(0.4)	(142.7)
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)
Transactions with shareholders		**0.2**	**29.3**	**(142.3)**	**-**	**(0.9)**	**-**	**(9.5)**	**(123.2)**
Transfers		-	-	77.5	-	(6.2)	-	(71.3)	-
At 31 December 2013		**282.7**	**119.4**	**(229.9)**	**83.2**	**23.5**	**24.3**	**1,965.4**	**2,268.6**

* Other comprehensive losses reported in the net exchange differences reserve represent foreign exchange gains and losses on the translation of foreign operations net of hedging. Other comprehensive losses reported in the associates and joint ventures reserve 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

for the year ended 31 December 2014

	Note	**2014** **£m**	Restated 2013 £m
Net cash from operating activities	11	**1,321.9**	**210.0**
Cash flows from investing activities			
Net cash consideration for the acquisition of subsidiaries, including loan redemptions		-	(273.2)
Net acquisition of associates and joint ventures		(1.3)	(7.8)
Net acquisition of property, plant and equipment and intangible assets		(29.5)	(25.8)
Net (acquisition)/disposal of financial assets		(100.5)	271.2
Non-banking interest received		11.1	15.7
Distributions received from associates and joint ventures		5.9	6.5
Net cash used in investing activities		**(114.3)**	**(13.4)**
Cash flows from financing activities			
Proceeds from issue of non-voting ordinary shares		-	0.6
Acquisition of own shares		(64.9)	(112.2)
Dividends paid		(177.7)	(123.5)
Other flows		(0.1)	(1.2)
Net cash used in financing activities		**(242.7)**	**(236.3)**
Net increase/(decrease) in cash and cash equivalents		**964.9**	**(39.7)**
Opening cash and cash equivalents		3,320.4	3,372.1
Net increase/(decrease) in cash and cash equivalents		964.9	(39.7)
Effect of exchange rate changes		(53.7)	(12.0)
Closing cash and cash equivalents		**4,231.6**	**3,320.4**
Closing cash and cash equivalents consists of:			
Cash backing unit-linked liabilities		696.3	786.9
Cash held in consolidated funds		8.3	11.0
Cash that the Group cannot use for its own corporate purposes		**704.6**	**797.9**
Cash		2,552.5	1,771.5
Cash equivalents		974.5	751.0
Cash and cash equivalents available for use by the Group		**3,527.0**	**2,522.5**
		4,231.6	**3,320.4**

Comparative information has been restated to reflect the adoption of IFRS 10 Consolidated Financial Statements (see 'Basis of preparation' on page 12).

Basis of preparation

The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2013 have been delivered to the Registrar of Companies and the auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Companies Act 2006. An unqualified auditors' opinion has also been issued on the statutory accounts for the year ended 31 December 2014 which will be delivered to the Registrar of Companies in due course.

The consolidated financial statements are 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.

On 1 January 2014, the Group adopted IFRS 10 *Consolidated Financial Statements* and IFRS 12 *Disclosure of Interests in Other Entities*.

The adoption of IFRS 10 has led to additional investment vehicles being consolidated where the Group is now deemed to hold a controlling interest, as defined by this accounting standard. This results in all of the assets and liabilities of those investment vehicles being presented within the Group's Statement of financial position, and the third-party interest in the investment vehicles being recorded within liabilities. There is no impact on net assets, operating profit or profit before tax. The effect of the Standard on the Group's previously reported cash flows and Statement of financial position was previously reported in the Press Release published by the Group on 31 July 2014.

Prior to the adoption of IFRS 10, the Group consolidated investments 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 investment vehicles, principally held by the Life Company, now meet the definition of a subsidiary as they are deemed to be controlled by the Group as a result of the combination of holding a significant proprietary investment and additionally being the named asset manager, with third-party investors unable to remove the Group easily from that role without cause.

IFRS 12 requires certain disclosures to be made in respect of the Group's interests in the investment vehicles it manages but does not control, as defined by IFRS 10. These disclosures are set out in the Group's statutory accounts.

