Schroders

Press Release
Schroders plc
Full-year results — 5 March 2020

- We delivered resilient results in 2019, despite the challenging market backdrop. Profit before tax and exceptional items was £701.2 million.
- We made significant progress towards our strategic objectives, with strong growth in our Wealth Management, Private Assets & Alternatives and Solutions businesses.
- We generated total net new business of £43.4 billion, with positive net inflows across all asset classes as the first tranches of the Scottish Widows mandate were transferred to Schroders.
- Assets under management increased 23% to close at a new high of £500.2 billion, although the results were impacted by average assets being up only 2% as net inflows funded late in the year and markets only strongly rose through the fourth quarter.

	2019 £m	2018 £m	Change
Net income	2,124.8	2,123.9	0%
Operating expenses	(1,423.6)	(1,362.7)	4%
Profit before tax and exceptional items	701.2	761.2	(8)%
Profit before tax	624.6	649.9	(4)%
Profit after tax	495.7	504.7	(2)%
Basic earnings per share before exceptional items (pence)	201.6	215.8	(7)%
Basic earnings per share (pence)	178.9	183.1	(2)%
Total dividend per share (pence)	114.0	114.0	0%

Peter Harrison, Group Chief Executive, commented: "*We are pleased that the structural changes we have made in our business have delivered a resilient performance with record net new business of £43.4 billion during the year. As a committed active asset manager, our assets under management exceeded half a trillion pounds for the first time.*

Over the last few years we have been re-positioning our business behind a clear vision to move closer to our end clients through Wealth Management, expand our capabilities in Private Assets and grow our Solutions business. Today, these business areas represent over half of our clients' assets under management.

The year saw three notable events: the successful launch of Schroders Personal Wealth (our joint venture with Lloyds Banking Group), the start of the transfer of the Scottish Widows mandate to Schroders and the establishment of a market-leading position in impact investing and micro-finance through our acquisition of BlueOrchard.

We will maintain a focus on active, responsible investing to create better outcomes for our clients. We will continue to invest for the long-term growth of the business and are confident that our diversified model and differentiated strategy will generate value for our clients and shareholders.

In the near term, Covid-19 is creating considerable uncertainty for economies and markets. We believe that our business resilience is sufficient to deal with this, but the impact on economies and markets will be highly correlated with how effective containment measures are."

Management statement

Our strategy is to build closer relationships with our end clients in Wealth Management, to expand our capabilities in Private Assets and to grow our asset management business through Solutions.

We generated record net inflows of £43.4 billion in 2019 (2018: net outflows of £9.5 billion), including £32.0 billion from the Scottish Widows mandate into Solutions strategies and £12.6 billion into Schroders Personal Wealth. We expect the remaining assets from the Scottish Widows mandate of around £30 billion to fund through the first half of 2020. Excluding those net inflows which relate to the relationship with Lloyds Banking Group, and despite significant industry headwinds, we saw small net outflows of £1.2 billion.

Assets under management closed the year up 23% at a new high of £500.2 billion (31 December 2018: £407.2 billion). However, average assets under management were up only 2% from 2019 as net inflows funded late in the year and with weaker markets only significantly improving through the fourth quarter.

As we targeted improvements in client and asset longevity, gross outflows decreased to £89.2 billion or 22% of opening assets under management (2018: £100.0 billion, 23%). Gross inflows increased by £42.1 billion to £132.6 billion. However, gross outflows were generally from higher revenue margin products, such as equities, than our gross inflows. A combination of this and other market and FX movements resulted in a two basis point reduction in net operating revenue margin excluding performance fees, carried interest and real estate transaction fees to 45 basis points (2018: 47 basis points).

Net income increased £0.9 million to £2,124.8 million (2018: £2,123.9 million). Changes to the business mix resulted in a decrease of 1% to net operating revenue to £2,052.4 million (2018: £2,070.7 million), including performance fees and net carried interest of £73.1 million (2018: £55.0 million). The decline in net operating revenue was offset by increases in other income, including a greater contribution to profits from associates and joint ventures of £30.5 million (2018: £19.9 million), principally from our long-standing venture with Bank of Communications in China.

