

Press Release

Schroders plc

Half-year results to 30 June 2023 (unaudited)

27 July 2023

- Our diversified business has again delivered resilient results despite the challenging operating environment, generating operating profit of £341.4 million.
- Our strategic rebalancing towards higher growth and increased longevity areas enabled us to deliver overall net new business of £5.7 billion, excluding joint ventures and associates. Our three strategic growth areas of wealth management, private assets and solutions generated combined net new business of £11.8 billion.
- We aim to provide excellent investment performance¹ to our clients through active asset management. Our key performance indicator, three year investment performance, remains strong with 77% of client assets outperforming their relevant comparator, while 73% outperformed over five years.
- We have maintained our interim dividend of 6.5 pence per share.

	Six months ended 30 June 2023 £m	Six months ended 31 December 2022 £m	Six months ended 30 June 2022 £m
Net operating income	1,211.9	1,235.2	1,240.3
Operating expenses	(870.5)	(919.1)	(833.4)
Operating profit	341.4	316.1	406.9
Assets under management (£bn)	726.1	737.5	773.4
Assets under management (excl. JVs and associates) (£bn)	618.3	616.5	637.5
Profit before tax	275.6	274.1	312.8
Basic operating earnings per share (pence)	16.8		21.1
Dividend per share (pence)	6.5		6.5

Peter Harrison, Group Chief Executive, commented:

"Our business strategy has enabled us to deliver resilient results in the face of ongoing industry headwinds. Clients continue to value our differentiated investment capabilities and entrust us to manage their assets for the long term. We attracted £5.7 billion of net new business, with £11.8 billion of that coming from our strategic growth areas. We are pleased with the positive progress in wealth management and solutions, which performed well during the turbulent period in the UK government bond market. Even with the uncertain market conditions, we experienced positive net new business in European and US mutual funds.

"In recent years, our investment in the business has led to a robust operating platform with advanced technology capabilities at its core. We remain focused on effectively managing costs and maximising efficiency benefits from our platform.

"Our resilient strategy, diversified capabilities and global footprint give us continued confidence in the long-term outlook for the business."

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

Management statement

The shape of our business has evolved greatly. Today, our strength comes from our diversification across geographies, clients and investment strategies that allows us to access areas of higher growth and increased longevity. We have built a complete client offering across wealth management, private assets and solutions alongside our public markets capabilities.

Financial performance

We delivered positive net new business (NNB) of £5.7 billion excluding joint ventures and associates (H1 2022: £4.4 billion) despite persistent inflation, higher interest rates and expectations of a cyclical slowdown. Wealth Management saw continued strong demand, generating NNB of £3.7 billion, while Solutions flows returned following our successful navigation of the gilt crisis in the second half of 2022, ending the period with net inflows of £6.3 billion. Our private assets business delivered positive NNB of £1.8 billion and despite unfavourable market dynamics, generated fundraising of £5.3 billion in the first half of 2023. Mutual Funds and Institutional felt the impact of the “risk-off” market sentiment and saw net outflows of £0.8 billion and £5.3 billion, respectively. Including joint ventures and associates, NNB was £0.4 billion (H1 2022: £8.4 billion).

Our purpose is to provide excellent investment performance to clients through active management. Our key performance indicator, investment performance over three years, remains strong with 77% of client assets outperforming their relevant comparator, while 73% outperformed over five years.

Assets under management (AUM) excluding joint ventures and associates increased to £618.3 billion (FY 2022: £616.5 billion). This was despite the strengthening of Sterling, which reduced AUM by £21.7 billion. This impact was more than offset by the combination of positive NNB and market returns, including investment performance, which increased AUM by £5.7 billion and £17.8 billion respectively. AUM including joint ventures and associates decreased by 2% to £726.1 billion (FY 2022: £737.5 billion).

Net operating revenue was £1,169.8 million (H1 2022: £1,178.0 million), including performance fees and net carried interest of £32.6 million (H1 2022: £21.5 million) and net banking interest of £30.2 million (H1 2022: £12.9 million). The 1% decrease in net operating revenue was driven by the impact of lower average AUM and reduced real estate transaction income. Average AUM was £627.2 billion, down from £646.2 billion in H1 2022, as a consequence of the difficult market conditions experienced in the second half of 2022. Net operating income was £1,211.9 million (H1 2022: £1,240.3 million).

Our operating expenses for H1 2023 reflect the higher ongoing costs of running a larger, more diverse business. The costs of the three strategic acquisitions we made last year to drive future revenue growth, as well as our continued investment in our China business, were not fully reflected until H2 2022. Operating expenses for the period were £870.5 million, up £37.1 million from the same period in 2022 (H1 2022: £833.4 million) but were down £48.6 million from H2 2022. Operating compensation costs were £558.8 million (H1 2022: £535.5 million) and operating non-compensation costs were £311.7 million (H1 2022: £297.9 million). Our operating profit was £341.4 million (H1 2022: £406.9 million) and profit before tax ended the period at £275.6 million (H1 2022: £312.8 million).

The Board has declared an unchanged interim dividend of 6.5 pence per share (2022 interim restated dividend: 6.5 pence per share²). The dividend will be paid on 21 September 2023 to shareholders on the register at 18 August 2023.

