

Press Release

Schroders plc

Full-year results

2 March 2023

- Net operating revenue, excluding performance related fees, increased by 1% demonstrating the strength of our business.
- Operating profit, a key performance indicator (KPI), was robust at £723.0 million. These results were achieved in the face of challenging markets and lower performance fees.
- Statutory pre-tax profit of £586.9 million was impacted by mark-to-market movements on balance sheet items and acquisition related costs including amortisation.
- Our three-year investment performance¹ KPI remained strong, with 73% of assets outperforming.
- Schroders Capital, our private assets business, achieved record fundraising of £17.5 billion. Similarly, our wealth management advice businesses delivered strong organic growth of 6.6%.
- Net new business (NNB) was resilient at £(1.6) billion (excluding joint ventures and associates) given the volatile fourth quarter. 2023 has started positively, particularly in Schroders Solutions.
- The Board has recommended a final dividend of 15.0 pence per share, making a total dividend of 21.5 pence per share.

	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m	Change
Net operating revenue excluding performance fees and net carried interest	2,301.9	2,276.8	1%
Net operating income	2,475.5	2,520.0	(2%)
Operating expenses	(1,752.5)	(1,679.0)	4%
Operating profit	723.0	841.0	(14%)
Assets under management (£ billion)	737.5	766.7	(4%)
Profit before tax	586.9	764.1	(23%)
Basic operating earnings per share (pence)	37.4	43.0	(13%)
Dividend per share (pence)	21.5	21.4	-

Peter Harrison, Group Chief Executive, said:

"The market challenges of 2022 provided a stress test for our strategy. I am encouraged by our resilient performance and that our strategy is working. The businesses we have been building in recent years – across wealth management, private assets and solutions – performed strongly. They are all playing an increasingly important part in our growth and now represent 53% of the Group's AUM.

Schroders Capital, our private assets business, had a record year with £17.5 billion of fundraising, with particular strength in real estate and private equity. Despite the market dynamics, our wealth management advice businesses had a good year, delivering strong organic growth of 6.6%, while we also continued to build scale in Schroders Solutions.

Our strength more broadly is underpinned by our approach to sustainability. We were early investors in ESG and the technology that underpins our capabilities in this area. This has proven to be the right decision and we will continue to invest in 2023 and beyond.

2023 has started positively, particularly in Schroders Solutions. We are confident about our trajectory: our clients require broad, actively-managed solutions and we have built the capability to meet that need."

¹ Please refer to page 7 for more information about client investment performance.

Management statement

Our successful pivot towards higher growth areas meant our revenues were more resilient during what was a challenging year for our industry. As a result, our financial performance was robust as it benefitted from strong growth generated in Schroders Wealth Management and Schroders Capital.

We hit multiple key milestones in sustainability in 2022. We are the largest investment manager by AUM to have its greenhouse gas emission reduction goal formally validated by the Science Based Targets initiative (SBTi). Our award-winning Engagement Blueprint was published at the start of the year to reinforce further our firmwide active ownership ambitions going forward. We're also proud to have topped the list of financial institutions in this year's Global Canopy Forest 500 report, a ranking of companies and global financial institutions deemed "powerbrokers of zero deforestation" and to be placed 5th in ShareAction's 2023 report ranking 77 asset managers on their approach to responsible investment.

We made progress on our governance ambitions this year as we successfully completed the enfranchisement of our non-voting shares in September 2022, we now have only one share class, and we have equal gender representation on our plc Board. Dame Elizabeth Corley became Chair of the plc Board in April 2022.

Financial performance

2022 was a challenging year for markets, which inevitably affected our revenues. Despite this backdrop, our net operating revenues excluding performance fees and net carried interest increased by 1%, demonstrating the strength of our business and the success of our strategy. Our Wealth Management segment performed particularly strongly with net operating revenues up 10%, reaching £394.3 million (2021: £360.0 million). Despite the high-water marks set in 2021, we generated better than expected performance fees of £43.0 million (2021: £94.4 million) and net carried interest of £16.5 million (2021: £31.9 million). Overall net operating income remained stable at £2,475.5 million (2021: £2,520.0 million). This includes our share of profit from our joint ventures and associates of £77.6 million (2021: £88.2 million).

Operating expenses were £1,752.5 million (2021: £1,679.0 million) across the Asset and Wealth Management segments. The increase reflects the additional operating costs of the three strategic acquisitions which also contributed to an increase in headcount this year. However, we were able to manage compensation costs well and operating staff costs were lower than the previous year at £1,121.2 million (2021: £1,136.3 million).

Operating non-compensation costs increased to £631.3 million (2021: £542.7 million) as we continued to invest in our business. This was principally driven by the acquisitions we made in 2022 and the organic build out of our businesses in high growth markets. We also accelerated our cloud migration programme, which we now expect to deliver cost savings earlier than anticipated. Travel and marketing expenditure normalised post-pandemic as we increasingly met clients in-person. The underlying effect of inflation on our cost base was only 2.5%, as a result of our focus on cost efficiencies. This meant an operating cost to net operating income ratio of 71% (2021: 67%) and an operating compensation to net operating income ratio of 45% (2021: 45%).

These movements meant that operating profit reduced to £723.0 million (2021: £841.0 million). Profit before tax was £586.9 million (2021: £764.1 million) and profit after tax was £486.2 million (2021: £623.8 million) as they were further impacted by mark-to-market movements on balance sheet items and acquisition related costs including amortisation.

AUM ended the year 4% lower at £737.5 billion (2021: £766.7 billion). Market and foreign exchange movements reduced AUM by £73.6 billion, while acquisitions contributed £52.0 billion. After a strong first half, volatility in the fourth quarter led to net outflows for the year of £7.6 billion (2021: inflows of £37.3 billion) including associates and joint ventures.

Providing excellent investment performance to our clients through active management is what drives our financial performance. Our KPI held up well, with 73% (2021: 79%) of assets outperforming their relevant comparator over three years. 86% of our public market AUM had a better SustainEx™ score than their benchmark (2021: 77%).

£bn	Asset Management	Wealth Management	Total excl. JVs and Associates	JVs and Associates	Group total
1 January 2022 (restated)²	534.0	101.6	635.6	131.1	766.7
Gross inflows	113.6	14.5	128.1	240.9	369.0
Gross outflows	(120.6)	(9.1)	(129.7)	(246.9)	(376.6)
Net flows	(7.0)	5.4	(1.6)	(6.0)	(7.6)
Acquisitions	51.9	0.1	52.0	-	52.0
Markets, FX and investment performance ³	(60.5)	(9.0)	(69.5)	(4.1)	(73.6)
31 December 2022	518.4	98.1	616.5	121.0	737.5

The Board has recommended a final dividend of 15.0 pence (2021 final restated dividend: 14.9 pence⁴). This will bring the total dividend for the year to 21.5 pence (2021 total restated dividend: 21.4 pence⁴), representing a payout ratio of 57% of operating earnings per share. The final dividend will be paid on 4 May 2023 to shareholders on the register on 24 March 2023.

Strategic progress

We successfully pivoted towards higher growth areas and higher longevity, primarily through Schroders Wealth Management, Schroders Capital and Schroders Solutions. One key priority is to get closer to the consumer to avoid disintermediation and increase client longevity.

We are achieving this by growing Schroders Wealth Management through:

- expanding Cazenove Capital outside of London and the South East;
- growing Schroders Personal Wealth; and
- increasing Benchmark's market share in the UK adviser market.

We have been expanding Schroders Capital, our private assets and alternatives brand. We now have a complete private markets capability offering across all four private markets asset classes: private equity, private debt, infrastructure and real estate. We will increase its operational leverage by:

- using Schroders global client group to bring all capabilities to clients; and
- being a key provider of tailored private markets solutions for clients.

We have established Schroders Solutions, a market-leading offering. We will grow our market share by:

- becoming the fiduciary manager to more clients in the UK;
- integrating our global private asset expertise into solutions for clients; and
- expanding our solutions leadership internationally.

Schroders Investment Management, our public markets business, also offers growth opportunities. We are aiming to grow this business through:

- geographic expansion including in India, China and South America;
- broadening our thematic range following the success of our energy transition, disruption and other strategies; and
- maintaining our leadership in sustainability and active ownership.

The combination of these efforts effectively pivots our business towards higher margin, higher growth and higher longevity areas, which will lead to higher and more resilient earnings over the medium term. Our growth

² Wealth Management AUM has been restated to reflect the basis on which contractual revenues are earned by the Group. As reported at the half-year results, AUM is now recognised where separate contractual client relationships exist that generate incremental revenues for the Group.

³ Includes currency movements which increased AUM by around £37.3 billion.

⁴ Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 13).

has become self-reinforcing as the ability to serve clients in one area enhances our ability to serve clients in other areas.

The merits of our strategic choices and diversification were demonstrated in 2022. Although our Schroders Investment Management business, including Asset Management associates, came under pressure with the fall of public markets, Schroders Wealth Management and Schroders Capital performed well, delivering £12.0 billion of NNB combined (2021: £13.0 billion). Schroders Solutions successfully navigated the gilt crisis and ended the year broadly flat with net outflows of £0.2 billion (2021: net outflows of £1.5 billion).

Across our strategic growth areas of Schroders Wealth Management, Schroders Capital and Schroders Solutions, AUM rose 4% from £374.4 billion in 2021 to £389.9 billion in 2022. These businesses now represent 53% of our total business compared to 49% in the previous year.

Wealth Management segment

Our wealth management business saw particularly strong growth, with our advice businesses generating organic growth of 6.6%, and exceeding the target for the year. Our high-net-worth (HNW), ultra-high-net-worth (UHNW) and charities businesses and specifically our Cazenove Capital advised business in the UK were key factors behind this, generating strong organic NNB growth of 8%, a confirmation of the success of our strategy. The principal drivers were: the successful build-out of Cazenove's business-owner franchise across the UK regions where we attracted talented advisers in Birmingham, Leeds, Bristol and Manchester; strong investment performance in volatile markets, which continued to reduce attrition and led existing clients to add to their portfolios and refer new clients; and Cazenove Capital's leading reputation in sustainable investment which attracted new UHNW clients, family offices and charity clients. Since winning the "ESG Olympics", a public tender showcasing the specialist expertise of 59 wealth managers, Cazenove Capital has seen flows from sustainable mandates grow significantly, representing gross flows of circa. 80% for our charity business this year. Benchmark also performed well and generated NNB of over 6% in 2022 and increased the number of adviser firms by 16 to 171. Schroders Personal Wealth, our partnership with Lloyds Banking Group, also generated encouraging gross new business of 9%. We will hold an investor session focusing on Schroders Wealth Management on 13 June 2023.

Net operating income increased by 6% to £406.8 million (2021: £382.5 million). This was supported by the higher interest rate environment which led to a rise in net banking interest, increasing from £11.1 million in 2021 to £36.9 million in 2022. AUM closed the period slightly lower at £98.1 billion (2021: £101.6 billion), due to the impact of market movements. This comprised £60.4 billion (2021: £61.4 billion) of advised AUM, £17.3 billion (2021: £18.7 billion) of platform AUM and £20.4 billion (2021: £21.5 billion) of managed AUM. Schroders Personal Wealth AUM ended the year at £13.3 billion (2021: £14.7 billion).

Operating expenses came in at £276.9 million (2021: £254.2 million) as a result of our continued investment in our people and technology platforms. The segment therefore ended the year generating £129.9 million (2021: £128.3 million) of operating profit. The net operating revenue margin before performance fees increased by 2 basis points to 40 basis points (2021: 38 basis points), largely due to changes in the interest rate environment during the year.

