

Press Release

Schroders plc

Half-year results to 30 June 2016 (unaudited)

28 July 2016

- Profit before tax £282.3 million (H1 2015: £290.3 million)
- Profit before tax and exceptional items* £293.7 million (H1 2015: £305.7 million)
- Net inflows £0.7 billion (H1 2015: £8.8 billion)
- Assets under management £343.8 billion (30 June 2015: £309.9 billion)
- Interim dividend 29.0 pence per share (interim dividend 2015: 29.0 pence per share)

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m	Year ended 31 December 2015 £m
Profit before tax			
Asset Management	249.1	265.0	528.4
Wealth Management	28.4	26.0	60.5
Group segment	4.8	(0.7)	0.1
Profit before tax	282.3	290.3	589.0
Profit before tax and exceptional items*	293.7	305.7	609.7
Earnings per share (pence)	81.1	84.0	171.1
Earnings per share before exceptional items (pence)	84.5	88.5	176.9
Dividend (pence)**	29.0	29.0	87.0

Peter Harrison, Group Chief Executive, commented: "We have delivered good results in the first half of 2016. Assets under management reached a record level of £343.8 billion.

There was heightened market volatility throughout the period, particularly towards the end of June, following the result of the referendum on the UK's membership of the European Union. We expect the current market environment to persist and this may have an impact on investor demand. Our diversified business model continues to perform well and we are well placed to create value for our clients and our shareholders over the long term."

For further information please contact:

Investors

Alex James Investor Relations +44 (0) 20 7658 4308 alex.james@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

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

** Interim and, where relevant, final dividend for the year.

Management report

Against a background of increased market volatility, Schroders benefitted from the diversification of our business model. Net operating revenue was £794.9 million (H1 2015: £798.6 million) and profit before tax was £282.3 million (H1 2015: £290.3 million).

We generated £0.7 billion of net new business, with Institutional demand offsetting outflows from Intermediary and Wealth Management clients. The weakness of sterling increased assets under management over the period by approximately £28.5 billion. Assets under management ended the period at a record level of £343.8 billion (30 June 2015: £309.9 billion).

Asset Management

Asset Management net operating revenue was £687.8 million (H1 2015: £692.9 million), including performance fees of £6.4 million (H1 2015: £5.9 million). Profit before tax was £249.1 million (H1 2015: £265.0 million).

Investment performance remains competitive with 70 per cent. of assets outperforming their benchmark or peer group over three years.

The net operating revenue margin before performance fees was 47 basis points (FY 2015: 49 basis points). The reduction is largely due to changes in business mix. The growth in average assets under management compared with 2015 has partially offset the reduction in net operating revenue that was due to margin decline.

We generated net new business of £1.1 billion in the first half of the year (H1 2015: £8.4 billion). The Institutional channel delivered net inflows of £4.4 billion, with strong client demand in Multi-asset and Fixed Income strategies and from UK and continental European clients. Assets under management in Institutional at the end of June were £203.6 billion (30 June 2015: £175.5 billion).

Volatile markets continued to weigh upon investor sentiment within the Intermediary channel, particularly in the UK and Asia. Net outflows for the first half were £3.3 billion. Assets under management in Intermediary at the end of June were £106.4 billion (30 June 2015: £102.4 billion).

Wealth Management

Wealth Management net operating revenue was £107.1 million (H1 2015: £105.7 million) and profit before tax was £28.4 million (H1 2015: £26.0 million). There were net outflows of £0.4 billion, all of which were in the second quarter. Assets under management at the end of June were £33.8 billion (30 June 2015: £32.0 billion).

The net operating revenue margin is unchanged at 65 basis points (FY 2015: 65 basis points).

Group

The Group segment comprises central costs and returns on investment capital. Profit before tax in the first half was £4.8 million (H1 2015: loss of £0.7 million). Shareholders' equity at 30 June 2016 was £2.9 billion (31 December 2015: £2.8 billion).