Strategic progress

As our business has grown, we have taken steps to increase our operational efficiency in order to support our financial performance. This year, we have focused on targeted operating model improvements in two areas to drive future cost efficiencies.

First, we have announced plans to relocate a number of roles from our Wealth service centre in Switzerland to the Group's operational hub in Horsham, UK. This move is designed to support our significant growth ambitions for our Wealth Management business globally. This will deliver cost savings that will help us realise our ambition

² Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 11).

to grow Wealth Management operating profit at a compound annual growth rate of 10% from 2022 to 2025, excluding the effects of markets, FX and acquisitions.

Second, in Group Technology, following our successful migration to the Cloud, we are consolidating external contractors and third-party resources into one development centre. This move is part of our strategy to implement a more efficient resourcing model and manage capacity across multi-year projects in a more cost-effective manner. This will result in the avoidance of future spend over the next few years. Combined, these two projects have resulted in us recognising restructuring costs of £23.5 million in the current period. We will continue to evolve our operating model to deliver an efficient and robust platform for the future.

China remains an important area for geographic expansion in our public markets business. In June this year, we announced that the China Securities Regulatory Commission (CSRC) had granted us a licence to begin operating a wholly foreign-owned public fund management company (FMC). This is the latest addition to our broad set of business licences that give us comprehensive market access in China. These, combined with our investment expertise, mean we are well placed to capture the growth potential of the China market over the medium to long-term.

Asset Management segment

Asset Management net operating income ended the period at £996.0 million (H1 2022: £1,037.8 million), as the market falls in the second half of 2022 led to lower average AUM of £526.2 billion (H1 2022: £547.1 billion). Operating profit was £265.5 million (H1 2022: £329.0 million).

Following the strategic acquisitions of Greencoat Capital and Cairn Real Estate last year, our private assets business, Schroders Capital, now houses a more complete suite of solutions for our clients. By combining our private markets offering with the strength and expertise of our public markets business, we have created unique opportunities, such as the launch of the UK's first Long-Term Asset Fund (LTAF). These regulated open-ended investment vehicles are designed to enable a broader range of investors with longer-term horizons to invest efficiently in illiquid and private assets.

Private assets have experienced a slowdown in the first half of 2023 in terms of fundraising, investment activity and valuations. Despite asset repricing and pressure on fundraising activity across asset classes, Schroders Capital generated gross fundraising of £5.3 billion. This contributed to positive NNB of £1.8 billion (H1 2022: £4.8 billion), with AUM closing the period at £68.2 billion (FY 2022: £68.3 billion). Non-fee earning dry powder³ was £3.9 billion at the end of June 2023 (FY 2022: £4.0 billion). Schroders Capital net operating revenue including performance fees and carried interest increased by 12% compared to the first half of 2022 to £216.6 million (H1 2022: £193.2 million).

Solutions responded strongly to the gilt crisis in autumn last year and generated net inflows of £6.3 billion (H1 2022: £6.3 billion), demonstrating our strong reputation and the compelling proposition of the combined business following our acquisition of River and Mercantile's Solutions business in 2022. AUM rose to £212.1 billion at the end of the period (FY 2022: £210.2 billion). Solutions net operating revenue including performance fees was £137.1 million (H1 2022: £147.4 million).

Our public markets business is typically more impacted by the cyclicity of markets. Despite weak investor sentiment, Mutual Funds performed well. Positive net flows in the first quarter were offset by the "risk-off" environment in the three months to June, leading to £0.8 billion of net outflows in the first half of 2023 (H1 2022: net outflows of £2.9 billion). In the US, net inflows into our strategic partnership funds with Hartford totalled £0.9 billion. We have continued to innovate and evolve our Mutual Fund offering, focussing on Sustainability and Thematics. In our Global Climate Leaders fund we launched carbon offset share classes to provide clients with the choice to offset carbon emissions associated with their proportion of the fund's underlying holdings. AUM in Mutual Funds was £100.4 billion (FY 2022: £100.8 billion). Mutual Funds net operating revenue declined by 6% to £355.2 million (H1 2022: £379.7 million) given the lower average AUM in the first half of 2023.

³ Committed non-fee earning assets not yet recognised within AUM and NNB.

Institutional saw net outflows of £5.3 billion (H1 2022: net outflows of £7.6 billion), principally from lower-margin mandates. Institutional AUM closed at £135.0 billion (FY 2022: £139.1 billion). Institutional net operating revenue including performance fees and carried interest declined by 5% to £250.9 million (H1 2022: £263.1 million).

Asset Management joint ventures and associates

Our venture with Bank of Communications (BOCOM) in China was affected by headwinds principally as a result of the turbulence in fixed income markets in China. AUM decreased by 16% due to the impact of foreign exchange movements and negative investor sentiment in the first half of 2023.

Our total share of profits from Asset Management joint ventures and associates was £33.9 million (H1 2022: £37.9 million). Asset Management joint ventures and associates AUM ended the period at £94.1 billion (FY 2022: £107.7 billion), impacted by outflows of £5.5 billion (H1 2022: inflows of £3.8 billion) and foreign exchange movements.