1. Segmental reporting

Operating segments

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

Schroders

1. Segmental reporting continued

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

Year ended 31 December 2014	**Asset Management £m**	**Wealth Management £m**	**Group £m**	**Total £m**
Fee income	1,688.6	200.1	0.4	1,889.1
Banking interest receivable	-	25.6	-	25.6
Revenue	**1,688.6**	**225.7**	**0.4**	**1,914.7**
Fee expense	(410.1)	(7.9)	(0.1)	(418.1)
Banking interest payable	-	(11.0)	-	(11.0)
Cost of sales	**(410.1)**	**(18.9)**	**(0.1)**	**(429.1)**
Net gains on financial instruments and other income	25.0	6.7	11.1	42.8
Net revenue	**1,303.5**	**213.5**	**11.4**	**1,528.4**
Operating expenses	(809.0)	(151.8)	(23.5)	(984.3)
Operating profit/(loss)	**494.5**	**61.7**	**(12.1)**	**544.1**
Net finance (charge)/income	(1.1)	-	11.6	10.5
Share of profit of associates and joint ventures	5.9	-	4.7	10.6
Profit before tax and exceptional items	**499.3**	**61.7**	**4.2**	**565.2**
Exceptional items within net revenue:				
Reversal of contingent consideration payable	**-**	**-**	**2.8**	**2.8**
Exceptional items within operating expenses:				
Restructuring and integration costs	(3.7)	(8.3)	-	(12.0)
Amortisation of acquired intangible assets	(11.8)	(9.2)	-	(21.0)
Deferred compensation arising directly from acquisitions	-	-	(12.9)	(12.9)
Provisions and related costs	-	(2.9)	-	(2.9)
	(15.5)	**(20.4)**	**(12.9)**	**(48.8)**
Exceptional items within share of profit of associates and joint ventures:				
Amortisation of acquired intangible assets	(2.1)	-	-	(2.1)
Profit/(loss) before tax and after exceptional items	**481.7**	**41.3**	**(5.9)**	**517.1**

1. 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
Revenue	**1,639.7**	**169.2**	**0.2**	**1,809.1**
Fee expense	(411.4)	(4.9)	(0.1)	(416.4)
Banking interest payable	-	(14.7)	-	(14.7)
Cost of sales	**(411.4)**	**(19.6)**	**(0.1)**	**(431.1)**
Net gains on financial instruments and other income	18.9	0.4	10.3	29.6
Net revenue	**1,247.2**	**150.0**	**10.4**	**1,407.6**
Operating expenses	(784.9)	(115.7)	(19.1)	(919.7)
Operating profit/(loss)	**462.3**	**34.3**	**(8.7)**	**487.9**
Net finance (charge)/income	(0.4)	-	12.1	11.7
Share of profit of associates and joint ventures	6.7	-	1.5	8.2
Profit before tax and exceptional items	**468.6**	**34.3**	**4.9**	**507.8**
Exceptional items within operating expenses:				
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 from acquisitions	-	-	(11.7)	(11.7)
Provisions and related costs	-	(17.7)	-	(17.7)
	(11.3)	**(30.9)**	**(15.9)**	**(58.1)**
Exceptional items within share of profit of associates and joint ventures:				
Amortisation of acquired intangible assets	(2.2)	-	-	(2.2)
Profit/(loss) before tax and after exceptional items	**455.1**	**3.4**	**(11.0)**	**447.5**

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. In 2013 exceptional items also included a provision in the Swiss bank in connection with the US Department of Justice programme (see note 12).

3. Revenue

	2014 £m	2013 £m
Management fees	1,663.8	1,533.9
Performance fees	37.1	80.6
Other fees	188.2	166.3
Interest income earned by Wealth Management	25.6	28.3
	1,914.7	**1,809.1**

4. Operating expenses

Operating expenses include:	2014 £m	2013 £m
Salaries, wages and other remuneration	613.6	573.6
Social security costs	59.4	63.8
Pension costs	31.6	28.2
Employee benefits expense	**704.6**	**665.6**

£16.8 million (2013: £13.1 million) of the total compensation costs of £704.6 million (2013: £665.6 million) are included within exceptional items, being £12.9 million deferred compensation arising directly from acquisitions (2013: £11.7 million) and £3.9 million integration costs (2013: £1.4 million).

5. Tax expense

Analysis of tax charge reported in the income statement:

	2014 £m	2013 £m
UK Corporation Tax on profits for the year	51.1	47.5
Adjustments in respect of prior year estimates	(0.5)	(0.1)
Foreign tax – current	63.4	58.1
Foreign tax – adjustments in respect of prior year estimates	2.9	(1.3)
Current tax	**116.9**	**104.2**
Origination and reversal of temporary differences	(11.2)	(8.1)
Adjustments in respect of prior year estimates	(1.9)	0.5
Effect of changes in Corporation Tax rates	0.1	(1.8)
Deferred tax	**(13.0)**	**(9.4)**
Tax charge reported in the income statement	**103.9**	**94.8**

The UK standard rate of Corporation Tax reduced from 23 per cent. to 21 per cent. on 1 April 2014 resulting in a UK effective tax rate for the year of 21.5 per cent. (2013: effective rate of 23.25 per cent.). The tax charge for the year is lower (2013: lower) than a charge based on the UK effective rate.