Delivering long-term growth for our clients and shareholders is dependent on developing and maintaining an efficient and scalable operating model. We continued to invest in technology improvements across the business, while growing our headcount in areas of strategic growth, such as Wealth Management, Private Assets and in China. Our total compensation ratio remained below our target range at 44% (2018: 43%) and our total cost ratio was 67% (2018: 64%).

Pre-exceptional profit before tax declined 8% to £701.2 million (2018: £761.2 million). We remained focused on driving efficiencies as we implemented structural changes to realign the business towards areas of future growth. The amortisation of intangible assets, along with the cost of structural changes, contributed towards exceptional costs of £76.6 million (2018: £111.3 million). Profit before tax but after exceptional items decreased by 4% to £624.6 million (2018: £649.9 million). Profit after tax and exceptional items was down 2% at £495.7 million (2018: £504.7 million).

Increasingly, our clients are interested not just in the returns from their investments but the impact of those investments. We remain focused on responsible, sustainable investing and have continued to integrate ESG processes across our product range. We have committed to integration across 100% of our managed assets by the end of 2020. We are also focused on delivering sustainable long-term value for all of our stakeholders and have committed to running our global business on a net zero carbon basis.

As a global business, we continue to closely monitor the situation with Covid-19 and follow the guidance of local public authorities. We have put provisions in place to safeguard the health of employees globally, including travel restrictions and remote working where appropriate. At the same time, we are taking steps so that the business will continue to operate without disruption and that client service remains unaffected.

We are presenting more information on our results in a way which is aligned with our strategic objectives and more reflective of how we measure performance. We are reporting the results of our Asset Management segment in four business areas: Private Assets & Alternatives, Solutions, Mutual Funds and Institutional, in addition to our Wealth Management segment. A breakdown of the movement in assets under management in the year on the previous channel presentation can be found in Appendix 1 on page 51.

Asset Management

Asset Management net income before exceptional items was down 1% to £1,781.2 million (2018: £1,801.2 million), including performance fees and net carried interest of £72.2 million (2018: £54.6 million). The net operating revenue margin before performance fees, carried interest and real estate transaction fees was 43 basis points (2018: 45 basis points). Profit before tax and exceptional items declined 10% to £606.9 million (2018: £670.8 million) and profit before tax fell 4% to £565.5 million (2018: £588.2 million).

Private Assets & Alternatives

Private Assets provide investment opportunities that are available through private markets. Our clients have increased their allocation to private markets and alternative investments in search of longer-term, less correlated and potentially better investment returns.

We have continued to strengthen our position in Private Assets & Alternatives in 2019 with ongoing client demand and selected acquisitions.

In July, we announced that we had reached agreement to acquire a majority stake in BlueOrchard Finance, leaders in impact investing and micro-finance in emerging and frontier markets. We also reinforced our real estate investment capabilities with the acquisition of Blue Asset Management, a Germany-based real estate business.

We generated £2.8 billion of net inflows in 2019, led by demand for private equity and securitised credit mandates. Private Assets & Alternatives has been our fastest growing business area over recent years, with assets under management increasing by more than 125% in the last five years. Assets under management at the end of 2019 were up 16% to £44.2 billion (31 December 2018: £38.0 billion). The net operating revenue margin excluding performance fees, carried interest and real estate transaction fees was 63 basis points (2018: 66 basis points).

Solutions

Increasingly, our clients are not looking for Schroders to simply be a component provider of investment products, but rather, they want us to play a wider role and to offer a complete solution or partnership to help them achieve their financial goals. These relationships are typically long-term in nature and improve our overall client longevity.

Solutions strategies have attracted high levels of client demand, generating £46.0 billion of net new business over the last five years. In 2019, we saw £34.5 billion of net new inflows, most notably through the transfer of the first parts of the Scottish Widows mandate. The net operating revenue margin in Solutions was 21 basis points (2018: 22 basis points). Solutions strategies closed the year with £142.8 billion of assets under management (31 December 2018: £95.9 billion).

