

# Press Release

## Schroders plc

### Full-year results

7 March 2019

- Net income before exceptional items up 3% to £2,123.9 million (2017: £2,068.9 million)
- Profit before tax and exceptional items down 5% to £761.2 million (2017: £800.3 million)
- Profit before tax down 15% to £649.9 million (2017: £760.2 million)
- Assets under management and administration down 6% to £421.4 billion (31 December 2017: £447.0 billion)
- Net outflows of £9.5 billion (2017: net inflows of £9.6 billion)
- Notified net new inflows at 31 December 2018 of over £85 billion
- Total dividend up 1 pence to 114.0 pence per share (2017: 113.0 pence)

	2018 £m	2017 £m
Net income	2,123.9	2,068.9
Operating expenses	(1,362.7)	(1,268.6)
<b>Profit before tax and exceptional items</b>	<b>761.2</b>	<b>800.3</b>
<b>Profit before tax</b>	<b>649.9</b>	<b>760.2</b>
<b>Basic earnings per share before exceptional items (pence)</b>	<b>215.8</b>	<b>226.9</b>
<b>Basic earnings per share (pence)</b>	<b>183.1</b>	<b>215.3</b>
<b>Total dividend per share (pence)</b>	<b>114.0</b>	<b>113.0</b>

Peter Harrison, Group Chief Executive, commented: *"We have been pleased with the underlying strength of the business and the resilience of our diversified business model in 2018. We were delighted to achieve over £85 billion of notified net new inflows at the year end, despite seeing net outflows of £9.5 billion.*

*We continued to invest for growth and saw good progress in a number of strategically important areas. There was strong demand from Wealth Management clients and we announced that we would be entering into a partnership with Lloyds Banking Group to expand our proposition in the UK savings market, under the brand of Schroders Personal Wealth.*

*Through organic growth and selective acquisitions, we further increased our footprint and capabilities in North America and Private Assets and Alternatives, two key areas of strategic growth.*

*We remain confident that our global presence and diversified business model mean we are well positioned to generate growth for both our clients and shareholders over the long term."*

## Management statement

2018 was an important year with significant progress in a number of key areas of strategic growth. Our Private Assets and Alternatives business contributed positively and we further expanded our capabilities with the acquisition of Algonquin Management Partners S.A., a specialist hotel investment and management business. We also saw good progress in North America, with positive flows across both our Institutional and Intermediary sales channels.

In October, we were delighted to announce that Lloyds Banking Group (LBG) had chosen to entrust us with managing around £80 billion of their clients' assets, one of the largest mandates ever awarded. At the same time, we announced that we would be entering into a strategic partnership, which will combine Schrodgers' investment and wealth management expertise and technology capabilities with LBG's significant client base, multi-channel distribution and digital capabilities. Wealth management continues to be a key area of strategic focus for us and this partnership will allow us to create a market-leading wealth management proposition under the brand of Schrodgers Personal Wealth.

Net income increased 3% to £2,123.9 million (2017: £2,068.9 million), with growth in Private Assets and Alternatives the largest contributor. Profit before tax and exceptional items was down 5% to £761.2 million (2017: £800.3 million) as the accounting benefit in 2017 of the treatment of deferred compensation partially reversed through 2018 and performance fees were lower than the unusually high levels generated in the prior year. Our ratio of total costs to net income remained below our long-term target at 64%.

We remain committed to investing for future growth, notwithstanding the current market conditions, and recognise the importance of realising efficiencies. We have therefore taken the opportunity to undertake structural changes to the Group, realigning our resources to focus on areas of strategic growth. These one-off initiatives have led to exceptional costs of £56.0 million that, together with other exceptional items, mean profit before tax of £649.9 million (2017: £760.2 million).

As investor sentiment worsened towards the end of the year, we saw net redemptions from clients of £9.5 billion (2017: net inflows of £9.6 billion). Outflows were generally from lower margin business while there was continued demand for higher margin strategies, including within our Private Assets and Alternatives capabilities. As a result, our net operating revenue margin remained unchanged at 47 basis points. Net flows over the last two years have generated annualised revenues of £30 million. This excludes notified net new inflows of over £85 billion.

Total assets under management and administration fell 6% to £421.4 billion (31 December 2017: £447.0 billion), with declining markets net of FX movements reducing assets under management by £19.6 billion (2017: increased assets under management by £31.6 billion).

### Asset Management

Asset Management net income before exceptional items was up 2% to £1,801.2 million (2017: £1,757.9 million), including performance fees and net carried interest of £54.6 million (2017: £77.5 million). Profit before tax and exceptional items declined 5% to £670.8 million (2017: £705.9 million) and profit before tax fell 15% to £588.2 million (2017: £688.7 million).

Assets under management at the end of December were £363.5 billion (31 December 2017: £389.8 billion). As macro and political issues impacted investor sentiment, we saw net outflows from clients of £11.2 billion (2017: inflows of £7.6 billion). The net operating revenue margin before performance fees and carried interest for Asset Management was 45 basis points (2017: 45 basis points).

The Institutional sales channel saw net outflows of £6.6 billion, driven by continued redemptions from Australian pension funds and one significant client redemption in Japan. These were partially offset by demand for equity mandates from North American clients and for Multi-asset solutions from UK-based clients. There was also demand for Private Assets and Alternatives strategies. Institutional assets under management at 31 December 2018 were £242.3 billion.

In the Intermediary sales channel, investor sentiment turned sharply negative towards the end of the year resulting in net outflows of £4.6 billion. The 'risk off' environment saw clients redeeming assets in products focused on US, European and UK equities, partly offset by net inflows into Asian and Emerging Markets equities. Assets under management in the Intermediary sales channel at 31 December 2018 were £121.2 billion.

## Wealth Management

Wealth Management net income rose 6% to £289.8 million (2017: £273.3 million), including performance fees of £0.4 million (2017: £0.9 million). Profit before tax and exceptional items was up 3% to £93.4 million (2017: £90.3 million), while profit before tax increased 1% to £68.0 million (2017: £67.4 million). Assets under management in Wealth Management at 31 December 2018 were £43.7 billion (2017: £45.9 billion) and assets under administration were £14.2 billion (2017: £11.3 billion).

Wealth Management clients introduced net new business of £1.7 billion in 2018 (2017: £2.0 billion), driven by strong flows within Benchmark Capital.

The net operating revenue margin before performance fees was 61 basis points (2017: 61 basis points).

## Group

The Group segment principally comprises returns on investment capital and treasury management activities and central costs. In 2018 there was a loss in the Group segment of £3.0 million (2017: profit of £4.1 million) before exceptional items, as sharply declining markets at the end of the year resulted in losses in the investment capital portfolio.

Total equity at 31 December 2018 was £3.6 billion (31 December 2017: £3.5 billion).

## Dividend

The Board will recommend to shareholders at the Annual General Meeting a final dividend of 79.0 pence (2017: 79.0 pence), which is unchanged from 2017. This will bring the total dividend for the year to 114.0 pence (2017: 113.0 pence), an increase of 1 pence. The final dividend will be paid on 9 May 2019 to shareholders on the register at 29 March 2019.

## Outlook

As we have demonstrated, our diversified business model and global footprint mean we are well positioned to grow the business over the long term. There are headwinds facing the industry, but we remain confident in our ability to identify new opportunities across the regions and asset classes in which we operate. We will continue to invest behind these and maintain the long-term strength of our business. We will retain our intense focus on achieving positive investment outcomes for our clients and helping them build their future prosperity.

### For further information, please contact:

#### Investors

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## Additional information

### Assets under management and administration (AUMA)

Year ended 31 December 2018

£bn	Assets under management (AUM)					AUA	AUMA <sup>1</sup>
	Institutional	Intermediary	Asset Management	Wealth Management	Total		
<b>1 January 2018</b>	<b>255.8</b>	<b>134.0</b>	<b>389.8</b>	<b>45.9</b>	<b>435.7</b>	<b>11.3</b>	<b>447.0</b>
Gross inflows	36.0	47.4	83.4	7.1	90.5		
Gross outflows	(42.6)	(52.0)	(94.6)	(5.4)	(100.0)		
<b>Net flows</b>	<b>(6.6)</b>	<b>(4.6)</b>	<b>(11.2)</b>	<b>1.7</b>	<b>(9.5)</b>		
Acquisitions or disposals	1.6	–	1.6	(1.0)	0.6		
Investment returns	(8.5)	(8.2)	(16.7)	(2.9)	(19.6)		
<b>31 December 2018</b>	<b>242.3</b>	<b>121.2</b>	<b>363.5</b>	<b>43.7</b>	<b>407.2</b>	<b>14.2</b>	<b>421.4</b>

<sup>1</sup>Assets under management and administration comprise assets managed or advised on behalf of clients and assets where Schroders solely provides administrative support through the Benchmark Capital business (assets under administration or AUA).

### Client investment performance

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

	Percentage of assets outperforming		
	One year	Three years	Five years
<b>To 31 December 2018</b>	<b>43%</b>	<b>74%</b>	<b>76%</b>
To 31 December 2017	70%	74%	84%

Investment performance over three years (our key performance indicator) remained strong to 31 December 2018, with 74% of Asset Management assets outperforming. Over five years, 76% of assets were outperforming. Over one year, 43% of assets were outperforming as significant market movements in the fourth quarter impacted short-term performance. This compares to 70% over one year, 74% over three years and 84% over five years at 31 December 2017.

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

The calculation includes 100% of internally-managed Asset Management assets, excluding Liability-Driven Investment (LDI) strategies, that have a complete track record over the respective reporting period. Assets held in LDI strategies, which currently amount to £26.1 billion, are excluded as these are not seeking to outperform a stated objective but to match the liability profile of pension funds. Assets managed by third parties are excluded and primarily comprise the Luxembourg-domiciled GAIA fund range of £3.4 billion and legacy private equity assets of £1.7 billion. We do not calculate investment performance of hotels managed by Algonquin (AUM of £1.7 billion).

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

- For 78% of assets included in the calculation, the stated comparator is the benchmark.
- If the stated comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 5% of assets in the calculation.
- Assets for which the stated comparator is an absolute return target are measured against that absolute target. This applies to 10% of assets in the calculation.
- Assets with no stated objective are measured against a cash return, if applicable. This applies to 7% of assets in the calculation.

## Metrics for the Group\*

	2018	2017
Ratio of total costs to net income	<b>64%</b>	61%
Total compensation ratio	<b>43%</b>	43%

\*Defined in the glossary.

Copies of this announcement are available on the Schroders website: [www.schroders.com](http://www.schroders.com). 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 results at 9.00 a.m. GMT on Thursday, 7 March 2019 at 1 London Wall Place, London, EC2Y 5AU. The webcast can be viewed live at [www.schroders.com/ir](http://www.schroders.com/ir). For individuals unable to attend the presentation or participate in the live webcast, a replay will be available from midday on Thursday, 7 March 2019 at [www.schroders.com/ir](http://www.schroders.com/ir). The Annual Report and Accounts will be available on the Schroders website: [www.schroders.com](http://www.schroders.com) on 22 March 2019.

Please visit [www.schroders.com/shareholders-privacy-policy](http://www.schroders.com/shareholders-privacy-policy) to learn how we handle personal data.

## Forward-looking statements

This announcement, the Annual Report and Accounts for 2018, and the Schroders website may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement or in the Annual Report and Accounts or on the Schroders website should be construed as a forecast, estimate or projection of future financial performance.