5. Tax expense continued

	2014 £m	2013 £m
Profit before tax	517.1	447.5
Less post-tax profits of associates and joint ventures	(8.5)	(6.0)
Profit before tax of Group entities	508.6	441.5
Profit before tax of consolidated Group entities multiplied by Corporation Tax at the UK effective rate of 21.5 per cent. (2013: 23.25 per cent.)	109.3	102.6
Effects of:		
Different statutory tax rates of overseas jurisdictions	4.5	5.5
Permanent differences including non-taxable income and non-deductible expenses	(6.9)	(11.4)
Net movement in timing differences for which no deferred tax is recognised	(3.6)	0.8
Deferred tax adjustments in respect of changes in Corporation Tax rates	0.1	(1.8)
Prior year adjustments	0.5	(0.9)
Tax charge reported in the income statement	**103.9**	**94.8**

6. Earnings per share

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

	2014 Number Millions	2013 Number Millions
Weighted average number of shares used in calculation of basic earnings per share	270.4	270.0
Effect of dilutive potential shares – share options	8.3	8.9
Effect of dilutive potential shares – contingently issuable shares	0.7	0.9
Weighted average number of shares used in calculation of diluted earnings per share	**279.4**	**279.8**

7. Dividends

		2015		**2014**		2013
	£m	**Pence per share**	**£m**	**Pence per share**	£m	Pence per share
Prior years final dividend paid			113.0	42.0	80.4	30.0
Interim dividend paid			64.7	24.0	43.1	16.0
			177.7	**66.0**	**123.5**	**46.0**
Current year final dividend recommended	146.0	54.0				

Dividends of £8.8 million (2013: £6.7 million) on shares held by employee employee trusts have been waived; dividends may not be paid on treasury shares. The recommended 2014 final dividend of 54p per share (net) will be payable on 6 May 2015 and will be accounted for in 2015. 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 2014 final dividend is 14 April 2015. Further details are available on our website.

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 in the fair value measurements section 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.

Financial assets that have no quoted price principally consist of investments in private equity, derivatives and certain loans in Wealth Management. The determination of fair value requires significant judgement, particularly in determining whether changes in fair value have occurred since the last formal valuation. In making this judgement the Group evaluates amongst other factors the effect of cash distributions and changes in the business outlook.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

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

- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise loans held at fair value, foreign exchange contracts and investments in real estate funds. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis (for example, real estate 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 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:

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

* 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
Financial assets:				
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
	484.8	**315.2**	**38.8**	**838.8**
Trade and other receivables*	**36.4**	**-**	**-**	**36.4**
Assets backing unit-linked liabilities*	**9,971.2**	**718.3**	**158.2**	**10,847.7**
	10,492.4	**1,033.5**	**197.0**	**11,722.9**
Financial liabilities:				
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
	32.5	**28.1**	**3.3**	**63.9**
Trade and other payables*	**112.6**	**-**	**-**	**112.6**
Unit-linked liabilities*	**11,644.6**	**8.6**	**-**	**11,653.2**
	11,789.7	**36.7**	**3.3**	**11,829.7**

* 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 'Basis of preparation' on page 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:

	31 December 2014			31 December 2013		
	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	38.8	158.2	(3.3)	59.4	170.7	-
Exchange translation adjustments	(1.8)	(6.5)	(0.3)	0.6	-	0.3
Total gains/(losses) recognised in the income statement	-	13.2	2.8	1.2	(0.7)	-
Total gains recognised in other comprehensive income	7.7	-	-	5.1	-	-
Additions	8.0	1.8	-	1.7	0.6	(3.6)
Disposals	(11.7)	(117.1)	-	(29.2)	(12.4)	-
Transfers out of level 3	(1.0)	-	-	-	-	-
At 31 December	**40.0**	**49.6**	**(0.8)**	**38.8**	**158.2**	**(3.3)**

Financial assets with a fair value of £36.1 million were transferred from level 2 to level 1 during the period, and none from level 1 to level 2. The transfers from level 2 to level 1 relate primarily to equities that have returned to daily-priced positions.

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)	-
At 31 December 2014	**282.5**	**226.0**	**56.5**	**282.5**	**119.4**

	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)	-
At 31 December 2013	**282.7**	**226.0**	**56.7**	**282.7**	**119.4**

	2014 Number of shares Millions	2013 Number of shares Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.7
	282.5	282.7

During the year, 0.2 million non-voting ordinary shares were bought back by the Group and cancelled.

The non-voting ordinary shares carry the same rights as ordinary shares except they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares.