Dividend

The Board has declared an interim dividend of 29.0 pence per share (interim dividend 2015: 29.0 pence per share). The dividend will be payable on 22 September 2016 to shareholders on the register at 19 August 2016.

Outlook

Market volatility will likely remain high which may impact client demand, particularly in the Intermediary channel. However, our globally diversified business model across a wide range of asset types means we are well placed to create value for clients and shareholders over the long term.

Following the referendum on the UK's membership of the European Union, we are confident that our business can respond to the changing landscape. We believe we are well placed to manage the associated risks arising from this event, including the impact of potential legal and regulatory changes on our business model. As a significant exporter of investment services globally, we will engage with all relevant stakeholders to safeguard the competitiveness of the UK asset management industry. Our priority continues to be ensuring clients' access to innovative investment solutions.

Additional information

Assets under management

Six months to 30 June 2016	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
1 January 2016	181.0	100.9	281.9	31.6	313.5
Net flows	4.4	(3.3)	1.1	(0.4)	0.7
Investment returns ¹	19.1	8.8	27.9	1.7	29.6
Transfers ²	(0.9)	-	(0.9)	0.9	-
30 June 2016	203.6	106.4	310.0	33.8	343.8

Three months to 30 June 2016	Institutional £bn	Intermediary £bn	Asset Management £bn	Wealth Management £bn	Total £bn
1 April 2016	189.9	102.1	292.0	32.9	324.9
Net flows	(0.1)	(1.5)	(1.6)	(0.4)	(2.0)
Investment returns ³	13.8	5.8	19.6	1.3	20.9
30 June 2016	203.6	106.4	310.0	33.8	343.8

¹ The weakening of sterling since 1 January 2016 had the effect of increasing total assets under management by £28.5 billion.

² Relates to a transfer of charities assets from Asset Management to Wealth Management.

³ The weakening of sterling since 1 April 2016 had the effect of increasing total assets under management by £17.0 billion.

Metrics for the Group

	Six months ended 30 June 2016	Six months ended 30 June 2015
Total cost ratio*	65%	63%
Total compensation ratio*	45%	44%

* The Total cost ratio and the Total compensation ratio were previously referred to as the Cost: net revenue ratio and the Compensation costs: net revenue ratio respectively. Both of these are defined and explained within the 2015 Annual Report and Accounts, available on the Schroders investor relations website www.schroders.com/ir. The calculation basis of the ratios is unchanged from the year end.

Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a presentation and webcast for the investment community to discuss the Group's half-year results at 9.30am BST on Thursday 28 July 2016 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.cantos.com. For individuals unable to participate in the live webcast, a replay will be available from 1.00pm BST on Thursday 28 July on www.schroders.com/ir.

Forward-looking statements

This interim management statement may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', '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 interim management statement should be construed as a forecast, estimate or projection of future financial performance.

Investment performance

Investment performance as referred to in this interim management statement is calculated by Schroders, using published benchmarks for products, where available, for Asset Management only. It excludes private equity, LDI and externally managed GAIA funds, and funds which do not have the required track record. If no benchmark is published or agreed with the client but the fund is listed in competitor rankings, the relative position of the fund to its peer group is used. Funds with no benchmark but an absolute return target over the one or three-year period are measured against that absolute target. Funds with no benchmark and no target may be measured against a cash return, if appropriate. As at 30 June 2016, such comparator data existed for 72 per cent. of Asset Management assets under management over three years. More information can be found in the 2015 Annual Report and Accounts.

This announcement contains inside information.