Asset Management segment

Over the past six years we have built a comprehensive private assets business, Schroders Capital, through a targeted program of bolt-on acquisitions. In total, we have acquired £24.6 billion of private markets AUM since 2016 which we have almost doubled to £47.4 billion. Our acquisition of Adveq in 2017 is a good example of how we have successfully grown a new capability. We acquired a high quality business, which was led by an impressive management team but needed access to a strong brand, an effective product development machine and a global distribution network founded on strong, deep client relationships. It managed £6.0 billion at the time of acquisition, but by leveraging our global reach we have grown the AUM by 90%. Today, Schroders Capital's private equity capability manages £11.4 billion. This included winning some sizeable private equity mandates across Europe last year.

In 2022, we further strengthened Schroders Capital and completed the acquisition of a 75% stake of Greencoat Capital, a leading European renewable infrastructure manager, and Cairn Real Estate in the Netherlands. The two transactions added a combined £8.8 billion of AUM. Schroders Capital now has a full private market offering

and our focus will turn to increasing the operational leverage of the business over the next few years, increasing its NNB and revenue contribution.

Fee earning AUM increased by 32% during 2022 to £68.3 billion (2021: £51.7 billion), whilst AUM plus non-fee earning dry powder increased from £54.2 billion in 2021 to £72.3 billion. Non-fee earning dry powder stood at £4.0 billion (2021: £2.5 billion) at the end of 2022. This was supported by fundraising of £17.5 billion (2021: £12.4 billion). Strong fundraising throughout the year meant Schroders Capital generated NNB of £6.4 billion (2021: £6.9 billion), with strong demand for our real estate capability which saw net inflows of £5.0 billion. The revenue margin excluding performance fees and carried interest reduced by 1 basis point to 61 basis points (2021: 62 basis points) as we transferred our emerging market debt desk to our Institutional business area in order to better align with our management structures.

Schroders Solutions benefitted from acquiring River & Mercantile's Solutions business at the beginning of 2022. The enhanced capabilities of Schroders Solutions enabled two sizable mandate wins in the first half. In the third quarter, the segment was inevitably impacted by the gilt crisis. Despite only having acquired River & Mercantile's Solutions business at the start of the year, we navigated the crisis well and delivered the liquidity our clients needed to meet their collateral calls. In total, NNB was broadly flat at £(0.2) billion (2021: £(1.5) billion). The interest rate rises contributed to a reduction in the value of our AUM. However, this generally benefitted our LDI clients as the value of their liabilities reduced, helping them move closer to their objective of achieving a buyout.

Solutions AUM rose by 2%, ending the year at £210.2 billion (2021: £206.4 billion), driven by the acquisition of River & Mercantile's Solutions business, which added £43.1 billion of AUM. Net operating revenue increased by 6% year-on-year to £292.2 million (2021: £276.4 million). Schroders Solutions now represents 29% of our Group AUM and 12% of net operating revenue. Solutions net operating revenue margin excluding performance fees fell by 1 basis point to 13 basis points (2021: 14 basis points), reflecting a shift towards bigger, more scalable mandates.

Schroders Investment Management, our public markets business, continued to invest in the development of our product offering. We have enjoyed a successful history of partnerships which has provided us with access to high growth markets via a strong domestic brand. This is the case in North America, where we have partnered with Hartford Funds to access the vast US intermediary market. The Hartford Schroders International Stock Fund saw the highest net flows of any product within Mutual Funds in 2022 and led to the Hartford Schroders range delivering £750 million of NNB. The range closed the year at nearly £11 billion of AUM. In total, this partnership has contributed £5.8 billion of NNB over the last five years and grown its AUM at a compound annual growth rate of 19%.

Despite these successes, our Mutual Funds business area saw net outflows of £5.9 billion (2021: net inflows of £8.1 billion) as it was impacted by risk-off client sentiment across most regions. AUM in Mutual Funds was £100.8 billion (2021: £116.9 billion). Mutual Fund revenue margin dropped by 1 basis point to 71 basis points (2021: 72 basis points), due to a change in business mix as the adverse market conditions had a greater impact on our higher margin products.

Institutional generated positive NNB of £0.3 billion in the second half of 2022, which was helped by our WMC (Wealth Management Company) in China, which generated positive NNB of £2.3 billion. However, this was offset by two one-off mandate losses in the first half of the year, leading to net outflows of £7.3 billion (2021: £2.5 billion of net outflows). AUM closed the year at £139.1 billion (2021: £159.0 billion), reflecting the impact of the market decline in the year. The business area generated £520.5 million (2021: £601.0 million) of net operating revenue. The net operating revenue margin excluding performance fees and carried interest increased by 3 basis points from 31 basis points last year to 34 basis points at the end of 2022, helping to partly mitigate the impact of the broader headwinds.

Our Asset Management associates have delivered cumulative NNB of over £35 billion over the past four years. Being a cyclical high-growth business, our Fund Management Company venture in China with Bank of Communications was impacted by the fixed income dislocation towards the tail-end of 2022. As a result, Asset Management associates ended the year with net outflows of £6.2 billion (2021: net inflows of £20.2 billion).

Across the Group, our purpose is to deliver excellent investment performance. We do this whilst also focussing on delivering exceptional client service and offering distinctive solutions that help us to increase client longevity and differentiate us from the rest of the market. This is a key driver of future organic growth. Excluding joint ventures and associates, our gross outflow rate as a percentage of opening AUM was 20% in 2022, compared to

25% when we set our strategy six years ago. In real terms, this means that instead of replacing the entirety of our client base every four years, this is extended to every five years, improving our ability to generate long term growth and more resilient earnings due to higher longevity.

Outlook

Forecasts for markets and the global economy in 2023 remain mixed. Our strategy is working, and we firmly believe that current industry dynamics will only accelerate the trends that we have been repositioning the business for. Our strategic growth areas of Schroders Wealth Management, Schroders Capital and Schroders Solutions are an increasingly important part of our future success. Our continued efforts have been rewarded and 2023 has started positively, particularly in Schroders Solutions. In addition, we believe that leadership in sustainability will be a critical success factor going forward.

We are confident in the businesses we have built for the long term. In uncertain times, our diverse business model enables us to focus on the long term interests of our clients and shareholders.

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Copies of this announcement are available on the Schroders website: www.schroders.com. Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, are hosting a presentation for the investment community to discuss the Group's full-year results at 9.00 a.m. GMT on Thursday, 2 March 2023. Once registered on <https://www.schroders.events/Annualresults2022> a link to the call will be shared via email. A replay will be available from midday on Thursday, 2 March 2023 at www.schroders.com/ir.

Please visit <https://www.schroders.com/en/investor-relations/> to learn how we handle personal data.

Forward-looking statements

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

Additional information

Simplifying our share structure

In September, we completed the simplification of our share structure by enfranchising our non-voting shares. Now all shareholders have the same rights. Under the enfranchisement each non-voting share was converted into an ordinary share and the existing holders of ordinary shares received a bonus issue of three additional ordinary shares for every 17 ordinary shares to compensate them for the dilution of their voting rights. Subsequent to the enfranchisement and bonus issue, the ordinary shares were sub-divided into five new ordinary shares.

Client investment performance

Client investment performance is a measure of how investments are performing relative to a benchmark or other comparator. As an active asset manager, we prioritise consistently delivering positive investment outcomes for our clients which is why our three year investment performance is a key performance indicator for the Group. It is calculated internally by Schroders to give shareholders and financial analysts general guidance on how our invested assets are 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. All calculations for investment performance 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. Performance will either be shown net of fees at the relevant fund share-class level or it will be shown gross of fees with a fee schedule for the strategy supplied.

	Percentage of assets outperforming		
	One-year	Three-years	Five-years
To 31 December 2022	44%	73%	76%
To 31 December 2021	74%	79%	78%

The calculation includes virtually all applicable assets under management that have a complete track record over the one-year, three-year and five-year reporting periods, respectively.

Applicable assets under management does not include our joint ventures and associates and excludes £79.3 billion of assets, principally comprising those managed by third parties or held on an execution-only basis, assets managed by Schroders Capital Real Estate Hotels, non-discretionary assets and assets held on a custody-only basis as well as Wealth Management platform assets on the Benchmark Fusion platform. Performance is calculated relative to the relevant comparator for each investment strategy as summarised below. These fall into one of four categories, the percentages for each of which refer to the three-year calculation:

- For 72% of assets included in the calculation, the comparator is the relevant benchmark.
- If the relevant comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 9% of assets in the calculation.
- Assets for which the relevant comparator is an absolute return target are measured against that absolute target. This applies to 12% of assets in the calculation.
- Assets with no specific outperformance objective, including those with a buy and maintain objective, are measured against a cash alternative, if applicable. This applies to 7% of assets in the calculation.

Consolidated income statement

for the year ended 31 December 2022

	Notes	2022 £m	2021 ¹ £m
Revenue		2,891.7	2,959.5
Cost of sales		(530.3)	(556.4)
Net operating revenue	2	2,361.4	2,403.1
<i>Of which: Performance fees</i>		43.0	94.4
<i>Net carried interest income</i>		16.5	31.9
Net operating revenue excluding performance-based revenues		2,301.9	2,276.8
Share of profit of associates and joint ventures	8	77.6	88.2
Other operating income		36.5	28.7
Net operating income		2,475.5	2,520.0
Operating expenses	3	(1,752.5)	(1,679.0)
Operating profit		723.0	841.0
Central costs	3	(48.8)	(53.6)
Net (loss)/gain on financial instruments and other income		(6.7)	43.9
Interest income/(expense)		5.8	(2.0)
Acquisition costs and related items	3	(86.4)	(65.2)
Profit before tax		586.9	764.1
Tax	4(a)	(100.7)	(140.3)
Profit after tax²		486.2	623.8
Earnings per share³			
Basic	5	30.4p	38.7p
Diluted	5	29.9p	38.1p
Operating earnings per share³			
Basic	5	37.4p	43.0p
Diluted	5	36.7p	42.2p

¹ The 2021 comparatives have been re-presented (see note 1).

² Non-controlling interest is presented in the statement of changes in equity.

³ Earnings per share has been restated following the simplification of the Company's dual share class structure (see note 13).