## Consolidated income statement for the year ended 31 December 2018

		2018			2017		
	Notes	Before exceptional items £m	Exceptional items <sup>2</sup> £m	Total £m	Before exceptional items £m	Exceptional items <sup>2</sup> £m	Total £m
Revenue	3	2,626.4	–	2,626.4	2,511.7	–	2,511.7
Cost of sales	3	(555.7)	–	(555.7)	(501.5)	–	(501.5)
<b>Net operating revenue</b>		<b>2,070.7</b>	<b>–</b>	<b>2,070.7</b>	<b>2,010.2</b>	<b>–</b>	<b>2,010.2</b>
Net gain on financial instruments and other income	4	33.3	(13.0)	20.3	35.2	(3.5)	31.7
Share of profit of associates and joint ventures		19.9	(0.8)	19.1	23.5	(1.8)	21.7
<b>Net income</b>		<b>2,123.9</b>	<b>(13.8)</b>	<b>2,110.1</b>	<b>2,068.9</b>	<b>(5.3)</b>	<b>2,063.6</b>
Operating expenses	5	(1,362.7)	(97.5)	(1,460.2)	(1,268.6)	(34.8)	(1,303.4)
<b>Profit before tax</b>		<b>761.2</b>	<b>(111.3)</b>	<b>649.9</b>	<b>800.3</b>	<b>(40.1)</b>	<b>760.2</b>
Tax	6	(163.3)	18.1	(145.2)	(171.6)	5.8	(165.8)
<b>Profit after tax<sup>1</sup></b>		<b>597.9</b>	<b>(93.2)</b>	<b>504.7</b>	<b>628.7</b>	<b>(34.3)</b>	<b>594.4</b>
<b>Earnings per share</b>							
Basic	7	<b>215.8p</b>	<b>(32.7)p</b>	<b>183.1p</b>	226.9p	(11.6)p	215.3p
Diluted	7	<b>211.8p</b>	<b>(32.1)p</b>	<b>179.7p</b>	222.4p	(11.4)p	211.0p
<b>Total dividend per share</b>	8			<b>114.0p</b>			113.0p

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.

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

## Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
<b>Profit after tax</b>		<b>504.7</b>	<b>594.4</b>
<b>Items that may or have been reclassified to the income statement:</b>			
Net exchange differences on translation of foreign operations after hedging		31.0	(34.4)
Net loss arising on available-for-sale financial assets	4	–	(12.2)
Net loss on available-for-sale financial assets held by associates		–	(3.0)
Net loss on financial assets at fair value through other comprehensive income	4	(5.9)	–
Tax on items taken directly to other comprehensive income	6	(0.7)	0.7
		<b>24.4</b>	<b>(48.9)</b>
<b>Items that will not be reclassified to the income statement:</b>			
Net actuarial (loss)/gain on defined benefit pension schemes	13	(11.6)	42.3
Tax on items taken directly to other comprehensive income	6	2.0	(7.4)
		<b>(9.6)</b>	<b>34.9</b>
<b>Other comprehensive income for the year, net of tax<sup>1</sup></b>		<b>14.8</b>	<b>(14.0)</b>
<b>Total comprehensive income for the year<sup>1</sup></b>		<b>519.5</b>	<b>580.4</b>

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.

## Consolidated statement of financial position at 31 December 2018

	Notes	2018 £m	2017 £m
<b>Assets</b>			
Cash and cash equivalents		2,683.4	2,947.0
Trade and other receivables	9	748.9	739.0
Financial assets	9	3,354.9	3,480.8
Associates and joint ventures	10	175.2	143.9
Property, plant and equipment	11	249.4	162.8
Goodwill and intangible assets	12	968.2	825.8
Deferred tax		42.8	39.3
Retirement benefit scheme surplus	13	155.6	162.9
		<b>8,378.4</b>	<b>8,501.5</b>
<b>Assets backing unit-linked liabilities</b>			
Cash and cash equivalents		598.2	572.5
Financial assets		10,657.7	13,413.9
	9	<b>11,255.9</b>	<b>13,986.4</b>
<b>Total assets</b>		<b>19,634.3</b>	<b>22,487.9</b>
<b>Liabilities</b>			
Trade and other payables	9	988.6	937.7
Financial liabilities	9	3,660.6	3,955.3
Current tax		44.2	78.1
Provisions		31.4	44.0
Deferred tax		15.1	0.1
Retirement benefit scheme deficits		17.3	15.3
		<b>4,757.2</b>	<b>5,030.5</b>
<b>Unit-linked liabilities</b>	9	<b>11,255.9</b>	<b>13,986.4</b>
<b>Total liabilities</b>		<b>16,013.1</b>	<b>19,016.9</b>
<b>Net assets</b>		<b>3,621.2</b>	<b>3,471.0</b>
<b>Total equity<sup>1</sup></b>		<b>3,621.2</b>	<b>3,471.0</b>

<sup>1</sup> Non-controlling interest is presented in the Consolidated statement of changes in equity.



## Consolidated statement of changes in equity for the year ended 31 December 2018

	Notes	Attributable to owners of the parent						Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m		
At 1 January 2018		282.5	124.2	(162.3)	153.4	65.8	2,995.1	12.3	3,471.0
Restatement on adoption of IFRS 9 and IFRS 15 <sup>1</sup>		-	-	-	-	-	(18.5)	-	(18.5)
<b>At 1 January 2018 (restated)</b>		<b>282.5</b>	<b>124.2</b>	<b>(162.3)</b>	<b>153.4</b>	<b>65.8</b>	<b>2,976.6</b>	<b>12.3</b>	<b>3,452.5</b>
Profit for the year		-	-	-	-	19.1	485.9	(0.3)	504.7
Other comprehensive income <sup>2</sup>		-	-	-	31.0	-	(16.2)	-	14.8
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>31.0</b>	<b>19.1</b>	<b>469.7</b>	<b>(0.3)</b>	<b>519.5</b>
Own shares purchased	15	-	-	(74.9)	-	-	-	-	(74.9)
Share-based payments		-	-	-	-	-	63.9	-	63.9
Tax in respect of share schemes		-	-	-	-	-	(3.3)	-	(3.3)
Other movements		-	-	-	-	0.5	(16.0)	(7.9)	(23.4)
Dividends		-	-	-	-	-	(311.7)	(1.4)	(313.1)
<b>Transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>(74.9)</b>	<b>-</b>	<b>0.5</b>	<b>(267.1)</b>	<b>(9.3)</b>	<b>(350.8)</b>
<b>Transfers</b>		<b>-</b>	<b>-</b>	<b>73.3</b>	<b>-</b>	<b>(2.3)</b>	<b>(71.0)</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2018</b>		<b>282.5</b>	<b>124.2</b>	<b>(163.9)</b>	<b>184.4</b>	<b>83.1</b>	<b>3,108.2</b>	<b>2.7</b>	<b>3,621.2</b>

<sup>1</sup> The adoption of IFRS 9 and IFRS 15 has reduced the Group's equity by £18.5 million (see note 1).

<sup>2</sup> Other comprehensive income reported in the net exchange differences reserve comprises the foreign exchange gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial loss and post-tax fair value movements on financial assets at fair value through other comprehensive income.

## Consolidated statement of changes in equity for the year ended 31 December 2017

	Notes	Attributable to owners of the parent						Non-controlling interest £m	Total equity £m
		Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m		
At 1 January 2017		282.7	124.2	(163.6)	187.7	50.1	2,657.3	14.4	3,152.8
Profit for the year		-	-	-	-	21.7	571.3	1.4	594.4
Other comprehensive income <sup>1</sup>		-	-	-	(34.3)	(3.0)	23.4	(0.1)	(14.0)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(34.3)</b>	<b>18.7</b>	<b>594.7</b>	<b>1.3</b>	<b>580.4</b>
Shares cancelled	14	(0.2)	-	5.4	-	-	(5.2)	-	-
Own shares purchased	15	-	-	(56.6)	-	-	-	-	(56.6)
Share-based payments		-	-	-	-	-	60.5	-	60.5
Tax in respect of share schemes		-	-	-	-	-	5.2	-	5.2
Other movements		-	-	-	-	(0.3)	-	0.1	(0.2)
Dividends		-	-	-	-	-	(267.6)	(3.5)	(271.1)
<b>Transactions with shareholders</b>		<b>(0.2)</b>	<b>-</b>	<b>(51.2)</b>	<b>-</b>	<b>(0.3)</b>	<b>(207.1)</b>	<b>(3.4)</b>	<b>(262.2)</b>
<b>Transfers</b>		<b>-</b>	<b>-</b>	<b>52.5</b>	<b>-</b>	<b>(2.7)</b>	<b>(49.8)</b>	<b>-</b>	<b>-</b>
<b>At 31 December 2017</b>		<b>282.5</b>	<b>124.2</b>	<b>(162.3)</b>	<b>153.4</b>	<b>65.8</b>	<b>2,995.1</b>	<b>12.3</b>	<b>3,471.0</b>

<sup>1</sup> Other comprehensive income reported in the net exchange differences reserve comprised the foreign exchange loss on the translation of foreign operations net of hedging. Other comprehensive income reported in the associates and joint ventures reserve comprised post-tax fair value movements on available-for-sale financial assets. Other comprehensive income reported in the profit and loss reserve comprised the post-tax actuarial gain and post-tax fair value movements on available-for-sale financial assets.

## Consolidated cash flow statement for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
<b>Net cash from operating activities</b>	16	<b>513.9</b>	<b>585.1</b>
<b>Cash flows from investing activities</b>			
Net acquisition of businesses and associates		(131.8)	(185.1)
Net acquisition of property, plant and equipment and intangible assets		(204.1)	(172.6)
Acquisition of financial assets		(2,241.3)	(2,004.5)
Disposal of financial assets		2,143.7	1,853.5
Non-banking interest received		27.8	26.1
Distributions received from associates and joint ventures		3.1	2.7
<b>Net cash used in investing activities</b>		<b>(402.6)</b>	<b>(479.9)</b>
<b>Cash flows from financing activities</b>			
Acquisition of own shares	15	(74.9)	(56.6)
Dividends paid	8	(313.1)	(271.1)
Other flows		(0.7)	(0.9)
<b>Net cash used in financing activities</b>		<b>(388.7)</b>	<b>(328.6)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(277.4)</b>	<b>(223.4)</b>
Opening cash and cash equivalents		3,519.5	3,785.6
Net decrease in cash and cash equivalents		(277.4)	(223.4)
Effect of exchange rate changes		39.5	(42.7)
<b>Closing cash and cash equivalents</b>		<b>3,281.6</b>	<b>3,519.5</b>
<b>Closing cash and cash equivalents consists of:</b>			
Cash and cash equivalents available for use by the Group		2,650.3	2,909.8
Cash held in consolidated pooled investment vehicles		33.1	37.2
<b>Cash and cash equivalents presented within assets</b>		<b>2,683.4</b>	<b>2,947.0</b>
Cash and cash equivalents presented within assets backing unit-linked liabilities		598.2	572.5
<b>Closing total cash and cash equivalents</b>		<b>3,281.6</b>	<b>3,519.5</b>

# Explanatory notes to the financial statements

## 1. Presentation of the financial statements

### (a) 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 (Act). The statutory accounts for 2017 have been delivered to the Registrar of Companies and the auditor's opinion on those accounts was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Act. An unqualified auditor's opinion has also been issued on the statutory accounts for the year ended 31 December 2018, 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 Act applicable to companies reporting under IFRS.

The presentation of the income statement includes separate disclosure of exceptional items. The policy for exceptional items is set out in note 2.

### (b) New accounting standards and interpretations

The Group has applied IFRS 9 Financial Instruments (IFRS 9) and IFRS 15 Revenue from Contracts with Customers (IFRS 15) from 1 January 2018. The nature and effect of these changes are disclosed below.

#### (i) IFRS 9 Financial Instruments

IFRS 9 replaces the classification and measurement models previously contained in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). On adoption of IFRS 9 on 1 January 2018, the Group's financial assets have been reclassified at amortised cost, fair value through other comprehensive income or fair value through profit or loss as set out below.

<b>IAS 39 classifications:</b>	<b>£m</b>	<b>IFRS 9 classifications:</b>	<b>£m</b>
Financial assets at amortised cost	1,492.2	Financial assets at amortised cost	1,492.2
Available-for-sale financial assets	994.9	Financial assets at fair value through other comprehensive income	925.4
Financial assets at fair value through profit or loss	993.7	Financial assets at fair value through profit or loss	1,063.2
<b>Total financial assets</b>	<b>3,480.8</b>	<b>Total financial assets</b>	<b>3,480.8</b>

The Group has applied IFRS 9 retrospectively, with the cumulative effect of initially applying the standard recorded as an adjustment to the opening profit and loss reserve at 1 January 2018. Comparative information has not been restated.