Consolidated income statement

	Notes	Six months ended 30 June 2016 (unaudited)			Six months ended 30 June 2015 (unaudited) ³		
		Before exceptional items £m	Exceptional items ² £m	Total £m	Before exceptional items £m	Exceptional items ² £m	Total £m
Revenue	4	996.4	-	996.4	1,026.6	-	1,026.6
Cost of sales		(201.5)	-	(201.5)	(228.0)	-	(228.0)
Net operating revenue		794.9	-	794.9	798.6	-	798.6
Net gains on financial instruments and other income	5	37.2	(0.4)	36.8	14.2	-	14.2
Share of profit of associates and joint ventures		12.1	(1.0)	11.1	13.6	(1.1)	12.5
Net income¹		844.2	(1.4)	842.8	826.4	(1.1)	825.3
Operating expenses	6	(550.5)	(10.0)	(560.5)	(520.7)	(14.3)	(535.0)
Profit before tax		293.7	(11.4)	282.3	305.7	(15.4)	290.3
Tax	7	(61.4)	2.2	(59.2)	(64.1)	3.0	(61.1)
Profit after tax		232.3	(9.2)	223.1	241.6	(12.4)	229.2
Earnings per share							
Basic	8	84.5p	(3.4)p	81.1p	88.5p	(4.5)p	84.0p
Diluted	8	82.8p	(3.3)p	79.5p	86.1p	(4.4)p	81.7p

¹ Previously referred to as 'Net revenue'.

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

³ 2015 has been reformatted for consistency with the 2016 presentation, see note 1.

Consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2016 (unaudited) £m	Six months ended 30 June 2015 (unaudited) £m
Profit for the period		223.1	229.2
Items that may be reclassified to the income statement on fulfilment of specific conditions:			
Net exchange differences on translation of foreign operations after hedging		74.1	(12.4)
Net fair value movement arising from available-for-sale financial assets	5	10.1	5.5
Net fair value movement arising from available-for-sale financial assets held by associates		(4.5)	4.8
Tax on items taken directly to other comprehensive income	7	(2.0)	1.3
		77.7	(0.8)
Items reclassified to the income statement:			
Net realised gains on disposal of available-for-sale financial assets	5	(1.5)	(2.7)
Net realised gains on disposal of available-for-sale financial assets held by associates		(1.5)	-
		(3.0)	(2.7)
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit pension schemes		27.2	(7.6)
Tax on items taken directly to other comprehensive income	7	(5.0)	1.5
		22.2	(6.1)
Other comprehensive gains/(losses) for the period net of tax		96.9	(9.6)
Total comprehensive income for the period net of tax		320.0	219.6

Consolidated statement of financial position

	Notes	30 June 2016 (unaudited) £m	31 December 2015 (audited) £m
Assets			
Cash and cash equivalents		3,208.0	3,019.0
Trade and other receivables	10	734.1	526.8
Financial assets	10	2,851.9	2,446.7
Associates and joint ventures		113.9	109.2
Property, plant and equipment		50.6	41.8
Goodwill and intangible assets		477.1	467.4
Deferred tax		49.8	53.7
Retirement benefit scheme surplus		145.2	115.4
		7,630.6	6,780.0
Assets backing unit-linked liabilities			
Cash and cash equivalents		582.2	603.1
Financial assets		10,660.7	10,716.8
	10	11,242.9	11,319.9
Total assets			
		18,873.5	18,099.9
Liabilities			
Trade and other payables	10	834.1	761.2
Financial liabilities	10	3,757.4	3,126.5
Current tax		72.9	61.8
Provisions		25.9	26.3
Deferred tax		0.1	0.4
Retirement benefit scheme deficits		11.2	8.2
		4,701.6	3,984.4
Unit-linked liabilities	10	11,242.9	11,319.9
Total liabilities		15,944.5	15,304.3
Net assets			
		2,929.0	2,795.6
Equity			
		2,929.0	2,795.6