10. 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:

	2014 £m	2013 £m
At 1 January	(229.9)	(165.1)
Own shares acquired	(64.9)	(142.3)
Cancellation of own shares held in treasury	3.8	30.8
Awards vested	90.9	46.7
At 31 December	**(200.1)**	**(229.9)**

	2014			2013		
	Number of vested shares Millions	**Number of unvested shares Millions**	**Total Millions**	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	2.8	9.9	12.7	2.8	12.2	15.0
Non-voting ordinary shares	0.2	1.1	1.3	0.4	1.7	2.1
	3.0	**11.0**	**14.0**	**3.2**	**13.9**	**17.1**

During the year 2.0 million own shares were purchased. 1.8 million were held for hedging share-based awards and 0.2 million were placed in treasury and subsequently cancelled. 4.7 million shares awarded to employees vested in the period and were transferred out of own shares.

11. Reconciliation of net cash from operating activities

	2014 £m	Restated 2013 £m
Operating profit	**498.1**	**429.8**
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	37.0	25.8
Net gains and impairments taken through the income statement on financial instruments	(18.5)	(16.7)
Share-based payments	60.6	56.6
Net charge for provisions	7.7	16.3
Other non-cash movements	8.3	3.9
	95.1	**85.9**
Adjustments for statement of financial position movements:		
Decrease in trade and other receivables	44.3	44.7
Increase/(decrease) in trade and other payables, financial liabilities and provisions	881.2	(218.9)
	925.5	**(174.2)**
Adjustments for Life Company movements:		
Net increase in financial assets backing unit-linked liabilities	(2,062.6)	(1,906.2)
Net increase in unit-linked liabilities	1,972.0	1,868.8
	(90.6)	**(37.4)**
Tax paid	**(106.2)**	**(93.9)**
Interest paid	**-**	**(0.2)**
Net cash from operating activities	**1,321.9**	**210.0**

Comparative information has been restated to reflect the effect of adoption of IFRS 10 (see the ‘Basis of preparation’ on page 12).

Net cash from operating activities includes cash outflows of £13.4 million (2013: £14.6 million) in respect of exceptional items.

12. Provisions

The Group holds provisions in respect of dilapidations and onerous leases, regulatory and legal matters which, at 31 December 2014, total £54.0 million (2013: £51.2 million).

As at 31 December 2013 and 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 persons 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 of compliance, a penalty may be payable. This programme may complete in 2015 and there is uncertainty as to the extent of any payment required by Schroders. Details of the programme can be found at the DOJ website.

Key risks and mitigations

This section explains how we control and manage the risks in our business. It outlines key risks, how we mitigate them and our assessment of their potential impact on our business in the context of the current environment.

Managing risk

The Board is accountable for risk and the oversight of the risk management process. It considers the most significant risks facing the Group and uses quantitative exposure measures, such as stress tests, where appropriate. Non-executive oversight of the risk management process is exercised through the Audit and Risk Committee with respect to standards of integrity, financial reporting, risk management and internal control.

It is the responsibility of all employees to uphold the control culture of Schroders. We therefore embed risk management within all areas of the business. Members of the GMC have risk management responsibility for their respective business areas and we expect individual behaviours to mirror the culture and core values of the firm.

The Chief Executive and the GMC, as the principal executive committee with responsibility for the monitoring and reporting of risk and controls, review regularly the key risks facing the Group.

The executive oversight of risk is delegated by the Chief Executive to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group and the independent monitoring and reporting of risks and controls.

The Chief Financial Officer is supported by the Group Head of Risk and chairs the Group Risk Committee (GRC), which meets ten times a year, and more frequently if required, and is attended by the heads of the control functions, being Group Risk, Finance, Compliance, Legal and Internal Audit, the Chief Operating Officer, the Head of Investment and senior managers from Distribution and Wealth Management. The GRC supports the Chief Financial Officer and the GMC in discharging their risk responsibilities. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews trends and exceptions in the most significant risk exposures. The GRC and the newly formed Wealth Management Audit and Risk Committee receive reports in respect of risk from the Wealth Management Executive Committee.

Lines of defence

The first line of defence against undesirable outcomes is the business function and the respective line managers, across Investment, Distribution, Wealth Management and Infrastructure. Business heads take the lead role with respect to implementing and maintaining appropriate controls. Line management is supplemented by oversight functions, such as Group Risk, Finance, Compliance and Legal, which constitute the second line of defence. The compliance monitoring programme reviews the effective operation of our processes in meeting regulatory requirements.