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Profit after tax¹		486.2	623.8
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		148.6	(19.0)
Net loss on financial assets at fair value through other comprehensive income		(1.5)	(2.8)
Net gain on financial assets at fair value through other comprehensive income held by associates	8	-	0.1
Tax on items taken directly to other comprehensive income	4(b)	(0.2)	1.1
		146.9	(20.6)
Items that will not be reclassified to the income statement:			
Net actuarial (loss)/gain on defined benefit pension schemes	12	(66.0)	27.6
Tax on items taken directly to other comprehensive income	4(b)	16.5	(6.7)
		(49.5)	20.9
Other comprehensive income for the year, net of tax¹		97.4	0.3
Total comprehensive income for the year¹		583.6	624.1

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

Consolidated statement of financial position

at 31 December 2022

	Notes	2022 £m	2021 £m
Assets			
Cash and cash equivalents		4,440.3	4,207.3
Trade and other receivables	7	896.5	1,000.9
Financial assets	7	2,670.3	3,132.3
Associates and joint ventures	8	497.7	466.7
Property, plant and equipment	9, 10	524.1	560.0
Goodwill and intangible assets	11	1,929.5	1,168.5
Deferred tax		185.8	145.0
Retirement benefit scheme surplus	12	136.3	197.9
		11,280.5	10,878.6
Assets backing unit-linked liabilities			
Cash and cash equivalents		605.0	911.7
Financial assets		9,449.1	12,551.4
	7	10,054.1	13,463.1
Total assets		21,334.6	24,341.7
Liabilities			
Trade and other payables	7	1,049.5	1,115.0
Financial liabilities	7	5,140.1	4,793.6
Current tax		73.1	52.2
Lease liabilities	10	361.0	373.8
Provisions		25.4	26.8
Deferred tax		138.9	80.4
Retirement benefit scheme deficits		12.8	11.1
		6,800.8	6,452.9
Unit-linked liabilities	7	10,054.1	13,463.1
Total liabilities		16,854.9	19,916.0
Net assets		4,479.7	4,425.7
Total equity¹		4,479.7	4,425.7

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

Consolidated statement of changes in equity

for the year ended 31 December 2022

	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	Total £m		
At 1 January 2022		282.5	124.2	(150.2)	144.6	183.4	3,701.4	4,285.9	139.8	4,425.7
Profit for the year		-	-	-	-	71.5	408.2	479.7	6.5	486.2
Other comprehensive income ¹		-	-	-	146.6	-	(51.2)	95.4	2.0	97.4
Total comprehensive income for the year		-	-	-	146.6	71.5	357.0	575.1	8.5	583.6
Own shares purchased	14	-	-	(120.2)	-	-	-	(120.2)	-	(120.2)
Share-based payments		-	-	-	-	-	68.2	68.2	-	68.2
Tax in respect of share schemes	4(c)	-	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Other movements ²		-	-	-	-	-	(113.3)	(113.3)	(15.2)	(128.5)
Bonus issue	13	39.9	(39.9)	-	-	-	(4.3)	(4.3)	-	(4.3)
Dividends	6	-	-	-	-	-	(332.1)	(332.1)	(9.3)	(341.4)
Transactions with shareholders		39.9	(39.9)	(120.2)	-	-	(384.9)	(505.1)	(24.5)	(529.6)
Transfers		-	-	85.3	-	(51.3)	(34.0)	-	-	-
At 31 December 2022		322.4	84.3	(185.1)	291.2	203.6	3,639.5	4,355.9	123.8	4,479.7

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

²Other movements principally comprises amounts relating to financial liabilities in respect of options to purchase the remaining non-controlling interest in certain subsidiaries (see note 7).

Consolidated statement of changes in equity

for the year ended 31 December 2021

	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	Total £m		
At 1 January 2021		282.5	124.2	(159.8)	165.6	133.6	3,456.7	4,002.8	83.1	4,085.9
Profit for the year		-	-	-	-	79.3	532.6	611.9	11.9	623.8
Other comprehensive income ¹		-	-	-	(21.0)	0.1	19.2	(1.7)	2.0	0.3
Total comprehensive income for the year		-	-	-	(21.0)	79.4	551.8	610.2	13.9	624.1
Own shares purchased	14	-	-	(75.3)	-	-	-	(75.3)	-	(75.3)
Share-based payments		-	-	-	-	-	89.5	89.5	-	89.5
Tax in respect of share schemes	4(c)	-	-	-	-	-	4.7	4.7	-	4.7
Other movements ²		-	-	-	-	-	(27.4)	(27.4)	52.6	25.2
Dividends	6	-	-	-	-	-	(318.6)	(318.6)	(9.8)	(328.4)
Transactions with shareholders		-	-	(75.3)	-	-	(251.8)	(327.1)	42.8	(284.3)
Transfers		-	-	84.9	-	(29.6)	(55.3)	-	-	-
At 31 December 2021		282.5	124.2	(150.2)	144.6	183.4	3,701.4	4,285.9	139.8	4,425.7

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

²Other movements include amounts relating to the purchase of additional interests in subsidiaries.

Consolidated cash flow statement

for the year ended 31 December 2022

	Notes	2022 £m	2021 £m
Net cash from operating activities¹	15	972.8	1,234.2
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(607.5)	(18.7)
Net acquisition of property, plant and equipment and software		(104.3)	(89.4)
Acquisition of financial assets		(1,734.7)	(1,946.0)
Disposal of financial assets		1,820.4	2,123.9
Non-banking interest received		7.3	12.5
Distributions received from associates and joint ventures		15.0	35.1
Net cash (used in)/from investing activities		(603.8)	117.4
Cash flows from financing activities			
Purchase of subsidiary shares from non-controlling interest holders		(13.6)	(32.4)
Cash from non-controlling interest holders		-	54.5
Lease payments	10	(51.3)	(47.5)
Acquisition of own shares	14	(120.2)	(75.3)
Dividends paid	6	(341.4)	(328.4)
Other		(6.8)	(0.6)
Net cash used in financing activities		(533.3)	(429.7)
Net (decrease)/increase in cash and cash equivalents		(164.3)	921.9
Opening cash and cash equivalents		5,119.0	4,215.9
Net (decrease)/increase in cash and cash equivalents		(164.3)	921.9
Effect of exchange rate changes		90.6	(18.8)
Closing cash and cash equivalents		5,045.3	5,119.0
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		4,409.8	4,075.5
Cash held in consolidated pooled investment vehicles		30.5	131.8
Cash and cash equivalents presented within assets		4,440.3	4,207.3
Cash and cash equivalents presented within assets backing unit-linked liabilities		605.0	911.7
Closing cash and cash equivalents		5,045.3	5,119.0

¹Includes Wealth Management interest income received of £75.3 million (2021: £11.3 million) and interest paid of £38.4 million (2021: £0.2 million).

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. The statutory accounts for 2021 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 2022, which will be delivered to the Registrar of Companies in due course.

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

(b) 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. No other Standards or Interpretations have been issued that are expected to have a material impact on the consolidated financial statements.

(c) Going concern

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for twelve months from the date the Annual Report and Accounts are approved. They therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

(d) Presentational changes

The consolidated income statement has been re-presented to show both operating profit generated from the Group's business segments and profit before tax. The new presentation provides information that is more relevant to understanding the performance of the Group's operating activities. It also provides greater prominence to items of income and expense that are managed outside of the business segments, see note 3. The segmental reporting note has also been re-presented, see note 2. A reconciliation of operating profit to profit before tax and exceptional items is provided below.

Reconciliation of operating profit to profit before tax and exceptional items

	2022	2021
Year ended 31 December	£m	£m
Operating profit	723.0	841.0
<i>Less:</i>		
Central costs	(48.8)	(53.6)
Net (loss)/gain on financial instruments and other income	(6.7)	45.3
Non-banking interest income	6.3	3.5
	(49.2)	(4.8)
Profit before tax and exceptional items	673.8	836.2

2. Segmental reporting

(a) Operating segments

The Group has two operating segments: Asset Management and Wealth Management. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive. The segmental reporting note has been re-presented to reflect the changes made to the income statement (see note 1) and to present the results of Schroders Personal Wealth (SPW) within share of profit of associates and joint ventures using the equity accounting method. The results of SPW were previously consolidated on a proportional basis within the Wealth Management segment for the purpose of segmental reporting. This new presentation reflects changes to the basis on which the Group monitors the performance of the business.

Operating expenses represent the costs incurred in running the Asset Management and Wealth Management segments and 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 respect of particular business functions. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure. Operating expenses exclude items related to acquisitions and central management activities (see note 3). The reconciliation of operating profit to profit before tax is available on the income statement.

	Asset Management	Wealth Management	Total
	£m	£m	£m
Year ended 31 December 2022			
Revenue	2,441.9	449.8	2,891.7
Cost of sales	(474.8)	(55.5)	(530.3)
Net operating revenue	1,967.1	394.3	2,361.4
<i>Of which: Performance fees</i>	42.6	0.4	43.0
<i>Net carried interest income</i>	16.5	-	16.5
Net operating revenue excluding performance-based revenues	1,908.0	393.9	2,301.9
Share of profit of associates and joint ventures	73.6	4.0	77.6
Other operating income	28.0	8.5	36.5
Net operating income	2,068.7	406.8	2,475.5
Operating expenses	(1,475.6)	(276.9)	(1,752.5)
Operating profit	593.1	129.9	723.0

2. Segmental reporting (continued)

(a) Operating segments (continued)

Year ended 31 December 2021 ¹	Asset Management £m	Wealth Management £m	Total £m
Revenue	2,582.5	377.0	2,959.5
Cost of sales	(539.4)	(17.0)	(556.4)
Net operating revenue	2,043.1	360.0	2,403.1
<i>Of which: Performance fees</i>	94.2	0.2	94.4
<i>Net carried interest income</i>	31.9	-	31.9
Net operating revenue excluding performance-based revenues	1,917.0	359.8	2,276.8
Share of profit of associates and joint ventures	73.9	14.3	88.2
Other operating income	20.5	8.2	28.7
Net operating income	2,137.5	382.5	2,520.0
Operating expenses	(1,424.8)	(254.2)	(1,679.0)
Operating profit	712.7	128.3	841.0

¹The 2021 comparatives have been re-presented (see note 1).

2. Segmental reporting (continued)

(b) Net operating revenue by segment is presented below:

	Asset Management £m	Wealth Management £m	Total £m
Year ended 31 December 2022			
Management fees	2,334.5	335.2	2,669.7
Performance fees	42.6	0.4	43.0
Carried interest	32.3	-	32.3
Other fees	32.5	38.9	71.4
Wealth Management interest income	-	75.3	75.3
Revenue	2,441.9	449.8	2,891.7
Fee expense	(459.0)	(17.1)	(476.1)
Cost of financial obligations in respect of carried interest	(15.8)	-	(15.8)
Wealth Management interest expense	-	(38.4)	(38.4)
Cost of sales	(474.8)	(55.5)	(530.3)
Net operating revenue	1,967.1	394.3	2,361.4

	Asset Management £m	Wealth Management £m	Total £m
Year ended 31 December 2021¹			
Management fees	2,388.6	329.1	2,717.7
Performance fees	94.2	0.2	94.4
Carried interest	71.5	-	71.5
Other fees	28.2	36.4	64.6
Wealth Management interest income	-	11.3	11.3
Revenue	2,582.5	377.0	2,959.5
Fee expense	(499.8)	(16.8)	(516.6)
Cost of financial obligations in respect of carried interest	(39.6)	-	(39.6)
Wealth Management interest expense	-	(0.2)	(0.2)
Cost of sales	(539.4)	(17.0)	(556.4)
Net operating revenue	2,043.1	360.0	2,403.1

¹The 2021 comparatives have been re-presented (see note 1).