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
Six months ended 30 June 2016 (unaudited)								
At 1 January 2016	282.5	119.4	(175.5)	86.8	45.7	8.1	2,428.6	2,795.6
Profit for the period	-	-	-	-	11.1	-	212.0	223.1
Other comprehensive income/(losses)¹	-	-	-	74.1	(6.0)	6.6	22.2	96.9
Total comprehensive income for the period	-	-	-	74.1	5.1	6.6	234.2	320.0
Own shares purchased	-	-	(49.2)	-	-	-	-	(49.2)
Share-based payments	-	-	-	-	-	-	28.9	28.9
Tax in respect of share schemes	-	-	-	-	-	-	(1.8)	(1.8)
Dividends attributable to shareholders	-	-	-	-	-	-	(157.7)	(157.7)
Other movements	-	-	-	-	(0.4)	-	(6.4)	(6.8)
Transactions with shareholders	-	-	(49.2)	-	(0.4)	-	(137.0)	(186.6)
Transfers	-	-	61.7	-	(7.2)	-	(54.5)	-
At 30 June 2016	282.5	119.4	(163.0)	160.9	43.2	14.7	2,471.3	2,929.0

¹Other comprehensive income 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 gains in the fair value reserve represent post-tax fair value movements on available-for-sale assets held. Other comprehensive income reported in the profit and loss reserve represent post-tax actuarial gains.

Consolidated statement of changes in equity

	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
Six months ended 30 June 2015 (unaudited)								
At 1 January 2015	282.5	119.4	(200.1)	81.4	29.6	27.0	2,198.0	2,537.8
Profit for the period	-	-	-	-	12.5	-	216.7	229.2
Other comprehensive (losses)/income¹	-	-	-	(12.4)	4.8	4.1	(6.1)	(9.6)
Total comprehensive (losses)/income for the period	-	-	-	(12.4)	17.3	4.1	210.6	219.6
Own shares purchased	-	-	(40.9)	-	-	-	-	(40.9)
Share-based payments	-	-	-	-	0.2	-	32.2	32.4
Tax in respect of share schemes	-	-	-	-	-	-	8.6	8.6
Dividends attributable to shareholders	-	-	-	-	-	-	(147.3)	(147.3)
Transactions with shareholders	-	-	(40.9)	-	0.2	-	(106.5)	(147.2)
Transfers	-	-	45.1	-	(1.7)	-	(43.4)	-
At 30 June 2015	282.5	119.4	(195.9)	69.0	45.4	31.1	2,258.7	2,610.2

¹Other 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 income reported in the associates and joint ventures reserve and the fair value reserve represent post-tax fair value movements on available-for-sale assets held. Other comprehensive losses reported in the profit and loss reserve represent post-tax actuarial losses.

Consolidated cash flow statement

	Note	Six months ended 30 June 2016 (unaudited) £m	Six months ended 30 June 2015 (unaudited) £m
Net cash from operating activities	13	431.7	369.8
Cash flows from investing activities			
Net acquisition of subsidiaries and associates		(5.2)	-
Net acquisition of property, plant and equipment and intangible assets		(16.7)	(13.1)
Acquisition of financial assets		(683.1)	(309.4)
Proceeds from financial assets		530.5	74.9
Non-banking interest received		12.1	7.4
Distributions received from associates and joint ventures		4.8	1.7
Net cash used in investing activities		(157.6)	(238.5)
Cash flows from financing activities			
Acquisition of own shares		(49.2)	(35.6)
Dividends paid		(157.7)	(147.3)
Net cash used in financing activities		(206.9)	(182.9)
Net increase/(decrease) in cash and cash equivalents		67.2	(51.6)
Opening cash and cash equivalents		3,622.1	4,231.6
Net increase/(decrease) in cash and cash equivalents		67.2	(51.6)
Effect of exchange rate changes		100.9	3.0
Closing cash and cash equivalents		3,790.2	4,183.0
Closing cash and cash equivalents consists of:			
Cash backing unit-linked liabilities		582.2	794.7
Cash held in consolidated funds		27.9	9.0
Cash that the Group cannot use for its own corporate purposes		610.1	803.7
Cash		2,148.9	2,483.3
Cash equivalents		1,031.2	896.0
Cash and cash equivalents available for use by the Group		3,180.1	3,379.3
Closing cash and cash equivalents		3,790.2	4,183.0

Explanatory notes to the Half-year financial statements

Within the notes to the Half-year financial statements, all current and comparative data covering periods to (or as at) 30 June are unaudited. Data given in respect of the year ended 31 December 2015 is audited.