Group Internal Audit provides retrospective, independent assurance over the operation of controls and is the third line of defence. The internal audit programme includes reviews of risk management processes and recommendations to improve the control environment. External reviews from the Group's auditors provide a fourth line of defence.

Schroders also maintains comprehensive insurance cover.

2014 developments

Upholding high standards of conduct and focusing on clients' interests and outcomes is fundamental to our business. We have reviewed and formalised our approach in this regard, taking into account the increasing expectations of clients and regulators. We have also taken steps to enhance our client-centric processes and communications, building on our established culture and values.

In 2013, we implemented a new operational risk system to support our firm-wide risk and control assessments and in 2014 we continued to invest in technology to enhance our risk management capabilities and manage our investment risks.

Information security has been an area of specific attention in response to the increasing prevalence of cyber-crime and related fraud within our industry.

Following the integration of Cazenove Capital, our Wealth Management division is now substantially larger. In recognition of this, we established a separate Wealth Management Audit and Risk Committee which provides reports to the Board Audit and Risk Committee, and provides non-executive oversight of the Wealth Management business.

New instruments and strategies are important for the growth of our business and we have continued to invest in investment risk management systems to reflect both the level of growth and the complexity of the strategies we use.

Mapping our key continuing risks

The key continuing risks outlined below have been assessed in the light of the current environment as summarised in the following diagram.

The horizontal axis shows whether the risk is stable or heightened reflecting current market conditions. The vertical axis shows the potential financial impact to the firm. The Group undertakes additional work to address those risks that it considers to be potentially heightened or more costly.

This year we have made the following changes to the presentation of our key risks:

- A new category for Business risks has been included which sets out the risks that are material to our business, but against which we are not required to hold regulatory capital;
- The Market, Investment Performance and Liquidity category has been renamed as Market, Credit and Liquidity risk;
- Distribution risk, Geographical diversity risk and Conduct risk have been renamed Business concentration risk, International business risk and Conduct and regulatory risk to align better to the nature of the risks presented;
- Integration risk has been removed as a key risk following the successful integration of Cazenove Capital; and
- Fraud risk has been separately identified given the growing focus on fraud prevention across financial services.

1. Reputational risk
2. Investment performance risk
3. Product risk
4. Business concentration risk
5. International business risk
6. Market risk
7. Credit risk
8. Liquidity risk
9. Conduct and regulatory risk
10. Legal risk
11. Process risk
12. Fraud risk
13. Technology and information security risk
14. People and employment practices risk
15. Third-party service provider risk

Reputational risk

The reputation of Schroders is of paramount importance. In the asset management industry, our reputation can be impacted by an adverse risk event of various types.

Description of key risk	How we manage risk
Reputational risk Reputational risk impacts Schroders' brand, reliability and relationship with clients and shareholders. This may arise from poor conduct or judgements, or from negative financial or operational events as a result of weaknesses in systems and controls. Reputational risk may also arise from taking on inappropriate client relationships or mandates which may have adverse implications for the Group.	High standards of conduct and a principled approach to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy or operating model. In addition, we have a number of controls and frameworks to address other risks that could affect our reputation including: conduct risk, financial crime, investment risk and client take-on and product development.

Business risks

Business risk can be influenced by both internal and external factors. A risk can materialise due to suboptimal business execution or a failure to respond appropriately to internal or external factors. Business risk can impact our earnings.

Description of key risk	How we manage risk
Investment performance risk The management of investment performance risk is a core skill of the Group. This is the risk that portfolios will not meet their investment objectives or that there is a failure to deliver consistent and above-average performance.	We have in place clearly defined investment processes designed to meet investment targets within stated risk parameters. The Group's Investment Risk Framework provides review and challenge of investment risks, independent of our fund managers, across all asset classes. Individual portfolio performance, valuations and risk profiles are monitored by fund managers and asset class management on a regular basis, as well as by Pricing and Valuation Committees, Asset Class Risk Committees and the GMC. Recognising that products will not outperform all of the time, we offer a diversified product set which reduces our dependence on the performance of any one fund or asset class. Key to this performance is our ability to attract and retain talented people (see People and employment practices risk for further information).