Mutual Funds

As part of what might be considered our more traditional asset management business, Mutual Funds are provided through our intermediary network for retail clients and are solely or dual-branded 'Schroders'.

Our Mutual Fund business proved to be relatively resilient this year, despite the "risk-off" environment at the start of the year. There were net outflows of £1.5 billion and Mutual Fund assets under management ended the year at £102.4 billion (31 December 2018: £95.1 billion). The net operating revenue margin for Mutual Funds was 73 basis points (2018: 75 basis points).

Institutional

Also part of our more traditional asset management business, we continue to provide institutions with index-relative products as a component of their overall investment strategies or as part of a sub-advised mandate.

We saw net outflows from our Institutional business of £7.1 billion in 2019, led by redemptions from equity strategies as clients continued to derisk their portfolios. The net operating revenue margin excluding performance fees was 32 basis points (2018: 33 basis points). Institutional assets under management ended the year at £144.1 billion (31 December 2018: £134.5 billion).

Wealth Management

Wealth Management net income rose 7% to £309.6 million (2018: £289.8 million), including performance fees of £0.9 million (2018: £0.4 million). Profit before tax and exceptional items decreased 6% to £87.5 million (2018: £93.4 million), while profit before tax decreased 22% to £52.9 million (2018: £68.0 million) as it was impacted by exceptional items relating to acquisitions and the structural changes we have made.

We continued to generate good growth in this area, with record net new business of £14.7 billion. We launched Schroders Personal Wealth in the fourth quarter and acquired the wealth management business of Thirdrock in Singapore.

Total assets under management in Wealth Management increased 53% in the year to £66.7 billion (31 December 2018: £43.7 billion). Over five years, Wealth Management assets under management have grown by more than 110%.

The net operating revenue margin before performance fees was 59 basis points (2018: 61 basis points).

Group

The Group segment generated profit before exceptional items of £6.8 million in 2019 (2018: loss of £3.0 million), driven by gains from our investment capital portfolios.

Dividend

The Board will recommend to shareholders at the Annual General Meeting a final dividend of 79.0 pence (2018: 79.0 pence), which is unchanged from 2018. This will bring the total dividend for the year to 114.0 pence (2018: 114.0 pence). The final dividend will be paid on 7 May 2020 to shareholders on the register at 27 March 2020.

Outlook

Despite recent market weakness, our focused strategy, global footprint and diversified business mean we are well placed to generate growth for our clients and shareholders over the long term.

In the near term, Covid-19 is creating considerable uncertainty for economies and markets. We believe that our business resilience is sufficient to deal with this, but the impact on economies and markets will be highly correlated with how effective containment measures are.

There are challenges facing the traditional asset management industry, but we see a range of growth opportunities particularly in our Wealth Management, Private Assets & Alternatives and Solutions business areas, which now account for more than half of our assets under management.

We will retain focus on delivering positive investment outcomes for our clients and reshaping the business towards high quality, long-lasting client relationships. Our focus on efficiency throughout the business will remain key, but we will continue to invest through the cycle for future growth.

For further information, please contact:

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Additional information

Assets under management (AUM)

Year ended 31 December 2019

£bn	Private Assets & Alternatives	Solutions	Mutual Funds	Institutional	**Asset Management**	**Wealth Management**	**Total**
1 January 2019	**38.0**	**95.9**	**95.1**	**134.5**	**363.5**	**43.7**	**407.2**
Gross inflows	9.6	46.6	39.4	16.7	112.3	20.3	132.6
Gross outflows	(6.8)	(12.1)	(40.9)	(23.8)	(83.6)	(5.6)	(89.2)
Net flows	**2.8**	**34.5**	**(1.5)**	**(7.1)**	**28.7**	**14.7**	**43.4**
Acquisitions	3.9	–	–	–	3.9	2.3	6.2
Investment returns	(0.5)	12.4	9.6	16.7	38.2	5.2	43.4
Transfers	–	–	(0.8)	–	(0.8)	0.8	–
31 December 2019	**44.2**	**142.8**	**102.4**	**144.1**	**433.5**	**66.7**	**500.2**