1. Basis of preparation

The Half-year financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2015, 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 or their predecessors, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498 of the Companies Act 2006.

The Half-year financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Half-year financial statements and related notes have been reformatted to reflect the way in which revenues and costs are managed internally. The new presentation provides a more relevant basis on which to measure performance as it enhances comparability between revenues and related costs. Net income has been reformatted to include the Group's share of profits from associates and joint ventures of £11.1 million (2015: £12.5 million) and now also includes net finance income of £9.1 million (2015: £6.6 million). Comparative information has been reformatted where relevant resulting in a £19.1 million increase in 2015 net income. The net operating revenue sub-total represents revenues earned through our clients. Additionally, the reconciliation of net cash from operating activities within the Consolidated cash flow statement and note 13 has also been reformatted. This reformatting provides greater transparency of the movements in the loans and deposits balances within Wealth Management. Comparative information has also been re-formatted and these changes only had an impact on the presentation.

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

The accounting policies applied in these Half-year financial statements are consistent with those applied in the Group's statutory accounts for 2015. The Group did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the half-year. The following Standards and Interpretations relevant to the Group have been issued but not yet endorsed by the EU or adopted by the Group in these Half-year financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases

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

On 1 February 2016, the Group increased its holding in Secquaero Advisors AG (Secquaero) from 30.0 per cent. to 50.1 per cent. Consequently, Secquaero has been consolidated into the Half-year financial statements as a subsidiary. Prior to this date, Secquaero was accounted for as a joint venture using the equity method.

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 and include amortisation of acquired intangible assets and deferred compensation.

3. Segmental reporting

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

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

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

Six months ended 30 June 2016	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	880.8	100.4	-	981.2
Wealth Management interest receivable	-	15.2	-	15.2
Revenue	880.8	115.6	-	996.4
Fee expense	(193.0)	(3.2)	-	(196.2)
Wealth Management interest payable	-	(5.3)	-	(5.3)
Cost of sales	(193.0)	(8.5)	-	(201.5)
Net operating revenue	687.8	107.1	-	794.9
Net gains on financial instruments and other income	21.9	0.5	14.8	37.2
Share of profit of associates and joint ventures	8.5	-	3.6	12.1
Net income	718.2	107.6	18.4	844.2
Operating expenses	(460.6)	(75.2)	(14.7)	(550.5)
Profit before tax and exceptional items	257.6	32.4	3.7	293.7
Exceptional items within operating expenses:				
Amortisation of acquired intangible assets	(5.5)	(4.0)	-	(9.5)
Deferred compensation arising directly from acquisitions	-	-	1.1	1.1
Other expenses	(1.6)	-	-	(1.6)
	(7.1)	(4.0)	1.1	(10.0)
Exceptional items within net income:				
Amortisation of acquired intangible assets within share of profits of associates and joint ventures	(1.0)	-	-	(1.0)
Net gains on financial instruments and other income	(0.4)	-	-	(0.4)
Total exceptional items	(8.5)	(4.0)	1.1	(11.4)
Profit before tax and after exceptional items	249.1	28.4	4.8	282.3