Product risk Product risk arises from product complexity and the risk that products do not meet their objectives. Product risk can also arise from capacity constraints where the size of assets under management in a particular asset class or strategy makes it more difficult to trade efficiently in the market.	To manage product risk we conduct quantitative analysis on a product by product basis to confirm that products are performing as expected and meeting the needs of our clients. If the results do not meet our benchmarks, we assess the qualitative aspects and, if appropriate, the product strategy is reassessed. New fund proposals are evaluated by the Product Development Committee which considers the risk management approach, potential investor profiles and distribution channel to ensure these are both suitable and commercially viable. New investment propositions and strategies are reviewed by the Product Strategy Committee. We monitor potential capacity constraints and may mitigate them by hard or soft closing products to new investment. The Product Development Committee considers the interests and needs of potential investors in our funds.
Business concentration risk Business concentration risk arises from concentration in a small number of distribution channels or products or when a small number of clients are concentrated in a specific product or market.	The broad range of distribution channels that we have established mitigates the concentration risk we have and the dependency on any single sales channel. No client accounts for more than two per cent. of revenues. We aim to ensure client concentrations in any particular market or channel do not become excessive.
International business risk Our business is broadly diversified by region. Whilst this mitigates our aggregate risk profile it introduces additional risks in terms of operating cross-border and in multiple environments as a result of complexity, local laws, regulations, business customs and traditions.	We aim to employ people with local expertise who ensure the business and operations conform to local requirements as well as Group standards. In addition, we seek the advice of local experts (for example, in the areas of tax, regulatory and legal) where appropriate. Furthermore, our employees are trained in relation to local requirements and are able to share their knowledge through international secondments across the Group. Our international operations are regularly reviewed by Internal Audit. The GRC receives reports from line management regarding matters giving cause for concern and recommendations for appropriate remedial action.

Market, credit and liquidity risks

We face market, credit and liquidity risks from movements in the financial markets in which we operate, arising from holding investments both as principal and agent.

Description of key risk	How we manage risk
Market risk Market risk arises from market movements, which can cause a fall in the value of principal investments and a decline in the value of assets under management in the agency business. Operating capital, net fee income and expenses related to the Group's overseas subsidiaries are denominated in local currencies and are therefore subject to exchange rate risk.	Our geographically-diversified, broad product range enables us to provide clients with solutions in a variety of market conditions and serves to diversify individual market dependencies. The Group Capital Committee, chaired by the Chief Financial Officer, regularly reviews all principal assets held for investment or seed capital purposes. The Group's seed capital investments are usually hedged in respect of market risk and currency risk. The Wealth Management Executive Committee monitors and manages market risk in the Group's banking businesses. We use forward foreign exchange contracts to mitigate transactional and investment exposure to currency movements.
Credit risk We face credit risk as a result of counterparty exposure with respect to client, principal and derivative exposures. We also face credit risk through Wealth Management lending activities, in addition to transactional counterparty risk.	To manage this risk we assess counterparty creditworthiness and set appropriate limits for both our principal and agency counterparties. The creditworthiness of the counterparties and borrowers are monitored as is usage against the relevant credit limits. We seek to diversify our exposure across different counterparties. In Wealth Management, we seek to mitigate credit risk within the lending activities as appropriate through collateralisation in the form of cash, portfolio investments or real estate. Credit risk is monitored and managed against limits and collateral.
Liquidity risk Liquidity risk in relation to client portfolios is the risk that funds are not readily available to meet redemptions or other obligations as they arise. Liquidity risk is also the risk that the Group or any of its subsidiaries cannot meet its contractual or payment obligations in a timely manner.	To mitigate this risk within client portfolios we seek to match, where possible, the liquidity of a portfolio's underlying investments with the anticipated redemption requirements. We pay particular attention when we offer funds with daily liquidity that the assets they hold are liquid. We actively monitor markets for indicators of a decline in liquidity. We also review products and portfolios to identify capacity constraints. Each of our regulated subsidiaries, and the Group as a whole, meet regulatory capital requirements. In addition, we maintain sufficient liquidity for our anticipated needs, taking account of the risks we face. In Wealth Management in London, we operate an Individual Liquidity Adequacy Assessment (ILAA) process.

Operational risks

Operational risk arises in our investment management and banking activities, distribution activities, product development and in our IT and operational infrastructure. Line management is responsible for operational risk controls. The second line of defence teams develop and deploy the risk framework and monitor its implementation and operation.

<table>
<tr><th>Description of key risk</th><th>How we manage risk</th></tr>
<tr><td>Conduct and regulatory risk
The risks of client detriment arising from inappropriate conduct, practice or behaviour and failing to meet client needs, interests or expected outcomes.

The risks of money laundering, bribery, fraud or market abuse shortcomings on the part of fund investors, clients or our employees.

The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements.

The risk that new regulation or changes to existing interpretation has a material effect on the Group's operations or cost base.</td><td>We promote a strong compliance culture and we value good relationships with our regulators. Our Compliance function supports management in identifying and meeting our regulatory obligations with relevant training and procedures. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme.