2. Segmental reporting (continued)

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

Year ended 31 December 2022	Continental Europe & Middle East				Total
	UK	Middle East	Asia Pacific	Americas	
	£m	£m	£m	£m	£m
Management fees	882.9	814.1	608.9	363.8	2,669.7
Performance fees	6.5	15.4	8.2	12.9	43.0
Carried interest	-	32.3	-	-	32.3
Other fees	37.5	25.9	8.0	-	71.4
Wealth Management interest income	65.7	8.1	1.5	-	75.3
Revenue	992.6	895.8	626.6	376.7	2,891.7
Fee expense	(58.5)	(196.2)	(169.1)	(52.3)	(476.1)
Cost of financial obligations in respect of carried interest	-	(15.8)	-	-	(15.8)
Wealth management interest expense	(38.3)	-	(0.1)	-	(38.4)
Cost of sales	(96.8)	(212.0)	(169.2)	(52.3)	(530.3)
Net operating revenue	895.8	683.8	457.4	324.4	2,361.4

Year ended 31 December 2021 ¹	Continental Europe & Middle East				Total
	UK	Middle East	Asia Pacific	Americas	
	£m	£m	£m	£m	£m
Management fees	833.3	869.0	643.3	372.1	2,717.7
Performance fees	8.2	32.0	28.9	25.3	94.4
Carried interest	-	71.5	-	-	71.5
Other fees	30.8	23.2	10.4	0.2	64.6
Wealth Management interest income	10.3	0.9	0.1	-	11.3
Revenue	882.6	996.6	682.7	397.6	2,959.5
Fee expense	(66.3)	(215.5)	(181.7)	(53.1)	(516.6)
Cost of financial obligations in respect of carried interest	-	(39.6)	-	-	(39.6)
Wealth management interest expense	(0.2)	-	-	-	(0.2)
Cost of sales	(66.5)	(255.1)	(181.7)	(53.1)	(556.4)
Net operating revenue	816.1	741.5	501.0	344.5	2,403.1

¹The 2021 comparatives have been re-presented (see note 1).

2. Segmental reporting (continued)

Estimates and judgements – revenue

The principle estimates and judgements for revenue relate to carried interest. Carried interest represents the Group's contractual right to a share of the profits of 122 private asset investment vehicles (2021: 113 vehicles), if certain performance hurdles are met. It is recognised when the relevant services have been provided and it is highly probable that a significant reversal will not occur.

The amount of carried interest that will ultimately be received by the Group is dependent on the cash flows realised by the respective investment vehicles when the underlying investments are successfully disposed of. The resultant cash flows are assessed against the applicable performance hurdle, which is dependent on the capital invested and the timing and quantum of distributions. For accounting purposes, the outcome is discounted to determine the present value of the carried interest to be recognised. The actual amount receivable at maturity will depend on the realised value and may differ from the projected value.

The Group estimates the cash flows that will be received by the investment vehicles with reference to the current fair value of the underlying investments. Judgement is applied to determine certain assumptions used in the estimate. Those assumptions principally relate to the future growth and the timing of distributions. No future growth is assumed, reflecting the uncertainty of future investment returns. The timing of distributions to clients is based on individual investment managers' expectations as to the realisation of cash flows from the successful disposal of the underlying securities.

The Group assesses the maturity of the respective investment vehicles by reference to the percentage of committed capital invested and original capital returned to clients. This helps the Group to understand whether a significant risk of reversal exists and to determine whether the revenue should be recognised or further constrained in accordance with the accounting standards.

Estimates and judgements – cost of sales

The principle estimates and judgements for cost of sales relate to carried interest. The crystallisation of associated financial obligations in respect of carried interest (carried interest payable) is contingent on the Group receiving the related revenue. The areas of estimates and judgements are the same as those used to determine the present value of the carried interest receivable, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £3.1 million (2021: £3.6 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £2.1 million/£2.0 million (2021: £3.0 million/£4.2 million) and this amount would be lower than the corresponding increase/reduction in revenue.

3. Total expenses

Expenses comprise operating expenses, central costs and acquisition costs and related items. Operating expenses are those costs incurred through the operating activities of the Group's operating segments; Asset Management and Wealth Management. Central costs are those arising from capital and treasury management activities, corporate development and strategy activities and the costs associated with the governance and corporate management of the Group. Acquisition costs and related items include deal costs associated with corporate transactions and costs associated with the integration of acquired businesses and amortisation of acquired intangible assets.

Year ended 31 December	2022	2021
	£m	£m
Operating expenses	1,752.5	1,679.0
Central costs	48.8	53.6
Acquisition costs and related items	86.4	65.2
Total expenses	1,887.7	1,797.8

Year ended 31 December	2022	2021
	£m	£m
Salaries, wages and other remuneration	1,001.1	1,034.6
Social security costs	88.2	104.9
Pension costs	66.1	57.4
Employee benefits expense	1,155.4	1,196.9
Net loss/(gain) on financial instruments held to hedge deferred cash awards	11.7	(22.2)
Employee benefits expense - net of hedging	1,167.1	1,174.7

The employee benefits expense net of hedging includes £19.7 million (2021: £6.6 million) that is presented within acquisition costs and related items.

4. Tax expense

(a) Analysis of tax charge reported in the income statement

Year ended 31 December	2022	2021
	£m	£m
UK current year charge	71.6	71.1
Rest of the world current year charge	74.7	104.4
Prior year adjustments	1.8	33.6
Total current tax	148.1	209.1
Origination and reversal of temporary differences	(29.8)	(31.2)
Prior year adjustments	(3.0)	(34.4)
Effect of changes in corporation tax rates	(14.6)	(3.2)
Total deferred tax	(47.4)	(68.8)
Tax charge reported in the income statement	100.7	140.3

4. Tax expense (continued)

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

Year ended 31 December	2022 £m	2021 £m
Deferred tax (credit)/charge on actuarial gains and losses on defined benefit pension schemes	(12.6)	5.2
Deferred tax charge/(credit) on other movements through other comprehensive income	0.1	(1.0)
Deferred tax – effect of changes in corporation tax rates	(3.8)	1.4
Tax (credit)/charge reported in other comprehensive income	(16.3)	5.6

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

Year ended 31 December	2022 £m	2021 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(1.5)	(3.7)
Deferred tax charge/(credit) on Deferred Award Plan and other share-based remuneration	5.7	(0.8)
Deferred tax – effect of changes in corporation tax rates	(0.8)	(0.2)
Tax charge/(credit) reported in equity	3.4	(4.7)

(d) Factors affecting tax charge for the year

The UK standard rate of corporation tax for 2022 is 19% (2021: standard rate of 19%). The tax charge for the year is higher (2021: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	2022 £m	2021 £m
Profit before tax	586.9	764.1
Less share of profit of associates and joint ventures	(71.5)	(79.3)
Profit before tax of Group entities	515.4	684.8

Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	97.9	130.1
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Effects of:

Different statutory tax rates of overseas jurisdictions	(0.4)	6.7
Permanent differences including non-taxable income and non-deductible expenses	7.7	6.9
Net movement in temporary timing differences for which no deferred tax is recognised	11.3	0.6
Deferred tax adjustments in respect of changes in corporation tax rates	(14.6)	(3.2)
Prior year adjustments	(1.2)	(0.8)
Tax charge reported in the income statement	100.7	140.3

Estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. Liabilities relating to open and judgemental matters, including those in relation to deferred taxes, are based on the Group's assessment of the most likely outcome based on the information available. As a result, certain tax amounts are based on estimates using factors that are relevant to the specific judgement. The Group engages constructively and transparently with tax authorities with a view to early resolution of any uncertain tax matters. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. Such estimates are based on assumptions made on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances, including local tax laws. There was no individual judgemental component of the tax expense that was material to the Group results when taking into account the likely range of potential outcomes (2021: none).

5. Earnings per share

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

	2022	2021
	Number	Number
Year ended 31 December	Millions	Millions ¹
Weighted average number of shares used in the calculation of basic earnings per share	1,576.6	1,580.1
Effect of dilutive potential shares – share options	27.4	27.0
Effect of dilutive potential shares – contingently issuable shares	0.4	0.4
Weighted average number of shares used in the calculation of diluted earnings per share	1,604.4	1,607.5

¹The 2021 comparatives have been restated following the simplification of the Company's dual share class structure (see note 13).

Profit after tax attributable to non-controlling interest was £6.5 million (2021: £11.9 million).

Operating earnings per share calculations are based on operating profit after tax of £599.4 million (2021: £693.6 million) less non-controlling operating earnings of £10.4 million (2021: £14.7 million).

6. Dividends

	2023		2022		2021	
	£m	Pence per share	£m	Pence per share¹	£m	Pence per share¹
Prior year final dividend paid			231.5	14.9	217.3	13.9
Interim dividend paid			100.6	6.5	101.3	6.5
Total dividends paid			332.1	21.4	318.6	20.4

Current year final dividend recommended

232.8 **15.0**

¹Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 13).

Dividends of £12.6 million (2021: £9.1 million) on shares held by employee benefit trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2022 final dividend of 15.0 pence per share (2021 restated final dividend: 14.9 pence), amounting to £232.8 million (2021 final dividend: £231.5 million). The dividend will be paid on 4 May 2023 to shareholders on the register at 24 March 2023 and will be accounted for in 2023.

In addition, the Group paid £9.3 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2022 (2021: £9.8 million), resulting in total dividends paid of £341.4 million (2021: £328.4 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 2022 final dividend is 12 April 2023. Further details are contained on the Group's website.

7. 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 be derived from readily available sources or may require some estimation. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below. 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, government debt and exchange-traded derivatives.

– Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities and asset and mortgage backed securities. 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.

– Level 3 fair value measurements are those derived from valuation techniques that include significant inputs that are not based on observable market data.

The Group's level 3 financial assets principally comprise holdings in pooled investment vehicles, including private equity funds, and holdings in property investment vehicles that operate hotel businesses. The pooled investment vehicles are measured in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 using the valuation technique that is most suitable to the applicable investment. The property investment vehicles are valued based on the expected future cash flows that could be generated from the underlying hotel businesses. Given the application of different valuation techniques, and as the investments are not homogenous in nature, there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value.

The Group's financial liabilities categorised as level 3 principally consist of third party liabilities related to carried interest arrangements, obligations arising from contingent consideration and other liabilities to purchase the remaining interest in acquired subsidiaries. Information about the estimates and judgements made in determining the fair value of carried interest payable is set out in note 2. Liabilities in respect of options to purchase the remaining interest in certain subsidiaries require judgement in determining the appropriate assumptions to be applied in the estimation of the fair value. The amount that will ultimately be paid in relation to an option is dependent on the future earnings of the subsidiary and may be subject to a cap over the enterprise value. In estimating the liability, the assumptions principally relate to the future earnings of the business and the rate applied to discount the liability back to present value. The future earnings of the applicable subsidiaries are estimated using different methodologies and consequently there is no one assumption that is individually material to the valuation. Discount rates between 11% and 13% have been used to discount these liabilities. An increase/decrease in the discount rate of two percentage points would decrease/increase the financial liability by £19 million/£17 million. The remaining level 3 liabilities are measured using different valuation methodologies and assumptions, and there are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

7. 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:

	2022				Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	122.8	122.8
Loans and advances to clients	-	-	-	615.6	615.6
Debt securities	-	-	-	263.9	263.9
	-	-	-	1,002.3	1,002.3
Financial assets at fair value through other comprehensive income:					
Debt securities	588.4	3.5	-	-	591.9
	588.4	3.5	-	-	591.9
Financial assets at fair value through profit or loss:					
Debt securities	21.9	126.2	-	-	148.1
Pooled investment vehicles	462.4	60.2	179.6	-	702.2
Equities	190.8	0.5	11.6	-	202.9
Derivative contracts	5.9	17.0	-	-	22.9
	681.0	203.9	191.2	-	1,076.1
Total financial assets	1,269.4	207.4	191.2	1,002.3	2,670.3
Trade and other receivables	2.6	-	-	893.9	896.5
Assets backing unit-linked liabilities	7,515.6	1,812.6	22.8	703.1	10,054.1
	8,787.6	2,020.0	214.0	2,599.3	13,620.9
Financial liabilities at amortised cost:					
Client accounts	-	-	-	4,532.8	4,532.8
Deposits by banks	-	-	-	59.4	59.4
Other financial liabilities	-	-	-	3.7	3.7
	-	-	-	4,595.9	4,595.9
Financial liabilities at fair value through profit or loss:					
Derivative contracts	3.7	24.6	-	-	28.3
Other financial liabilities	205.8	-	91.4	-	297.2
	209.5	24.6	91.4	-	325.5
Liabilities to purchase subsidiary shares	-	-	218.7	-	218.7
Total financial liabilities	209.5	24.6	310.1	4,595.9	5,140.1
Trade and other payables	214.9	-	-	834.6	1,049.5
Unit-linked liabilities	9,996.1	48.7	-	9.3	10,054.1
	10,420.5	73.3	310.1	5,439.8	16,243.7