3. Segmental reporting (continued)

Six months ended 30 June 2015 ¹	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	911.4	101.5	0.1	1,013.0
Wealth Management interest receivable	-	13.6	-	13.6
Revenue	911.4	115.1	0.1	1,026.6
Fee expense	(218.5)	(3.2)	(0.1)	(221.8)
Wealth Management interest payable	-	(6.2)	-	(6.2)
Cost of sales	(218.5)	(9.4)	(0.1)	(228.0)
Net operating revenue	692.9	105.7	-	798.6
Net gains/(losses) on financial instruments and other income	2.5	(0.2)	11.9	14.2
Share of profit of associates and joint ventures	6.7	-	6.9	13.6
Net income	702.1	105.5	18.8	826.4
Operating expenses	(431.1)	(75.5)	(14.1)	(520.7)
Profit before tax and exceptional items	271.0	30.0	4.7	305.7
Exceptional items within operating expenses:				
Amortisation of acquired intangible assets	(4.9)	(4.0)	-	(8.9)
Deferred compensation arising directly from acquisitions	-	-	(5.4)	(5.4)
	(4.9)	(4.0)	(5.4)	(14.3)
Exceptional items within net income:				
Amortisation of acquired intangible assets within share of profits of associates and joint ventures	(1.1)	-	-	(1.1)
Total exceptional items	(6.0)	(4.0)	(5.4)	(15.4)
Profit/(loss) before tax and after exceptional items	265.0	26.0	(0.7)	290.3

¹ 2015 has been reformatted for consistency with the 2016 presentation, see Note 1.

4. Revenue

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m ¹
Management fees	866.2	896.9
Performance fees	8.3	5.9
Other fees	106.7	110.2
Interest income earned by Wealth Management	15.2	13.6
	996.4	1,026.6

¹ 2015 has been reformatted for consistency with the 2016 presentation, see Note 1.

5. Net gains on financial instruments and other income

	Six months ended 30 June 2016			Six months ended 30 June 2015		
	Income statement £m	Other comprehensive income £m	Total £m	Income statement £m	Other comprehensive income £m	Total £m
Net gains on financial instruments held at fair value through profit or loss	17.7	-	17.7	4.0	-	4.0
Net fair value movements on available-for-sale financial assets	-	10.1	10.1	-	5.5	5.5
Net transfers on disposal of available-for-sale financial assets – equities	1.5	(1.5)	-	2.7	(2.7)	-
Net fair value movement on available-for-sale financial assets	1.5	8.6	10.1	2.7	2.8	5.5
Net finance income	9.1	-	9.1	6.6	-	6.6
Other income	8.5	-	8.5	0.9	-	0.9
Net gains on financial instruments and other income	36.8	8.6	45.4	14.2	2.8	17.0

6. Operating expenses

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
Salaries, wages and other remuneration	337.9	324.6
Social security costs	29.5	30.3
Pension costs	17.8	16.4
	385.2	371.3

£0.2 million (2015: £5.4 million) of the total compensation costs of £385.2 million (2015: £371.3 million) are included within exceptional items and principally relate to deferred compensation costs arising directly from acquisitions.

7. Tax expense

Analysis of tax charge reported in the income statement:

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
UK Corporation Tax on profits for the period	25.4	23.5
Adjustments in respect of prior period estimates	-	(0.9)
Foreign tax – current	34.6	37.1
Foreign tax – adjustments in respect of prior period estimates	(1.1)	0.5
Current tax	58.9	60.2
Origination and reversal of temporary differences	0.5	1.7
Adjustments in respect of prior period estimates	(0.2)	(0.8)
Deferred tax	0.3	0.9
Tax charge reported in the income statement	59.2	61.1

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

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
Current income tax charge/(credit) on movements in available-for-sale financial assets	2.0	(1.3)
Deferred tax charge/(credit) on actuarial gains/(losses) on defined benefit pension schemes	5.0	(1.5)
Tax charge/(credit) reported in other comprehensive income	7.0	(2.8)

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

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
Current income tax credit on Equity Compensation Plans and other share-based remuneration	(1.9)	(9.3)
Deferred tax charge on Equity Compensation Plans and other share-based remuneration	3.7	0.7
Tax charge/(credit) reported in equity	1.8	(8.6)

8. Earnings per share

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

	Six months ended 30 June 2016 Number Millions	Six months ended 30 June 2015 Number Millions
Weighted average number of shares used in calculation of basic earnings per share	274.5	272.7
Effect of dilutive potential shares – share options	5.3	7.3
Effect of dilutive potential shares – contingently issuable shares	0.3	0.5
Weighted average number of shares used in calculation of diluted earnings per share	280.1	280.5

There have been no material transactions involving shares or potential shares since 30 June 2016 and before the publication of these Half-year financial statements.

