Schroders

Press Release
Schroders plc
Full-year results

1 March 2018

- Profit before tax and exceptional items* up 24% to £800.3 million (2016: £644.7 million)
- Profit before tax up 23% to £760.2 million (2016: £618.1 million)
- Net income before exceptional items up 15% to £2,068.9 million (2016: £1,793.1 million)
- Assets under management and administration up 13% to £447.0 billion (31 December 2016: £395.3 billion**)
- Net inflows of £9.6 billion (2016: £1.1 billion)
- Full-year dividend up 22% to 113.0 pence per share (2016: 93.0 pence)

	2017 £m	2016 £m
Net income	2,068.9	1,793.1
Operating expenses	(1,268.6)	(1,148.4)
Profit before tax and exceptional items	**800.3**	**644.7**
Profit before tax	**760.2**	**618.1**
Basic earnings per share before exceptional items (pence)*	**226.9**	**186.3**
Basic earnings per share (pence)	**215.3**	**178.3**
Ratio of total costs to net income (%)*	**61%**	**64%**
Total dividend (pence per share)†	**113.0**	**93.0**

*Defined and explained in the glossary.
**Assets under administration has been restated to exclude assets from which we only derive transactional non-recurring revenues.
†Current year interim dividend paid and final dividend proposed.

Peter Harrison, Group Chief Executive, commented: *"Schroders has again delivered strong results in 2017, with our diversified business model and client-centric approach generating growth across the Group. Underlying organic growth and selective acquisitions combined with rigorous cost discipline led to a 24% increase in pre-exceptional profit. Assets under management and administration rose to a new high of £447.0 billion.*

Focusing on the longer term, we have continued to see good progress in a number of key strategic areas, with the expansion of our investment capabilities in private assets, an improvement in Wealth Management and strong underlying momentum in North America.

There are headwinds facing the industry but we continue to believe that there remain opportunities for growth. Our diversified business model, ongoing focus on costs, strong financial position and willingness to invest mean that we continue to be well placed."

Management statement

Schroders has again delivered strong results in 2017, with our diversified business model and client-centric approach generating growth across the Group. Underlying organic growth and selective acquisitions combined with rigorous cost discipline led to a 24% increase in pre-exceptional profit to £800.3 million (2016: £644.7 million) and a 23% increase in profit before tax to £760.2 million (2016: £618.1 million).

Net operating revenue increased by 17% to £2,010.2 million (2016: £1,712.8 million) and net income before exceptional items rose by 15% to £2,068.9 million (2016: £1,793.1 million), driven by higher assets under management and administration (AUMA) and performance fees.

This was achieved whilst maintaining cost discipline, with the ratio of total costs to net income reducing by three percentage points to 61% (2016: 64%).

At 31 December 2017 AUMA was £447.0 billion, a 13% increase from the prior year end (31 December 2016: £395.3 billion). This was driven by strong investment performance, acquisitions aligned with our strategic priorities and net new business from clients of £9.6 billion, which generates around £63 million of annualised net new revenue*, around £24 million of which is in these results.

Weakness in sterling in the first half of the year, compared to 2016, contributed positively to profit before tax and exceptional items by around £27 million. However, as sterling strengthened in the second half, the impact at 31 December 2017 was to reduce assets under management (AUM) by around £12 billion.

We have seen good underlying growth in key strategic areas and have continued to invest in the future growth of the business. In Asia Pacific we have continued to generate positive net new business from clients in Japan and we are expanding our distribution reach in mainland China. There has also been good underlying momentum in North America, with strong demand from Institutional clients and an encouraging first year in our relationship with Hartford.

We have expanded our capabilities in Private Assets and Alternatives with the acquisition of Adveq, a Swiss-based private equity firm. This acquisition, along with organic growth, brought total AUM in Private Assets and Alternatives to £33.3 billion (2016: £24.4 billion). Within Wealth Management, we acquired the discretionary client assets of C. Hoare & Co. and benefited from a full year's contribution from Benchmark Capital, which we acquired in December 2016.

Asset Management

Asset Management profit before tax and exceptional items rose 23% to £705.9 million (2016: £572.4 million) and profit before tax was up 24% to £688.7 million (2016: £553.9 million). Assets under management at the end of December were £389.8 billion (31 December 2016: £346.4 billion). We generated net inflows from clients of £7.6 billion (2016: £1.4 billion).

Net operating revenue increased by 17% to £1,743.3 million (2016: £1,489.5 million). We generated performance fees of £77.5 million (2016: £38.8 million), £57.6 million (2016: £27.2 million) of which came from Institutional clients and £19.9 million (2016: £11.6 million) through the Intermediary sales channel. The net operating revenue margin before performance fees for Asset Management was 45 basis points (FY 2016: 46 basis points).

Our Institutional client business generated a net operating revenue margin before performance fees of 32 basis points, which was unchanged from 2016. Growth in higher margin Private Assets and Alternatives through the acquisition of Adveq offset the impact of margin declines, particularly through the outflows from Equity strategies.

Institutional clients invested net new money of £4.2 billion, driven by demand for Multi-asset and Private Assets and Alternatives strategies and from clients in North America and the UK. AUM for Institutional clients at the end of December were £255.8 billion (31 December 2016: £226.3 billion).

*Defined and explained in the glossary.

The net operating revenue margin in Intermediary (before performance fees) declined by one basis point to 72 basis points (2016: 73 basis points). The combined impact of the loss of a low margin sub-advised mandate and inflows into Equity funds partially offset structural changes to fee rates in the UK and Luxembourg which were reported last year.

In the Intermediary sales channel, we generated net new business of £3.4 billion. Branded funds saw particularly high demand with net inflows of £7.6 billion, more than offsetting £4.2 billion of net outflows from sub-advisory mandates. There was positive net new business within branded funds across all asset classes, with demand led by Fixed Income and Equity products. AUM in the Intermediary sales channel at the end of December were £134.0 billion (31 December 2016: £120.1 billion).

Wealth Management

Wealth Management profit before tax and exceptional items was up 36% to £90.3 million (2016: £66.4 million) and profit before tax rose 20% to £67.4 million (2016: £56.3 million). Net operating revenue increased by 20% to £266.9 million (2016: £223.3 million), including performance fees of £0.9 million (2016: £2.4 million). AUM in Wealth Management at 31 December 2017 was £45.9 billion (2016: £39.6 billion) and AUA increased by 22% to £11.3 billion (2016: £9.3 billion).

Wealth Management clients introduced £2.0 billion of net new money in 2017 (2016: net outflows of £0.3 billion). There was client demand from each division within Wealth Management, with £1.1 billion through the Cazenove Capital business and £0.9 billion through Benchmark Capital.

The net operating revenue margin before performance fees was 61 basis points (2016: 65 basis points), with the reduction primarily due to the full year impact of Benchmark Capital.

Group

The Group segment comprises central costs and returns on investment capital. Profit before tax and exceptional items in 2017 was £4.1 million (2016: £5.9 million). Total equity at 31 December 2017 was £3.5 billion (31 December 2016: £3.2 billion).

Dividend

The Board will recommend to shareholders at the Annual General Meeting a final dividend of 79.0 pence (2016 64.0 pence), which represents an increase of 23%. This will bring the total dividend for the year to 113.0 pence (2016: 93.0 pence), an increase of 22%. The final dividend will be paid on 3 May 2018 to shareholders on the register at 23 March 2018.

Outlook

Looking ahead, our core focus will remain on helping our clients to achieve their financial goals and build their future prosperity.

We will continue to invest for long-term future growth, whether in allocating more resources to further diversifying our product offering, expanding our geographical footprint or leveraging the opportunities created by the latest technology.

There are challenges facing the industry, although we believe that there remain opportunities for growth and that our diversified business model is well placed to take advantage of these.