Wealth Management segment

Wealth Management delivered impressive net new business growth in the first half of the year, with an annualised advised NNB growth rate of 8%. Total NNB was £3.7 billion (H1 2022: £3.8 billion), made up of £2.4 billion of advised, £0.4 billion of platform and £0.9 billion of managed NNB. Net operating income increased 7% to £215.9 million (H1 2022: £202.5 million), driven by continued strong NNB growth and higher net banking interest. Operating profit was £75.9 million (H1 2022: £77.9 million).

AUM in our Schroders Personal Wealth (SPW) joint venture ended the period at £13.7 billion (FY 2022: £13.3 billion), with net inflows of £0.2 billion.

Wealth Management AUM including SPW increased 4% over the first half of 2023, ending the period at £116.3 billion (FY 2022: £111.4 billion). This comprised £75.2 billion of advised AUM, £17.9 billion of platform AUM and £23.2 billion of managed AUM. On the current trajectory, we see a promising NNB growth rate at the higher end of our 5-7% target for the full year.

Outlook

Our strategic rebalancing of the business has positioned us to access increased longevity and higher growth areas of the market which offer greater stability and resilience. Our differentiated investment capabilities and broad geographic reach mean we can provide investment solutions for a wide spectrum of clients. We continue to evolve our operating model, building an efficient and robust platform to support future growth. We remain confident in our ability to deliver on the targets we have set for Wealth Management and Schroders Capital. We intend to grow our market share in Solutions and maintain our leadership in sustainability.

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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 Half-year results at 9.00 a.m. BST on Thursday, 27 July 2023. Once registered on <http://www.schroders.events/hyr2023> a link to the call will be shared via email. A replay will be available from 4.00 p.m. BST on Thursday, 27 July 2023 at www.schroders.com/ir.

Please visit www.schroders.com/ir 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; you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'to deliver', '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

Assets under management (AUM)

As at 30 June 2023

£bn	Asset Management	Wealth Management	Total excl. JVs and Associates	JVs and Associates	Group total
1 January 2023	518.4	98.1	616.5	121.0	737.5
Gross inflows	51.4	9.3	60.7	145.3	206.0
Gross outflows	(49.4)	(5.6)	(55.0)	(150.6)	(205.6)
Net flows	2.0	3.7	5.7	(5.3)	0.4
Markets, FX and investment performance ¹	(4.7)	0.8	(3.9)	(7.9)	(11.8)
30 June 2023	515.7	102.6	618.3	107.8	726.1

¹Includes currency movements, which decreased AUM by £21.7 billion excluding JVs and Associates and £30.1 billion for the Group total.

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 30 June 2023	59%	77%	73%
To 31 December 2022	44%	73%	76%

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 £81.1 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 73% 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 8% 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.

Half-year financial statements

Consolidated income statement

Six months ended	Notes	30 June 2023 (unaudited) £m	30 June 2022 (unaudited) £m
Revenue	2	1,479.9	1,434.2
Cost of sales	2	(310.1)	(256.2)
Net operating revenue		1,169.8	1,178.0
<i>Of which: Performance fees</i>		<i>13.1</i>	<i>16.2</i>
<i>Net carried interest income</i>		<i>19.5</i>	<i>5.3</i>
Net operating revenue excluding performance-based revenues		1,137.2	1,156.5
Share of profit of associates and joint ventures	8	34.9	41.6
Other operating income		7.2	20.7
Net operating income		1,211.9	1,240.3
Operating expenses	3	(870.5)	(833.4)
Operating profit		341.4	406.9
Central costs	3	(23.4)	(23.2)
Net gain/(loss) on financial instruments and other income		14.5	(35.2)
Interest income		9.4	1.4
Acquisition costs and related items	3	(42.8)	(37.1)
Restructuring costs	3	(23.5)	-
Profit before tax		275.6	312.8
Tax	4(a)	(53.1)	(54.4)
Profit after tax¹		222.5	258.4
Earnings per share²			
Basic	5	13.6p	16.2p
Diluted	5	13.4p	15.9p
Operating earnings per share²			
Basic	5	16.8p	21.1p
Diluted	5	16.5p	20.8p

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

²Restated following the simplification of the Company's dual share class structure (see note 11).

Consolidated statement of comprehensive income

Six months ended	Notes	30 June 2023 (unaudited) £m	30 June 2022 (unaudited) £m
Profit after tax¹		222.5	258.4
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		(98.9)	114.5
Net gain/(loss) on financial assets at fair value through other comprehensive income		0.3	(1.2)
		(98.6)	113.3
Items that will not be reclassified to the income statement:			
Net actuarial loss on defined benefit pension schemes	10	(13.0)	(11.2)
Tax on items taken directly to other comprehensive income	4(b)	3.3	2.7
		(9.7)	(8.5)
Other comprehensive income for the period, net of tax¹		(108.3)	104.8
Total comprehensive income for the period¹		114.2	363.2