The Group's accounting policy in respect of the classification and measurement of financial instruments in accordance with IFRS 9 is set out below.

- Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. The carrying value of amortised cost financial assets is adjusted for impairment under the expected loss model as outlined below.

## 1. Presentation of the financial statements (continued)

### (b) New accounting standards and interpretations (continued)

#### (i) IFRS 9 Financial Instruments (continued)

- Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets are held at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows and to sell assets. This classification applies to certain debt securities within the Group's Wealth Management entities and to debt securities held as part of the Group's investment capital portfolio. Impairment is also recognised for debt securities classified as FVOCI under the expected loss model as outlined below.

Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income, and the cumulative gains and losses are transferred to the income statement if the asset is sold or otherwise realised.

- Financial assets at value through profit or loss (FVTPL)

All other financial assets are held at FVTPL. The Group's financial assets at FVTPL principally comprise investments in debt securities, equities, pooled investment vehicles and derivatives.

Net gains and losses on financial instruments at FVTPL principally comprise market returns on these financial instruments and gains and losses on contingent consideration arising from business combinations. Net gains and losses on certain financial instruments at FVTPL that are held to hedge deferred employee cash awards are presented separately and are included within operating expenses (see note 5). The net loss on financial obligations in respect of carried interest (other than relating to contingent consideration) is presented separately and is included within cost of sales (see note 3). In both instances, the presentation better reflects the substance of these transactions and provides more relevant information about the Group's net income and operating expenses.

IFRS 9 also introduces an expected loss model for the calculation of impairment. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. IFRS 9 requires the Group to record an allowance for expected credit losses for all debt instruments not classified as financial assets at FVTPL. This change has reduced the Group's net assets at 1 January 2018 by £0.6 million.

#### (ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard introduces a five step model for recognising revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied.

The Group has applied IFRS 15 retrospectively, with the cumulative effect of initially applying the standard recorded as an adjustment to the opening profit and loss reserve at 1 January 2018. Comparative information has not been restated. The Group did not apply any of the practical expedients available under the full retrospective method.

The Group has undertaken a comprehensive review of its contracts with customers and concluded that, excluding carried interest, there is no impact on the way in which the Group recognises its revenues. IFRS 15 constrains the amount of revenue that is recognised when estimating variable consideration.

As carried interest is earned over a longer period of time, the Group has constrained the amount of revenue that is recognised to reduce the risk of significant reversal. This change has reduced the Group's net assets on 1 January 2018 by £17.9 million. This comprises a £19.6 million reduction to accrued income relating to carried interest, and a £1.7 million reduction to related deferred tax liabilities.

## 1. Presentation of the financial statements (continued)

### (b) New accounting standards and interpretations (continued)

#### (ii) IFRS 15 Revenue from Contracts with Customers (continued)

In addition to the above, the segmental reporting note (note 3) has been re-presented to further disaggregate revenue into categories that better depict the nature of the revenues. 2017 has been reformatted for consistency with the 2018 presentation.

### (c) Future accounting developments

The Group did not implement the requirements of any other Standards or Interpretations that were in issue but were not required to be adopted by the Group at the year end date. The Standards and Interpretations relevant to the Group that had been issued but not yet adopted at the year end were IFRS 16 Leases (IFRS 16) and IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23).

The expected impact of these standards on the Group is set out below. No other Standards or Interpretations have been issued that are expected to have an impact on the Group's financial statements.

#### (i) IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and is effective for reporting periods beginning on or after 1 January 2019. Where the Group is a lessee, IFRS 16 requires operating leases to be recorded in the Group's statement of financial position. A right-of-use (ROU) asset will be recognised within property, plant and equipment and a lease liability will be recorded. The ROU asset and lease liability will be calculated based on the expected payments, requiring an assessment as to the likely effect of renewal options, and are discounted using the relevant incremental borrowing rate.

The ROU asset will be depreciated on a straight-line basis over the expected life of the lease. The lease liability will be reduced as lease payments are made with an interest expense recognised using the effective interest method as a component of finance costs. This will result in a higher proportion of the lease expense being recognised earlier in the life of the lease.

In preparation for transition to IFRS 16, the Group has reviewed all its leasing arrangements and assessed the estimated impact that the initial application of IFRS 16 will have on its consolidated financial statements. The Group intends to adopt IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening profit and loss reserve at 1 January 2019.

Under this approach, the ROU asset will be measured on transition as if the new rules had always been applied, using the appropriate discount rate at 1 January 2019. Comparative information will not be restated. The Group expects to apply the optional exemption contained within IFRS 16, which permits the cost of short term (less than 12 months) leases to be expensed on a straight-line basis over the lease term. These lease arrangements are not material to the Group.

At 31 December 2018, the Group had non-cancellable operating lease commitments of £500 million. Consequently, on 1 January 2019 the Group expects to recognise ROU assets and lease liabilities of approximately £411 million and £419 million respectively. This change will reduce the Group's net assets by approximately £8 million (before tax). As the Group has recently renewed a number of lease arrangements, the adoption of IFRS 16 will reduce the Group's profit before tax with respect to these leases. IFRS 16 is not expected to have a material impact on the Group's profit before tax.

#### (ii) IFRIC 23 Uncertainty over Income Tax Treatments

On 7 June 2017, the IASB issued IFRIC 23. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. The Group has assessed the impact of IFRIC 23 and does not expect it to have a material impact when it becomes effective on 1 January 2019.

## 2. Exceptional items

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

## 3. Segmental reporting

### (a) Operating segments

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

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.

### 3. Segmental reporting (continued)

Year ended 31 December	2018				2017			
	Asset Management £m	Wealth Management £m	Group £m	Total £m	Asset Management £m	Wealth Management £m	Group £m	Total £m
Revenue	2,317.6	308.8	–	2,626.4	2,223.1	288.6	–	2,511.7
Cost of sales	(528.8)	(26.9)	–	(555.7)	(479.8)	(21.7)	–	(501.5)
<b>Net operating revenue</b>	<b>1,788.8</b>	<b>281.9</b>	<b>–</b>	<b>2,070.7</b>	<b>1,743.3</b>	<b>266.9</b>	<b>–</b>	<b>2,010.2</b>
Net gain on financial instruments and other income	(3.3)	7.5	29.1	33.3	(6.2)	6.3	35.1	35.2
Share of profit of associates and joint ventures	15.7	0.4	3.8	19.9	20.8	0.1	2.6	23.5
<b>Net income</b>	<b>1,801.2</b>	<b>289.8</b>	<b>32.9</b>	<b>2,123.9</b>	<b>1,757.9</b>	<b>273.3</b>	<b>37.7</b>	<b>2,068.9</b>
Operating expenses	(1,130.4)	(196.4)	(35.9)	(1,362.7)	(1,052.0)	(183.0)	(33.6)	(1,268.6)
<b>Profit before tax and exceptional items</b>	<b>670.8</b>	<b>93.4</b>	<b>(3.0)</b>	<b>761.2</b>	<b>705.9</b>	<b>90.3</b>	<b>4.1</b>	<b>800.3</b>
<b>Exceptional items presented within net income:</b>								
Net gain on financial instruments and other income	(12.9)	–	(0.1)	(13.0)	(3.5)	–	–	(3.5)
Amortisation of acquired intangible assets relating to associates and joint ventures	–	(0.8)	–	(0.8)	(1.6)	(0.2)	–	(1.8)
	<b>(12.9)</b>	<b>(0.8)</b>	<b>(0.1)</b>	<b>(13.8)</b>	<b>(5.1)</b>	<b>(0.2)</b>	<b>–</b>	<b>(5.3)</b>
<b>Exceptional items presented within operating expenses:</b>								
Cost reduction programme	(55.6)	(0.4)	–	(56.0)	–	–	–	–
Restructuring costs	–	–	–	–	–	(2.1)	–	(2.1)
Amortisation of acquired intangible assets	(8.6)	(20.2)	–	(28.8)	(9.4)	(18.3)	–	(27.7)
Other expenses	(5.5)	(4.0)	(3.2)	(12.7)	(2.7)	(2.3)	–	(5.0)
	<b>(69.7)</b>	<b>(24.6)</b>	<b>(3.2)</b>	<b>(97.5)</b>	<b>(12.1)</b>	<b>(22.7)</b>	<b>–</b>	<b>(34.8)</b>
<b>Profit before tax and after exceptional items</b>	<b>588.2</b>	<b>68.0</b>	<b>(6.3)</b>	<b>649.9</b>	<b>688.7</b>	<b>67.4</b>	<b>4.1</b>	<b>760.2</b>



### 3. Segmental reporting (continued)

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

Year ended 31 December 2018	Asset Management £m	Wealth Management £m	Group £m	Total £m
Management fees	2,224.3	227.3	–	2,451.6
Performance fees	26.2	0.4	–	26.6
Carried interest	55.7	–	–	55.7
Other fees	11.4	38.5	–	49.9
Wealth Management interest income earned	–	42.6	–	42.6
<b>Revenue</b>	<b>2,317.6</b>	<b>308.8</b>	<b>–</b>	<b>2,626.4</b>
Fee expense	(501.5)	(11.1)	–	(512.6)
Cost of financial obligations in respect of carried interest	(27.3)	–	–	(27.3)
Wealth Management interest expense incurred	–	(15.8)	–	(15.8)
<b>Cost of sales</b>	<b>(528.8)</b>	<b>(26.9)</b>	<b>–</b>	<b>(555.7)</b>
<b>Net operating revenue<sup>1</sup></b>	<b>1,788.8</b>	<b>281.9</b>	<b>–</b>	<b>2,070.7</b>

Year ended 31 December 2017 <sup>2</sup>	Asset Management £m	Wealth Management £m	Group £m	Total £m
Management fees <sup>3</sup>	2,131.6	214.6	–	2,346.2
Performance fees	77.5	0.9	–	78.4
Other fees <sup>3</sup>	14.0	40.8	–	54.8
Wealth Management interest income earned	–	32.3	–	32.3
<b>Revenue</b>	<b>2,223.1</b>	<b>288.6</b>	<b>–</b>	<b>2,511.7</b>
Fee expense	(479.8)	(10.8)	–	(490.6)
Wealth Management interest expense incurred	–	(10.9)	–	(10.9)
<b>Cost of sales</b>	<b>(479.8)</b>	<b>(21.7)</b>	<b>–</b>	<b>(501.5)</b>
<b>Net operating revenue<sup>1</sup></b>	<b>1,743.3</b>	<b>266.9</b>	<b>–</b>	<b>2,010.2</b>

<sup>1</sup> Asset Management net operating revenue comprises £851.3 million (2017: £814.0 million) from the Group's Institutional sales channel and £937.5 million (£929.3 million) from the Group's Intermediary sales channel.

<sup>2</sup> 2017 has been reformatted for consistency with the 2018 presentation following the adoption of IFRS 15 (see note 1).

<sup>3</sup> Certain revenues that are earned as a percentage of the valuation of AUM, and previously presented within other income, are now presented within management fees. This change resulted in £190.6 million of other fees being reclassified to management fees for the year ended 31 December 2017.