For further information, please contact:

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Additional information

Assets under management and administration (AUMA)

Year ended 31 December 2017

£bn	AUM Institutional	Intermediary	Asset Management	Wealth Management	Total	AUA[1]	AUMA[2]
1 January 2017	**226.3**	**120.1**	**346.4**	**39.6**	**386.0**	**9.3**	**395.3**
Gross inflows	38.4	56.7	95.1	8.2	103.3		
Gross outflows	(34.2)	(53.3)	(87.5)	(6.2)	(93.7)		
Net flows	**4.2**	**3.4**	**7.6**	**2.0**	**9.6**		
Acquisitions	6.0	-	6.0	2.5	8.5		
Investment returns	19.3	10.5	29.8	1.8	31.6		
31 December 2017	**255.8**	**134.0**	**389.8**	**45.9**	**435.7**	**11.3**	**447.0**

[1]Assets under administration has been restated to exclude assets from which we only derive transactional non-recurring revenues.
[2]Assets under management and administration comprise assets managed or advised on behalf of clients (assets under management) 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**
To 31 December 2017	**70%**	**74%**	**84%**
To 31 December 2016	75%	74%	85%

Investment performance has remained strong to 31 December 2017, with 70% of Asset Management assets outperforming over one year, 74% over three years and 84% over five years. This compares to 75%, 74% and 85% respectively at 31 December 2016.

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 discussed or shared with a client or potential client 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 £25 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 £6.4 billion and legacy private equity assets, but include Schroder Adveq managed private equity assets, of £1.6 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 79% 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 to 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 6% of assets in the calculation.

Metrics for the Group

	2017	2016
Ratio of total costs to net income*	**61%**	64%
Total compensation ratio*	**43%**	44%

*Before exceptional items and defined and explained in the glossary.

Copies of this announcement are available on the Schroders website: www.schroders.com. Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a presentation and webcast for the investment community, to discuss the Group's results at 9.00 a.m. GMT on Thursday, 1 March 2018 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at 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, 1 March 2018 at www.schroders.com/ir. The Annual Report and Accounts will be available on the Schroders website: www.schroders.com on 16 March 2018.

This announcement contains inside information, Legal Entity Identifier: 2138001YYBULX5SZ2H24.

Forward-looking statements

This announcement, the Annual Report and Accounts for 2017, 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 2017

	Notes	**2017** Before exceptional items £m	**2017** Exceptional items[3] £m	**2017** Total £m	2016 Before exceptional items £m	2016 Exceptional items[3] £m	2016 Total £m
Revenue	3	2,511.7	-	2,511.7	2,144.9	-	2,144.9
Cost of sales		(501.5)	-	(501.5)	(432.1)	-	(432.1)
Net operating revenue		**2,010.2**	**-**	**2,010.2**	**1,712.8**	**-**	**1,712.8**
Net gains on financial instruments and other income	4	35.2	(3.5)	31.7	58.8	(1.4)	57.4
Share of profit of associates and joint ventures		23.5	(1.8)	21.7	21.5	(2.0)	19.5
Net income		**2,068.9**	**(5.3)**	**2,063.6**	**1,793.1**	**(3.4)**	**1,789.7**
Operating expenses	5	(1,268.6)	(34.8)	(1,303.4)	(1,148.4)	(23.2)	(1,171.6)
Profit before tax		**800.3**	**(40.1)**	**760.2**	**644.7**	**(26.6)**	**618.1**
Tax	6	(171.6)	5.8	(165.8)	(132.4)	4.5	(127.9)
Profit after tax[1]		**628.7**	**(34.3)**	**594.4**	**512.3**	**(22.1)**	**490.2**
Earnings per share							
Basic	7	**226.9p**	**(11.6)p**	**215.3p**	186.3p	(8.0)p	178.3p
Diluted	7	**222.4p**	**(11.4)p**	**211.0p**	182.4p	(7.9)p	174.5p
Dividends per share[2]	8			**98.0p**			87.0p

[1]Non-controlling interest is presented in the Consolidated statement of changes in equity.
[2]Prior year final dividend and current year interim dividend paid during the year.
[3]Please refer to notes 1 and 2 for a definition and further details of exceptional items.

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Profit after tax		**594.4**	**490.2**
Items that may be reclassified to the income statement on fulfilment of specific conditions:			
Net exchange differences on translation of foreign operations after hedging		(34.4)	101.3
Net fair value movement arising from available-for-sale financial assets	4	(8.9)	19.3
Net fair value movement arising from available-for-sale financial assets held by associates		(1.6)	(4.8)
Tax on items taken directly to other comprehensive income	6	0.7	(2.9)
		(44.2)	**112.9**
Items reclassified to the income statement:			
Net realised gains on disposal of available-for-sale financial assets	4	(3.3)	(5.2)
Net realised gains on disposal of available-for-sale financial assets held by associates		(1.4)	(1.4)
		(4.7)	**(6.6)**
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit pension schemes		42.3	(2.0)
Tax on items taken directly to other comprehensive income	6	(7.4)	(0.1)
		34.9	**(2.1)**
Other comprehensive (losses)/income for the year net of tax[1]		**(14.0)**	**104.2**
Total comprehensive income for the year net of tax[1]		**580.4**	**594.4**

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

Consolidated statement of financial position
at 31 December 2017

	Notes	**2017 £m**	2016 £m
Assets			
Cash and cash equivalents		2,947.0	3,318.9
Trade and other receivables	9	739.0	648.2
Financial assets	9	3,480.8	3,105.0
Associates and joint ventures		143.9	125.0
Property, plant and equipment	10	162.8	66.4
Goodwill and intangible assets	11	825.8	607.1
Deferred tax		39.3	66.0
Retirement benefit scheme surplus		162.9	118.2
		8,501.5	**8,054.8**
Assets backing unit-linked liabilities			
Cash and cash equivalents		572.5	466.7
Financial assets		13,413.9	12,460.9
	9	**13,986.4**	**12,927.6**
Total assets		**22,487.9**	**20,982.4**
Liabilities			
Trade and other payables	9	937.7	883.3
Financial liabilities	9	3,955.3	3,902.0
Current tax		78.1	71.8
Provisions		44.0	33.1
Deferred tax		0.1	0.2
Retirement benefit scheme deficits		15.3	11.6
		5,030.5	**4,902.0**
Unit-linked liabilities	9	**13,986.4**	**12,927.6**
Total liabilities		**19,016.9**	**17,829.6**
Net assets		**3,471.0**	**3,152.8**
Total equity[1]		**3,471.0**	**3,152.8**

[1]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 2017

	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
		Attributable to owners of the parent									
At 1 January 2017		282.7	124.2	(163.6)	187.7	50.1	19.3	2,638.0	3,138.4	14.4	3,152.8
Profit for the year		-	-	-	-	21.7	-	571.3	593.0	1.4	594.4
Other comprehensive (losses)/income [1]		-	-	-	(34.3)	(3.0)	(11.5)	34.9	(13.9)	(0.1)	(14.0)
Total comprehensive (losses)/income for the year		**-**	**-**	**-**	**(34.3)**	**18.7**	**(11.5)**	**606.2**	**579.1**	**1.3**	**580.4**
Shares cancelled	12	(0.2)	-	5.4	-	-	-	(5.2)	-	-	-
Own shares purchased	13	-	-	(56.6)	-	-	-	-	(56.6)	-	(56.6)
Share-based payments		-	-	-	-	-	-	60.5	60.5	-	60.5
Tax in respect of share schemes		-	-	-	-	-	-	5.2	5.2	-	5.2
Other movements		-	-	-	-	(0.3)	-	-	(0.3)	0.1	(0.2)
Dividends		-	-	-	-	-	-	(267.6)	(267.6)	(3.5)	(271.1)
Transactions with shareholders		**(0.2)**	**-**	**(51.2)**	**-**	**(0.3)**	**-**	**(207.1)**	**(258.8)**	**(3.4)**	**(262.2)**
Transfers		**-**	**-**	**52.5**	**-**	**(2.7)**	**4.7**	**(54.5)**	**-**	**-**	**-**
At 31 December 2017		**282.5**	**124.2**	**(162.3)**	**153.4**	**65.8**	**12.5**	**2,982.6**	**3,458.7**	**12.3**	**3,471.0**