7. Fair value measurement disclosures (continued)

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	153.0	153.0
Loans and advances to clients	-	-	-	614.0	614.0
Debt securities	-	-	-	109.9	109.9
	-	-	-	876.9	876.9
Financial assets at fair value through other comprehensive income:					
Debt securities	405.7	4.2	-	-	409.9
	405.7	4.2	-	-	409.9
Financial assets at fair value through profit or loss:					
Debt securities	185.5	231.1	4.0	-	420.6
Pooled investment vehicles	603.9	38.0	135.1	-	777.0
Equities	557.8	4.1	8.2	-	570.1
Derivative contracts	28.5	49.3	-	-	77.8
	1,375.7	322.5	147.3	-	1,845.5
Total financial assets	1,781.4	326.7	147.3	876.9	3,132.3
Trade and other receivables	2.5	-	-	998.4	1,000.9
Assets backing unit-linked liabilities	10,800.5	1,598.0	22.9	1,041.7	13,463.1
	12,584.4	1,924.7	170.2	2,917.0	17,596.3
Financial liabilities at amortised cost:					
Client accounts	-	-	-	3,748.3	3,748.3
Deposits by banks	-	-	-	69.9	69.9
Other financial liabilities	-	-	-	4.4	4.4
	-	-	-	3,822.6	3,822.6
Financial liabilities at fair value:					
Derivative contracts	29.8	58.5	-	-	88.3
Other financial liabilities	733.0	-	149.7	-	882.7
	762.8	58.5	149.7	-	971.0
Total financial liabilities	762.8	58.5	149.7	3,822.6	4,793.6
Trade and other payables	200.2	-	-	914.8	1,115.0
Unit-linked liabilities	13,369.6	77.7	-	15.8	13,463.1
	14,332.6	136.2	149.7	4,753.2	19,371.7

The Group has recognised a net loss on financial instruments at fair value through profit and loss of £10.9 million (2021: gain of £18.7 million). A net loss on financial instruments at fair value through other comprehensive income of £0.1 million (2021: gain of £1.8 million) has been transferred to the income statement.

7. Fair value measurement disclosures (continued)

The fair value of financial assets and liabilities at amortised cost approximates their carrying value. No financial assets or liabilities were transferred between levels during 2022 (2021: none).

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

	2022				2021		
	Financial assets at FVTPL £m	Assets backing unit-linked liabilities £m	Financial liabilities at FVTPL £m	Liabilities to purchase subsidiary shares £m	Financial assets at FVTPL £m	Assets backing unit-linked liabilities £m	Financial liabilities at FVTPL £m
At 1 January	147.3	22.9	88.9	60.8	138.3	28.1	143.7
Exchange translation adjustments	13.2	0.6	8.1	7.5	(3.8)	(1.1)	(2.7)
Net gain or loss recognised in the income statement	(0.8)	5.6	18.1	-	42.4	10.4	59.0
Additions	48.2	-	2.2	173.0	29.3	-	1.1
Disposals	(16.7)	(6.3)	(25.9)	(21.4)	(58.9)	(14.5)	(51.4)
Remeasurements	-	-	-	(1.2)	-	-	-
At 31 December	191.2	22.8	91.4	218.7	147.3	22.9	149.7

8. Associates and joint ventures

	2022			2021		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	260.6	206.1	466.7	211.0	194.2	405.2
Exchange translation adjustments	7.4	0.4	7.8	6.1	(0.1)	6.0
Additions	1.7	1.6	3.3	1.1	5.9	7.0
Disposals	(0.3)	-	(0.3)	(0.8)	-	(0.8)
Profit for the year after tax ¹	72.7	(1.2)	71.5	72.3	7.0	79.3
Gains recognised in other comprehensive income	-	-	-	0.1	-	0.1
Distributions of profit	(37.3)	(14.0)	(51.3)	(29.2)	(0.9)	(30.1)
At 31 December	304.8	192.9	497.7	260.6	206.1	466.7

¹Share of profit of associates and joint ventures as presented on the face of the income statement excludes acquisition costs and related items net of tax of £6.1 million (2021: £8.9 million).

9. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2022	194.6	19.7	165.8	380.1
Exchange translation adjustments	5.1	-	4.6	9.7
Additions	7.6	-	12.1	19.7
Disposals	(0.3)	-	(13.5)	(13.8)
At 31 December 2022	207.0	19.7	169.0	395.7
Accumulated depreciation				
At 1 January 2022	(59.2)	(1.8)	(89.2)	(150.2)
Exchange translation adjustments	(2.5)	-	(3.0)	(5.5)
Depreciation charge	(14.3)	(0.4)	(21.3)	(36.0)
Disposals	0.3	-	1.5	1.8
At 31 December 2022	(75.7)	(2.2)	(112.0)	(189.9)
Net book value at 31 December 2022	131.3	17.5	57.0	205.8
Right-of-use assets (note 10)				318.3
Property, plant and equipment net book value at 31 December 2022				524.1

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2021	188.7	19.7	157.5	365.9
Exchange translation adjustments	(0.8)	-	(1.6)	(2.4)
Additions	11.2	-	14.8	26.0
Disposals	(4.5)	-	(4.9)	(9.4)
At 31 December 2021	194.6	19.7	165.8	380.1
Accumulated depreciation				
At 1 January 2021	(50.7)	(1.3)	(77.8)	(129.8)
Exchange translation adjustments	0.6	-	0.8	1.4
Depreciation charge	(13.6)	(0.5)	(17.1)	(31.2)
Disposals	4.5	-	4.9	9.4
At 31 December 2021	(59.2)	(1.8)	(89.2)	(150.2)
Net book value at 31 December 2021	135.4	17.9	76.6	229.9
Right-of-use assets (note 10)				330.1
Property, plant and equipment net book value at 31 December 2021				560.0

10. Leases

	2022		2021	
	Right-of-use assets £m	Lease liabilities £m	Right-of-use assets £m	Lease liabilities £m
At 1 January	330.1	373.8	354.8	397.2
Exchange translation adjustments	9.8	12.3	(1.8)	(1.2)
Additions and remeasurements of lease obligations	18.0	15.6	14.5	14.5
Lease payments	-	(51.3)	-	(47.5)
Depreciation charge	(39.6)	-	(37.4)	-
Interest expense	-	10.6	-	10.8
At 31 December	318.3	361.0	330.1	373.8

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

11. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2022	803.4	361.9	470.7	1,636.0
Exchange translation adjustments	36.1	15.7	4.7	56.5
Additions	400.2	332.4	97.6	830.2
At 31 December 2022	1,239.7	710.0	573.0	2,522.7
Accumulated amortisation				
At 1 January 2022	-	(252.8)	(214.7)	(467.5)
Exchange translation adjustments	-	(8.9)	(3.5)	(12.4)
Amortisation charge	-	(47.1)	(66.2)	(113.3)
At 31 December 2022	-	(308.8)	(284.4)	(593.2)
Carrying amount at 31 December 2022	1,239.7	401.2	288.6	1,929.5

11. Goodwill and intangible assets (continued)

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2021	811.7	362.8	413.2	1,587.7
Exchange translation adjustments	(8.3)	(3.2)	(0.8)	(12.3)
Additions	-	2.3	63.4	65.7
Disposals	-	-	(5.1)	(5.1)
At 31 December 2021	803.4	361.9	470.7	1,636.0
Accumulated amortisation				
At 1 January 2021	-	(220.2)	(159.5)	(379.7)
Exchange translation adjustments	-	0.9	0.6	1.5
Amortisation charge for the year	-	(33.5)	(60.7)	(94.2)
Disposals	-	-	4.9	4.9
At 31 December 2021	-	(252.8)	(214.7)	(467.5)
Carrying amount at 31 December 2021	803.4	109.1	256.0	1,168.5

The Group acquired £328.8 million of identifiable intangible assets as a result of business combinations during 2022 (2021: none). The Group acquired £3.6 million (2021: £2.3 million) of customer contracts through Benchmark Capital that were not considered to be business combinations.

Estimates and judgements

The Group estimates the fair value of identifiable intangible assets acquired at the acquisition date based on forecast profits, taking account of synergies, derived from existing contractual arrangements. This assessment involves judgement in determining assumptions relating to potential future revenues, profit margins, appropriate discount rates and the expected duration of client relationships. The difference between the fair value of the consideration and the value of the identifiable assets and liabilities acquired, including intangible assets, is accounted for as goodwill.

At each reporting date, the Group applies judgement to determine whether there is any indication that an acquired intangible asset may be impaired. If any indication exists, a full assessment is undertaken. Goodwill is assessed for impairment on an annual basis. If the assessment of goodwill or an acquired intangible asset determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions the Group has determined the lowest level CGU for Asset Management acquisitions is the segment. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £1,009.6 million (2021: £574.9 million) is allocated to Asset Management and £230.1 million (2021: £228.5 million) is allocated to Wealth Management, of which £68.2 million (2021: £68.1 million) relates to Benchmark Capital.

11. Goodwill and intangible assets (continued)

Estimates and judgements (continued)

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2021: 2%), a pre-tax discount rate of 12% (2021: 10%), expected flows and expected changes to revenue margins. The results of the calculations indicate that goodwill is not impaired.

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2021: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised in the income statement but may be reversed if relevant conditions improve.

12. Retirement benefit obligations

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

	2022 £m	2021 £m
At 1 January	1,070.6	1,077.2
Interest on assets	21.0	14.8
Remeasurement of assets	(345.2)	20.1
Benefits paid	(38.5)	(40.5)
Administrative expenses ¹	(1.4)	(1.0)
Fair value of plan assets	706.5	1,070.6
At 1 January	(872.7)	(909.0)
Interest cost	(17.1)	(12.4)
Actuarial gains due to change in demographic assumptions	0.2	1.0
Actuarial gains due to change in financial assumptions	299.4	18.6
Actuarial losses due to experience	(18.5)	(11.4)
Benefits paid	38.5	40.5
Present value of funded obligations	(570.2)	(872.7)
Net assets	136.3	197.9

¹Following the last completed triennial valuation it was agreed that certain administrative expenses of the scheme would be paid out of the scheme surplus. The approach will be reviewed as part of the next triennial valuation.

The amount recognised in the statement of comprehensive income includes a loss of £1.9 million (2021: £0.7 million) in respect of other defined benefit schemes.

12. Retirement benefit obligations (continued)

The principal financial assumptions used for the Scheme are:

	2022 %	2021 %
Discount rate	4.8	2.0
RPI inflation rate	3.2	3.3
CPI inflation rate	2.5	2.9
Future pension increases (for benefits earned before 13 August 2007)	3.0	3.2
Future pension increases (for benefits earned after 13 August 2007)	2.0	2.2

Average number of years a current pensioner is expected to live beyond age 60:	Years	Years
Men	28	28
Women	30	30

Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	Years	Years
Men	29	29
Women	30	30

The last completed triennial valuation of the Scheme was carried out as at 31 December 2020. The funding level at that date was 107% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2023 and will be performed in 2024.

Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement 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 sensitivity to those assumptions is set out below. 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% (2021: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2021: 0.25%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics. The latest base mortality tables have been adopted with no scaling (2021: nil) following a Scheme specific review of the membership data.

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.

13. Share capital and share premium

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2022	282.5	226.0	56.5	282.5	124.2
Enfranchisement of non-voting shares	-	56.5	(56.5)	-	-
Compensatory Bonus Issue	39.9	39.9	-	39.9	(39.9)
Sub-Division of shares	1,289.7	-	-	-	-
At 31 December 2022	1,612.1	322.4	-	322.4	84.3

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2021	282.5	226.0	56.5	282.5	124.2
At 31 December 2021	282.5	226.0	56.5	282.5	124.2

On 20 September 2022, the Company completed the simplification of its dual share class structure. All non-voting ordinary shares were re-designated as ordinary shares with full voting rights (Enfranchisement); holders of existing ordinary shares received a bonus issue of three additional ordinary shares for every seventeen held (Compensatory Bonus Issue). Following the Enfranchisement and Compensatory Bonus Issue, each ordinary share of £1 was sub-divided into five ordinary shares of 20 pence (Sub-Division).

The compensatory bonus issue resulted in the Company's share capital increasing by £39.9 million. All 39.9 million bonus shares were fully paid at their nominal value of £1 from the Company's share premium account.

14. Own shares

Own shares include the Group's shares that are held by employee benefit trusts.

Movements in own shares during the year were as follows:

	2022	2021
	£m	£m
At 1 January	(150.2)	(159.8)
Own shares purchased	(120.2)	(75.3)
Awards vested	85.3	84.9
At 31 December	(185.1)	(150.2)

During the year 4.9 million own shares (2021: 2.1 million own shares) were purchased and held for hedging share-based awards. 3.7 million shares (2021: 3.1 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:

	2022			2021 ¹		
	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	23.5	37.2	60.7	3.3	5.2	8.5
Non-voting ordinary shares	–	–	–	–	–	–
	23.5	37.2	60.7	3.3	5.2	8.5

¹A simplification of the Company's dual share class structure took place in 2022 (see note 13). The number of shares in 2021 comparatives have not been restated. Had 2021 been restated the number of vested shares would be 19.4 million and the number of unvested shares would be 30.6 million.

15. Reconciliation of net cash from operating activities

	2022 £m	2021 £m
Profit before tax	586.9	764.1
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	188.9	162.8
Net loss/(gain) on financial instruments	11.0	(20.5)
Share-based payments	68.2	89.5
Net (release)/charge for provisions	(2.6)	1.9
Other non-cash movements ¹	43.5	(8.0)
	309.0	225.7
Adjustments for which the cash effects are investing activities:		
Interest (income)/expense	(5.8)	2.0
Interest expense on lease liabilities	10.6	10.8
Share of profit of associates and joint ventures after amortisation	(71.5)	(79.3)
	(66.7)	(66.5)
Adjustments for statement of financial position movements:		
Decrease/(increase) in loans and advances within Wealth Management	64.5	(96.1)
Decrease/(increase) in trade and other receivables	68.9	(10.5)
Increase in deposits and client accounts within Wealth Management	682.7	212.9
(Decrease)/increase in trade and other payables, other financial liabilities and provisions	(159.6)	149.4
	656.5	255.7
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net decrease/(increase) in financial assets backing unit-linked liabilities	3,102.3	(1,211.5)
Net (decrease)/increase in unit-linked liabilities	(3,409.0)	1,376.9
Net (decrease)/increase in cash within consolidated pooled investment vehicles	(101.3)	84.1
	(408.0)	249.5
Tax paid	(104.9)	(194.3)
Net cash from operating activities	972.8	1,234.2

¹Other non-cash movements primarily consist of exchange translation adjustments, before hedging activities.

16. Business combinations

The Group completed four business combinations during the year ended 31 December 2022.

The most significant of these transactions completed on 11 April 2022, when the Group acquired 75% of the issued share capital of Greencoat Capital Holdings Limited (Greencoat), a leader in European renewables, for a total consideration of £357.5 million. The acquisition contributed £7.7 billion of Asset Management AUM and strengthens the Group's Private Asset capabilities.

On 31 January 2022, the Group acquired 100% of the issued share capital of River and Mercantile Investments Limited (River and Mercantile), the Solutions division of River and Mercantile Group plc for a total consideration of £238.6 million. The acquisition contributed £43.1 billion of Asset Management AUM and strengthens the Group's position in the UK fiduciary management market.

The Group completed two further acquisitions during the year for a combined consideration of £29.2 million. These acquisitions contributed £1.2 billion of AUM.

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

	Greencoat £m	River and Mercantile £m	Other £m	Total £m
Net assets acquired:				
Cash	13.0	8.9	5.2	27.1
Property, plant and equipment	0.9	-	0.3	1.2
Trade and other receivables	8.4	22.8	2.9	34.1
Financial assets	6.0	-	1.3	7.3
Trade and other payables	(28.5)	(13.9)	(8.0)	(50.4)
Tangible net assets	(0.2)	17.8	1.7	19.3
Goodwill	228.2	154.1	17.9	400.2
Intangible assets arising on acquisition	228.4	87.9	12.5	328.8
Deferred tax arising on acquisition	(55.8)	(21.2)	(2.9)	(79.9)
Non-controlling interest	(43.1)	-	-	(43.1)
Total	357.5	238.6	29.2	625.3

Satisfied by:

Cash	357.5	238.6	25.8	621.9
Contingent/deferred consideration	-	-	2.8	2.8
Fair value of Group's pre-existing interest	-	-	0.6	0.6
Total	357.5	238.6	29.2	625.3

16. Business combinations (continued)

The goodwill arising on acquisition is attributable to the value from:

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

Goodwill will not be deductible for tax purposes.

In the period between the acquisition dates and 31 December 2022, the four acquired businesses contributed £93.8 million to the Group's net operating income. The contribution to operating profit was £28.1 million.

If the acquisitions had been completed on 1 January 2022, the Group's net operating income for the year would have been £2,489.1 million and the operating profit for the year on the same basis would have been £727.6 million.

Estimates and judgements

The fair value of certain items of consideration, assets acquired and liabilities assumed requires some estimation. For intangible assets this estimation required assumptions regarding the level of future management fees that will be earned over the relevant period.

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.

Our risk management framework

Our rapidly evolving industry, global presence and core business activities mean that we are exposed to a variety of risks. Our risk management framework and strong system of internal control enable us to manage our risks and helped us respond to the challenges of 2022. Integral to our framework is our strong control culture and the effectiveness of our three lines of defence. Our second line of defence was strengthened in 2022 by bringing together our Risk and Compliance functions. This has allowed us to provide better oversight of the first line, enabling us to support business growth in a risk controlled manner through more integrated discussions and alignment of approach.

Managing risks

The Board is accountable for the maintenance of a prudent and effective system of internal control and risk management. 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 framework process with respect to standards of integrity, risk management and internal control is exercised through the Audit and Risk Committee. We embed risk management within all areas of the business at Group and legal entity level. The Group Chief Executive and Group Management Committee (GMC), as an advisory committee to the Group Chief Executive, regularly review the key risks we face. They are also responsible for monitoring that individual behaviours, within the teams they manage, reflect the culture and control standards of the business. The Group Strategy Committee, which supports the Group Chief Executive with the development and delivery of the Group's strategy, regularly receives a risk dashboard which includes metrics to monitor exposure against key risks. Subsidiary boards fulfil their obligations for managing risks in line with regulatory and legal requirements.

The executive 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 chairs the Group Risk Committee (GRC). The GRC supports the Chief Financial Officer in discharging his risk management responsibilities. The GRC reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews emerging risks and changes to existing risks.

The GRC is supported by a number of sub-committees, including the Group Conflicts Committee, the Financial Crime Committee and the Information Security Risk Oversight committee which review and challenge risks and report significant risk matters to the GRC.

Lines of defence

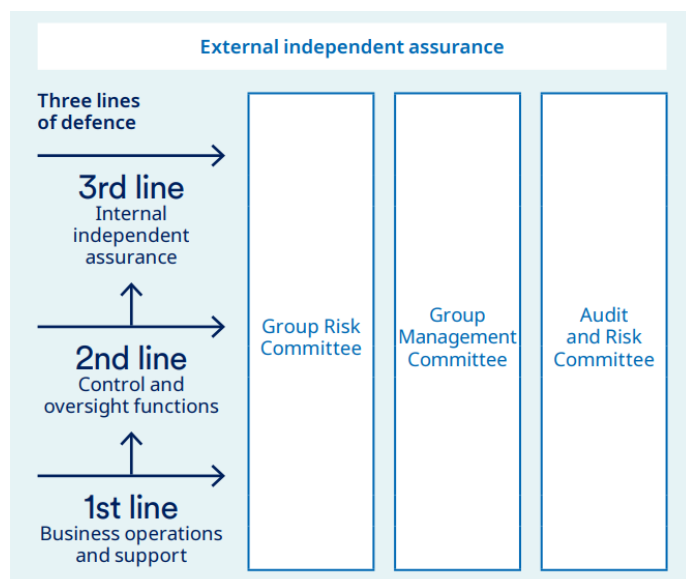
The first line of defence in managing and mitigating risk is the business functions themselves and the line managers across the Group. Heads of each function take the lead role with respect to identifying potential risks and implementing and maintaining appropriate controls to manage these risks, by applying our Risk and Control Assessment (RCA) process.

Line management is supplemented by oversight functions, including Group Risk, Compliance, Legal, Governance, Finance, Tax and HR, which constitute the second line of defence. The compliance assurance 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 auditor. 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



Risk appetite

Risk appetite statements are set by the Board and cover all our key risks (excluding strategic risk, as this risk type mainly comprises factors that are external to our operating model) and apply to all areas of the business.

We have a Group level risk appetite statement and a number of entity level statements. In 2022, we reviewed and refreshed our risk appetite statements for applicable UK entities to reflect the harms identified in our solo-entity Internal Capital Adequacy and Risk Assessments (ICARAs) and developed new risk appetite statements for in-scope entities where needed.

Each risk appetite statement is supported by a number of metrics and tolerances to enable us to provide an assessment of risk position against risk appetite. This is then formally assessed on an annual basis and is reviewed and challenged by the GRC, GMC and the Audit and Risk Committee prior to the Board.

Strengthening our approach to risk management

In 2022, we combined our Risk and Compliance functions under the leadership of the Chief Risk Officer (CRO). Bringing these functions together has allowed us to increase collaboration and effectiveness across the teams, develop talent, and ultimately improve the robustness of the second line of defence.

We have found natural synergies between the two functions. For example, a failure to comply with conduct and regulatory expectations is most likely to arise due to operational risk failures. As such, management of these risks in a more integral way is proving beneficial. We have also seen improvements in our reporting. We have combined our reports to the GRC and Audit and Risk Committee which has enabled us to more clearly highlight the key matters for senior management attention, resulting in more focus on these issues. In addition, by having our Investment Risk and Investment Compliance teams work together more closely we have been able to leverage the skills and experience of both functions in order to provide better oversight of our portfolios.