Assets managed by associates	69.2

Client investment performance

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

	Percentage of assets outperforming		
	One year	**Three years**	**Five years**
To 31 December 2019	**68%**	**68%**	**71%**
To 31 December 2018	43%	74%	76%

Investment performance over three years (our key performance indicator) remained strong to 31 December 2019, with 68% of Asset Management assets outperforming. Over five years, 71% of assets were outperforming and over one year, the figure was 68%. This compares to 43% over one year, 74% over three years and 76% over five years at 31 December 2018.

All calculations for investment performance in this statement are made gross of fees with the exception of those for which the stated comparator is a net of fees competitor ranking. When a product's investment performance is disclosed in product or client documentation it is specific to the strategy or product. 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.

The calculation includes 100% of internally-managed Asset Management assets, excluding Liability-Driven Investment (LDI) strategies, that have a complete track record over the respective reporting period. Assets held in LDI strategies, which currently amount to £35.3 billion, are excluded as these are not seeking to outperform a stated objective but to match the liability profile of pension funds. Assets managed by third parties are excluded and primarily comprise the Luxembourg-domiciled GAIA fund range of £3.2 billion and legacy private equity assets of £1.4 billion. We do not calculate investment performance of hotels managed by Algonquin (AUM of £1.9 billion).

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

– For 77% of assets included in the calculation, the stated comparator is the benchmark.
– If the stated comparator is to competitor rankings, the relative position of the fund to its peer group on a like-for-like basis is used to calculate performance. This applies to 4% of assets in the calculation.
– Assets for which the stated comparator is an absolute return target are measured against that absolute target. This applies to 11% of assets in the calculation.
– Assets with no stated objective are measured against a cash return, if applicable. This applies to 8% of assets in the calculation.

Copies of this announcement are available on the Schroders website: www.schroders.com. Peter Harrison, Group Chief Executive, and Richard Keers, Chief Financial Officer, will host a presentation and webcast for the investment community to discuss the Group's results at 9.00 a.m. GMT on Thursday, 5 March 2020 at 1 London Wall Place, London, EC2Y 5AU. The webcast can be viewed live at www.schroders.com/ir. For individuals unable to attend the presentation or participate in the live webcast, a replay will be available from midday on Thursday, 5 March 2020 at www.schroders.com/ir. The Annual Report and Accounts will be available on the Schroders website: www.schroders.com on 27 March 2020.

Please visit www.schroders.com/shareholders-privacy-policy to learn how we handle personal data.

Forward-looking statements

This announcement, the Annual Report and Accounts for 2019, and the Schroders website may contain forward-looking statements with respect to the financial condition, performance and position, strategy, results of operations and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'sees', 'believes', 'expects', 'aims', 'confident', 'will have', 'will be', 'will ensure', 'likely', 'estimates' or 'anticipates' or the negative of these terms or other similar terms are intended to identify such forward-looking statements. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this statement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement or in the Annual Report and Accounts or on the Schroders website should be construed as a forecast, estimate or projection of future financial performance.