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

Consolidated statement of changes in equity
for the year ended 31 December 2016

		Attributable to owners of the parent									
	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2016		282.5	119.4	(175.5)	86.8	45.7	8.1	2,428.6	2,795.6	-	2,795.6
Profit for the year		-	-	-	-	19.5	-	470.2	489.7	0.5	490.2
Other comprehensive income/(losses)[1]		-	-	-	100.9	(6.2)	11.2	(2.1)	103.8	0.4	104.2
Total comprehensive income for the year		**-**	**-**	**-**	**100.9**	**13.3**	**11.2**	**468.1**	**593.5**	**0.9**	**594.4**
Shares issued	12	0.2	4.8	-	-	-	-	-	5.0	-	5.0
Own shares purchased	13	-	-	(59.1)	-	-	-	-	(59.1)	-	(59.1)
Share-based payments		-	-	-	-	-	-	51.5	51.5	-	51.5
Tax in respect of share schemes		-	-	-	-	-	-	0.9	0.9	-	0.9
Other movements		-	-	-	-	(0.9)	-	(11.5)	(12.4)	13.5	1.1
Dividends		-	-	-	-	-	-	(236.6)	(236.6)	-	(236.6)
Transactions with shareholders		**0.2**	**4.8**	**(59.1)**	**-**	**(0.9)**	**-**	**(195.7)**	**(250.7)**	**13.5**	**(237.2)**
Transfers		**-**	**-**	**71.0**	**-**	**(8.0)**	**-**	**(63.0)**	**-**	**-**	**-**
At 31 December 2016		**282.7**	**124.2**	**(163.6)**	**187.7**	**50.1**	**19.3**	**2,638.0**	**3,138.4**	**14.4**	**3,152.8**

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

Consolidated cash flow statement
for the year ended 31 December 2017

	Notes	**2017 £m**	2016 £m
Net cash from operating activities	14	**585.1**	**563.7**
Cash flows from investing activities			
Net acquisition of businesses and associates		(185.1)	(84.8)
Net acquisition of property, plant and equipment and intangible assets		(172.6)	(65.2)
Acquisition of financial assets		(2,004.5)	(1,398.6)
Disposal of financial assets		1,853.5	1,215.6
Non-banking interest received		26.1	29.4
Distributions received from associates and joint ventures		2.7	8.7
Net cash used in investing activities		**(479.9)**	**(294.9)**
Cash flows from financing activities			
Acquisition of own shares	13	(56.6)	(59.1)
Dividends paid	8	(271.1)	(236.6)
Other flows		(0.9)	(0.3)
Net cash used in financing activities		**(328.6)**	**(296.0)**
Net decrease in cash and cash equivalents		**(223.4)**	**(27.2)**
Opening cash and cash equivalents		3,785.6	3,622.1
Net decrease in cash and cash equivalents		(223.4)	(27.2)
Effect of exchange rate changes		(42.7)	190.7
Closing cash and cash equivalents		**3,519.5**	**3,785.6**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		2,909.8	3,286.9
Cash held in consolidated pooled investment vehicles		37.2	32.0
Cash and cash equivalents presented within assets		**2,947.0**	**3,318.9**
Cash and cash equivalents presented within assets backing unit-linked liabilities		572.5	466.7
Closing total cash and cash equivalents		**3,519.5**	**3,785.6**

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 2016 have been delivered to the Registrar of Companies and the auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Act. An unqualified auditors' opinion has also been issued on the statutory accounts for the year ended 31 December 2017, 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.

1. Segmental reporting

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, real estate and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and banking services provided to high net worth individuals and charities within the Cazenove Capital business and the Benchmark Capital business which includes an independent financial adviser network. 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.

1. Segmental reporting (continued)

Year ended 31 December 2017	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	2,223.1	256.3	-	2,479.4
Wealth Management interest income earned	-	32.3	-	32.3
Revenue	**2,223.1**	**288.6**	**-**	**2,511.7**
Fee expense	(479.8)	(10.8)	-	(490.6)
Wealth Management interest expense incurred	-	(10.9)	-	(10.9)
Cost of sales	**(479.8)**	**(21.7)**	**-**	**(501.5)**
Net operating revenue	**1,743.3**	**266.9**	**-**	**2,010.2**
Net (losses)/gains on financial instruments and other income	(6.2)	6.3	35.1	35.2
Share of profit of associates and joint ventures	20.8	0.1	2.6	23.5
Net income	**1,757.9**	**273.3**	**37.7**	**2,068.9**
Operating expenses	(1,052.0)	(183.0)	(33.6)	(1,268.6)
Profit before tax and exceptional items	**705.9**	**90.3**	**4.1**	**800.3**
Exceptional items within net income:				
Net gains on financial instruments and other income	(3.5)	-	-	(3.5)
Amortisation of acquired intangible assets relating to associates and joint ventures	(1.6)	(0.2)	-	(1.8)
	(5.1)	**(0.2)**	**-**	**(5.3)**
Exceptional items within operating expenses:				
Amortisation of acquired intangible assets	(9.4)	(18.3)	-	(27.7)
Other expenses	(2.7)	(4.4)	-	(7.1)
	(12.1)	**(22.7)**	**-**	**(34.8)**
Profit before tax and after exceptional items	**688.7**	**67.4**	**4.1**	**760.2**

1. Segmental reporting (continued)

Year ended 31 December 2016	Asset Management £m	Wealth Management £m	Group £m	Total £m
Fee income	1,902.7	210.6	-	2,113.3
Wealth Management interest income earned	-	31.6	-	31.6
Revenue	**1,902.7**	**242.2**	**-**	**2,144.9**
Fee expense	(413.2)	(7.9)	-	(421.1)
Wealth Management interest expense incurred	-	(11.0)	-	(11.0)
Cost of sales	**(413.2)**	**(18.9)**	**-**	**(432.1)**
Net operating revenue	**1,489.5**	**223.3**	**-**	**1,712.8**
Net gains on financial instruments and other income	28.2	0.7	29.9	58.8
Share of profit of associates and joint ventures	16.7	-	4.8	21.5
Net income	**1,534.4**	**224.0**	**34.7**	**1,793.1**
Operating expenses	(962.0)	(157.6)	(28.8)	(1,148.4)
Profit before tax and exceptional items	**572.4**	**66.4**	**5.9**	**644.7**
Exceptional items within net income:				
Net gains on financial instruments and other income	(1.4)	-	-	(1.4)
Amortisation of acquired intangible assets relating to associates and joint ventures	(2.0)	-	-	(2.0)
	(3.4)	**-**	**-**	**(3.4)**
Exceptional items within operating expenses:				
Amortisation of acquired intangible assets	(11.5)	(8.1)	-	(19.6)
Deferred compensation arising directly from acquisitions	-	-	2.0	2.0
Other expenses	(3.6)	(2.0)	-	(5.6)
	(15.1)	**(10.1)**	**2.0**	**(23.2)**
Profit before tax and after exceptional items	**553.9**	**56.3**	**7.9**	**618.1**

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 relate principally to acquisitions undertaken by the Group, including amortisation of acquired intangible assets.

3. Revenue

Revenue comprises:

	2017 £m	2016 £m
Management fees	2,155.6	1,848.3
Performance fees	78.4	41.2
Other income	245.4	223.8
Wealth Management interest income earned	32.3	31.6
	2,511.7	**2,144.9**

4. Net gains on financial instruments and other income

	2017			2016		
	Income statement £m	**Other comprehensive income £m**	**Total £m**	Income statement £m	Other comprehensive income £m	Total £m
Net gains on financial instruments held at fair value through profit or loss	**5.6**	**-**	**5.6**	**14.2**	**-**	**14.2**
Net fair value movements on available-for-sale financial assets	-	(8.6)	(8.6)	-	18.5	18.5
Net exchange differences on available-for-sale financial assets	-	(0.3)	(0.3)	-	0.8	0.8
Net transfers on disposal of available-for-sale financial assets	3.3	(3.3)	-	5.2	(5.2)	-
Net gains/(losses) on available-for-sale financial assets	**3.3**	**(12.2)**	**(8.9)**	**5.2**	**14.1**	**19.3**
Net finance income	**9.7**	**-**	**9.7**	**18.8**	**-**	**18.8**
Other income	**13.1**	**-**	**13.1**	**19.2**	**-**	**19.2**
Net gains/(losses) on financial instruments and other income	**31.7**	**(12.2)**	**19.5**	**57.4**	**14.1**	**71.5**
Net gains on financial instruments held to hedge deferred cash awards – presented within operating expenses	13.2	-	13.2	25.6	-	25.6
Net gains/(losses) on financial instruments and other income - net of hedging	**44.9**	**(12.2)**	**32.7**	**83.0**	**14.1**	**97.1**

5. Operating expenses

Operating expenses include:

	2017 £m	2016 £m
Salaries, wages and other remuneration	784.0	714.9
Social security costs	71.3	63.7
Pension costs	41.5	37.9
Employee benefits expense	**896.8**	**816.5**
Net gains on financial instruments held to hedge deferred cash awards	(13.2)	(25.6)
Employee benefits expense net of hedging	**883.6**	**790.9**

The employee benefits expense net of hedging of £883.6 million (2016: £790.9 million) includes a £2.3 million charge (2016: credit of £0.7 million) that is presented within exceptional items, which comprises £2.1 million (2016: £1.3 million) of restructuring costs and £0.2 million (2016: credit of £2.0 million) in relation to deferred compensation costs relating to acquisitions.