Notable developments

In 2022 a number of initiatives were undertaken to progress our management of risk. Some of these are summarised below:

- We further enhanced **ESG risk dashboards** and analytical techniques to support the review and challenge of ESG risks, including at the Asset Class Risk and Performance Committees. These committees are the primary venue for the first and second line functions to review and challenge risk and performance. For private assets strategies we developed proprietary scorecards to assess the ESG risk of individual transactions.
- We successfully completed the first phase of the FCA's and PRA's **operational resilience** regulations. The Schroders plc Board and relevant legal entity boards approved the operational resilience self-assessment documents. These assessments identified our most important business services, the level of resilience required for these services and the areas of our operational resilience that we should enhance. We are now focused on enhancing the areas of operational resilience identified, integrating ongoing compliance with the regulations into business-as-usual activities and continuing to mature our approach to achieve full operational resilience by March 2025.
- The Information Security Oversight Committee continues to provide oversight of the management of **cyber risk**. The focus in 2022 has been on testing our cyber defences through simulated cyber attacks. This has provided valuable insights into the areas we should prioritise for enhancement. Given this we have initiated a Group wide multi-year programme to further accelerate the evolution of our cyber defences which will enable us to make cyber defences as effective as possible and that they evolve in line with the threats that we face. Attacks by organised crime groups (for example targeted ransomware) remain risk for financial services and Schroders is no exception.
- We have been working with the firms we acquired in 2022 to move them onto our network, integrate them into Schroders' frameworks (as appropriate) and align our policies so that our control standards are consistent across the Group.
- We have ten UK entities in scope of the FCA's Investment Firms Prudential Regulation (IFPR). The regulation sets risk, capital and liquidity requirements, revised remuneration and governance standards and requires investment firms to complete an **ICARA**. In 2022, all of our solo-entity ICARAs were approved by their respective boards. As part of the development of the ICARAs we identified, assessed and quantified harms to clients, markets and the firm itself and confirmed that we have sufficient capital and liquidity resources under the new regime.
- Our Credit Risk team designed and developed a new automated tool to run **loan book stress tests and diversification analysis** reports for the Wealth Management banks which provide clear and up to date information for quick decision making in a volatile market. The reports are presented monthly to the various Assets and Liabilities Committees for discussion and approval.
- Within operational risk we have continued to enhance our RCA framework. Our **RCAs are a core part of our operational risk** framework and help us manage operational risk across the Group. They are used to identify inherent risks in business processes and document the controls in place to mitigate risks, enabling us to maintain ongoing oversight of the risk profile. This year we:
 - Incorporated consideration of **ESG and Operational Resilience** risks into the RCA process, leveraging the advice from specialist teams.
 - Implemented a **mid-year RCA review** to capture changes in business processes and associated risks on a formal basis. This was in addition to the existing expectations that RCAs be updated following periods of business change.
 - Developed a quarterly review of **high residual risks** to track and monitor the timely progression of actions to reduce risk and any changes to these risks.
- The way in which we communicate with clients is becoming increasingly more sophisticated and varied as we are communicating on a wider product and investment service range, in a wider set of jurisdictions. To mitigate reputational risk and the risk of non-compliance with regulatory requirements we have established a **Client Communications Framework**, which provides a consistent method of communicating with clients across the Group.

- We have a robust **Conduct Risk Framework** which was established a number of years ago. At the heart of the framework is a requirement for business areas to submit Conduct Risk Assessments on a quarterly basis which are reviewed and challenged by the GRC. This year we enhanced our approach by developing business area **Conduct Risk Appetite statements** leveraging the Group risk appetite approach. These risk appetite statements have enabled us to further analyse where conduct risk could occur within each business area, and to develop metrics to assess the current level of risk versus appetite.

Geo-political risk, economic pressures and our crisis management approach

The last few years have tested our emerging risk and crisis management processes. From the Covid pandemic which began in 2020, to the geo-political events of 2022 (specifically Russia's invasion of Ukraine in February and the LDI crisis in September and October), we have managed all crises with minimal disruption to the business and our clients. We consider emerging risks on a regular basis across the firm and incidents as they arise. We operated a daily call in February and an intraday call in September to manage the impact from the events noted above. We also have a crisis management plan which provides a coordinated and structured approach.

This overall approach served us well in response to Covid and recent events. Whilst geo-political risk continues to remain high due to war in Europe and some political tension between China and the West, our business remains diversified globally, providing additional resilience. We regularly monitor our exposure to geo-political risk and take proactive action where possible. The high inflation, low growth economic environment poses risks to the growth of our AUM and may in turn add cost pressures to the business. We must therefore apply vigilance to maintaining our control environment and continue to manage risks effectively.

Risk assessment

Emerging risks, and changes to our existing risks, are identified throughout the year, during the normal course of business, and are reviewed and discussed at relevant risk committees and boards. In addition, on a periodic basis we complete a formal assessment of the risks faced by our business using a "top-down" and "bottom-up" approach.

The "top-down" approach uses analysis from Group Risk and discussion with GMC members and subject matter experts around the Group. Emerging risks and trends in existing risks are reviewed in light of the current internal and external environment, geo-political factors, market conditions, changing client demand and regulatory sentiment. The objectives of regulators to ensure market integrity, good conduct, appropriate consumer protection and the promotion of competition within the industry are also taken into account. Each risk is then analysed to assess how it can be managed and mitigated.

The "bottom-up" approach uses the results from RCAs, trends in risk events and high-impact issues logged in our operational risk database, Archer.

The results of these assessments are used to inform our internal key risks which are presented to the GRC prior to the GMC, Audit and Risk Committee and Board.

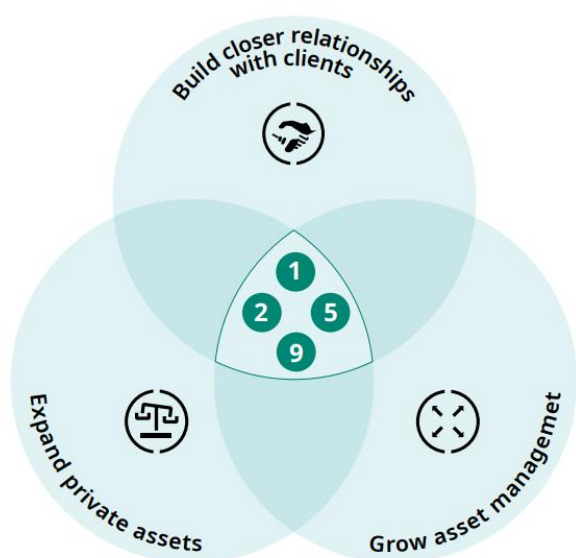
We have reviewed the list of internal key risks and identified a sub-set that are the principal risks to the firm. They are not designed to be an exhaustive list of all risks, but instead capture the principal and emerging risks that are most likely to impact our strategy, business model, external reputation and future performance. The numeric icons are for presentational purposes only and do not indicate a rank. The risks represent our exposure after mitigating controls are applied.

We have included trend arrows showing how our risk profile has changed since last year. Commentary to explain why risks have increased since the prior year, can be found over the page.

We have also included a diagram showing the strategic risks faced by the firm, that are mitigated by our strategy.

We confirm that the Group has an effective risk and controls process, supported by an appropriate governance framework.

Our strategy mitigates our strategic risks



Movement versus prior year position	Categories of risk
Increased	Strategic risk
Decreased	Business risk
Remained the same	Operational risk

Principal risks	2022	2021
Business model disruption		
Changing investor requirements		
Conduct and regulatory risk		
ESG including climate change		
Fee attrition		
Financial instrument risk		
Information security and technology		
Investment performance risk		
Market returns		
Operational process risk		
People and employment practices		
Product strategy and management		
Reputational risk		

Principal risks

Description	How we manage this
<p> Business model disruption </p> <p>Our business model could be disrupted by a range of external factors including technology advancements, product evolution and market participants. Geo-political turmoil, including sanctions and conflict, could also impact our business. For example, heightened tension between China and the West may impact our China-based activities or Chinese assets which we invest in on behalf of our clients. This risk remains elevated.</p>	<p>We continue to invest in our technology platform to support our Schroders Capital business. We regularly monitor developments in countries subject to geo-political risk and take steps to protect our people and assets where necessary.</p>

② Changing investor requirements



Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a decrease in AUM. An example of where we need to respond to this is to win business that has transferred from defined benefit to defined contribution pension plans. ESG is a material part of our client considerations and we expect climate risks to feature more heavily in future investment requirements and offerings.

The advice gap means demand for wealth management products continues to be high. There is a risk we do not grow and evolve to respond to this demand and retain and attract the right people to serve our Wealth Management clients.

The acquisition of the River and Mercantile solutions business and Greencoat Capital have allowed us to evolve our products to meet a wider range of client needs.

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 focus our attention where we believe we are able to make a more significant difference to our clients through current or planned future capabilities, in particular closing the UK private client advice gap.

③ Conduct and regulatory risk



The risks of client detriment or reputational harm arising from inappropriate conduct of our staff or those of counterparties, suppliers and other third parties we engage, including failure to meet regulatory requirements (including those with respect to conflicts and financial crime), poor behaviour, or failing to meet appropriately our clients' expectations. This risk increased in 2022 due to regulators taking varying approaches to ESG, making implementation more difficult, and disruption in the UK gilt market resulting in increased regulatory scrutiny.

We promote a strong compliance culture and seek to maintain good relationships with our regulators. We also encourage appropriate conduct and regulatory compliance via our conduct risk framework, supported by training and compliance assurance programmes.

④ Environmental, social and governance (ESG) risk including climate change



Failure to understand, accurately assess and manage investment risk associated with ESG factors within assets and portfolios and to appropriately represent the risks, and our commitments in relation to them, to clients and stakeholders. This may lead to poor investment decisions, and a failure to offer appropriate ESG products or meet our clients' expectations, impacting our performance, brand and reputation. A failure to meet corporate climate change targets may have a similar impact. This risk has stabilised in 2022 due to improved data coverage of public assets, developments within SustainEx™ and the creation of a Schroders Capital Sustainability and Impact working group. The risk associated with regulators implementing different approaches to ESG, and their heightened scrutiny on this topic, is captured within Conduct and Regulatory risk above.

We have developed a range of proprietary tools to better understand the impacts of ESG risk including climate change on the portfolios we manage. We use ESG risk toolkits to support day-to-day risk oversight and formal review and challenge of investment risk at Asset Class Risk and Performance Committees. We have an Integration Accreditation Framework which we use to assess the integration of ESG factors into our investment desks and re-accredit them on an annual basis. Regarding climate specifically, we have developed a Net Zero Dashboard which enables our investment teams and central risk function to monitor the temperature alignment of portfolios and track our progress against our firm-wide net zero commitment.

Description

How we manage this

5 Fee attrition



Fee attrition caused by clients allocating more of their assets to passive products, and less to active managers, coupled with a lower allocation to public markets, and a greater allocation to private markets. This has resulted in increased competition on price in the traditional active management market.

We are also exposed to the risk of intermediaries taking more revenue streams.

We have continued to focus on Solutions and outcome-oriented strategies, thematic products and private assets, which diversify our fee income. We have expanded our fiduciary business within Solutions and partnered with a number of new clients in 2022. We are also increasingly diversifying our product offering, supporting long-term profitability.

We are moving to vertical integration and getting closer to clients allowing us to better understand their needs. This has also given us opportunities to access a greater share of available revenue.