Consolidated income statement

for the year ended 31 December 2019

		2019			2018		
	Notes	**Before exceptional items £m**	**Exceptional items[2] £m**	**Total £m**	Before exceptional items £m	Exceptional items[2] £m	Total £m
Revenue	3	2,537.0	–	2,537.0	2,626.4	–	2,626.4
Cost of sales	3	(484.6)	–	(484.6)	(555.7)	–	(555.7)
Net operating revenue		**2,052.4**	**–**	**2,052.4**	**2,070.7**	**–**	**2,070.7**
Net gain on financial instruments and other income	4	41.9	1.1	43.0	33.3	(13.0)	20.3
Share of profit of associates and joint ventures	10	30.5	(3.3)	27.2	19.9	(0.8)	19.1
Net income		**2,124.8**	**(2.2)**	**2,122.6**	**2,123.9**	**(13.8)**	**2,110.1**
Operating expenses	5	(1,423.6)	(74.4)	(1,498.0)	(1,362.7)	(97.5)	(1,460.2)
Profit before tax		**701.2**	**(76.6)**	**624.6**	**761.2**	**(111.3)**	**649.9**
Tax	6	(140.5)	11.6	(128.9)	(163.3)	18.1	(145.2)
Profit after tax[1]		**560.7**	**(65.0)**	**495.7**	**597.9**	**(93.2)**	**504.7**
Earnings per share							
Basic	7	**201.6p**	**(22.7)p**	**178.9p**	215.8p	(32.7)p	183.1p
Diluted	7	**198.0p**	**(22.2)p**	**175.8p**	211.8p	(32.1)p	179.7p
Total dividend per share	8			**114.0p**			114.0p

[1] Non-controlling interest is presented in the Consolidated statement of changes in equity.
[2] Please refer to notes 2 and 3 for a definition and further details of exceptional items.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Notes	2019 £m	2018 £m
Profit after tax		**495.7**	504.7
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		(56.0)	31.0
Net gain/(loss) on financial assets at fair value through other comprehensive income	4	6.3	(5.9)
Tax on items taken directly to other comprehensive income	6	(0.4)	(0.7)
		(50.1)	**24.4**
Items that will not be reclassified to the income statement:			
Net actuarial loss on defined benefit pension schemes	14	(23.2)	(11.6)
Tax on items taken directly to other comprehensive income	6	4.0	2.0
		(19.2)	**(9.6)**
Other comprehensive income for the year, net of tax[1]		**(69.3)**	**14.8**
Total comprehensive income for the year[1]		**426.4**	**519.5**

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

Consolidated statement of financial position

at 31 December 2019

	Notes	**2019 £m**	2018 £m
Assets			
Cash and cash equivalents		2,660.3	2,683.4
Trade and other receivables	9	806.7	748.9
Financial assets	9	3,016.4	3,354.9
Associates and joint ventures	10	398.0	175.2
Property, plant and equipment	11, 12	652.3	249.4
Goodwill and intangible assets	13	1,133.4	968.2
Deferred tax		36.9	42.8
Retirement benefit scheme surplus	14	136.3	155.6
		8,840.3	**8,378.4**
Assets backing unit-linked liabilities			
Cash and cash equivalents		972.6	598.2
Financial assets	9	11,453.3	10,657.7
		12,425.9	**11,255.9**
Total assets		**21,266.2**	**19,634.3**
Liabilities			
Trade and other payables	9	921.7	988.6
Financial liabilities	9	3,531.1	3,660.6
Lease liabilities	12	425.3	–
Current tax		54.1	44.2
Provisions		32.2	31.4
Deferred tax		16.2	15.1
Retirement benefit scheme deficits		12.2	17.3
		4,992.8	**4,757.2**
Unit-linked liabilities	9	**12,425.9**	**11,255.9**
Total liabilities		**17,418.7**	**16,013.1**
Net assets		**3,847.5**	**3,621.2**
Total equity[1]		**3,847.5**	**3,621.2**