9. Dividends

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	£m	Pence per share	£m	Pence per share
Prior year final dividend paid	157.7	58.0	147.3	54.0

The Board has declared an interim dividend of 29.0 pence per share (interim dividend 2015: 29.0 pence), amounting to £78.9 million (H1 2015: £79.0 million) in total. The dividend will be paid on 22 September 2016 to shareholders on the register at 19 August 2016.

10. Fair value measurement disclosures

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

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

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

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

The Group's financial instruments have been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities and debt securities, daily-priced funds and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities 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 and principally comprise investments in private equity funds along with derivative contracts and related liabilities arising from the Group's holding in Secquaero. The funds are managed by third parties and are measured at the values provided by the relevant fund managers, unadjusted by the Group except for known events, such as calls or distributions, that have occurred between the valuation and reporting date. The valuation review is a continual process throughout the year. The Secquaero derivative contracts and related financial liabilities are valued on a regular basis by a third party.

10. 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 2016					
	Level 1 £m	Level 2 £m	Level 3 £m	Assets and liabilities not at fair value ¹ £m	Total £m
Financial assets:					
Equities	536.2	5.9	40.3	-	582.4
Debt securities	906.0	59.3	1.1	311.6	1,278.0
Derivative contracts	1.1	33.8	18.4	-	53.3
Loans and receivables	-	11.3	-	926.9	938.2
	1,443.3	110.3	59.8	1,238.5	2,851.9
Trade and other receivables	28.1	-	-	706.0	734.1
Assets backing unit-linked liabilities	9,289.8	1,143.7	44.7	764.7	11,242.9
	10,761.2	1,254.0	104.5	2,709.2	14,828.9
Financial liabilities:					
Derivative contracts	1.6	85.8	-	-	87.4
Deposits by customers and banks	-	-	-	3,539.1	3,539.1
Other financial liabilities	96.6	4.3	18.4	11.6	130.9
	98.2	90.1	18.4	3,550.7	3,757.4
Trade and other payables	116.8	-	-	717.3	834.1
Unit-linked liabilities	11,047.6	60.4	-	134.9	11,242.9
	11,262.6	150.5	18.4	4,402.9	15,834.4

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

10. Fair value measurement disclosures (continued)

31 December 2015					
	Level 1 £m	Level 2 £m	Level 3 £m	Assets and liabilities not at fair value ¹ £m	Total £m
Financial assets:					
Equities	534.6	6.5	33.6	-	574.7
Debt securities	677.5	21.0	-	302.8	1,001.3
Derivative contracts	15.5	22.7	-	-	38.2
Loans and receivables	-	10.8	-	821.5	832.3
Other instruments	-	0.2	-	-	0.2
	1,227.6	61.2	33.6	1,124.3	2,446.7
Trade and other receivables	20.1	-	-	506.7	526.8
Assets backing unit-linked liabilities	9,007.6	1,605.5	43.4	663.4	11,319.9
	10,255.3	1,666.7	77.0	2,294.4	14,293.4
Financial liabilities:					
Derivative contracts	30.6	16.7	-	-	47.3
Deposits by customers and banks	-	-	-	3,019.9	3,019.9
Other financial liabilities	51.0	5.4	-	2.9	59.3
	81.6	22.1	-	3,022.8	3,126.5
Trade and other payables	99.3	-	-	661.9	761.2
Unit-linked liabilities	11,148.2	129.5	-	42.2	11,319.9
	11,329.1	151.6	-	3,726.9	15,207.6