6. Tax expense

Analysis of tax charge reported in the income statement:

	2017 £m	2016 £m
UK current year charge	79.9	54.0
Rest of the world current year charge	84.2	89.0
Adjustments in respect of prior year estimates	(5.0)	(0.3)
Total current tax	**159.1**	**142.7**
Origination and reversal of temporary differences	(4.9)	(10.4)
Adjustments in respect of prior year estimates	0.9	(2.0)
Effect of changes in Corporation Tax rates	10.7	(2.4)
Total deferred tax	**6.7**	**(14.8)**
Tax charge reported in the income statement	**165.8**	**127.9**

Analysis of tax charge reported in other comprehensive income:

	2017 £m	2016 £m
Current income tax on movements in available-for-sale financial assets	(0.7)	2.9
Deferred tax on actuarial gains/(losses) on defined benefit pension schemes	7.1	(0.3)
Deferred tax on other movements through other comprehensive income	0.3	-
Deferred tax - effect of changes in Corporation Tax rates	-	0.4
Tax charge reported in other comprehensive income	**6.7**	**3.0**

6. Tax expense (continued)

Analysis of tax credit reported in equity:

	2017 £m	2016 £m
Current income tax credit on Equity Compensation Plan and other share-based remuneration	(4.2)	(4.2)
Deferred tax (credit)/charge on Equity Compensation Plan and other share-based remuneration	(1.6)	3.6
Deferred tax - effect of changes in Corporation Tax rates	0.6	(0.3)
Total credit reported in equity	**(5.2)**	**(0.9)**

The UK standard rate of corporation tax reduced from 20% to 19% on 1 April 2017 resulting in a UK effective tax rate of 19.25% (2016: standard rate of 20%). The tax charge for the year is higher (2016: higher) than a charge based on the UK effective rate. The differences are explained below:

	2017 £m	2016 £m
Profit before tax	760.2	618.1
Less post-tax profits of associates and joint ventures	(21.7)	(19.5)
Profit before tax of Group entities	**738.5**	**598.6**
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK effective rate of 19.25% (2016: standard rate of 20%)	**142.2**	**119.7**
Effects of:		
Different statutory tax rates of overseas jurisdictions	12.4	12.1
Permanent differences including non-taxable income and non-deductible expenses	3.5	1.7
Net movement in timing differences for which no deferred tax is recognised	1.1	(0.9)
Deferred tax adjustments in respect of changes in Corporation Tax rates	10.7	(2.4)
Prior year adjustments	(4.1)	(2.3)
Tax charge reported in the income statement	**165.8**	**127.9**

7. Earnings per share

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

	2017 Number Millions	2016 Number Millions
Weighted average number of shares used in calculation of basic earnings per share	275.4	274.7
Effect of dilutive potential shares – share options	5.6	5.6
Effect of dilutive potential shares – contingently issuable shares	0.1	0.2
Weighted average number of shares used in calculation of diluted earnings per share	**281.1**	**280.5**

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £3.7 million (2016: £0.5 million). After exceptional items, the profit after tax attributable to non-controlling interest was £1.4 million (2016: £0.5 million).

8. Dividends

	2018		**2017**		2016	
	£m	**Pence per share**	**£m**	**Pence per share**	£m	Pence per share
Prior years final dividend paid			174.7	64.0	157.7	58.0
Interim dividend paid			92.9	34.0	78.9	29.0
Total dividends paid			**267.6**	**98.0**	**236.6**	**87.0**
Current year final dividend recommended	**216.0**	**79.0**				

Dividends of £9.3 million (2016: £9.2 million) on shares held by employee trusts have been waived; dividends may not be paid on treasury shares. The Board has recommended a 2017 final dividend of 79.0 pence per share (2016 final dividend: 64.0 pence), amounting to £216.0 million (2016 final dividend: £174.7 million). The dividend will be paid on 3 May 2018 to shareholders on the register at 23 March 2018 and will be accounted for in 2018.

In addition, the Group paid £3.5 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2017 (2016: nil), resulting in total dividends paid of £271.1 million (2016: £236.6 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 2017 final dividend is 12 April 2018. Further details are contained on the Group's website.

9. Fair value measurement disclosures

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

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

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

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

The Group's financial instruments have been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These 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 fair value estimate of level 2 and 3 investments are set out on page 21, with no individual input giving rise to a material component of the carrying value for the Group. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities and 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. Financial assets principally comprise investments in private equity funds. These are measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Guidelines. Financial liabilities principally comprise contingent consideration and other financial liabilities arising from acquisitions completed by the Group. The valuation review is a continual process throughout the year.

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:

	2017				
	Level 1 £m	**Level 2 £m**	**Level 3[1] £m**	**Assets and liabilities not at fair value[2] £m**	**Total £m**
Financial assets:					
Equities	135.1	0.2	12.4	-	147.7
Pooled investment vehicles	657.9	8.5	46.1	-	712.5
Debt securities	450.5	631.9	-	151.7	1,234.1
Derivative contracts	2.6	29.3	13.4	-	45.3
Loans and advances	-	0.7	-	1,340.5	1,341.2
	1,246.1	**670.6**	**71.9**	**1,492.2**	**3,480.8**
Trade and other receivables	**26.5**	-	-	**712.5**	**739.0**
Assets backing unit-linked liabilities	**9,576.3**	**3,704.5**	**54.6**	**651.0**	**13,986.4**
	10,848.9	**4,375.1**	**126.5**	**2,855.7**	**18,206.2**
Financial liabilities:					
Derivative contracts	4.9	19.3	-	-	24.2
Client accounts	-	-	-	3,685.7	3,685.7
Deposits by banks	-	-	-	59.3	59.3
Other financial liabilities	87.3	-	72.4	26.4	186.1
	92.2	**19.3**	**72.4**	**3,771.4**	**3,955.3**
Trade and other payables	**164.1**	**-**	**-**	**773.6**	**937.7**
Unit-linked liabilities	**13,906.1**	**42.8**	**-**	**37.5**	**13,986.4**
	14,162.4	**62.1**	**72.4**	**4,582.5**	**18,879.4**

[1]The movement in Level 3 financial liabilities during 2017 comprises £32.2 million with regards to the acquisition of Adveq Holding AG (see note 15), partly offset by other movements of £4.0 million.
[2]The fair value of financial instruments not held at fair value approximates to their carrying value.

9. Fair value measurement disclosures (continued)

	2016				
	Level 1 £m	Level 2 £m	Level 3 £m	Assets and liabilities not at fair value[1] £m	Total £m
Financial assets:					
Equities	149.6	2.6	17.8	-	170.0
Pooled investment vehicles	461.0	8.5	20.6	-	490.1
Debt securities	176.7	722.7	1.3	368.4	1,269.1
Derivative contracts	0.6	22.7	17.1	-	40.4
Loans and advances	-	0.7	-	1,134.7	1,135.4
	787.9	**757.2**	**56.8**	**1,503.1**	**3,105.0**
Trade and other receivables	**28.8**	**-**	**-**	**619.4**	**648.2**
Assets backing unit-linked liabilities	**9,063.0**	**3,289.2**	**44.5**	**530.9**	**12,927.6**
	9,879.7	**4,046.4**	**101.3**	**2,653.4**	**16,680.8**
Financial liabilities:					
Derivative contracts	1.4	20.9	-	-	22.3
Client accounts	-	-	-	3,700.3	3,700.3
Deposits by banks	-	-	-	62.5	62.5
Other financial liabilities	69.5	1.4	44.2	1.8	116.9
	70.9	**22.3**	**44.2**	**3,764.6**	**3,902.0**
Trade and other payables	**151.1**	**-**	**-**	**732.2**	**883.3**
Unit-linked liabilities	**12,840.9**	**49.2**	**-**	**37.5**	**12,927.6**
	13,062.9	**71.5**	**44.2**	**4,534.3**	**17,712.9**

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

No financial assets or liabilities were transferred between levels during 2017. During 2016, £703.3 million of debt securities within Financial assets and £1,927.7 million of debt securities held within Assets backing unit-linked liabilities were transferred from level 1 to level 2 as a result of a change to the methodology applied by the Group's third party pricing provider. This change did not represent degradation in the quality of assets held.