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

Consolidated statement of financial position

	Notes	30 June 2023 (unaudited) £m	31 December 2022 (audited) £m
Assets			
Cash and cash equivalents		3,815.7	4,440.3
Trade and other receivables	7	1,160.4	896.5
Financial assets	7	2,562.1	2,670.3
Associates and joint ventures	8	475.1	497.7
Property, plant and equipment		492.4	524.1
Goodwill and intangible assets	9	1,885.5	1,929.5
Deferred tax		194.3	185.8
Retirement benefit scheme surplus	10	126.4	136.3
		10,711.9	11,280.5
Assets backing unit-linked liabilities			
Cash and cash equivalents		434.4	605.0
Financial assets		10,382.9	9,449.1
	7	10,817.3	10,054.1
Total assets		21,529.2	21,334.6
Liabilities			
Trade and other payables	7	1,167.6	1,049.5
Financial liabilities	7	4,663.7	5,140.1
Current tax		27.7	73.1
Lease liabilities		340.8	361.0
Provisions		25.7	25.4
Deferred tax		131.6	138.9
Retirement benefit scheme deficits		9.3	12.8
		6,366.4	6,800.8
Unit-linked liabilities	7	10,817.3	10,054.1
Total liabilities		17,183.7	16,854.9
Net assets		4,345.5	4,479.7
Total equity¹		4,345.5	4,479.7

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

Consolidated statement of changes in equity

		Attributable to owners of the parent								
		Share capital	Share premium	Own shares	Net exchange differences reserve	Associates and joint ventures reserve	Profit and loss reserve	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2023 (unaudited)	Notes									
At 1 January 2023		322.4	84.3	(185.1)	291.2	203.6	3,639.5	4,355.9	123.8	4,479.7
Profit for the period		-	-	-	-	30.8	184.1	214.9	7.6	222.5
Other comprehensive income ¹		-	-	-	(94.1)	-	(9.4)	(103.5)	(4.8)	(108.3)
Total comprehensive income for the period		-	-	-	(94.1)	30.8	174.7	111.4	2.8	114.2
Own shares purchased	12	-	-	(61.8)	-	-	-	(61.8)	-	(61.8)
Share-based payments		-	-	-	-	-	30.2	30.2	-	30.2
Tax in respect of share schemes	4(c)	-	-	-	-	-	0.5	0.5	-	0.5
Other movements		-	-	-	-	-	15.6	15.6	(0.5)	15.1
Dividends	6	-	-	-	-	-	(232.2)	(232.2)	(0.2)	(232.4)
Transactions with shareholders		-	-	(61.8)	-	-	(185.9)	(247.7)	(0.7)	(248.4)
Transfers		-	-	72.2	-	(27.8)	(44.4)	-	-	-
At 30 June 2023		322.4	84.3	(174.7)	197.1	206.6	3,583.9	4,219.6	125.9	4,345.5

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 profit and loss reserve comprises the post-tax actuarial loss on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

Half-year financial statements

Consolidated statement of changes in equity

		Attributable to owners of the parent								
		Share capital	Share premium	Own shares	Net exchange differences reserve	Associates and joint ventures reserve	Profit and loss reserve	Total	Non-controlling interest	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2022 (unaudited)	Notes									
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 period		-	-	-	-	38.6	216.8	255.4	3.0	258.4
Other comprehensive income ¹		-	-	-	109.5	-	(9.7)	99.8	5.0	104.8
Total comprehensive income for the period		-	-	-	109.5	38.6	207.1	355.2	8.0	363.2
Own shares purchased	12	-	-	(111.2)	-	-	-	(111.2)	-	(111.2)
Share-based payments		-	-	-	-	-	34.1	34.1	-	34.1
Tax in respect of share schemes	4(c)	-	-	-	-	-	(1.9)	(1.9)	-	(1.9)
Other movements ²		-	-	-	-	-	(125.4)	(125.4)	(14.4)	(139.8)
Dividends	6	-	-	-	-	-	(231.5)	(231.5)	(2.5)	(234.0)
Transactions with shareholders		-	-	(111.2)	-	-	(324.7)	(435.9)	(16.9)	(452.8)
Transfers		-	-	73.3	-	(38.1)	(34.1)	1.1	(1.1)	-
At 30 June 2022		282.5	124.2	(188.1)	254.1	183.9	3,549.7	4,206.3	129.8	4,336.1

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 profit and loss reserve comprises the post-tax actuarial loss 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 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 cash flow statement

	Notes	Six months ended 30 June 2023 (unaudited) £m	Six months ended 30 June 2022 (unaudited) £m
Net cash (used in)/from operating activities¹	13	(493.1)	159.1
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(5.1)	(601.9)
Net acquisition of property, plant and equipment and software		(34.7)	(44.5)
Acquisition of financial assets		(852.6)	(751.0)
Disposal of financial assets		932.6	991.6
Non-banking interest received		11.1	2.0
Distributions received from associates and joint ventures		22.1	1.8
Net cash from/(used in) investing activities		73.4	(402.0)
Cash flows from financing activities			
Proceeds from borrowings		-	55.0
Purchase of subsidiary shares from non-controlling interest holders		(10.5)	(2.7)
Lease payments		(23.9)	(24.9)
Acquisition of own shares	12	(61.8)	(111.2)
Dividends paid	6	(232.4)	(234.0)
Other		(1.1)	(0.3)
Net cash used in financing activities		(329.7)	(318.1)
Net decrease in cash and cash equivalents		(749.4)	(561.0)
Opening cash and cash equivalents		5,045.3	5,119.0
Net decrease in cash and cash equivalents		(749.4)	(561.0)
Effect of exchange rate changes		(45.8)	55.0
Closing cash and cash equivalents		4,250.1	4,613.0
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		3,799.3	3,962.6
Cash held in consolidated pooled investment vehicles		16.4	12.9
Cash and cash equivalents presented within assets		3,815.7	3,975.5
Cash and cash equivalents presented within assets backing unit-linked liabilities		434.4	637.5
Closing cash and cash equivalents		4,250.1	4,613.0

¹Includes Wealth Management interest income received of £97.4 million (H1 2022: £17.1 million) and interest expense paid of £67.2 million (H1 2022: £4.2 million).