Our approach to encouraging appropriate conduct is set out in our conduct risk framework, and is built on culture and values, supported by appropriate governance and reporting. This includes:

• A culture in which all employees are encouraged and supported to 'do the right thing';
• A long-term approach to creating value and good outcomes for our clients, fund investors and shareholders;
• A focus on products that meet the needs of our clients and investors; and
• Strong controls, governance, training and risk management processes.

Regulatory and legal change is monitored by the compliance, legal and public policy teams. Key regulatory and tax risks are identified below. We engage with our regulators and participate in representative industry organisations so that we are informed about, and involved in, potential changes.</td></tr>
<tr><td>Legal risk
The risk that Schroders or its counterparties, clients or suppliers with whom we contract fail to meet their legal obligations and the risk of legal proceedings and loss.

The risk that client expectations and obligations with respect to our own and third-party responsibilities under investment management and other agreements will not be met, with a revenue or contingent liability impact.</td><td>We rely on our employees, with support from our Legal function, to consider the obligations we assume across the Group and our compliance with them. Our policies and procedures across the Group are developed having regard to recognised legal risks.

Confirmations are obtained from representatives around the Group that actual or potential disputes or claims have been brought promptly to the attention of the General Counsel.

We have an escalation process for areas of identified material risk.</td></tr>
</table>

Process risk The risk of failure of significant business processes, including for example mandate compliance, client suitability checks and asset pricing.	Risk and Control Assessments are used to identify and assess key operational risks. Associated controls are assessed with regard to their design and performance. Where required, processes and controls are enhanced to improve the control environment. We manage risk events through identification, reporting and resolution with the aim of preventing risk events from recurring.
Fraud risk Fraud could arise from either internal or external parties who attempt to defraud the firm or our clients by circumventing our processes and controls.	We operate a system of processes and controls to aid prevention and detection of attempted fraud. In addition, we have a governance framework through which all types of fraud, including cyber-crime, are monitored. The framework includes the use of fraud risk assessments to identify potential risks and to ensure appropriate controls are in place.
Technology and information security risk Technology and information security risk relates to the risk that our technology systems and support are inadequate or fail to adapt to changing requirements; that our systems are penetrated by third parties; and that data is held insecurely.	Schroders actively engages with regulators and intelligence services to understand and take action against potential cyber threats. An information security strategy has been established and is overseen by the Information Security Council which provides executive oversight. We maintain explicit cover for cyber-crime as part of the Group's insurance protection.
People and employment practices risk Talented people may be targeted by competitors seeking to build their businesses. In addition, people and employment practices risk relates to the risk that our employment practices do not comply with local legislation, such as equal opportunities, human rights or the safety and wellbeing of employees when at work.	We have competitive remuneration and retention plans, with appropriate deferred benefits targeted at key employees. We seek to build strength in depth and to put in place sustainable succession and development plans. We also operate from many international centres, which reduces our reliance on single pools of talent. Clear objectives are set for employees and success is measured in the annual review process, allowing us to identify motivational development initiatives. We have policies and procedures in place to manage employment issues appropriately and handle them consistently, fairly and in compliance with local legislation.
Third-party service provider risk We have a number of outsourced supplier relationships as part of our business model, particularly in respect of information technology, fund administration and transfer agency services. Third-party service provider risk relates to the risk that suppliers may not be able to meet their agreed service level terms.	Our outsourcing policy sets out key considerations when appointing and managing a third-party service provider, including due diligence and regular reviews of providers' performance against agreed service levels. Exit plans are considered prior to appointment and provide a framework for transitioning business from one service provider to another should the quality fall below the agreed service level. On an annual basis, the GRC reviews all outsourced relationships covered by the Group Policy, focusing on significant aspects such as service quality and risks.

Mapping key emerging risks

Emerging risks are those with uncertain impact, probability and time frame that could impact the Group. These are the hardest to define. We analyse each risk and, if needed, develop and apply mitigation and management plans. The external emerging risks that are currently our focus of attention are set out below. The diagram indicates our assessment of the likelihood and potential timing of these risks. The estimated likelihood may change as circumstances evolve and mitigation plans are developed. Regulatory and tax related risks are mapped below.

1. Eurozone crisis
2. Major bank failure
3. Market liquidity crisis
4. Margin pressure
5. Geopolitical events (for example Ukraine, Middle East, oil price)
6. Clearing house failure
7. Cyber-crime
8. Terrorism
9. UK exit from the European Union

Mapping key regulatory and tax related risks

The extent of regulatory and tax change facing our industry has increased significantly. This poses both risks and opportunities for our business. The diagram below combines known and emerging regulatory and tax change initiatives, to identify both the likely timing and estimated impact of regulatory change on our business. New initiatives which arose during 2014 are highlighted in orange.