9. Fair value measurement disclosures (continued)

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

	2017		2016	
	Financial assets £m	**Assets backing unit-linked liabilities £m**	Financial assets £m	Assets backing unit-linked liabilities £m
At 1 January	56.8	44.5	33.6	43.4
Exchange translation adjustments	(0.1)	1.5	3.9	6.5
Total (losses)/gains recognised in the income statement	(3.0)	4.8	0.3	4.8
Total (losses)/gains recognised in other comprehensive income	(6.8)	-	1.9	-
Additions[1]	36.0	14.1	23.7	0.9
Disposals	(11.0)	(10.3)	(6.6)	(11.1)
At 31 December	**71.9**	**54.6**	**56.8**	**44.5**

[1]Additions during 2017 primarily relate to the acquisition of Adveq Holding AG (see note 15).

10. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
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)
At 31 December 2017	**166.0**	**23.1**	**72.4**	**261.5**
Accumulated depreciation				
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
At 31 December 2017	**(50.5)**	**(0.1)**	**(48.1)**	**(98.7)**
Net book value at 31 December 2017	**115.5**	**23.0**	**24.3**	**162.8**

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2016	65.0	3.4	45.2	113.6
Exchange translation adjustments	3.8	0.5	4.0	8.3
Additions	21.2	–	12.3	33.5
Disposals	(0.3)	–	(0.3)	(0.6)
At 31 December 2016	**89.7**	**3.9**	**61.2**	**154.8**
Accumulated depreciation				
At 1 January 2016	(45.0)	–	(26.8)	(71.8)
Exchange translation adjustments	(2.6)	–	(2.7)	(5.3)
Depreciation charge for the year	(3.0)	–	(8.7)	(11.7)
Disposals	0.1	–	0.3	0.4
At 31 December 2016	**(50.5)**	**–**	**(37.9)**	**(88.4)**
Net book value at 31 December 2016	**39.2**	**3.9**	**23.3**	**66.4**

11. Goodwill and intangible assets

Cost	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
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)
At 31 December 2017	**595.1**	**247.3**	**177.4**	**1,019.8**
Accumulated amortisation				
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
At 31 December 2017	**-**	**(123.3)**	**(70.7)**	**(194.0)**
Carrying amount at 31 December 2017	**595.1**	**124.0**	**106.7**	**825.8**

Cost	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
At 1 January 2016	359.1	136.7	80.8	576.6
Exchange translation adjustments	13.2	5.9	3.1	22.2
Additions	82.6	44.0	32.3	158.9
At 31 December 2016	**454.9**	**186.6**	**116.2**	**757.7**
Accumulated amortisation				
At 1 January 2016	-	(73.9)	(35.3)	(109.2)
Exchange translation adjustments	-	(4.0)	(2.7)	(6.7)
Amortisation charge for the year	-	(19.4)	(15.3)	(34.7)
At 31 December 2016	**-**	**(97.3)**	**(53.3)**	**(150.6)**
Carrying amount at 31 December 2016	**454.9**	**89.3**	**62.9**	**607.1**

Of the total goodwill of £595.1 million (2016: £454.9 million), £410.8 million (2016: £320.2 million) is allocated to Asset Management and £184.3 million (2016: £134.7 million) to Wealth Management.

The Group acquired £64.3 million (2016: £44.0 million) of intangible assets as a result of business combinations completed in 2017, £33.9 million of which related to the acquisition of Adveq Holding AG in the Asset Management segment and £26.5 million of which related to the acquisition of the wealth management business of C. Hoare & Co. A further £3.9 million was added to the Wealth Management segment from other completed acquisitions (see note 15).

12. 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 2017	282.7	226.0	56.7	282.7	124.2
Shares cancelled	(0.2)	-	(0.2)	(0.2)	-
At 31 December 2017	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

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

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2016	282.5	226.0	56.5	282.5	119.4
Shares issued	0.2	-	0.2	0.2	4.8
At 31 December 2016	**282.7**	**226.0**	**56.7**	**282.7**	**124.2**

On 21 December 2016, Schroders plc issued 233,623 non-voting ordinary shares as part of the consideration paid for the acquisition of Benchmark Capital Limited.

	2017 Number of shares Millions	2016 Number of shares Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.7
	282.5	282.7

13. 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:

	2017 £m	2016 £m
At 1 January	(163.6)	(175.5)
Own shares purchased	(56.6)	(59.1)
Own shares cancelled	5.4	-
Awards vested	52.5	71.0
At 31 December	**(162.3)**	**(163.6)**

During the year 1.8 million own shares (2016: 2.2 million own shares) were purchased and held for hedging share-based awards. 2.4 million shares (2016: 3.3 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:

	2017			2016		
	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	2.0	6.9	**8.9**	2.0	7.5	9.5
Non-voting ordinary shares	0.2	0.1	**0.3**	0.2	0.1	0.3
	2.2	**7.0**	**9.2**	**2.2**	**7.6**	**9.8**

14. Reconciliation of net cash from operating activities

	2017 £m	2016 £m
Profit before tax	**760.2**	**618.1**
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	63.4	46.4
Net gains taken through the income statement on financial instruments	(22.1)	(45.0)
Share-based payments	60.5	51.5
Net charge of provisions	12.6	8.3
Other non-cash movements	(9.6)	(6.1)
	104.8	**55.1**
Adjustments for which the cash effects are investing activities:		
Net finance income	(9.7)	(18.8)
Share of profit of associates and joint ventures	(21.7)	(19.5)
	(31.4)	**(38.3)**
Adjustments for statement of financial position movements:		
Increase in loans and advances within Wealth Management	(236.4)	(232.9)
Increase in trade and other receivables	(43.2)	(70.7)
Increase in deposits and customer accounts within Wealth Management	38.9	550.4
Increase/(decrease) in trade and other payables, other financial liabilities and provisions	35.2	(42.2)
	(205.5)	**204.6**
Adjustments for Life Company movements:		
Net increase in financial assets backing unit-linked liabilities	(953.0)	(1,744.1)
Net increase in unit-linked liabilities	1,058.8	1,607.7
	105.8	**(136.4)**
Tax paid	**(148.8)**	**(139.4)**
Net cash from operating activities	**585.1**	**563.7**

15. Business combinations

The Group completed five business combinations during the year.

The most significant of these transactions completed on 31 July 2017 when the Group acquired 100% of the issued share capital of Adveq Holding AG (Adveq), a Swiss-registered holding company of a private equity management group for a total consideration of £141.3 million. The acquisition contributed £6.0 billion of Asset Management AUM and strengthens the Group's private assets capabilities.

On 17 February 2017, the Group acquired the discretionary wealth management business of C. Hoare & Co. for a consideration of £72.0 million. The acquisition contributed £2.5 billion of discretionary Wealth Management AUM and increases the Group's scale and capability for its UK private clients.

On 1 September 2017 and 4 December 2017, Benchmark Capital, a 65% subsidiary of the Group, acquired 100% of the issued share capital of Brian Potter Consultants Limited and Alderbrook Financial Planning Limited respectively. The combined consideration for these transactions was £2.1 million.