Explanatory notes to the financial statements

1. Presentation of the financial statements

(a) Basis of preparation

The condensed consolidated financial statements for the half-year ended 30 June 2023 (the Half-year financial statements) have been prepared in accordance with UK-adopted International Accounting Standard 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Half-year financial statements should be read in conjunction with the Annual Report and Accounts for the year ended 31 December 2022. The Group's accounting policies, areas of significant judgement and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements as at, and for, the year ended 31 December 2022.

The 2022 annual financial statements of the Group were prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The Half-year financial statements are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the Act). Within the notes to the Half-year financial statements, all current and comparative data covering periods to (or as at) 30 June is unaudited. Data given in respect of the year ended 31 December 2022 is audited. The statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies. The auditor's opinion on those accounts was unmodified, did not contain an Emphasis of Matter paragraph and did not contain a statement made under Section 498 of the Act.

(b) Future developments

The Group did not implement the requirements of any Standards or Interpretations that were in issue but were not required to be adopted by the Group at the half year. No other Standards or Interpretations have been issued that are expected to have an impact on the Group's Half-year financial statements.

The Organisation for Economic Co-Operation and Developments (OECD) Pillar Two model rules, which will establish a global minimum tax regime, will apply from 2024. This is not expected to have a significant impact on the Group.

(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 Group has adequate resources to continue in operational existence for twelve months from the date the Half-year results are approved. They therefore continue to adopt the going concern basis in preparing these Half-year financial statements.

Half-year financial statements

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.

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, central management activities and certain restructuring costs (see note 3). The reconciliation of operating profit to profit before tax is available on the income statement.

	Asset Management £m	Wealth Management £m	Total £m
Six months ended 30 June 2023			
Revenue	1,194.1	285.8	1,479.9
Cost of sales	(234.3)	(75.8)	(310.1)
Net operating revenue	959.8	210.0	1,169.8
<i>Of which: Performance fees</i>	13.1	-	13.1
<i>Net carried interest income</i>	19.5	-	19.5
Net operating revenue excluding performance-based revenues	927.2	210.0	1,137.2
Share of profit of associates and joint ventures	33.9	1.0	34.9
Other operating income	2.3	4.9	7.2
Net operating income	996.0	215.9	1,211.9
Operating expenses	(730.5)	(140.0)	(870.5)
Operating profit	265.5	75.9	341.4
	Asset Management £m	Wealth Management £m	Total £m
Six months ended 30 June 2022			
Revenue	1,226.4	207.8	1,434.2
Cost of sales	(243.0)	(13.2)	(256.2)
Net operating revenue	983.4	194.6	1,178.0
<i>Of which: Performance fees</i>	15.8	0.4	16.2
<i>Net carried interest income</i>	5.3	-	5.3
Net operating revenue excluding performance-based revenues	962.3	194.2	1,156.5
Share of profit of associates and joint ventures	37.9	3.7	41.6
Other operating income	16.5	4.2	20.7
Net operating income	1,037.8	202.5	1,240.3
Operating expenses	(708.8)	(124.6)	(833.4)
Operating profit	329.0	77.9	406.9

Half-year financial statements

2. Segmental reporting (continued)

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

	Asset Management £m	Wealth Management £m	Total £m
Six months ended 30 June 2023			
Management fees	1,137.5	170.3	1,307.8
Performance fees	13.1	–	13.1
Carried interest	35.9	–	35.9
Other fees	7.6	18.1	25.7
Wealth Management interest income	–	97.4	97.4
Revenue	1,194.1	285.8	1,479.9
Fee expense	(217.9)	(8.6)	(226.5)
Cost of financial obligations in respect of carried interest	(16.4)	–	(16.4)
Wealth Management interest expense	–	(67.2)	(67.2)
Cost of sales	(234.3)	(75.8)	(310.1)
Net operating revenue	959.8	210.0	1,169.8

	Asset Management £m	Wealth Management £m	Total £m
Six months ended 30 June 2022			
Management fees	1,179.2	169.6	1,348.8
Performance fees	15.8	0.4	16.2
Carried interest	12.4	–	12.4
Other fees	19.0	20.7	39.7
Wealth Management interest income	–	17.1	17.1
Revenue	1,226.4	207.8	1,434.2
Fee expense	(235.9)	(9.0)	(244.9)
Cost of financial obligations in respect of carried interest	(7.1)	–	(7.1)
Wealth Management interest expense	–	(4.2)	(4.2)
Cost of sales	(243.0)	(13.2)	(256.2)
Net operating revenue	983.4	194.6	1,178.0