### 3. Segmental reporting (continued)

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

	UK	Continental Europe & Middle East	Asia Pacific	Americas	Total
Year ended 31 December 2018	£m	£m	£m	£m	£m
Management fees	720.3	820.6	622.8	287.9	2,451.6
Performance fees	2.1	4.7	12.5	7.3	26.6
Carried interest	–	55.7	–	–	55.7
Other fees	31.3	12.0	6.5	0.1	49.9
Wealth Management interest income earned	30.6	10.4	1.6	–	42.6
<b>Revenue</b>	<b>784.3</b>	<b>903.4</b>	<b>643.4</b>	<b>295.3</b>	<b>2,626.4</b>
Fee expense	(64.4)	(231.1)	(178.4)	(38.7)	(512.6)
Cost of financial obligations in respect of carried interest	–	(27.3)	–	–	(27.3)
Wealth Management interest expense incurred	(12.3)	(3.4)	(0.1)	–	(15.8)
<b>Cost of sales</b>	<b>(76.7)</b>	<b>(261.8)</b>	<b>(178.5)</b>	<b>(38.7)</b>	<b>(555.7)</b>
<b>Net operating revenue</b>	<b>707.6</b>	<b>641.6</b>	<b>464.9</b>	<b>256.6</b>	<b>2,070.7</b>

	UK	Continental Europe & Middle East	Asia Pacific	Americas	Total
Year ended 31 December 2017 <sup>1</sup>	£m	£m	£m	£m	£m
Management fees <sup>2</sup>	698.8	770.2	623.8	253.4	2,346.2
Performance fees	24.0	22.6	22.2	9.6	78.4
Other fees <sup>2</sup>	31.8	15.0	7.6	0.4	54.8
Wealth Management interest income earned	19.0	12.2	1.1	–	32.3
<b>Revenue</b>	<b>773.6</b>	<b>820.0</b>	<b>654.7</b>	<b>263.4</b>	<b>2,511.7</b>
Fee expense	(64.6)	(231.4)	(167.1)	(27.5)	(490.6)
Wealth Management interest expense incurred	(6.1)	(4.6)	(0.2)	–	(10.9)
<b>Cost of sales</b>	<b>(70.7)</b>	<b>(236.0)</b>	<b>(167.3)</b>	<b>(27.5)</b>	<b>(501.5)</b>
<b>Net operating revenue</b>	<b>702.9</b>	<b>584.0</b>	<b>487.4</b>	<b>235.9</b>	<b>2,010.2</b>

<sup>1</sup> 2017 has been reformatted for consistency with the 2018 presentation following the adoption of IFRS 15 (see note 1).

<sup>2</sup> Certain revenues that are earned as a percentage of the valuation of AUM, and previously presented within other income, are now presented within management fees. This change resulted in £190.6 million of other fees being reclassified to management fees for the year ended 31 December 2017.

### 3. Segmental reporting (continued)

#### Estimates and judgements – revenue

Carried interest is recognised when the relevant services have been provided and there is a low probability that a significant reversal will occur. It represents the Group's contractual right to share in the profits of around 74 private asset investment vehicles if certain performance hurdles are met when the underlying investments are realised and the capital returned to clients.

The Group applies judgement to determine certain assumptions that are used to estimate the amount of carried interest that is expected to be received. Those assumptions principally include the growth rates and realisation dates of the underlying investments that lead to capital payments being made to clients and crystallise any carried interest that may be received. These factors are used to estimate the cash flows and determine the present value of the carried interest that may be received by the Group at future crystallisation dates. The estimated cash flows are constrained, in accordance with accounting standards, to reduce the risk of significant reversal of revenue.

The Group estimates the cash flows that will be realised by the respective investment vehicles when the underlying securities are successfully disposed of. These estimates are based on the current fair value of the underlying investments. The resultant cash flows are assessed against the applicable performance hurdle, which is dependent on the capital invested and timing of distributions to clients in the individual vehicle. In order to reduce the risk of a significant reversal of carried interest, as required by accounting standards, each investment vehicle is assessed to determine whether it is sufficiently developed to be assured of carried interest returns and the fair value of all investment vehicles is discounted to limit the potential revenue recognition. Finally, it is assumed there is no further growth in the investment values to the realisation date. The distributions to clients are based on the expectations of the individual investment managers as to the realisation of a large volume of underlying individual securities.

#### Estimates and judgements – cost of sales

The cost of financial obligations in respect of carried interest (carried interest payable) is based on an assessment of the fair value of amounts that have been received or may be received in the future and the proportion that is payable to third parties. The Group applies similar judgements as those used to determine the present value of carried interest receivable, as set out above, in determining the carried interest payable. However, accounting standards do not limit the liability that should be recognised before realisation to the amount that represents a low probability of a significant reversal. As a result no constraints are applied in determining the value of the liability. In addition, a growth rate is assumed in order to determine the returns against which the investment hurdle should be applied. The amount payable at maturity will depend on the realised value of the related financial asset and may differ to the projected value. An increase in the growth rate of 3% would increase cost of sales by £12.5 million. Notwithstanding the differing accounting requirements for the recognition of carried interest receivable and carried interest payable, any cost of sale paid to third parties in respect of carried interest will always be less than the carried interest generated and will not be settled until the income is received. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £6.9 million/£7.2 million.

#### 4. Net gain on financial instruments and other income

Year ended 31 December	2018			2017		
	Income statement £m	Other comprehensive income £m	Total £m	Income statement £m	Other comprehensive income £m	Total £m
<b>Net (loss)/gain on financial instruments at FVTPL<sup>1</sup></b>	<b>(13.9)</b>	<b>-</b>	<b>(13.9)</b>	<b>5.6</b>	<b>-</b>	<b>5.6</b>
Net loss arising from fair value movements	-	-	-	-	(8.9)	(8.9)
Net transfers on disposal	-	-	-	3.3	(3.3)	-
<b>Net loss on AFS financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3.3</b>	<b>(12.2)</b>	<b>(8.9)</b>
Net loss arising from fair value movements	-	(5.7)	(5.7)	-	-	-
Net transfers on disposal	0.2	(0.2)	-	-	-	-
<b>Net loss on financial assets at FVOCI</b>	<b>0.2</b>	<b>(5.9)</b>	<b>(5.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net finance income</b>	<b>8.4</b>	<b>-</b>	<b>8.4</b>	<b>9.7</b>	<b>-</b>	<b>9.7</b>
<b>Other income</b>	<b>25.6</b>	<b>-</b>	<b>25.6</b>	<b>13.1</b>	<b>-</b>	<b>13.1</b>
<b>Net gain on financial instruments and other income</b>	<b>20.3</b>	<b>(5.9)</b>	<b>14.4</b>	<b>31.7</b>	<b>(12.2)</b>	<b>19.5</b>
<b>Net (loss)/gain on financial instruments held to hedge employee deferred cash awards – presented within operating expenses</b>	<b>(11.3)</b>	<b>-</b>	<b>(11.3)</b>	<b>13.2</b>	<b>-</b>	<b>13.2</b>
<b>Cost of financial obligations in respect of carried interest – presented within cost of sales</b>	<b>(27.3)</b>	<b>-</b>	<b>(27.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net (loss)/gain on financial instruments and other income – net of hedging</b>	<b>(18.3)</b>	<b>(5.9)</b>	<b>(24.2)</b>	<b>44.9</b>	<b>(12.2)</b>	<b>32.7</b>

<sup>1</sup> Includes £13.0 million of exceptional items (2017: £3.5 million), of which £7.1 million is in respect of contingent consideration in relation to carried interest (2017: nil).

## 5. Operating expenses

Operating expenses include:

<b>Year ended 31 December</b>	<b>2018 £m</b>	<b>2017 £m</b>
Salaries, wages and other remuneration	839.7	784.0
Social security costs	66.5	71.3
Pension costs	45.6	41.5
<b>Employee benefits expense</b>	<b>951.8</b>	<b>896.8</b>
Net loss/(gain) on financial instruments held to hedge deferred cash awards	11.3	(13.2)
<b>Employee benefits expense - net of hedging</b>	<b>963.1</b>	<b>883.6</b>

The employee benefits expense net of hedging of £963.1 million (2017: £883.6 million) includes £59.8 million (2017: £2.3 million) that is presented within exceptional items, which comprises £56.0 million (2017: nil) of expenses in relation to the cost reduction programme and £3.8 million (2017: £0.2 million) arising from prior acquisitions completed by the Group. Additionally, in 2017 there were £2.1 million of exceptional items in relation to restructuring costs.

## 6. Tax expense

Analysis of tax charge reported in the income statement:

<b>Year ended 31 December</b>	<b>2018 £m</b>	<b>2017 £m</b>
UK current year charge	56.9	79.9
Rest of the world current year charge	78.6	84.2
Adjustments in respect of prior year estimates	1.7	(5.0)
<b>Total current tax</b>	<b>137.2</b>	<b>159.1</b>
Origination and reversal of temporary differences	7.9	(4.9)
Adjustments in respect of prior year estimates	0.1	0.9
Effect of changes in corporation tax rates	–	10.7
<b>Total deferred tax</b>	<b>8.0</b>	<b>6.7</b>
<b>Tax charge reported in the income statement</b>	<b>145.2</b>	<b>165.8</b>

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

<b>Year ended 31 December</b>	<b>2018 £m</b>	<b>2017 £m</b>
Current income tax on movements in available-for-sale financial assets	–	(0.7)
Current income tax on movements in financial assets at fair value through other comprehensive income	1.5	–
Deferred tax (credit)/charge on actuarial gains and losses on defined benefit pension schemes	(2.0)	7.1
Deferred tax (credit)/charge on other movements through other comprehensive income	(0.8)	0.3
<b>Tax (credit)/charge reported in other comprehensive income</b>	<b>(1.3)</b>	<b>6.7</b>

## 6. Tax expense (continued)

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

	2018 £m	2017 £m
<b>Year ended 31 December</b>		
Current income tax credit on Equity Compensation Plan and other share-based remuneration	(2.6)	(4.2)
Deferred tax charge/(credit) on Equity Compensation Plan and other share-based remuneration	5.9	(1.6)
Deferred tax - effect of changes in corporation tax rates	–	0.6
<b>Total charge/(credit) reported in equity</b>	<b>3.3</b>	<b>(5.2)</b>

The UK standard rate of corporation tax for 2018 is 19% (2017: effective rate of 19.25%). The tax charge for the year is higher (2017: higher) than a charge based on the UK standard rate. The differences are explained below:

	2018 £m	2017 £m
<b>Year ended 31 December</b>		
Profit before tax	649.9	760.2
Less post-tax net profit of associates and joint ventures	(19.1)	(21.7)
<b>Profit before tax of Group entities</b>	<b>630.8</b>	<b>738.5</b>

Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	<b>119.9</b>	<b>142.2</b>
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### Effects of:

Different statutory tax rates of overseas jurisdictions	8.7	12.4
Permanent differences including non-taxable income and non-deductible expenses	11.1	3.5
Net movement in timing differences for which no deferred tax is recognised	3.7	1.1
Deferred tax adjustments in respect of changes in corporation tax rates	–	10.7
Prior year adjustments	1.8	(4.1)
<b>Tax charge reported in the income statement</b>	<b>145.2</b>	<b>165.8</b>

## 7. Earnings per share

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

<b>Year ended 31 December</b>	<b>2018 Number Millions</b>	<b>2017 Number Millions</b>
Weighted average number of shares used in the calculation of basic earnings per share	275.9	275.4
Effect of dilutive potential shares – share options	5.2	5.6
Effect of dilutive potential shares – contingently issuable shares	–	0.1
<b>Weighted average number of shares used in the calculation of diluted earnings per share</b>	<b>281.1</b>	<b>281.1</b>

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £2.6 million (2017: £3.7 million). After exceptional items, the loss after tax attributable to non-controlling interest was £0.3 million (2017: profit of £1.4 million).

## 8. Dividends

	<b>2019</b>		<b>2018</b>		<b>2017</b>	
	<b>£m</b>	<b>Pence per share</b>	<b>£m</b>	<b>Pence per share</b>	<b>£m</b>	<b>Pence per share</b>
Prior year final dividend paid			216.0	79.0	174.7	64.0
Interim dividend paid			95.7	35.0	92.9	34.0
<b>Total dividends paid</b>			<b>311.7</b>	<b>114.0</b>	<b>267.6</b>	<b>98.0</b>

### **Current year final dividend recommended**

**216.1      79.0**

Dividends of £10.5 million (2017: £9.3 million) on shares held by employee trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2018 final dividend of 79.0 pence per share (2017 final dividend: 79.0 pence), amounting to £216.1 million (2017 final dividend: £216.0 million). The dividend will be paid on 9 May 2019 to shareholders on the register at 29 March 2019 and will be accounted for in 2019.