On 1 November 2017, the Group acquired 100% of the issued share capital of Chilcomb Wealth Ltd, a UK-based wealth manager, for a consideration of £1.7 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:

Net assets acquired:	Adveq £m	C. Hoare & Co.[2] £m	Other £m	Total £m
Cash	11.3	-	0.6	11.9
Trade and other receivables	26.4	-	0.1	26.5
Other assets	39.3	-	-	39.3
Trade and other payables	(23.8)	-	(0.1)	(23.9)
Other liabilities	(38.4)	-	(0.1)	(38.5)
Tangible net assets	**14.8**	**-**	**0.5**	**15.3**
Goodwill	98.4	50.0	-	148.4
Intangible assets arising on acquisition	33.9	26.5	3.9	64.3
Deferred tax arising on Intangible assets	(5.8)	(4.5)	(0.6)	(10.9)
Total	**141.3**	**72.0**	**3.8**	**217.1**

Satisfied by:	Adveq £m	C. Hoare & Co.[2] £m	Other £m	Total £m
Cash	117.9	72.0	3.8	193.7
Contingent consideration[1]	23.4	-	-	23.4
Total	**141.3**	**72.0**	**3.8**	**217.1**

[1]Contingent consideration of £23.4 million is payable under the terms of the share purchase agreement for Adveq. This amount is contingent upon the receipt of future revenues over a number of years. The estimated range of amounts that will ultimately be payable is between £16 million and £114 million.
[2]The discretionary wealth management business of C. Hoare & Co.

15. Business combinations (continued)

Adveq

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

In the period between the acquisition date on 31 July 2017 and 31 December 2017, Adveq contributed £19.8 million to the Group's net income. The contribution to profit before tax and exceptional items was £4.6 million and exceptional costs of £2.7 million were incurred, including charges in respect of amortisation of the acquired intangible assets, other interest charges and restructuring costs. Additionally, acquisition costs of £1.1 million were recorded within 'Operating expenses' and classified as exceptional in the Consolidated income statement.

If the acquisition had been completed on 1 January 2017, the Group's pre-exceptional net income for the year would have been £2,091.4 million, and the profit before tax and exceptional items for the year on the same basis would have been £801.6 million.

Discretionary wealth management business of C. Hoare & Co.

The goodwill arising on the acquisition 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 Wealth Management operations.

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

In the period between the date of acquisition and 31 December 2017, the discretionary wealth management business of C. Hoare & Co. contributed £18.3 million to the Group's pre-exceptional net income within the Wealth Management segment. The contribution to profit before tax and exceptional items was £13.3 million and exceptional operating expenses of £3.3 million were incurred in respect of amortisation of acquired intangible assets.

If the acquisition had completed on 1 January 2017, the Group's pre-exceptional net income for the year would have been £2,071.5 million. Profit before tax and exceptional items for the year on the same basis would have been £802.4 million.

Key risks and mitigations

The Group is exposed to a variety of risks as a result of its business activities. Effective risk management is a core competence and we actively monitor the potential impact of current and emerging risks. The Group places significant focus on the integrity and good conduct of staff and the risk management framework is underpinned by a strong ethical culture with clear oversight responsibilities. This section explains how we control and manage the risks in our business. It outlines key risks, how we mitigate them and our assessment of their potential impact on our business in the context of the current environment.

Managing risk

The Board is accountable for risk and oversight of the risk management process. It considers the most significant risks facing the Group and also uses quantitative exposure measures, such as stress tests, where appropriate. Non-executive Director 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. Members of the Group Management Committee (GMC) have risk management responsibility for their respective business areas and we expect individual behaviours to mirror the culture and core values of the Group.

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

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

The Chief Financial Officer chairs the Group Risk Committee (GRC) which meets ten times a year. The GRC supports the Chief Financial Officer 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 receive reports relating to the risk profile of Wealth Management.

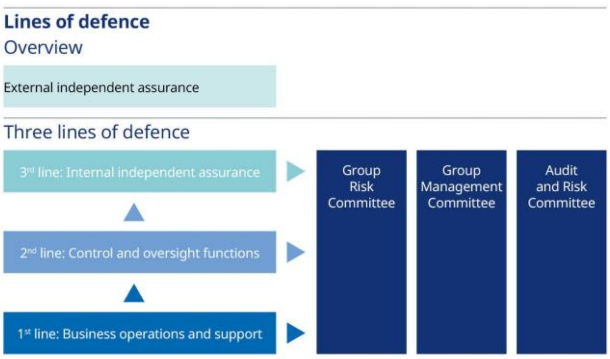
Lines of defence

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 and 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.

Group 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.

Schroders maintains comprehensive insurance cover with a broad range of policies covering a number of insurable events.



2017 developments

Management of our key risks has remained a priority throughout 2017. In particular, we have focused on further enhancing our operational risk framework and embedding conduct risk management in our business lines.

Specific initiatives were undertaken which cover a wide range of activities across the Group and are outlined below:

- We enhanced our skills and experience in the UK, US and Asia Pacific to ensure a smooth transition to our new front office technology platform which will provide a more comprehensive risk management capability.
- As an integral part of the corporate investment process, we have worked alongside our business teams performing due diligence on inorganic opportunities to fully assess the risks.
- We expanded our risk framework to consider our growing business activities in China, including our Wholly Foreign-Owned Enterprise.
- We performed ongoing monitoring of our risk appetite measures and metrics and enhanced these in certain areas, such as information security.
- Through our Information Security Risk Oversight Committee, we have developed risk appetite metrics to ensure we remain in a good position to manage cyber threats. We commissioned an external review of our security framework, including governance, capabilities and strategy, to ensure the inventory of planned enhancements remain appropriately prioritised.
- We performed further work to consider model risk and to manage user developed tools. We have also developed an approach to assess the risks when we deploy robotics, as this is a key business initiative for us.

- 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 2017, we broadened the range of risks that are included and assessed within RCAs to provide a more comprehensive assessment. To support this activity we are upgrading our technology to manage RCAs, which will improve our aggregation, oversight and reporting.

Key risks

Assessment of key risks

We have identified 21 key risks across Strategic, Business, Financial and Operational risk categories.

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, market conditions, regulatory sentiment and changes within the business. 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 actively manage these. 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 shows the relative position 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.

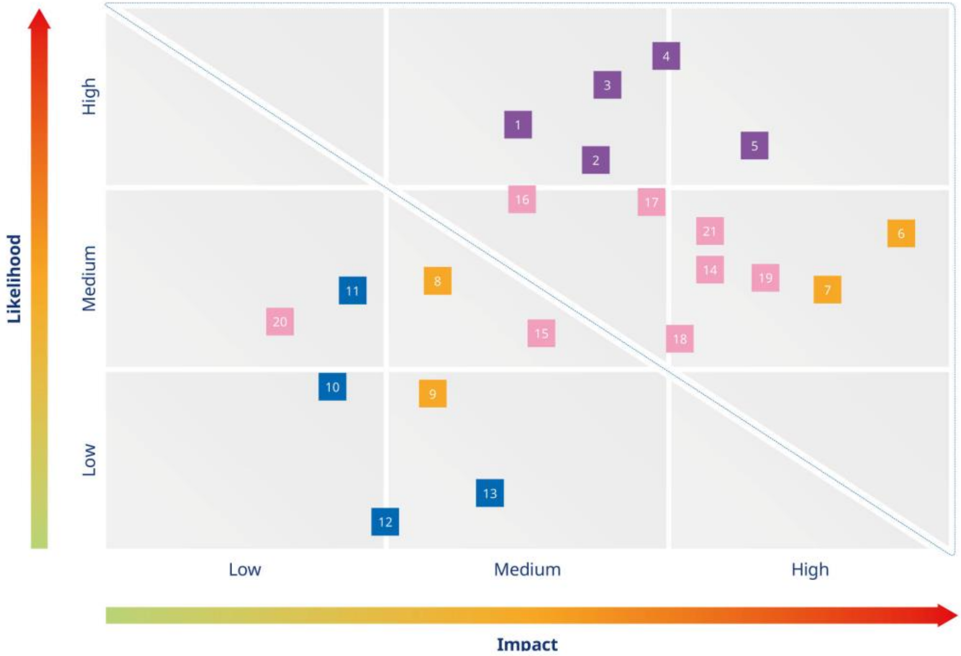
Reporting on our material risks

The diagram below illustrates our key risks. The horizontal axis shows the impact of a key risk if it were to materialise and the vertical axis shows 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 these risks, and how we manage them, are described on the following pages. A summary of other key risks is set out at the end of this section.