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

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Notes	Attributable to owners of the parent								
	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2019		**282.5**	**124.2**	**(163.9)**	**184.4**	**83.1**	**3,108.2**	**3,618.5**	**2.7**	**3,621.2**
Restatement on adoption of IFRS 16[1]	1	–	–	–	–	–	(6.9)	(6.9)	–	(6.9)
At 1 January 2019 (restated)		**282.5**	**124.2**	**(163.9)**	**184.4**	**83.1**	**3,101.3**	**3,611.6**	**2.7**	**3,614.3**
Profit for the year		–	–	–	–	27.2	466.9	494.1	1.6	495.7
Other comprehensive income[2]		–	–	–	(56.0)	–	(13.3)	(69.3)	–	(69.3)
Total comprehensive income for the year		**–**	**–**	**–**	**(56.0)**	**27.2**	**453.6**	**424.8**	**1.6**	**426.4**
Own shares purchased	16	–	–	(81.0)	–	–	–	(81.0)	–	(81.0)
Share-based payments		–	–	–	–	–	61.6	61.6	–	61.6
Tax in respect of share schemes	6	–	–	–	–	–	5.2	5.2	–	5.2
Movements in ownership interests in subsidiaries[3]		–	–	–	–	–	127.3	127.3	48.4	175.7
Other movements[4]		–	–	–	–	(0.7)	(55.6)	(56.3)	16.3	(40.0)
Dividends	8	–	–	–	–	–	(312.3)	(312.3)	(2.4)	(314.7)
Transactions with shareholders		**–**	**–**	**(81.0)**	**–**	**(0.7)**	**(173.8)**	**(255.5)**	**62.3**	**(193.2)**
Transfers		**–**	**–**	**75.8**	**–**	**(3.5)**	**(72.3)**	**–**	**–**	**–**
At 31 December 2019		**282.5**	**124.2**	**(169.1)**	**128.4**	**106.1**	**3,308.8**	**3,780.9**	**66.6**	**3,847.5**

[1] The adoption of IFRS 16 on 1 January 2019 reduced the Group's equity by £6.9 million, see Presentation of the financial statements.

[2] Other 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.

[3] Movements in ownership interests in subsidiaries principally relates to a gain of £153.6 million on the sale of a 19.9% interest in the Group's UK Wealth Management business (see note 10).

[4] Other movements principally comprises amounts relating to the acquisition of BlueOrchard Finance AG (see note 18), including an option to acquire the remaining interest currently held by third parties.

Consolidated statement of changes in equity

for the year ended 31 December 2018

		Attributable to owners of the parent								
	Notes	Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2018		282.5	124.2	(162.3)	153.4	65.8	2,995.1	3,458.7	12.3	3,471.0
Restatement on adoption of IFRS 9 and IFRS 15[1]		–	–	–	–	–	(18.5)	(18.5)	–	(18.5)
At 1 January 2018 (restated)		**282.5**	**124.2**	**(162.3)**	**153.4**	**65.8**	**2,976.6**	**3,440.2**	**12.3**	**3,452.5**
Profit for the year		–	–	–	–	19.1	485.9	505.0	(0.3)	504.7
Other comprehensive income[2]		–	–	–	31.0	–	(16.2)	14.8	–	14.8
Total comprehensive income for the year		**–**	**–**	**–**	**31.0**	**19.1**	**469.7**	**519.8**	**(0.3)**	**519.5**
Own shares purchased	16	–	–	(74.9)	–	–	–	(74.9)	–	(74.9)
Share-based payments		–	–	–	–	–	63.9	63.9	–	63.9
Tax in respect of share schemes	6	–	–	–	–	–	(3.3)	(3.3)	–	(3.3)
Other movements		–	–	–	–	0.5	(16.0)	(15.5)	(7.9)	(23.4)
Dividends	8	–	–	–	–	–	(311.7)	(311.7)	(1.4)	(313.1)
Transactions with shareholders		**–**	**–**	**(74.9)**	**–**	**0.5**	**(267.1)**	**(341.5)**	**(9.3)**	**(350.8)**
Transfers		**–**	**–**	**73.3**	**–**	**(2.3)**	**(71.0)**	**–**	**–**	**–**
At 31 December 2018		**282.5**	**124.2**	**(163.9)**	**184.4**	**83.1**	**3,108.2**	**3,618.5**	**2.7**	**3,621.2**

[1] The adoption of IFRS 9 and IFRS 15 on 1 January 2018 reduced the Group's equity by £18.5 million.
[2] Other comprehensive income reported in the net exchange differences reserve comprises the foreign exchange gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial loss on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