1. Strengthening accountability in UK banking: the new regulatory framework
2. Markets in Financial Instruments Directive II (MiFID II) and Regulation (MiFIR) implementation
3. Undertakings for Collective Investments in Transferable Securities (UCITS) Directive V implementation
4. Anti-money laundering, bribery and corruption developments
5. UK Client Assets rules revision
6. Market Abuse Directive II (MAD II) and Regulation (MAR) implementation
7. Remuneration and employee incentivisation reform
8. Derivatives clearing and reporting globally
9. EU money market funds proposals
10. EU Recovery and Resolution Directive implementation
11. Data and privacy protection reform
12. EU Solvency Directive II implementation
13. EU Packaged Retail and Insurance based Investment Products Regulation
14. Regulatory scrutiny of systemic risks in asset management
15. EU Shareholder Rights proposal
16. European Long Term Investment Funds
17. EU Capital Markets Union proposals
18. Asian mutual fund recognition initiatives
19. SEC focus on US mutual funds
20. UK Fair and Effective Markets Review
21. Review of EU Capital Requirements Directive IV implementation
22. FATCA reporting
23. OECD base erosion and profit sharing tax initiative
24. EU VAT changes
25. OECD common tax reporting standard
26. EU Financial Transaction Tax

Directors' responsibility statement

To the best of their knowledge and belief, each of the Directors listed below confirms that:

- The consolidated financial statements of Schroders plc, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of Schroders plc and the undertakings included in the consolidation taken as a whole;
- The announcement includes a fair summary of the development and performance of the business and the position of Schroders plc and the undertakings included in the consolidation taken as a whole and a description of the principal risks and uncertainties that they face;
- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors:

Andrew Beeson	Chairman
Michael Dobson	Chief Executive
Richard Keers	Chief Financial Officer
Peter Harrison	Head of Investment
Philip Mallinckrodt	Group Head of Wealth Management
Massimo Tosato	Executive Vice Chairman and Global Head of Distribution
Luc Bertrand	Senior Independent Director
Ashley Almanza	Independent non-executive Director
Robin Buchanan	Independent non-executive Director
Lord Howard of Penrith	Independent non-executive Director
Nichola Pease	Independent non-executive Director
Bruno Schroder	Non-executive Director

4 March 2015

Five-year consolidated financial summary

Before exceptional items	**2014 £m**	2013 £m	2012 £m	2011 £m	2010 £m
Profit before tax	**565.2**	507.8	360.0	407.3	406.9
Tax	**(113.9)**	(103.0)	(76.8)	(91.5)	(95.7)
Profit after tax	**451.3**	404.8	283.2	315.8	311.2

After exceptional items	**2014 £m**	2013 £m	2012 £m	2011 £m	2010 £m
Profit before tax	**517.1**	447.5	360.0	407.3	406.9
Tax	**(103.9)**	(94.8)	(76.8)	(91.5)	(95.7)
Profit after tax	**413.2**	352.7	283.2	315.8	311.2

Pre-exceptionals earnings per share:	**2014 Pence**	2013 Pence	2012 Pence	2011 Pence	2010 Pence
Basic earnings per share	**166.8**	149.9	104.7	115.9	111.8
Diluted earnings per share	**161.5**	144.6	101.3	111.9	108.3

Post exceptional earnings per share:	**2014 Pence**	2013 Pence	2012 Pence	2011 Pence	2010 Pence
Basic earnings per share	**152.7**	130.6	104.7	115.9	111.8
Diluted earnings per share	**147.8**	126.0	101.3	111.9	108.3

Dividends	**2014**	2013	2012	2011	2010
Cost (£m)	**177.7**	123.5	104.1	104.8	87.6
Pence per share*	**66.0**	46.0	39.0	39.0	32.0
Total equity (£m)	**2,537.8**	2,268.6	2,069.9	1,901.6	1,799.7
Net assets per share (pence)**	**898**	802	733	673	620

* Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates.
** Net assets per share are calculated by using the actual number of shares at the year-end date.

Exchange rates – closing

31 December	**2014**	2013	2012	2011	2010
Sterling:					
Euro	**1.29**	1.20	1.23	1.20	1.17
US dollar	**1.56**	1.66	1.63	1.55	1.57
Swiss franc	**1.55**	1.47	1.49	1.45	1.46
Australian dollar	**1.91**	1.85	1.57	1.52	1.53
Hong Kong dollar	**12.09**	12.84	12.60	12.07	12.17
Japanese yen	**186.95**	174.08	140.55	119.57	126.98
Singaporean dollar	**2.07**	2.09	1.99	2.02	2.01