In addition, the Group paid £1.4 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2018 (2017: £3.5 million), resulting in total dividends paid of £313.1 million (2017: £271.1 million).

The Company offers a dividend reinvestment plan (DRIP). The last date for shareholders to elect to participate in the DRIP for the purposes of the 2018 final dividend is 15 April 2019. Further details are contained on the Group's website.

## 9. Fair value measurement disclosures

### Estimates and judgements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may require some estimation or may be derived from readily available sources. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. The hierarchy also reflects the extent of judgements used in the valuation but this does not necessarily indicate that the fair value is more or less likely to be realised. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 investments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 investments is set out below, with no individual input giving rise to a material component of the carrying value for the Group. The fair value levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities and government debt, daily-priced funds and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, asset and mortgage backed securities, and loans held at fair value. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group's level 3 financial assets principally comprise investments in private equity funds that are measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Valuation Guidelines 2015. Following the Group's acquisition of Algonquin Management Partners S.A. (see note 17), level 3 financial assets now include investments in property investment vehicles that operate hotel businesses. These are valued based on the expected future cash flows that could be generated from the hotel business. The Group's financial liabilities categorised as level 3 principally consist of obligations arising from deferred consideration related to carried interest arrangements and other financial liabilities arising from prior acquisitions completed by the Group. The carrying values of level 3 financial liabilities are typically derived from an estimate of the expected future cash flows required to settle the liability. These estimates reflect the projected performance of the acquired businesses for a number of years into the future.



## 9. Fair value measurement disclosures (continued)

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

	2018				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Financial assets at amortised cost:</b>					
Loans and advances to banks	-	-	-	384.2	384.2
Loans and advances to clients	-	-	-	572.6	572.6
Debt securities	-	-	-	139.1	139.1
	-	-	-	<b>1,095.9</b>	<b>1,095.9</b>
<b>Financial assets at fair value through other comprehensive income:</b>					
Debt securities	487.3	442.0	-	-	929.3
	<b>487.3</b>	<b>442.0</b>	-	-	<b>929.3</b>
<b>Financial assets at fair value through profit or loss:</b>					
Pooled investment vehicles	614.5	5.0	80.9	-	700.4
Debt securities	260.7	103.3	5.0	-	369.0
Equities	197.4	0.7	21.5	-	219.6
Derivative contracts	5.2	24.1	9.0	-	38.3
Loans and advances to clients	-	2.4	-	-	2.4
	<b>1,077.8</b>	<b>135.5</b>	<b>116.4</b>	-	<b>1,329.7</b>
<b>Financial assets</b>	<b>1,565.1</b>	<b>577.5</b>	<b>116.4</b>	<b>1,095.9</b>	<b>3,354.9</b>
<b>Trade and other receivables</b>					
	<b>9.1</b>	-	-	<b>739.8</b>	<b>748.9</b>
<b>Assets backing unit-linked liabilities</b>	<b>6,832.0</b>	<b>3,573.4</b>	<b>37.3</b>	<b>813.2</b>	<b>11,255.9</b>
	<b>8,406.2</b>	<b>4,150.9</b>	<b>153.7</b>	<b>2,648.9</b>	<b>15,359.7</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	-	-	-	3,235.5	3,235.5
Deposits by banks	-	-	-	19.8	19.8
Other financial liabilities	-	-	-	6.2	6.2
	-	-	-	<b>3,261.5</b>	<b>3,261.5</b>
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative contracts	3.2	18.9	-	-	22.1
Other financial liabilities	222.6	-	154.4	-	377.0
	<b>225.8</b>	<b>18.9</b>	<b>154.4</b>	-	<b>399.1</b>
<b>Financial liabilities</b>	<b>225.8</b>	<b>18.9</b>	<b>154.4</b>	<b>3,261.5</b>	<b>3,660.6</b>
<b>Trade and other payables</b>					
	<b>144.6</b>	-	-	<b>844.0</b>	<b>988.6</b>
<b>Unit-linked liabilities</b>	<b>10,992.4</b>	<b>64.4</b>	-	<b>199.1</b>	<b>11,255.9</b>
	<b>11,362.8</b>	<b>83.3</b>	<b>154.4</b>	<b>4,304.6</b>	<b>15,905.1</b>

## 9. Fair value measurement disclosures (continued)

	2017				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
<b>Financial assets at amortised cost – held to maturity:</b>					
Debt securities	–	–	–	10.2	10.2
	–	–	–	<b>10.2</b>	<b>10.2</b>
<b>Financial assets at amortised cost – loans and receivables:</b>					
Loans and advances to banks	–	–	–	783.2	783.2
Loans and advances to clients	–	–	–	557.3	557.3
Debt securities	–	–	–	141.5	141.5
	–	–	–	<b>1,482.0</b>	<b>1,482.0</b>
<b>Available-for-sale financial assets:</b>					
Pooled investment vehicles	30.9	4.0	14.7	–	49.6
Debt securities	384.3	548.3	–	–	932.6
Equities	0.2	0.1	12.4	–	12.7
	<b>415.4</b>	<b>552.4</b>	<b>27.1</b>	–	<b>994.9</b>
<b>Financial assets at fair value through profit or loss:</b>					
Pooled investment vehicles	627.0	4.5	31.4	–	662.9
Debt securities	66.2	83.6	–	–	149.8
Equities	134.9	0.1	–	–	135.0
Derivative contracts	2.6	29.3	13.4	–	45.3
Loans and advances to clients	–	0.7	–	–	0.7
	<b>830.7</b>	<b>118.2</b>	<b>44.8</b>	–	<b>993.7</b>
<b>Financial assets</b>	<b>1,246.1</b>	<b>670.6</b>	<b>71.9</b>	<b>1,492.2</b>	<b>3,480.8</b>
<b>Trade and other receivables<sup>1</sup></b>	<b>26.5</b>	–	–	<b>712.5</b>	<b>739.0</b>
<b>Assets backing unit-linked liabilities</b>	<b>9,576.3</b>	<b>3,704.5</b>	<b>54.6</b>	<b>651.0</b>	<b>13,986.4</b>
	<b>10,848.9</b>	<b>4,375.1</b>	<b>126.5</b>	<b>2,855.7</b>	<b>18,206.2</b>
<b>Financial liabilities at amortised cost:</b>					
Client accounts	–	–	–	3,685.7	3,685.7
Deposits by banks	–	–	–	59.3	59.3
Other financial liabilities	–	–	–	26.4	26.4
	–	–	–	<b>3,771.4</b>	<b>3,771.4</b>
<b>Financial liabilities at fair value through profit or loss:</b>					
Derivative contracts	4.9	19.3	–	–	24.2
Other financial liabilities	87.3	–	72.4	–	159.7
	<b>92.2</b>	<b>19.3</b>	<b>72.4</b>	–	<b>183.9</b>
<b>Financial liabilities</b>	<b>92.2</b>	<b>19.3</b>	<b>72.4</b>	<b>3,771.4</b>	<b>3,955.3</b>
<b>Trade and other payables</b>	<b>164.1</b>	–	–	<b>773.6</b>	<b>937.7</b>
<b>Unit-linked liabilities</b>	<b>13,906.1</b>	<b>42.8</b>	–	<b>37.5</b>	<b>13,986.4</b>
	<b>14,162.4</b>	<b>62.1</b>	<b>72.4</b>	<b>4,582.5</b>	<b>18,879.4</b>

<sup>1</sup> Comparative information was not restated following the adoption of IFRS 15 (see note 1).

## 9. Fair value measurement disclosures (continued)

The fair value of financial assets at amortised cost approximates to their carrying value. No financial assets were transferred between levels during 2018 (2017: none).

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

	2018			2017		
	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	71.9	54.6	72.4	56.8	44.5	44.2
Exchange translation adjustments	1.9	0.3	4.4	(0.1)	1.5	0.1
Net gain or loss recognised in the income statement	6.3	10.7	38.1	(3.0)	4.8	(4.1)
Net loss recognised in other comprehensive income <sup>1</sup>	–	–	–	(6.8)	–	–
Additions <sup>2</sup>	48.4	–	47.4	36.0	14.1	32.2
Disposals	(12.1)	(28.3)	(7.9)	(11.0)	(10.3)	–
<b>At 31 December</b>	<b>116.4</b>	<b>37.3</b>	<b>154.4</b>	<b>71.9</b>	<b>54.6</b>	<b>72.4</b>

<sup>1</sup> Reported within net loss on available-for-sale financial assets.

<sup>2</sup> Additions during 2018 include amounts relating to the acquisition of Algonquin Management Partners S.A. (see note 17).

## 10. Associates and joint ventures

	2018			2017		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	141.8	2.1	143.9	123.1	1.9	125.0
Exchange translation adjustments	1.0	–	1.0	(2.7)	–	(2.7)
Additions <sup>1</sup>	22.7	–	22.7	5.9	–	5.9
Disposals <sup>2</sup>	(8.9)	–	(8.9)	–	–	–
Profit for the period after tax	18.4	0.7	19.1	20.9	0.8	21.7
Net loss recognised in other comprehensive income	–	–	–	(3.0)	–	(3.0)
Other movements in reserves of associates and joint ventures	0.5	–	0.5	(0.3)	–	(0.3)
Distributions of profit	(2.4)	(0.7)	(3.1)	(2.1)	(0.6)	(2.7)
<b>At 31 December</b>	<b>173.1</b>	<b>2.1</b>	<b>175.2</b>	<b>141.8</b>	<b>2.1</b>	<b>143.9</b>

<sup>1</sup> On 1 May 2018, the Group acquired a 20% equity interest in A10 Capital Parent Company LLC (A10), a US-based full-service commercial real estate lending platform, for a consideration of £10.2 million. On the same date, the Group also purchased £22.7 million of redeemable preference shares issued by A10. The redeemable preference shares are included within financial assets at amortised cost. On 11 June 2018, the Group purchased a 26% interest in Planar Investments Private Ltd, a Singapore-based digital wealth services business that trades as 'WeInvest', for a consideration of £7.5 million. The Group invested in three other associate undertakings during the period for a combined consideration of £5.0 million.

<sup>2</sup> The Group disposed of two associates during the year with a combined carrying value of £8.9 million.

## 11. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
<b>Cost</b>				
At 1 January 2018	166.0	23.1	72.4	261.5
Exchange translation adjustments	2.0	–	1.9	3.9
Additions	76.8	0.6	33.7	111.1
Disposals	(37.6)	(4.0)	(15.3)	(56.9)
<b>At 31 December 2018</b>	<b>207.2</b>	<b>19.7</b>	<b>92.7</b>	<b>319.6</b>
<b>Accumulated depreciation</b>				
At 1 January 2018	(50.5)	(0.1)	(48.1)	(98.7)
Exchange translation adjustments	(1.3)	–	(1.1)	(2.4)
Depreciation charge for the year	(8.1)	(0.5)	(13.2)	(21.8)
Disposals	37.6	–	15.1	52.7
<b>At 31 December 2018</b>	<b>(22.3)</b>	<b>(0.6)</b>	<b>(47.3)</b>	<b>(70.2)</b>
<b>Net book value at 31 December 2018</b>	<b>184.9</b>	<b>19.1</b>	<b>45.4</b>	<b>249.4</b>

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
<b>Cost</b>				
At 1 January 2017	89.7	3.9	61.2	154.8
Exchange translation adjustments	(1.1)	0.2	(0.8)	(1.7)
Additions	81.4	19.0	13.0	113.4
Disposals	(4.0)	–	(1.0)	(5.0)
<b>At 31 December 2017</b>	<b>166.0</b>	<b>23.1</b>	<b>72.4</b>	<b>261.5</b>
<b>Accumulated depreciation</b>				
At 1 January 2017	(50.5)	–	(37.9)	(88.4)
Exchange translation adjustments	0.5	–	0.5	1.0
Depreciation charge for the year	(4.5)	(0.1)	(11.7)	(16.3)
Disposals	4.0	–	1.0	5.0
<b>At 31 December 2017</b>	<b>(50.5)</b>	<b>(0.1)</b>	<b>(48.1)</b>	<b>(98.7)</b>
<b>Net book value at 31 December 2017</b>	<b>115.5</b>	<b>23.0</b>	<b>24.3</b>	<b>162.8</b>