Consolidated cash flow statement

for the year ended 31 December 2019

	Notes	**2019 £m**	2018 £m
Net cash from operating activities	17	**1,002.0**	**513.9**
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(152.4)	(131.8)
Net acquisition of property, plant and equipment and intangible assets		(142.9)	(204.1)
Acquisition of financial assets		(1,730.2)	(2,241.3)
Disposal of financial assets		1,841.2	2,143.7
Non-banking interest received		22.5	27.8
Distributions received from associates and joint ventures	10	3.5	3.1
Net cash used in investing activities		**(158.3)**	**(402.6)**
Cash flows from financing activities			
Purchase of subsidiary shares		(44.3)	–
Lease payments	12	(26.5)	–
Acquisition of own shares	16	(81.0)	(74.9)
Dividends paid	8	(314.7)	(313.1)
Other flows		(0.5)	(0.7)
Net cash used in financing activities		**(467.0)**	**(388.7)**
Net increase/(decrease) in cash and cash equivalents		**376.7**	**(277.4)**
Opening cash and cash equivalents		3,281.6	3,519.5
Net increase/(decrease) in cash and cash equivalents		376.7	(277.4)
Effect of exchange rate changes		(25.4)	39.5
Closing cash and cash equivalents		**3,632.9**	**3,281.6**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		2,578.4	2,650.3
Cash held in consolidated pooled investment vehicles		81.9	33.1
Cash and cash equivalents presented within assets		**2,660.3**	**2,683.4**
Cash and cash equivalents presented within assets backing unit-linked liabilities		972.6	598.2
Closing total cash and cash equivalents		**3,632.9**	**3,281.6**

Explanatory notes to the financial statements

1. Presentation of the financial statements

(a) Basis of preparation

The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006 (Act). The statutory accounts for 2018 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 2019, which will be delivered to the Registrar of Companies in due course.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), which comprises Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union (EU), and with those parts of the Act applicable to companies reporting under IFRS.

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

(b) New accounting standards and interpretations

IFRS 16 Leases

IFRS 16 Leases (IFRS 16) replaces IAS 17 Leases and became effective on 1 January 2019. The Group initially records a lease liability in the Group's statement of financial position, reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. A right-of-use (ROU) asset is also recorded at the value of the lease liability plus any directly related costs and estimated dilapidation expenses and is presented within property, plant and equipment (see note 11). Interest is accrued on the lease liability using the effective interest rate method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated over the life of the lease as the benefit of the lease is consumed.

The Group considers whether the lease term should include options to extend or cancel the lease. Relevant factors that could create an economic incentive to exercise the option are considered and the option is included if it is reasonably certain to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option.

On adoption of IFRS 16, the Group has calculated the ROU asset as if the standard had always been applied but based on an incremental borrowing rate at 1 January 2019. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the appropriate discount rate at the date of adoption. Comparative information has not been restated as the Group has applied IFRS 16 retrospectively but with the cumulative effect of initially applying the standard recorded as an adjustment to the opening profit and loss reserve at 1 January 2019.

The Group has applied the optional exemption contained within IFRS 16, which permits the cost of short-term (less than 12 months) leases to be expensed on a straight-line basis over the lease term. These lease arrangements are not material to the Group.

At 31 December 2018, the Group had non-cancellable operating lease commitments of £500.1 million. As a result of applying IFRS 16, the Group has recognised a lease liability and ROU asset at 1 January 2019 of £418.3 million and £411.9 million respectively and restated its net assets to reflect a reduction of £6.9 million, net of tax. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.95%.

1. Presentation of the financial statements (continued)

The opening lease commitments as at 1 January 2019 are reconciled to the opening lease liability as follows:

	£m
Lease commitments as at 1 January 2019	500.1
Interest to be unwound over the lease term	(81.8)
Opening lease liability at 1 January 2019	**418.3**

IFRIC 23 Uncertainty over Income Tax Treatments

On 7 June 2017, the IASB issued IFRIC 23 which became effective on 1 January 2019. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. IFRIC 23 does not have a material impact on the Group's financial statements.