Half-year financial statements

2. Segmental reporting (continued)

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

Six months ended 30 June 2023	Continental Europe &				Total
	UK	Middle East	Asia Pacific	Americas	
	£m	£m	£m	£m	£m
Management fees	437.6	398.7	290.3	181.2	1,307.8
Performance fees	5.1	3.3	1.6	3.1	13.1
Carried interest	-	35.9	-	-	35.9
Other fees	17.5	5.6	2.6	-	25.7
Wealth Management interest income	85.8	9.8	1.8	-	97.4
Revenue	546.0	453.3	296.3	184.3	1,479.9
Fee expense	(28.7)	(93.8)	(78.4)	(25.6)	(226.5)
Cost of financial obligations in respect of carried interest	-	(16.4)	-	-	(16.4)
Wealth Management interest expense	(66.3)	(0.5)	(0.4)	-	(67.2)
Cost of sales	(95.0)	(110.7)	(78.8)	(25.6)	(310.1)
Net operating revenue	451.0	342.6	217.5	158.7	1,169.8

Six months ended 30 June 2022	Continental Europe &				Total
	UK	Middle East	Asia Pacific	Americas	
	£m	£m	£m	£m	£m
Management fees	443.1	413.5	309.8	182.4	1,348.8
Performance fees	4.4	5.0	1.9	4.9	16.2
Carried interest	-	12.4	-	-	12.4
Other fees	19.2	16.0	4.5	-	39.7
Wealth Management interest income	15.5	1.3	0.3	-	17.1
Revenue	482.2	448.2	316.5	187.3	1,434.2
Fee expense	(30.9)	(99.9)	(87.5)	(26.6)	(244.9)
Cost of financial obligations in respect of carried interest	-	(7.1)	-	-	(7.1)
Wealth Management interest expense	(4.2)	-	-	-	(4.2)
Cost of sales	(35.1)	(107.0)	(87.5)	(26.6)	(256.2)
Net operating revenue	447.1	341.2	229.0	160.7	1,178.0

Half-year financial statements

3. Total expenses

Expenses comprise operating expenses, central costs, acquisition costs and related items and restructuring costs. 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. The restructuring costs are one-off in nature and primarily comprise compensation-related costs.

	30 June 2023	30 June 2022
Six months ended	£m	£m
Operating expenses	870.5	833.4
Central costs	23.4	23.2
Acquisition costs and related items	42.8	37.1
Restructuring costs	23.5	-
Total expenses	960.2	893.7

	30 June 2023	30 June 2022
Six months ended	£m	£m
Salaries, wages and other remuneration	512.7	459.1
Social security costs	49.5	48.3
Pension costs	34.7	31.1
Employee benefits expense	596.9	538.5
Net (gain)/loss on financial instruments held to hedge deferred cash awards	(2.5)	17.6
Employee benefits expense - net of hedging	594.4	556.1

The employee benefits expense net of hedging includes £0.9 million (H1 2022: £7.7 million) that is presented within acquisition costs and related items and £21.6 million (H1 2022: nil) presented within restructuring costs.

Half-year financial statements

4. Tax expense

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

Six months ended	30 June 2023	30 June 2022
	£m	£m
UK current year charge	37.8	40.2
Rest of the world current year charge	30.0	33.1
Prior year adjustments	1.3	2.5
Total current tax	69.1	75.8
Origination and reversal of temporary differences	(13.6)	(16.4)
Effect of changes in corporation tax rates	(2.4)	(2.4)
Prior year adjustments	-	(2.6)
Total deferred tax	(16.0)	(21.4)
Tax charge reported in the income statement	53.1	54.4

The tax charge for the six months ended 30 June 2023 is calculated based on a forecast full year effective tax rate for the Group which is then applied to the actual profits for the half year.

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

Six months ended	30 June 2023	30 June 2022
	£m	£m
Deferred tax credit on actuarial loss on defined benefit pension schemes	(3.3)	(2.7)
Tax credit reported in other comprehensive income	(3.3)	(2.7)

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

Six months ended	30 June 2023	30 June 2022
	£m	£m
Current tax credit on Deferred Award Plan and other share-based remuneration	(0.8)	(0.6)
Deferred tax charge on Deferred Award Plan and other share-based remuneration	0.3	2.4
Deferred tax – effect of changes in corporation tax rates	-	0.1
Tax (credit)/charge reported in equity	(0.5)	1.9

Half-year financial statements

5. Earnings per share

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

	30 June 2023	30 June 2022
Six months ended	Number Millions	Number Millions ¹
Weighted average number of shares used in the calculation of basic earnings per share	1,575.9	1,577.8
Effect of dilutive potential shares – share options	25.2	23.2
Effect of dilutive potential shares – contingently issuable shares	0.3	0.3
Weighted average number of shares used in the calculation of diluted earnings per share	1,601.4	1,601.3

¹The 2022 comparatives have been restated following the simplification of the Company's dual share class structure (see note 11).

Profit after tax attributable to non-controlling interest was £7.6 million (H1 2022: £3.0 million).

Operating earnings per share calculations are based on operating profit after tax of £274.9 million (H1 2022: £337.4 million) less non-controlling operating earnings of £10.0 million (H1 2022: £4.8 million).

6. Dividends

	30 June 2023		30 June 2022	
Six months ended	£m	Pence per share	£m	Pence per share ¹
Prior year final dividend paid	232.2	15.0	231.5	14.9

¹Dividends per share have been restated following the simplification of the Company's dual share class structure (see note 11).