Risk impact matrix



Strategic risks

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

Business risks

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

Financial risks*

10. Market risk
11. Credit risk
12. Liquidity risk
13. Risk of insufficient capital

Operational risks

14. Conduct and regulatory risk
15. Legal risk
16. Tax risk
17. Process and change risk
18. Fraud risk
19. Technology and information security risk
20. People and employment practices risk
21. Third party service provider risk

* Financial risks are considered in note 19 of the financial statements.

Key risks

The table below details our heightened key risks.

Key risk	Description	How we manage risk
1. Changing investor requirements	Growth in demand for investment solutions that are not currently offered by the Group. This may include index tracking strategies or certain products where Schroders does not currently offer the investment capability. Regulated clients derisking due to the impact of regulatory capital changes, where clients reallocate investments to capabilities that are not currently offered by the Group or at a lower margin. Movement from defined benefit (DB) to defined contribution (DC) pension plans in a number of countries such as the UK, Japan, South Korea and Taiwan. Consolidation of local authority pensions in the UK, reducing the associated fee pool.	Our Product and Solutions function is distinct from Investment and Distribution, in order to focus on development of new product strategies, innovation, client engagement and managing our diverse product range. We continue to focus on developing our investment capabilities, expanding into new investment types and specific areas of expertise, and commit seed capital to support product innovation for future growth. We deliver our value proposition using an approach based on our strategic capabilities, focusing attention where we believe we are able to make a significant difference for our clients or where we have current or future capabilities. We adapt our business structure and cost base to manage the changing asset allocation requirements of our clients and the impact on our business.
2. Market returns	Our income is derived from the assets we manage. A considerable and sustained decline in markets is outside our control but may contribute to a significant fall in revenues.	We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. We strive to outperform our competitors with a view to attracting assets which may offset a decline or fall in any given market whilst pursuing best returns for our clients.

Key risk	Description	How we manage risk
3. Fee attrition	A lower fee environment and the impact on our business model of margin attrition due to: - Changes in investor demand, driven by derisking, or a focus on lower fee margin products; - Compressed investment returns leading to greater fee sensitivity; - Moves towards vertical integration (advice, platform and investment management services, which may lead to investor and IFA risk for participants) within the industry, increasing competition and pressure on fee revenue as active managers may be disintermediated; - Rising costs within the industry, driven by changing and increasing regulatory requirements and technological advancement which impact margins; - Industry pricing pressures from competitors, forcing fee cuts in order to remain competitive; and - Consolidation of preferred distributors or partners, increasing buying power.	Our business is increasing its focus on solutions and other outcome-orientated strategies which diversifies our fee income. We are also increasingly diversifying our product offering, representing our strategic capabilities, to address evolving investor needs, which supports overall profitability in the long term. We have increased our access to private and other alternative investment assets and strategies through acquisitions and strategic relationships (e.g. infrastructure debt, securitised credit and private equity). We made a strategic investment into Benchmark Capital which provides the opportunity to engage in business in different parts of the value chain in the UK.

Key risk	Description	How we manage risk
4. Regulatory landscape change	Regulators have moved their focus from the prudential and misconduct issues affecting investment and retail banks, to other parts of the financial system, particularly asset managers. There is an increased regulatory focus on transparency of objectives, pricing, fees and other indirect costs borne by end investors and clients. The associated operating costs of compliance reduce net profits (e.g. MiFID II, PRIIPs, the potential introduction of minimum levels of fund liquidity and the outcomes of other regulatory reviews, such as the UK FCA's Asset Management Market Study, the CMA's market investigation into investment consultancy and fiduciary management services and the FCA's market study of investment platforms). The implications of Brexit, especially with respect to any changes to the ability to delegate activities outside the EU, remain uncertain, although a transitional period is now more likely. Changes to intermediary commission and incentive structures and obligations are affecting intermediaries' product selection processes. Regulation of distribution through digital channels and robo-advice may also change.	Regulatory and legal change is monitored by the Compliance, Legal and Public Policy teams and our Regulatory Change Committee. We engage with our regulators in relation to potential and planned changes in regulation. We are actively considering all implications that may arise from Brexit and are planning accordingly. We engage in debates when the opportunity arises. More information as to how we will be positioned with respect of our EU activities after Brexit is provided at the end of this section. Our increasingly diverse product offering enables us to meet the changing needs of clients driven by evolving regulation.

Key risk	Description	How we manage risk
5. Business model disruption	The rise of technology solutions from competitors that disrupt our value chain including competition from quantitative investment technologies that have the potential to assimilate more data and make investment decisions, and that may be perceived to realise alpha more efficiently than active managers. Competitors are consolidating through merger and acquisition activities. They are increasing scale, broadening investment capabilities and expanding distribution channels resulting in stronger relative market positions. Increased investment and asset allocation through robo-advice services, providing automated investment capabilities and potentially displacing active management. Inability to meet demand for products and solution-based offerings due to our capabilities being inadequate relative to requirements. Concentration of risks associated with consolidation of key counterparties that support our business operations where alternative providers are not easily identifiable or where there are significant transition challenges.	We are driving increased efficiencies and insights through technology, including investment in data science to obtain investment insights from non-traditional data sources and upgrading our front office systems. Digital initiatives are in progress to improve client experience, engagement and servicing through our web and mobile platforms, e.g. single web platforms and client behaviour analytics. We are undertaking significant investment in our technology platform to support scalability, agility in product offerings, and our expanding private assets and alternatives business offerings. We monitor the performance of our key counterparties on a regular basis, as well as establishing processes for regularly assessing alternatives.
6.Reputational risk	The reputation of Schroders is of paramount importance and can be impacted by any of our key risks and by our relationships with clients, regulators and shareholders. This may arise from poor conduct or judgements or risk events due to weaknesses in systems or controls. Ineffective branding and marketing may impact our ability to grow our business. Reputational risk may also arise from inappropriate client relationships or mandates which have adverse implications for the Group.	High standards of conduct and a principled approach to regulatory compliance are integral to our culture and values. We consider key reputational risks when initiating changes in strategy or our operating model. We have a number of controls and frameworks to address other risks that could affect our reputation including: financial crime, investment risk, client take-on and product development. We have rebranded to ensure our marketing remains relevant and effective and supports our strategic objectives and product offerings.

Key risk	Description	How we manage risk
7. Investment performance risk	The management of investment performance risk is a core skill of the Group. This is the risk that portfolios will not meet their investment objectives or that there is a failure to deliver consistent and above-average performance. The risk that clients move their assets elsewhere if we are unable to outperform competitors or our investment objectives.	We have clearly defined investment processes designed to meet investment targets within stated risk parameters. The Group's Investment Risk Framework provides review and challenge of investment risks, independent of our fund managers, across all asset classes. Investment monitoring is performed by fund managers and asset class heads on a regular basis, as well as by asset class risk committees, the GMC and legal entity boards. Recognising that products may not outperform all of the time, we offer clients a diversified product set. Key to investment performance is our ability to attract and retain talented people.
14. Conduct and regulatory risk	The risks of client detriment arising from inappropriate conduct, conflicts, management practice or behaviour, or failing to meet client needs, interests or expected outcomes. The risk of money laundering, bribery or market abuse shortcomings on the part of fund investors, clients, suppliers or our employees. The risk of fines, penalties, censure or other sanctions arising from failure to identify or meet regulatory requirements. The risk that new regulations, or changes to existing interpretations of them, have a material effect on the Group's operations, risk profile or cost base and are complex to implement and difficult to manage.	We promote a strong compliance culture and we promote good relationships with our regulators. Our Compliance function supports management in identifying our regulatory obligations and enabling these to be met through relevant training and procedures. Compliance with relevant regulatory requirements is monitored in accordance with a risk-based programme. Our approach to encouraging appropriate conduct and minimising the risk of client detriment is set out in our conduct risk framework, and is built on our culture and values, supported by appropriate governance and reporting. Risk-based client take-on and review processes are among our key controls to address the risks of money laundering. Financial crime oversight is provided by the Financial Crime Committee. Regulatory and legal change is monitored by the Compliance, Legal and Public Policy teams and our Regulatory Change Committee. We engage with our regulators where appropriate in relation to potential and planned changes.