## 12. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
<b>Cost</b>				
At 1 January 2018	595.1	247.3	177.4	1,019.8
Exchange translation adjustments	10.6	4.0	1.6	16.2
Additions	70.8	27.1	90.8	188.7
Disposals	-	-	(18.4)	(18.4)
<b>At 31 December 2018</b>	<b>676.5</b>	<b>278.4</b>	<b>251.4</b>	<b>1,206.3</b>
<b>Accumulated amortisation</b>				
At 1 January 2018	-	(123.3)	(70.7)	(194.0)
Exchange translation adjustments	-	(2.0)	(1.5)	(3.5)
Amortisation charge for the year	-	(28.8)	(30.2)	(59.0)
Disposals	-	-	18.4	18.4
<b>At 31 December 2018</b>	<b>-</b>	<b>(154.1)</b>	<b>(84.0)</b>	<b>(238.1)</b>
<b>Carrying amount at 31 December 2018</b>	<b>676.5</b>	<b>124.3</b>	<b>167.4</b>	<b>968.2</b>
	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
<b>Cost</b>				
At 1 January 2017	454.9	186.6	116.2	757.7
Exchange translation adjustments	(8.2)	(3.6)	(1.0)	(12.8)
Additions	148.4	64.3	63.7	276.4
Disposals	-	-	(1.5)	(1.5)
<b>At 31 December 2017</b>	<b>595.1</b>	<b>247.3</b>	<b>177.4</b>	<b>1,019.8</b>
<b>Accumulated amortisation</b>				
At 1 January 2017	-	(97.3)	(53.3)	(150.6)
Exchange translation adjustments	-	1.7	0.5	2.2
Amortisation charge for the year	-	(27.7)	(19.4)	(47.1)
Disposals	-	-	1.5	1.5
<b>At 31 December 2017</b>	<b>-</b>	<b>(123.3)</b>	<b>(70.7)</b>	<b>(194.0)</b>
<b>Carrying amount at 31 December 2017</b>	<b>595.1</b>	<b>124.0</b>	<b>106.7</b>	<b>825.8</b>

Of the total goodwill, £492.0 million (2017: £410.8 million) is allocated to Asset Management. Wealth Management goodwill is allocated £119.5 million (2017: £119.3 million) to Schroder Wealth and £65.0 million (2017: £65.0 million) to Benchmark Capital.

The Group acquired £24.9 million (2017: £64.3 million) of intangible assets as a result of business combinations completed in 2018, £20.1 million of which related to the acquisition of Algonquin Management Partners S.A. in the Asset Management segment and £4.8 million related to business combinations completed during the year by Benchmark Capital in the Wealth Management segment (see note 17). The Group also acquired £2.2 million (2017: nil) of customer contracts through Benchmark Capital that were not considered to be business combinations.

### 13. Retirement benefit obligations

Movements in respect of the assets and liabilities of the UK defined benefit scheme are:

	2018 £m	2017 £m
At 1 January	1,029.2	1,093.2
Interest on assets	26.1	28.0
Remeasurement of assets	(56.8)	20.6
Benefits paid	(47.3)	(112.6)
<b>Fair value of plan assets</b>	<b>951.2</b>	<b>1,029.2</b>
At 1 January	(866.3)	(975.0)
Interest cost	(21.9)	(24.8)
Actuarial gains due to change in demographic assumptions	18.3	27.2
Actuarial gains/(losses) due to change in financial assumptions	36.3	(1.7)
Actuarial losses due to experience	(9.3)	(4.6)
Benefits paid	47.3	112.6
<b>Present value of funded obligations</b>	<b>(795.6)</b>	<b>(866.3)</b>
<b>Net assets</b>	<b>155.6</b>	<b>162.9</b>

The principal assumptions used for the UK defined benefit scheme are:

	2018 %	2017 %
Discount rate	2.9	2.6
RPI inflation rate	3.3	3.3
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.2	3.1
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.2
Average number of years a current pensioner is expected to live beyond age 60:	<b>Years</b>	<b>Years</b>
Men	28	28
Women	29	30
Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	<b>Years</b>	<b>Years</b>
Men	29	29
Women	30	31

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

### 13. Retirement benefit obligations (continued)

#### Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out on page 30 to determine the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The most significant judgemental assumption relates to mortality rates which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2017: 1.0%) per annum.

Mortality tables for male pensioners are scaled back by 5% and female pensioners are scaled back by 10% to reflect the history of longer life expectancy of the Group's employees. The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

### 14. 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 2018	282.5	226.0	56.5	282.5	124.2
<b>At 31 December 2018</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>124.2</b>

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2017	282.7	226.0	56.7	282.7	124.2
Shares cancelled	(0.2)	–	(0.2)	(0.2)	–
<b>At 31 December 2017</b>	<b>282.5</b>	<b>226.0</b>	<b>56.5</b>	<b>282.5</b>	<b>124.2</b>

During the year ended 31 December 2017, 233,623 non-voting ordinary shares were bought back by the Group for a value of £5.4 million and cancelled.

	2018 Number of shares Millions	2017 Number of shares Millions
<b>Issued and fully paid:</b>		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	<b>282.5</b>	<b>282.5</b>

## 15. 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:

	2018 £m	2017 £m
At 1 January	(162.3)	(163.6)
Own shares purchased	(74.9)	(56.6)
Own shares cancelled	–	5.4
Awards vested	73.3	52.5
<b>At 31 December</b>	<b>(163.9)</b>	<b>(162.3)</b>

During the year 2.2 million own shares (2017: 1.8 million own shares) were purchased and held for hedging share-based awards. 2.8 million shares (2017: 2.4 million shares) awarded to employees vested in the period and were transferred out of own shares.

The total number of shares in the Company held within the Group's employee benefit trusts comprise:

	2018			2017		
	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	2.7	6.3	9.0	2.0	6.9	8.9
Non-voting ordinary shares	–	0.1	0.1	0.2	0.1	0.3
	<b>2.7</b>	<b>6.4</b>	<b>9.1</b>	<b>2.2</b>	<b>7.0</b>	<b>9.2</b>



## 16. Reconciliation of net cash from operating activities

	2018 £m	2017 £m
<b>Profit before tax</b>	<b>649.9</b>	<b>760.2</b>
<b>Adjustments for income statement non-cash movements:</b>		
Depreciation of property, plant and equipment and amortisation of intangible assets	80.8	63.4
Net loss/(gain) on financial instruments	52.3	(22.1)
Share-based payments	63.9	60.5
Net (release)/charge for provisions	(0.6)	12.6
Other non-cash movements	(20.3)	(9.6)
	<b>176.1</b>	<b>104.8</b>
<b>Adjustments for which the cash effects are investing activities:</b>		
Net finance income	(8.4)	(9.7)
Share of profit of associates and joint ventures	(19.1)	(21.7)
	<b>(27.5)</b>	<b>(31.4)</b>
<b>Adjustments for statement of financial position movements:</b>		
Decrease/(increase) in loans and advances within Wealth Management	406.2	(236.4)
Increase in trade and other receivables	(40.3)	(43.2)
(Decrease)/increase in deposits and client accounts within Wealth Management	(545.2)	38.9
Increase in trade and other payables, other financial liabilities and provisions	12.0	35.2
	<b>(167.3)</b>	<b>(205.5)</b>
<b>Adjustments for Life Company movements:</b>		
Net decrease/(increase) in financial assets backing unit-linked liabilities	2,756.2	(953.0)
Net (decrease)/increase in unit-linked liabilities	(2,730.5)	1,058.8
	<b>25.7</b>	<b>105.8</b>
<b>Tax paid</b>	<b>(143.0)</b>	<b>(148.8)</b>
<b>Net cash from operating activities</b>	<b>513.9</b>	<b>585.1</b>

## 17. Business combinations

The Group completed six business combinations during the year.

The most significant of these transactions completed on 2 May 2018 when the Group acquired 100% of the issued share capital of Algonquin Management Partners S.A. (Algonquin), a specialist pan-European hotels investments and management business, for a total consideration of £118.5 million. The acquisition contributed £1.6 billion of Asset Management AUM and strengthens the Group's real estate capabilities.

On 28 February 2018, the Group increased its interest in NEOS Finance Group B.V. (NEOS) from 25% to 49% of issued share capital for a cash consideration of £4.7 million, which, combined with the fair value of the Group's holding, resulted in the fair value consideration of £9.5 million. NEOS was previously held as an associate (see note 10) but the Group has determined that it is now a subsidiary.

The Group completed four other business combinations during the year for a combined consideration of £5.1 million.

### Net assets acquired

The fair value of the net assets acquired in the transactions together with the goodwill and intangible assets arising are as follows:

	Algonquin £m	NEOS £m	Other £m	Total £m
<b>Net assets acquired:</b>				
Cash	1.4	1.8	0.7	3.9
Financial assets	23.6	–	–	23.6
Trade and other receivables	19.9	–	–	19.9
Other assets	0.2	1.5	1.4	3.1
Trade and other payables	(4.3)	(0.4)	–	(4.7)
Other liabilities	–	(2.6)	(6.8)	(9.4)
<b>Tangible net assets</b>	<b>40.8</b>	<b>0.3</b>	<b>(4.7)</b>	<b>36.4</b>
Goodwill	61.4	9.4	–	70.8
Intangible assets arising on acquisition	20.1	–	4.8	24.9
Deferred tax arising on acquisition	(3.8)	–	–	(3.8)
Non-controlling interest	–	(0.2)	5.0	4.8
<b>Total</b>	<b>118.5</b>	<b>9.5</b>	<b>5.1</b>	<b>133.1</b>

	Algonquin £m	NEOS £m	Other £m	Total £m
<b>Satisfied by:</b>				
Cash	94.7	4.7	3.6	103.0
Contingent consideration <sup>1</sup>	23.8	–	–	23.8
Deferred consideration	–	–	1.5	1.5
Fair value of Group's pre-existing 25% interest	–	4.8	–	4.8
<b>Total</b>	<b>118.5</b>	<b>9.5</b>	<b>5.1</b>	<b>133.1</b>

<sup>1</sup> Contingent consideration of £23.8 million is payable under the terms of the share purchase agreement for Algonquin. This amount is contingent upon the receipt of future revenues over a three year period post acquisition. The estimated range of amounts that will ultimately be payable is between £14.4 million and £27.8 million.

## 17. Business combinations (continued)

### Algonquin

Goodwill arising on the acquisition of Algonquin represents the value of the acquired business arising from:

- A broader platform for business growth;
- Talented management and employees; and
- Opportunities for synergies from combining certain activities.

Goodwill arising on the acquisition of Algonquin will not be deductible for tax purposes.

In the period between the acquisition date on 2 May 2018 and 31 December 2018, Algonquin contributed £8.3 million to the Group's net income. The contribution to profit before tax and exceptional items was £4.4 million and exceptional costs of £2.1 million were incurred mainly in respect of amortisation of the acquired intangible assets. Additionally, acquisition costs of £3.1 million were recorded within 'Operating expenses' and classified as exceptional in the Consolidated income statement.

If the acquisition had been completed on 1 January 2018, the Group's pre-exceptional net income for the year would have been £2,128.1 million, and the profit before tax and exceptional items for the year on the same basis would have been £763.4 million.

### NEOS

The goodwill arising on the acquisition is attributable to the value of the additional investment capabilities acquired. The £0.2 million of non-controlling interest recognised at the acquisition date was determined as a proportion of the identifiable net assets at the date of acquisition attributable to third parties.

At 28 February 2018, the fair value of the 25% equity interest in NEOS was £4.8 million. As a result of remeasuring the equity interest to fair value at the acquisition date, a gain of £1.5 million was recognised through net gain on financial instruments and other income in the Group's income statement.