6 Financial instrument risk



We face market, credit, liquidity and capital risks from movements in the financial markets in which we operate, arising from holding investments as principal. Due to geo-political events resulting in inflation and movements in interest rates we have seen an increase in the volatility of several asset classes and shifts in correlations between asset classes which has resulted in an increase in Financial Instrument risk.

Failure to manage market, credit and liquidity risks arising from managing AUM on behalf of clients would be considered an Operational Process risk.

We manage capital, liquidity and the Group's own investments through Board-set limits and in the Group Capital Committee. Equity market and credit spread risks in seed capital are hedged where it is economic and practicable to do so and foreign currency Group investments are hedged back to sterling. We monitor our credit and counterparty exposure in the Group balance sheet, bank lending portfolios and in our client assets.

7 Information security and technology risk



Information security risk relates to the confidentiality, integrity or availability of services being negatively impacted by the activities of a malicious insider or external party. Technology risk relates to the failure in delivering scalability, privacy, security, integrity and availability of systems that leads to a negative impact on the Schroders business and our client experience. Cyber threats have remained at the elevated level reported last year due to the activities of highly capable criminal organisations and state-sponsored threats. Through our programme of testing we continue to have greater insight into the areas we should focus on to enhance our cyber defence capabilities.

We have a dedicated Information Security function responsible for the design and operation of our information security risk framework, which includes oversight of critical third parties' cyber capabilities. Information security risk is overseen by specialists within both the second and third lines of defence and is monitored by the Information Security Risk Oversight Committee. We operate a Global Technology Risk Committee to oversee operational risk associated with IT services across the organisation.

We are also undertaking a migration of our infrastructure and systems to the Cloud. This will allow us to use the capabilities of cloud technologies and the expertise of the providers, further enhancing our resilience and reducing cyber risk.

8 Investment performance risk

There is a risk that portfolios may not meet their investment objectives, including, where applicable, a sustainability outcome, or that there is a failure to deliver consistent and above-average performance. There is a risk that clients will move their assets elsewhere if we are unable to outperform competitors or unable to deliver the investment objectives. The change from a long-term low interest rate environment to rising interest rates can impact clients' performance expectations and our ability to meet them and may require adjustments within strategies. Strong investment performance is critical to the success of Schroders.

We have clearly defined investment processes designed to meet investment targets within stated parameters, which are subject to independent review and challenge.

Oversight of both risk and performance is embedded in our business processes and governance. In 2022, 73% of client assets outperformed benchmarks over three years and 76% outperformed benchmarks over five years.

9 Market returns

Our income is derived from the value of the assets we manage. Falling markets reduce our AUM and therefore impact revenues. Market falls may be exacerbated by geo-political risks, for example in response to deteriorating relations with Russia. Foreign exchange rates are a key factor in our financial performance as we are sterling denominated with earnings in other currencies.

Economic uncertainty driven by the energy crisis, continued strict Covid-19 measures in China, UK government changes and the UK/ EU relationship presented a risk in 2022. The impact of rising inflation on interest rates, wages and economic growth could impact asset prices and markets, as could an acceleration of climate risk, leading to a fall in AUM. Capital investment may be targeted at domestic growth rather than being allocated to cross-border initiatives.

This risk has stabilised at the higher level reported last year because none of the above factors have eased.

We have diversified income streams across a range of markets to mitigate a considerable fall in any one area. Our AUM from Schroders Capital, Schroders Solutions, and Schroders Wealth Management increased from £368 billion in 2021 to £390 billion in 2022, further increasing our diversification.

Our focus on growing our Schroders Capital product range and investment capabilities allows us to have a broader range of income streams which are less directly linked to markets.

10 Operational process risk

The risk of failure of significant business processes, such as compliance with fund or mandate restrictions, fund pricing, trade execution for investment portfolios and client suitability checks, whether these occur within Schroders or appointed third parties. It includes operational integration of acquisitions as there may be some risks whilst newly acquired firms are operating on different platforms, and before they are fully aligned to Schroders' policies. It also includes the ineffective management of joint ventures and associates. Overall this risk remains stable as our control environment continues to mature.

Our key business processes are regularly reviewed and the risks assessed through the Risk and Control Assessment process. Operational risk events are reviewed to identify root causes and implement control improvements. When we undertake change, such as acquisitions, we assess new processes that may arise. We work with acquired firms to move them onto our platforms (where appropriate) and to align our policies. We have a well-established process to assess the risks within our supply chain. We review suppliers throughout the supplier life cycle to identify potential risks which may impact the quality or continuity of service.

11 People and employment practices risk

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. This risk has reduced in 2022 as our early move to a flexible working charter has given us a competitive advantage over our peers when recruiting and retaining talent. We are also normalising to a pre-Covid environment with staff coming back to the office and this has boosted morale. This is also evidenced with our latest pulse survey results, with 96% of our employees still feeling proud to be working for Schroders.

We have competitive remuneration and retention plans, with appropriate deferred compensation targeted at key employees. We have sustainable succession and development plans. We have policies and procedures in place to encourage inclusion and diversity and to manage employment issues appropriately, handling them consistently, fairly and in compliance with local legislation.

12 Product strategy and management

There is a risk that our product or service offering is not suitably diversified or viable or does not provide access to strategies that will help investors to meet their objectives. There is also the risk that products are not accurately described, do not perform in alignment with their investment objectives for a sustained period, or that product liquidity is not consistent with the product description or the redemption requirements of investors.

Risks are managed within the formal Product Governance Framework, which includes the Product Strategy Committee, Product Development Committee, Product Governance Committee and Capacity Committee.

We have a liquidity risk management framework and monitor the liquidity of our products on an ongoing basis. We have a process to raise awareness of funds identified as having more challenging liquidity profiles so that any changes to client sentiment (or potential redemptions) would be notified to relevant teams rapidly, to reduce potential liquidity risk issues.

13 Reputational risk

This may arise from poor conduct, judgement or risk events due to weaknesses in systems and controls. In recent years we have extended our brand through a number of new acquisitions. Reputational issues in joint ventures and associates where we have limited control of the outcome could adversely impact the Group.

We consider reputational risk when initiating changes to our strategy or operating model and focus on maintaining high standards of conduct. 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, client communications and product development. Our Schroders-appointed board members oversee the activities of joint ventures and associates, supported where necessary by oversight committees.

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 UK-adopted international accounting standards and in conformity with the requirements of Companies Act, which 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 Schroders plc'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:

Dame Elizabeth Corley	Chair
Peter Harrison	Group Chief Executive
Richard Keers	Chief Financial Officer
Ian King	Senior Independent Director
Sir Damon Buffini	Independent non-executive Director
Rhian Davies	Independent non-executive Director
Paul Edgecliffe-Johnson	Independent non-executive Director
Rakhi Goss-Custard	Independent non-executive Director
Deborah Waterhouse	Independent non-executive Director
Matthew Westerman	Independent non-executive Director
Claire Fitzalan Howard	Non-executive Director
Leonie Schroder	Non-executive Director

1 March 2023

Five year consolidated financial summary

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Operating profit before tax	723.0	841.0	698.5	709.7	779.7
Tax	(123.6)	(147.4)	(134.9)	(144.2)	(166.1)
Operating profit after tax	599.4	693.6	563.6	565.5	613.6

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Profit before tax	586.9	764.1	610.5	624.6	649.9
Tax	(100.7)	(140.3)	(124.5)	(128.9)	(145.2)
Profit after tax	486.2	623.8	486.0	495.7	504.7

Operating earnings per share:	2022 Pence	2021 Pence	2020 Pence	2019 Pence	2018 Pence
Basic earnings per share ¹	37.4	43.0	34.9	35.6	38.8
Diluted earnings per share ¹	36.7	42.2	34.3	35.0	38.1

Earnings per share:	2022 Pence	2021 Pence	2020 Pence	2019 Pence	2018 Pence
Basic earnings per share ¹	30.4	38.7	30.2	31.4	32.1
Diluted earnings per share ¹	29.9	38.1	29.7	30.8	31.5

Dividends	2022	2021	2020	2019	2018
Cost (£m)	332.1	318.6	311.7	312.3	311.7
Pence per share ²	21.4	20.4	20.0	20.0	20.0

Total equity (£m)	4,479.7	4,425.7	4,085.9	3,847.5	3,621.2
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Net assets per share (pence)³	278	275	253	239	225
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¹ See note 5 for the basis of this calculation. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 13).

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. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 13).

³ Net assets per share are calculated by using the actual number of shares in issue at the year-end date. Prior year comparatives have been restated following the simplification of the Company's dual share class structure (see note 13).

Exchange rates – closing

31 December	2022	2021	2020	2019	2018
Sterling:					
Euro	1.13	1.19	1.12	1.18	1.11
US dollar	1.20	1.35	1.37	1.32	1.27
Swiss franc	1.11	1.23	1.21	1.28	1.26
Australian dollar	1.77	1.86	1.77	1.88	1.81
Hong Kong dollar	9.39	10.56	10.60	10.32	9.97
Japanese yen	158.72	155.97	141.13	143.97	139.73
Singaporean dollar	1.61	1.83	1.81	1.78	1.74
Chinese renminbi	8.36	8.63	8.89	9.23	8.74

Glossary

Assets under Management (AUM)

AUM represents the aggregate value of client assets managed, advised or otherwise contracted, from which the Group, including joint ventures and associates, earns operating revenue.

Asset Management AUM includes investment management, fiduciary management and liability management services. For Schroders Capital Private Equity, the aggregate value of assets managed includes client commitments on which we earn fees. This is changed to the lower of committed funds and net asset value, typically after seven years from the initial investment, in line with the fee basis.

Wealth Management AUM comprises the aggregate value of assets where Schroders provides advice or discretionary management (Advised AUM), platform services (Platform AUM) and investment management services (Managed AUM). Advised AUM comprises assets where Schroders provides discretionary or advisory management services including assets where the client independently makes investment decisions. Platform AUM represents the value of assets on the Benchmark Fusion platform. The Fusion platform enables financial advisors to administer and manage their clients' accounts by providing dealing and settlement services, valuation statements and custody services through a third party. Managed AUM includes assets where the client invests in Schroders' funds.

Dry powder and non-fee earning dry powder

Within Schroders Capital, fundraising comprises new funds invested into our products and contractual commitments from clients to invest their capital in the future. These commitments are called upon once relevant investments have been identified and the capital is to be deployed. Uncalled commitments are referred to as dry powder. Depending on the applicable fee arrangements, dry powder may or may not attract management fees. Uncalled commitments that do not attract fees are referred to as non-fee earning dry powder.

Exceptional items

Exceptional items are significant items of income and expenditure that were previously presented separately by virtue of their nature. They related principally to items arising from acquisitions undertaken by the Group.

Fundraising

This is a term used in our Schroders Capital business comprising new funds invested into our products and contractual commitments from clients to invest their capital in the future.

Operating earnings per share

Operating profit after tax excluding non-controlling operating earnings divided by the relevant weighted average number of shares. The presentation of operating earnings per share provides transparency from our operational activities to aid understanding of the financial performance.

Operating profit

Profit before tax but excluding revenue and expenditure that does not fall into the core operations of Asset Management or Wealth Management, or are acquisition related in nature.

Other operating income

Other operating income primarily relates to gains and losses on co-investments and foreign exchange.

Payout ratio	The total dividend per share in respect of the year divided by the operating 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 from our operational activities to aid understanding of the financial performance of the Group.
Total compensation ratio	Compensation costs, excluding those recognised within 'Acquisition costs and related items', divided by net operating income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.