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

10. Fair value measurement disclosures (continued)

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

	30 June 2016			31 December 2015		
	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	33.6	43.4	-	40.0	49.6	(0.8)
Exchange translation adjustments	3.1	3.4	-	(0.9)	(3.4)	-
Total gains/(losses) recognised in the income statement	1.9	(0.5)	-	-	12.1	0.8
Total gains recognised in other comprehensive income	0.3	-	-	13.5	-	-
Additions	24.1	0.6	(18.4)	-	-	-
Disposals	(3.2)	(2.2)	-	(19.0)	(14.9)	-
At 30 June/31 December	59.8	44.7	(18.4)	33.6	43.4	-

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

11. 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 2016	282.5	226.0	56.5	282.5	119.4
At 30 June 2016	282.5	226.0	56.5	282.5	119.4

12. Own shares

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

Movements during the period were as follows:

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
At 1 January	(175.5)	(200.1)
Own shares purchased	(49.2)	(40.9)
Awards vested	61.7	45.1
At 30 June	(163.0)	(195.9)

13. Reconciliation of net cash from operating activities

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 ¹ £m
Profit before tax	282.3	290.3
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	20.9	17.9
Net (gains)/losses taken through the income statement on financial instruments	(19.2)	8.4
Share-based payments	28.9	32.2
Net charge/(release) of provisions	0.4	(4.1)
Other non-cash movements	(11.8)	2.9
	19.2	57.3
Adjustments for which the cash effects are investing activities:		
Net finance income	(9.1)	(6.6)
Share of profit of associates and joint ventures	(11.1)	(12.5)
	(20.2)	(19.1)
Adjustments for statement of financial position movements:		
(Increase)/decrease in loans and advances within Wealth Management	(52.0)	47.3
Increase in trade and other receivables	(161.2)	(218.1)
Increase in deposits and customer accounts within Wealth Management	372.3	32.1
Increase in trade and other payables, other financial liabilities and provisions	63.2	122.0
	222.3	(16.7)
Adjustments for Life Company movements:		
Net decrease in financial assets backing unit-linked liabilities	56.1	1,520.2
Net decrease in unit-linked liabilities	(77.0)	(1,421.8)
	(20.9)	98.4
Tax paid	(51.0)	(40.4)
Net cash from operating activities	431.7	369.8

¹ 2015 has been reformatted for consistency with the 2016 presentation, see note 1.

Key risks

Like any other asset management and wealth management business, we are exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Group not being able to meet its objectives. Some of them, like the risks inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take.

The key risks to which the Group will be exposed in the second half of 2016 are expected to be substantially the same as those described in the 2015 Annual Report and Accounts, and include: reputational risk; business risks such as investment performance risk; market, credit and liquidity risks; and operational risks including conduct and regulatory risks and third party service provider risk. The Group has considered the impact of the result of the referendum on 23 June 2016 which means that the United Kingdom is expected to exit the European Union. This result is likely to continue to cause heightened economic and political uncertainty over the medium term, particularly in the United Kingdom and continental Europe. We believe we are well placed to manage the associated risks arising from this event, including the impact of potential legal and regulatory changes on our business model.

Directors' responsibility statement

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

- Have been prepared in accordance with International Accounting Standard 34 as adopted by the European Union;
- Include a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the first six months of the financial period and their impact on the Half-year financial statements, as well as a description of the principal risks and uncertainties faced by the Group and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
- Include, as required by Disclosure and Transparency Rule 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial period and any material changes to the related party transactions described in the last Annual Report 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
27 July 2016

Independent review report to Schroders plc

Report on the Half-year financial statements

Our conclusion

We have reviewed Schroders plc's Half-year financial statements in the Half-year results of Schroders plc for the six month period ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the Half-year financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The Half-year financial statements comprise:

- the consolidated statement of financial position as at 30 June 2016;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the Half-year financial statements.

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

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

Our responsibilities and those of the Directors

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

Our responsibility is to express a conclusion on the Half-year financial statements in the Half-year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of Half-year financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 July 2016

Notes:

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