#### Estimates and judgements

The fair value of certain items of consideration, assets acquired and liabilities assumed requires some estimation. For contingent consideration payable on the acquisition of Algonquin, this estimation required assumptions regarding the level of management fees that will be earned over the relevant period and carried interest revenue that will be generated.

Certain assets acquired, including intangible assets arising on acquisition, as well as liabilities assumed also required some estimation. The key assumptions included those in respect of management fees earned over the relevant period and carried interest revenue as set out above.

The net impact of changes to these assumptions would be to change the carrying value of individual assets and liabilities with a corresponding change to goodwill. The reasonable range of potential outcomes of contingent consideration (undiscounted) is between £14.4 million and £27.8 million, compared with the Group's estimate of the amount payable of £23.8 million.

## Key risks and mitigations

We are exposed to a variety of risks as a result of our business activities. Effective risk management is a core competence and we actively monitor the potential impact of current and emerging risks. We place significant focus on the integrity and good conduct of employees and doing the right thing for our stakeholders. Our risk management framework is underpinned by a strong control culture with clear oversight responsibilities.

### Managing risk

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

It is the responsibility of all employees to uphold the control culture of Schroders. We embed risk management within all areas of the business at a Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as the principal executive committee, have responsibility for regularly reviewing the key risks we face. This includes ensuring that their respective business areas in all legal entities are monitoring and reporting relevant risks and controls. They are also responsible for monitoring individual behaviours, ensuring that they mirror the culture and core values of the business.

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer (CFO). The CFO has responsibility for the risk and control framework of the Group. Independent monitoring and reporting of risks and controls at a Group and legal entity level is supported by the Group Head of Risk.

The CFO chairs the Group Risk Committee (GRC), which meets ten times a year. The GRC supports the CFO and the GMC in discharging their risk management responsibilities. The committee is attended by the heads of the control functions (Group Risk, Compliance, Legal and Internal Audit) along with chief operating officers from across the business and senior managers from Distribution, Product and Wealth Management. Other GMC members regularly attend. 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 current exposures to our key risks and considers issues as they arise. The GRC and the Wealth Management Audit and Risk Committee (WMARC) receive reports relating to the risk profile of Wealth Management.

Our Business Issues and Conflicts Committee supports the GRC and GMC in identifying and managing conflicts that may arise from time to time in our diversified business.

### Lines of defence

The first line of defence against undesirable outcomes is the business functions themselves and the line managers across Asset Management, Wealth Management and Infrastructure. Heads of each business area take the lead role with respect to identifying potential risks in their area and implementing and maintaining appropriate controls to manage these risks.

Line management is supplemented by the control and oversight functions, including Group Risk, Compliance, Legal, Governance, Finance, Tax and Human Resources, which constitute the second line of defence. The compliance monitoring programme reviews the effective operation of relevant key processes against regulatory requirements.

Internal Audit provides retrospective, independent assurance over the operation of controls and forms the third line of defence. The internal audit programme includes reviews of risk management processes and recommendations to improve the control environment, supplemented by external assurance from the Group's auditors. The team also carries out thematic compliance monitoring work.

We maintain comprehensive insurance cover with a broad range of policies covering a number of insurable events.

## Lines of defence

### Overview

External independent assurance

### Three lines of defence



## 2018 developments

Management of our key risks has remained a priority throughout 2018. In particular, we have focused on embedding our risk framework within the businesses we have acquired and new business relationships we have established. We have also managed the risks involved in transitioning to our new front office technology platform.

Specific initiatives were undertaken that covered a wide range of activities across the Group and are covered below:

- Group Risk has been actively and extensively engaged in the implementation of our strategic projects: notably our new front office technology platform, our move to a new London headquarters, transition to S3 (a new virtual desktop technology) and in establishing material new business relationships with Lloyds Banking Group.
- Our Operational Risk teams have supported the implementation of our new front office technology platform across each of our global locations, so that risks are clearly assessed, understood and controlled by management. Where necessary, action plans to mitigate risk were formulated and put into action.
- The design and implementation of our new front office technology platform has improved our capabilities in the management and oversight of investment risk. It has provided a broad suite of integrated metrics that can be monitored centrally on a more frequent basis. Group Risk deployed portfolio-level stress testing across our client mandates and funds, which allows us to develop a better understanding of how our client portfolios perform under adverse market conditions relative to their portfolio objectives.
- A number of thematic investment risk reviews were conducted to support the oversight and challenge of risk taking. These included themes such as consideration of active risk levels, performance relative to benchmarks and fund liquidity.
- As an integral part of the corporate investment process, Group Risk worked alongside business teams performing due diligence on opportunities to assess the risks.
- Group Risk has worked to integrate the risk framework across new business areas, including Schroder Adveq, Benchmark Capital and Algonquin. This included the deployment of policies, alignment of governance and escalation, and reporting across various legal entities.
- Ongoing monitoring of our risk appetite measures and metrics was performed. In certain areas these were enhanced, most notably in the ongoing priority of information security, which is overseen by our Information Security Risk Oversight Committee.

- The Audit and Risk Committee reviews a comprehensive dashboard of metrics for key risks on a quarterly basis.
- Further work has been undertaken to assess model risk and to manage user-developed tools to reduce risks from changes to software.
- A new approach was developed to assess the risks when we deploy robots as part of our robotics program.

The risk and control assessment (RCA) process continues to be a key part of our risk management framework and is summarised in the diagram below. In 2018, we completed an upgrade of our technology to manage our operational risk framework, including RCAs, issues, events and data loss management.

**Risk and control assessment process**



## Key risks

### Assessment of key risks

We have identified 22 key risks across strategic, business, operational and financial instrument risk categories, as shown on the following page.

These risks have been assessed in light of the current environment, taking into consideration the views of subject matter experts and risk owners within the firm, geo-political risks that may impact our clients, market conditions and the ability of our employees to operate in local offices around the world. Regulatory sentiment, changes within the business and threats with uncertain impact, probability and timeframe could impact the Group. We continuously monitor internal and external environments to identify new and emerging risks. We then analyse each risk and, if needed, develop and apply mitigation and management plans.

The Group determines which key risks it considers to be heightened, for example those that are more costly if they materialise. We then undertake further work to manage these actively. When considering these risks, we also take account of the objectives of regulators to ensure market integrity, appropriate consumer protection and promotion of competition within the industry. The diagram on the following page illustrates the relative likelihood and impact of our risks and is an outcome of our assessments.

We remain vigilant in considering the impact of Brexit on our business model and have described this further at the end of this section.

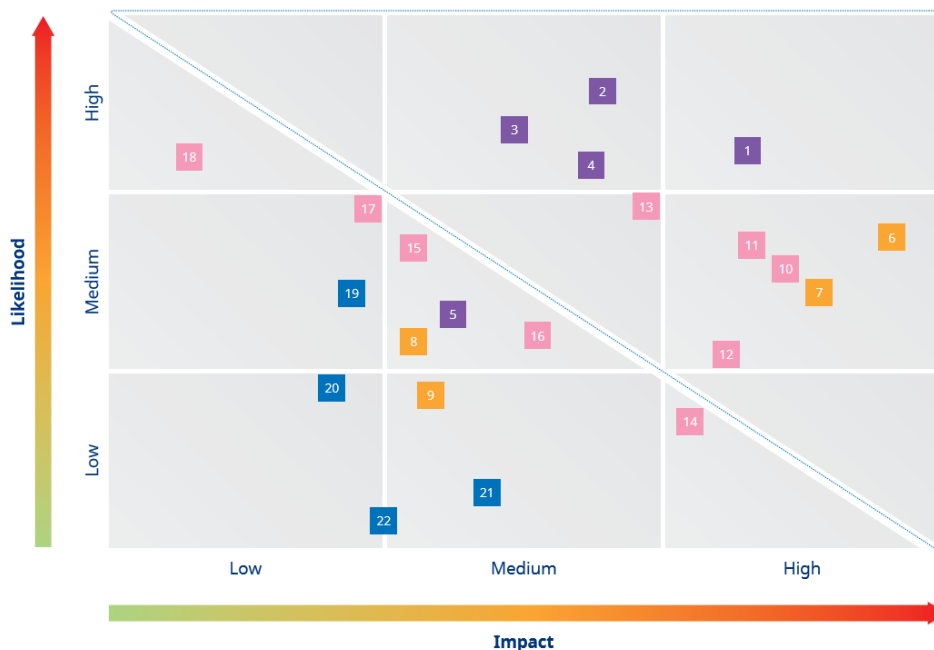
## Reporting on our material risks

The diagram below shows our key risks. The horizontal axis illustrates the impact of a key risk if it were to materialise and the vertical axis illustrates the likelihood of this occurring. The scales of each axis are set on a relative basis between each risk and are based on the residual risks.

The risks that we consider to have either a higher likelihood of impacting the organisation, or with a higher likelihood of occurring, are shown above the diagonal line.

Details of how we manage our risks are described in the tables on the following pages.

**Risk impact matrix, based on residual risk assessment (after controls)**



### Strategic risks

- 1 Changing investor requirements
- 2 Fee attrition
- 3 Business model disruption
- 4 Market returns
- 5 Regulatory landscape change

### Business risks

- 6 Reputational risk
- 7 Investment performance risk
- 8 Product risk
- 9 Business concentration risk

### Operational risks

- 10 Conduct and regulatory risk
- 11 Third-party service provider risk
- 12 Information security risk
- 13 Process risk
- 14 Fraud risk
- 15 Technology risk
- 16 Legal risk
- 17 Tax risk
- 18 People and employment practices risk

### Financial instrument risks

- 19 Credit risk
- 20 Market risk
- 21 Risk of insufficient capital
- 22 Liquidity risk

## Key risks

### (a) Strategic risks

Impact for Schroders: These risks relate to our strategy and the environment in which we operate. The impact of these risks, if not carefully managed, is to lower our AUMA and the income we therefore receive. Our business plans seek to address these risks by responding to the challenges faced and growing our assets and earnings.

Higher-rated key risks	Description	How we manage risk
1. Changing investor requirements	Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect changing investor requirements could lead to a drop in AUMA. This includes index tracking strategies, such as passive funds.	We have a dedicated Product and Solutions function that focuses on developing our product strategy. We continue to expand our capabilities into new areas, including private assets, and commit seed capital to developing solutions. We carefully manage our cost base to reflect our clients' changing asset allocation requirements.
2. Fee attrition	Continued reduction of fees due to the current market environment and pricing pressures and a move towards vertical integration could impact our revenues.	We are increasing our focus on solutions and outcome-oriented strategies and private assets, which diversify our fee income. We are also increasingly diversifying our product offering, supporting long-term profitability.
3. Business model disruption	Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Good progress in managing this risk has lowered the impact.	We are increasing our effort to deliver efficiencies and insights through technology. Digital initiatives are in progress to improve client experience, engagement and servicing. We are investing in our technology platform to support scalability, agility in our product offering and our expanding private assets and alternatives businesses.
4. Market returns	Our income is derived from the assets we manage and administer. Falling markets could reduce AUMA and cause a fall in revenues.	We have diversified income streams across a range of markets to mitigate falling markets in any one area.
Lower-rated key risk	Description	How we manage risk
5. Regulatory landscape change	The risk that we do not respond appropriately to regulatory changes such as MiFID II, BEAR, GDPR or SMCR, or other events such as Brexit.	Regulatory and legal change is monitored by the Compliance, Legal and Public Policy teams. We engage with regulators globally on potential or planned regulatory changes and in response to Brexit.



## Key risks (continued)

### (b) Business risks

Impact for Schroders: In executing our strategy, a number of key risks arise that could impact our ability to attract and retain clients. By evolving our product offering and delivering investment performance, we have the best opportunity to be selected by clients when allocating assets. A failure to achieve this could lead to a decrease in AUMA.