The Board has declared an interim dividend of 6.5 pence per share (2022 restated interim dividend: 6.5 pence), amounting to £100.8 million (H1 2022: £100.6 million) in total. The dividend will be paid on 21 September 2023 to shareholders on the register at 18 August 2023.

The Group paid £0.2 million of dividends to holders of non-controlling interests in subsidiaries of the Group during the six months ended 30 June 2023 (H1 2022: £2.5 million), resulting in total dividends paid of £232.4 million (H1 2022: £234.0 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 2023 interim dividend is 31 August 2023. Further details are available 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 2022 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 level 3 financial liabilities principally comprise third party liabilities related to carried interest arrangements, obligations arising from contingent consideration and other liabilities to purchase the remaining interest in acquired subsidiaries. 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 these financial liabilities by £14 million/£16 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.

Half-year financial statements

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:

	30 June 2023				
	Level 1	Level 2	Level 3	Not at	Total
	£m	£m	£m	fair value	£m
				£m	
Financial assets at amortised cost:					
Loans and advances to banks	-	-	-	219.7	219.7
Loans and advances to clients	-	-	-	517.6	517.6
Debt securities	-	-	-	321.4	321.4
	-	-	-	1,058.7	1,058.7
Financial assets at fair value through other comprehensive income:					
Debt securities	507.8	3.3	-	-	511.1
	507.8	3.3	-	-	511.1
Financial assets at fair value through profit or loss:					
Debt securities	9.0	146.4	-	-	155.4
Pooled investment vehicles	443.8	3.3	192.5	-	639.6
Equities	169.5	0.4	16.8	-	186.7
Derivative contracts	-	10.6	-	-	10.6
	622.3	160.7	209.3	-	992.3
Total financial assets	1,130.1	164.0	209.3	1,058.7	2,562.1
Trade and other receivables	2.6	-	-	1,157.8	1,160.4
Assets backing unit-linked liabilities	7,961.2	2,217.2	20.5	618.4	10,817.3
	9,093.9	2,381.2	229.8	2,834.9	14,539.8
Financial liabilities at amortised cost:					
Client accounts	-	-	-	4,068.4	4,068.4
Deposits by banks	-	-	-	102.3	102.3
Other financial liabilities	-	-	-	8.1	8.1
	-	-	-	4,178.8	4,178.8
Financial liabilities at fair value through profit or loss:					
Derivative contracts	0.7	7.7	-	-	8.4
Other financial liabilities	174.9	-	99.2	-	274.1
	175.6	7.7	99.2	-	282.5
Liabilities to purchase subsidiary shares	-	-	202.4	-	202.4
Total financial liabilities	175.6	7.7	301.6	4,178.8	4,663.7
Trade and other payables	222.3	-	-	945.3	1,167.6
Unit-linked liabilities	10,691.8	35.3	-	90.2	10,817.3
	11,089.7	43.0	301.6	5,214.3	16,648.6

Half-year financial statements

7. Fair value measurement disclosures (continued)

	31 December 2022				
	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	-	-	-	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

The Group has recognised a net loss on financial instruments at fair value through profit or loss of £20.0 million (H1 2022: loss of £24.9 million). A net loss on financial instruments at fair value through other comprehensive income of £0.4 million (H1 2022: loss of £0.1 million) has been transferred to the income statement.

Half-year financial statements

7. Fair value measurement disclosures (continued)

The fair value of financial assets at amortised cost approximates to their carrying value. No financial assets were transferred between levels during the period (2022: none).

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

	Financial assets at FVTPL £m	Assets backing unit-linked liabilities £m	Financial liabilities at FVTPL £m	Liabilities to purchase subsidiary shares £m
At 1 January 2023	191.2	22.8	91.4	218.7
Exchange translation adjustments	(7.0)	(0.2)	(3.8)	(1.0)
Net gain or loss recognised in the income statement	8.5	(0.7)	18.4	-
Additions	23.8	-	1.0	-
Disposals	(7.2)	(1.4)	(7.8)	(2.1)
Remeasurements	-	-	-	(13.2)
At 30 June 2023	209.3	20.5	99.2	202.4

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

8. Associates and joint ventures

	30 June 2023			31 December 2022		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	304.8	192.9	497.7	260.6	206.1	466.7
Exchange translation adjustments	(25.1)	(0.6)	(25.7)	7.4	0.4	7.8
Additions	0.1	1.5	1.6	1.7	1.6	3.3
Disposals	(0.5)	-	(0.5)	(0.3)	-	(0.3)
Profit for the period after tax ¹	33.9	(3.1)	30.8	72.7	(1.2)	71.5
Distributions of profit	(27.9)	(0.9)	(28.8)	(37.3)	(14.0)	(51.3)
At 30 June/31 December	285.3	189.8	475.1	304.8	192.9	497.7

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 £3.3 million (H1 2022: £3.0 million) and restructuring costs of £0.8 million (H1 2022: nil).