Key risk	Description	How we manage risk
16. Tax risk	The Group and its managed funds are exposed to: - compliance and reporting risks, which include the submission of late or inaccurate tax returns; - transactional risks, which include actions being taken without appropriate consideration of the potential tax consequences; and - reputational risks, which cover the wider impact that our conduct in relation to our tax affairs can have on our relationships with our stakeholders.	Our approach to managing tax risk is set out in our tax strategy. This is reviewed by the Audit and Risk Committee annually. It is supported by a tax governance framework, which aligns to the Group's wider risk and control framework. Key risks and issues are escalated to the GRC and the Audit and Risk Committee. The Tax function works with management and advisers to monitor the tax position of the Group. Local management, with oversight from our Tax function, is generally responsible for identifying and managing the tax position of our managed funds, with the assistance of third party service providers. Developments in taxation are monitored by the Tax function and local management. We engage with industry organisations and advisers to keep abreast of relevant tax changes.
17. Process and change risk	The risk of failure of significant business processes, such as mandate compliance, client suitability checks and asset pricing. Poor execution of acquisitions or management of strategic relationships which fail to deliver intended benefits in terms of revenue or costs.	Our key business processes have been identified and the risks assessed by first line of defence owners through the RCA process. This process is used to determine the adequacy and effectiveness of key controls; with second line providing oversight and challenge. Associated controls are assessed with regard to their design and performance. Output from the RCA process is presented to the GRC. As part of our due diligence process when we consider an acquisition or strategic partnership, we identify areas to be remediated after a transaction is completed. Subject matter experts will be involved throughout the transition.
18. Fraud risk	Fraud could arise from either internal or external parties who attempt to defraud the firm or our clients by circumventing either our processes and controls or the controls operated by our third party providers (e.g. within our outsourced transfer agency activities).	Policies and procedures are in place to manage fraud risk. Controls in place to manage fraud risk are assessed as part of the RCA process. Attempted or any successful frauds are investigated by the Financial Crime team, with oversight from Group Risk. The Financial Crime Committee provides oversight of the management of Fraud risk and is a sub-committee of the Group Risk Committee.

Key risk	Description	How we manage risk
19. Technology risk and information security	Technology and information security risk relates to the risk that: - our technology systems and support are inadequate or fail to adapt to changing requirements; - our systems are penetrated by third parties; or - our data is held insecurely.	Formal governance over information risks has been established across the three lines of defence through the Information Security Risk Oversight Committee. The Group holds insurance to cover cyber risks. Policies and technical standards, including security awareness training, have been deployed across the Group. Robust project management, assessment of business requirements and management of implementation risks are utilised.
21. Third party service provider risk	Third party service provider risk relates to the risk that suppliers may not meet their agreed service level terms. We have a number of outsourced supplier relationships as part of our business model, particularly in respect of information technology, fund administration, custody and transfer agency services.	The Audit and Risk Committee reviews all material outsourced relationships, focusing on significant aspects such as service quality and risk management. Policies are in place that govern our approach to appointing, managing and performing relevant due diligence of third party service providers including regular reviews of performance against agreed service levels. Minimum requirements are established for overseeing service provider risk and performance, and we perform risk assessments on service providers deemed critical to business operations.

Lower rated key risks

The key risks that appear below the diagonal line in the risk impact matrix are summarised in the following table.

Key risk	Description
8. Product risk	The risk that our product or service range is not suitably diversified or viable or does not provide access to strategies sought by investors or meet their objectives.
9. Business concentration risk	The risk of insufficiently diversified distribution channels, products, clients, markets, or income streams resulting in a decline in fee revenue if investor demands change.
10. Market risk	Market movements may cause a fall in the value of principal investments and a decline in the value of our proprietary assets.
11. Credit risk	Counterparty capital exposure arising from client transactions and lending activities, principal cash and investment holdings.
12. Liquidity risk	Counterparty liquidity exposure arising from client transactions and lending activities, principal cash and investment holdings.
13. Risk of insufficient capital	The risk that the Group is unable to support its strategic business objectives due to its minimum regulatory capital restrictions.
15. Legal risk	Legal risk may arise from Schroders, clients or suppliers and other third parties failing to meet their legal obligations; Schroders taking on unintended obligations; or legal claims.
20. People and employment	People and employment practices risk may arise from an inability to attract or retain key employees to support business activities or strategic initiatives: non-compliance with legislation; or failure to manage employee performance.

Our business model and Brexit

On 29 March 2017, the British government invoked Article 50, beginning the two year countdown to the United Kingdom withdrawing from the European Union. Negotiations continue but uncertainty remains and there is a range of possible outcomes and timeframes for many aspects of the UK's exit.

Schroders is well positioned to manage the challenges that may arise as a result of Brexit. Whilst all the legal and regulatory changes of Brexit are not yet clear, our diversified business model means that we are well placed in deciding how best to respond and to continue to service our clients and grow our business. Over 80% of our net operating revenue comes from clients who are based outside the EU27.

We have a long standing commitment to continental Europe, with a substantial presence involving more than 700 employees across nine offices. In Luxembourg, our European operations centre, we have around 250 employees in Product, Risk, Compliance and other Infrastructure functions, and from there we distribute funds not just across borders within the EU, but also more widely across the world, delegating portfolio management to a number of jurisdictions.

Globally, our two largest fund ranges are in the UK and Luxembourg. The UK range is not actively marketed outside the UK. The Luxembourg range is predominantly comprised of EU27 and other non-UK investors. The UK government has said that they will, if necessary, introduce a regime to allow EU27-based funds to continue to be offered to clients based in the UK in the period immediately after Brexit.

We have obtained additional permissions in order to ensure that we can continue to offer our full range of services to European Institutional clients.

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
Lord Howard of Penrith	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
Ian King	Independent non-executive Director
Nichola Pease	Independent non-executive Director
Philip Mallinckrodt	Non-executive Director
Bruno Schroder	Non-executive Director

28 February 2018

Five year consolidated financial summary

Before exceptional items	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Profit before tax	**800.3**	644.7	609.7	565.2	507.8
Tax	**(171.6)**	(132.4)	(126.3)	(113.9)	(103.0)
Profit after tax	**628.7**	512.3	483.4	451.3	404.8

After exceptional items	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Profit before tax	**760.2**	618.1	589.0	517.1	447.5
Tax	**(165.8)**	(127.9)	(121.6)	(103.9)	(94.8)
Profit after tax	**594.4**	490.2	467.4	413.2	352.7

Pre-exceptionals earnings per share:	2017 Pence	2016 Pence	2015 Pence	2014 Pence	2013 Pence
Basic earnings per share[1]	**226.9**	186.3	176.9	166.8	149.9
Diluted earnings per share[1]	**222.4**	182.4	172.2	161.5	144.6

Post-exceptional earnings per share:	2017 Pence	2016 Pence	2015 Pence	2014 Pence	2013 Pence
Basic earnings per share	**215.3**	178.3	171.1	152.7	130.6
Diluted earnings per share	**211.0**	174.5	166.5	147.8	126.0

Dividends	2017	2016	2015	2014	2013
Cost (£m)	**267.6**	236.6	226.3	177.7	123.5
Pence per share[2]	**98.0**	87.0	83.0	66.0	46.0
Total equity (£m)	**3,471.0**	3,152.8	2,795.6	2,537.8	2,268.6
Net assets per share (pence)[3]	**1,229**	1,115	990	898	802

[1]See note 7 for the basis of this calculation.
[2]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.
[3]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	2017	2016	2015	2014	2013
Sterling:					
Euro	**1.13**	1.17	1.36	1.29	1.20
US dollar	**1.35**	1.24	1.47	1.56	1.66
Swiss franc	**1.32**	1.26	1.48	1.55	1.47
Australian dollar	**1.73**	1.71	2.03	1.91	1.85
Hong Kong dollar	**10.57**	9.58	11.42	12.09	12.84
Japanese yen	**152.39**	144.12	177.30	186.95	174.08
Singaporean dollar	**1.81**	1.79	2.09	2.07	2.09

Glossary

Annualised net new revenue	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.
Basic or diluted earnings per share before exceptional items	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.
Payout ratio	The total dividend per share in respect of the year (see note 8) divided by the pre-exceptional basic earnings per share.
Profit before tax and exceptional items	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.
Ratio of total costs to net income	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.
Total compensation ratio	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.