Higher-rated key risks	Description	How we manage risk
6. Reputational risk	This may arise from poor conduct, judgement or risk events due to weaknesses in systems or controls. The reputation of Schroders can be impacted by any of our key risks.	We consider reputational risks when initiating changes to our strategy or operating model and maintain high standards of conduct.
7. Investment performance risk	There is a risk that portfolios may not meet their investment objectives or that there is a failure to deliver consistent performance.	We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge.
Lower-rated key risks	Description	How we manage risk
8. Product risk	There is a risk that our product offering is not suitably diversified, or does not provide access to strategies that will help investors to meet their objectives.	Our dedicated Product and Solutions function focuses on strategy, innovation and changing investor requirements.
9. Business concentration risk	Insufficient diversification in distribution channels, products, clients, markets, or income streams could pose a risk to our business.	We have a broad range and scale of products, distribution and investment channels and our development of strategic relationships and acquisitions enables further diversification of income streams.

### (c) Operational risks

Impact for Schroders: Operational risks are inherent in all activities and processes. They exist in the normal course of business and are heightened when we undertake changes to our organisation. When operational risk events occur, this may affect our clients and our ability to serve them. We may be liable for financial losses or fines, which could affect our business performance and may weaken our standing with stakeholders.

Higher-rated key risks	Description	How we manage risk
10. Conduct and regulatory risk	The risk of inappropriate conduct, conflicts management practice or behaviour impacting on client outcomes, or of failing to respond appropriately to regulatory changes.	We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct via our conduct risk framework and culture assessment, supported by compliance monitoring and surveillance programmes.
11. Third-party service provider risk	The risk that suppliers may not meet their agreed service level terms.	We have policies in place to govern our approach to appointing, managing and reviewing third-party providers.
12. Information security risk*	The risk that our technology is compromised or inadequate, resulting in the confidentiality, integrity or availability of our data or Schroders' services being negatively impacted.	Formal governance of information security (cyber) risks exists across the three lines of defence and is monitored by the Information Security Risk Oversight Committee.

## Key risks (continued)

### (c) Operational risks (continued)

Higher-rated key risks	Description	How we manage risk
13. Process risk**	The risk of failure of significant business processes, such as mandate compliance, client suitability checks, financial crime risk management and asset pricing.	Our key business processes are regularly reviewed and the risks assessed through the RCA process. When we undertake change, such as acquisitions, we assess new processes that may arise.
Lower-rated key risks	Description	How we manage risk
14. Fraud risk	Fraud could arise from any attempt to defraud the firm or our clients by circumventing our processes and controls.	Controls are in place, which are assessed as part of the RCA process. We have applied particular focus to our payment processes.
15. Technology risk	A change or failure in technology could pose a risk to the integrity or availability of the services we offer.	Policies and technical standards are deployed, together with robust project and change management processes, which cover the assessment of business requirements, risk and scalability.
16. Legal risk	The risk that we, our clients, suppliers or other third parties fail to meet or record legal or regulatory obligations.	Our policies and procedures consider legal risk as part of their design. We have an escalation process for the areas of material risk and our Legal function supports our employees and the business.
17. Tax risk	We and the funds we manage are exposed to tax compliance and reporting risks, which include the submission of late or inaccurate tax returns. We have further reviewed the impact and updated our risk position.	Our tax strategy sets out our approach to managing our tax affairs, underpinned by a governance framework and supported by the Tax function, which works with management and advisers to monitor our position and relevant tax changes.
18. People and employment practices risk	The inability to attract, retain or develop key employees to support our business or maintain high standards in employment practices.	We have competitive remuneration and retention plans and build depth and strength in our workforce. We have sustainable succession and employee development processes and recruit selectively through our entry-level and experienced hire programmes.

\* Separated from technology risk.

\*\* Change risk has been removed.

## Key risks (continued)

### (d) Financial instrument risks

Impact for Schroders: We face market, credit, liquidity and capital risks from the instruments we manage as part of our AUM, as well as those arising from holding investments where we act as principal. The impact of financial instrument risks on our business may negatively affect our earnings or ability to invest in our business.

Lower-rated key risks	Description	How we manage risk
19. Credit risk	Exposure to counterparty risk from clients, principal investment holdings and in the assets we manage. Our wealth management lending activities also face credit risk exposure.	We assess counterparty creditworthiness and set limits for both principal and agency counterparties. In Wealth Management, credit risk is monitored and managed against approved limits and where collateral is taken.
20. Market risk	Market movements may cause a fall in the value of principal investments and a decline in the value of our proprietary assets.	The Group Capital Committee (GCC) regularly reviews all principal assets held for investment or seed capital purposes. The Group's seed capital investments are hedged in respect of market risk and currency risk, where practical. The Wealth Management Executive Committee monitors and manages market risk in the Group's Wealth Management business.
21. Risk of insufficient capital	The risk that the Group is unable to support its strategic business objectives due to its minimum regulatory capital requirements.	The Group and its legal subsidiaries maintain an appropriate level of capital, including a significant buffer over the minimum regulatory capital requirements, which allows us to conduct business and invest in new business opportunities as they arise.
22. Liquidity risk	The inability to meet our contractual or payment obligations in a timely manner and, in relation to client portfolios, the inability to sell the underlying investments for full value or at all.	The GCC reviews the Group's liquidity needs, considering the current liquidity position, future cash flows, regulatory requirements and potential stress scenarios. The Wealth Management Executive Committee monitors and manages liquidity risk in the Group's banking businesses. We have established processes to assess and monitor the liquidity risk profile of funds on an ongoing basis.

## Our business model and Brexit

On 29 March 2017, the British government gave notice under Article 50 of the Lisbon Treaty that the UK would leave the European Union (EU) on 29 March 2019. Negotiations continue but uncertainty remains and there is a range of possible outcomes and timeframes for many aspects of the UK's exit from the EU.

Uncertainty with respect to the terms on which the UK will leave the EU has impacted some of the markets in which we invest our clients' assets. We have taken this into account as events have developed over the year, particularly with respect to European-invested strategies with a UK weighting, and have made adjustments accordingly.

Schroders is well-positioned to manage the challenges that arise as a result of Brexit. Our diversified business model and significant presence in the EU27 mean that we are well-placed to continue to service our clients and grow our business.

We have a long-standing commitment to continental Europe, with a substantial presence involving more than 750 employees across nine offices. In Luxembourg, we have around 250 employees in a wide range of functions and from there distribute funds across borders within the EU as well as more widely around the world. We have also obtained additional permissions to ensure we can continue to offer services, including segregated mandates, to European institutional clients where they wish, or need, to contract with an EU27 entity. We delegate portfolio management to a number of jurisdictions including the UK and welcomed the announcements by the UK and other European regulators that they had agreed the necessary cooperation agreements to allow the delegation of portfolio management to the UK to continue.

Globally, our two largest fund ranges are in the UK and Luxembourg. The UK range is not actively marketed outside the UK. Investors in the Luxembourg range are predominantly comprised from the EU27 and elsewhere in the world. The UK government has introduced a regime to allow EU27-based funds to continue to be offered to clients based in the UK in the period immediately after Brexit.

## 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:

Michael Dobson	Chairman
Peter Harrison	Group Chief Executive
Richard Keers	Chief Financial Officer
Ian King	Senior independent Director
Robin Buchanan	Independent non-executive Director
Sir Damon Buffini	Independent non-executive Director
Rhian Davies	Independent non-executive Director
Rakhi Goss-Custard	Independent non-executive Director
Nichola Pease	Independent non-executive Director
Philip Mallinckrodt	Non-executive Director

6 March 2019

## Five year consolidated financial summary

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
<b>Before exceptional items</b>					
Profit before tax	<b>761.2</b>	800.3	644.7	609.7	565.2
Tax	<b>(163.3)</b>	(171.6)	(132.4)	(126.3)	(113.9)
<b>Profit after tax</b>	<b>597.9</b>	628.7	512.3	483.4	451.3
	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
<b>After exceptional items</b>					
Profit before tax	<b>649.9</b>	760.2	618.1	589.0	517.1
Tax	<b>(145.2)</b>	(165.8)	(127.9)	(121.6)	(103.9)
<b>Profit after tax</b>	<b>504.7</b>	594.4	490.2	467.4	413.2
	2018 Pence	2017 Pence	2016 Pence	2015 Pence	2014 Pence
<b>Pre-exceptional earnings per share:</b>					
Basic earnings per share <sup>1</sup>	<b>215.8</b>	226.9	186.3	176.9	166.8
Diluted earnings per share <sup>1</sup>	<b>211.8</b>	222.4	182.4	172.2	161.5
	2018 Pence	2017 Pence	2016 Pence	2015 Pence	2014 Pence
<b>Post-exceptional earnings per share:</b>					
Basic earnings per share <sup>1</sup>	<b>183.1</b>	215.3	178.3	171.1	152.7
Diluted earnings per share <sup>1</sup>	<b>179.7</b>	211.0	174.5	166.5	147.8
<b>Dividends</b>	2018	2017	2016	2015	2014
Cost (£m)	<b>311.7</b>	267.6	236.6	226.3	177.7
Pence per share <sup>2</sup>	<b>114.0</b>	98.0	87.0	83.0	66.0
<b>Total equity (£m)</b>	<b>3,621.2</b>	3,471.0	3,152.8	2,795.6	2,537.8
<b>Net assets per share (pence)<sup>3</sup></b>	<b>1,282</b>	1,229	1,115	990	898

<sup>1</sup> See note 7 for the basis of this calculation.

<sup>2</sup> 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.

<sup>3</sup> Net assets per share are calculated by using the actual number of shares in issue at the year-end date.

## Exchange rates – closing

31 December	2018	2017	2016	2015	2014
<b>Sterling:</b>					
Euro	<b>1.11</b>	1.13	1.17	1.36	1.29
US dollar	<b>1.27</b>	1.35	1.24	1.47	1.56
Swiss franc	<b>1.26</b>	1.32	1.26	1.48	1.55
Australian dollar	<b>1.81</b>	1.73	1.71	2.03	1.91
Hong Kong dollar	<b>9.97</b>	10.57	9.58	11.42	12.09
Japanese yen	<b>139.73</b>	152.39	144.12	177.30	186.95
Singaporean dollar	<b>1.74</b>	1.81	1.79	2.09	2.07

## Glossary

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<b>Annualised net new revenue</b>	The net operating revenue that would be earned over a one year timeframe if the net new business was all transacted on the same day and there were no market movements or other changes to assets under management or fee rates over that year. Calculated as gross new funds from clients multiplied by the applicable net operating revenue margin for each flow, less gross funds withdrawn multiplied by the applicable net operating revenue margin for each flow. This measure provides additional information to better assess the impact of net new business on the Group's net operating revenue.
<b>Basic or diluted earnings per share before exceptional items</b>	Profit after tax but before exceptional items divided by the relevant weighted average number of shares (see note 7). The presentation of earnings per share before exceptional items provides transparency of recurring revenue and expenditure to aid understanding of the financial performance of the Group.
<b>Notified net new inflows</b>	'Net new business' that has been notified but not yet funded or withdrawn by clients, the value of which is based on the data available at the date of the notification. Notified net new inflows as at 31 December 2018 included approximately £80 billion of Scottish Widows and Lloyds insurance and wealth related assets announced on 23 October 2018 which is expected to begin funding later this year.
<b>Net new business</b>	New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative). New funds and funds withdrawn are calculated as at 31 December 2018 on the basis of actual funding provided or withdrawn.
<b>Payout ratio</b>	The total dividend per share in respect of the year (see note 8) divided by the pre-exceptional basic earnings per share. Maintaining a payout ratio of approximately 50% allows us to align shareholder return with the success of the Group.
<b>Profit before tax and exceptional items</b>	Profit before tax but excluding exceptional items. This presentation provides transparency of recurring revenue and expenditure to aid understanding of the financial performance of the Group.
<b>Ratio of total costs to net income</b>	Total Group costs before exceptional items divided by net income before exceptional items. A 65% ratio is targeted to ensure costs are aligned with net income, although we recognise that in weaker markets the ratio may be higher than our long-term target.
<b>Total compensation ratio</b>	Pre-exceptional compensation costs (note 5) divided by pre-exceptional net income. By targeting a total compensation ratio of 45 to 49%, depending upon market conditions, we align the interests of shareholders and employees.