Half-year financial statements

9. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2023	1,239.7	710.0	573.0	2,522.7
Exchange translation adjustments	(12.6)	(6.5)	(3.4)	(22.5)
Additions	3.7	4.5	32.6	40.8
Disposals	-	-	(0.1)	(0.1)
At 30 June 2023	1,230.8	708.0	602.1	2,540.9
Accumulated amortisation				
At 1 January 2023	-	(308.8)	(284.4)	(593.2)
Exchange translation adjustments	-	3.5	1.8	5.3
Amortisation charge for the period	-	(30.5)	(37.1)	(67.6)
Disposals	-	-	0.1	0.1
At 30 June 2023	-	(335.8)	(319.6)	(655.4)
Carrying amount at 30 June 2023	1,230.8	372.2	282.5	1,885.5

	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 for the year	-	(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

Half-year financial statements

10. Retirement benefit obligations

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

	Six months ended 30 June 2023 £m	Year ended 31 December 2022 £m
At 1 January	706.5	1,070.6
Interest on assets	16.8	21.0
Remeasurement of assets	(30.1)	(345.2)
Benefits paid	(14.1)	(38.5)
Administrative expenses ¹	(0.8)	(1.4)
Fair value of plan assets	678.3	706.5
At 1 January	(570.2)	(872.7)
Interest cost	(13.5)	(17.1)
Actuarial gains due to change in demographic assumptions	-	0.2
Actuarial gains due to change in financial assumptions	17.7	299.4
Actuarial losses due to experience	-	(18.5)
Benefits paid	14.1	38.5
Present value of funded obligations	(551.9)	(570.2)
Net assets	126.4	136.3

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 £0.6 million (H1 2022: loss of £0.4 million) in respect of other defined benefit schemes.

The principal financial assumptions used for the Scheme are:

	Six months ended 30 June 2023 %	Year ended 31 December 2022 %
Discount rate	5.2	4.8
RPI inflation rate	3.3	3.2
CPI inflation rate	2.6	2.5
Future pension increases (for benefits earned before 13 August 2007)	3.1	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.1	2.0

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	31	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.

Half-year financial statements

11. Share capital and share premium

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2023	1,612.1	322.4	-	322.4	84.3
At 30 June 2023	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 2022	282.5	226.0	56.5	282.5	124.2
At 30 June 2022	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.

12. Own shares

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

Movements in own shares during the period were as follows:

	30 June 2023 £m	30 June 2022 £m
At 1 January	(185.1)	(150.2)
Own shares purchased	(61.8)	(111.2)
Awards vested	72.2	73.3
At 30 June	(174.7)	(188.1)

During the period 13.3 million own shares (H1 2022: 3.6 million own shares) were purchased and held for hedging share-based awards. 14.3 million shares (H1 2022: 2.4 million shares) awarded to employees vested during the period and were transferred out of own shares.

Half-year financial statements

13. Reconciliation of net cash from operating activities

	30 June 2023	30 June 2022
	£m	£m
Profit before tax	275.6	312.8
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	100.2	89.8
Net loss on financial instruments	20.8	25.0
Share-based payments	30.2	34.1
Net charge/(release) for provisions	0.2	(0.2)
Other non-cash movements ¹	(22.5)	33.7
	128.9	182.4
Adjustments for which the cash effects are investing activities:		
Net finance income	(9.4)	(1.4)
Interest expense on lease liabilities	4.8	5.3
Share of profit of associates and joint ventures after amortisation	(30.8)	(38.6)
	(35.4)	(34.7)
Adjustments for statement of financial position movements:		
Increase in loans and advances within Wealth Management	(9.7)	(190.0)
Increase in trade and other receivables	(272.4)	(501.0)
(Decrease)/increase in deposits and client accounts within Wealth Management	(401.5)	498.9
Increase in trade and other payables, other financial liabilities and provisions	116.5	343.7
	(567.1)	151.6
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(933.8)	2,051.5
Net increase/(decrease) in unit-linked liabilities	763.2	(2,325.7)
Net decrease in cash within consolidated pooled investment vehicles	(14.1)	(118.9)
	(184.7)	(393.1)
Tax paid	(110.4)	(59.9)
Net cash from operating activities	(493.1)	159.1

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

Key risks

Consistent with other asset management and wealth management businesses, we are exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Group not being able to meet its objectives and may lead to losses. Other risks, such as those inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take.

We have assessed our key risks disclosed in the Group's 2022 Annual Report and Accounts (Risk management). The key risks to which the Group will be exposed in the second half of 2023 are expected to be substantially the same as those described in the 2022 Annual Report and Accounts. They comprise strategic risks, business risks and operational risks.

We believe that we remain well-positioned to manage the challenges that may arise from these key risks and from the current market environment.

Directors' responsibility statement

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

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

A list of current Directors is maintained on the Schroders plc website: www.schroders.com.

On behalf of the Board

Richard Keers

Chief Financial Officer

26 July 2023

Independent review report to Schroders plc

Conclusion

We have been engaged by Schroders plc (the 'Company') to review the condensed consolidated financial statements for the half-year ended 30 June 2023 ('Half-year financial statements'), which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated cash flow statement and Explanatory notes to the financial statements. We have read the other information contained in the Half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the Half-year financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the Half-year financial statements in the Half-year results for the six months ended 30 June 2023 are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34, "Interim Financial Reporting", and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE 2410'), issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. The Half-year financial statements included in the Half-year results have been prepared in accordance with UK-adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The directors are responsible for preparing the Half-year results in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Half-year results, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of financial information

In reviewing the Half-year results, we are responsible for expressing to the Company a conclusion on the Half-year financial statements in the Half-year results. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the 'Basis for Conclusion' paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London

26 July 2023