(c) Future accounting developments

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

2. Exceptional items

Exceptional items are significant items of income and expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items principally relate to items arising from acquisitions undertaken by the Group, including amortisation of acquired intangible assets, and the cost reduction programmes undertaken in 2018 and 2019.

3. Segmental reporting

(a) Operating segments

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

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. Following the acquisition of a 49.9% interest in Scottish Widows Schroder Wealth Holdings Limited, a joint venture with Lloyds Banking Group plc (LBG) that trades as Schroders Personal Wealth (SPW), the Wealth Management segment now includes the Group's proportional share of the income and expenses of SPW on an individual account line basis. This reflects the basis on which the Group monitors the performance of the business. The adjustment column re-presents the results of SPW on a post-tax basis within share of profit of associates and joint ventures in accordance with the accounting rules.

Operating expenses includes 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 areas. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure.

3. Segmental reporting (continued)

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Revenue	2,217.9	334.0	–	2,551.9	(14.9)	2,537.0
Cost of sales	(454.8)	(31.9)	–	(486.7)	2.1	(484.6)
Net operating revenue	**1,763.1**	**302.1**	**–**	**2,065.2**	**(12.8)**	**2,052.4**
Net gain on financial instruments and other income	(5.4)	6.5	40.8	41.9	–	41.9
Share of profit of associates and joint ventures	23.5	1.0	4.1	28.6	1.9	30.5
Net income	**1,781.2**	**309.6**	**44.9**	**2,135.7**	**(10.9)**	**2,124.8**
Operating expenses	(1,174.3)	(222.1)	(38.1)	(1,434.5)	10.9	(1,423.6)
Profit before tax and exceptional items	**606.9**	**87.5**	**6.8**	**701.2**	**–**	**701.2**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	1.1	–	–	1.1	–	1.1
Associates and joint ventures amortisation of acquired intangible assets and other costs	–	(3.3)	–	(3.3)	–	(3.3)
	1.1	**(3.3)**	**–**	**(2.2)**	**–**	**(2.2)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(9.1)	(20.9)	–	(30.0)	–	(30.0)
Cost reduction programme	(22.3)	(5.7)	(1.0)	(29.0)	–	(29.0)
Other expenses	(11.1)	(4.7)	0.4	(15.4)	–	(15.4)
	(42.5)	**(31.3)**	**(0.6)**	**(74.4)**	**–**	**(74.4)**
Profit before tax and after exceptional items	**565.5**	**52.9**	**6.2**	**624.6**	**–**	**624.6**

3. Segmental reporting (continued)

Year ended 31 December 2018	Asset Management £m	Wealth Management £m	Group £m	Total £m
Revenue	2,317.6	308.8	–	2,626.4
Cost of sales	(528.8)	(26.9)	–	(555.7)
Net operating revenue	**1,788.8**	**281.9**	**–**	**2,070.7**
Net gain on financial instruments and other income	(3.3)	7.5	29.1	33.3
Share of profit of associates and joint ventures	15.7	0.4	3.8	19.9
Net income	**1,801.2**	**289.8**	**32.9**	**2,123.9**
Operating expenses	(1,130.4)	(196.4)	(35.9)	(1,362.7)
Profit before tax and exceptional items	**670.8**	**93.4**	**(3.0)**	**761.2**
Exceptional items presented within net income:				
Net loss on financial instruments and other income	(12.9)	–	(0.1)	(13.0)
Amortisation of acquired intangible assets relating to associates and joint ventures	–	(0.8)	–	(0.8)
	(12.9)	**(0.8)**	**(0.1)**	**(13.8)**
Exceptional items presented within operating expenses:				
Cost reduction programme	(55.6)	(0.4)	–	(56.0)
Amortisation of acquired intangible assets	(8.6)	(20.2)	–	(28.8)
Other expenses	(5.5)	(4.0)	(3.2)	(12.7)
	(69.7)	**(24.6)**	**(3.2)**	**(97.5)**
Profit before tax and after exceptional items	**588.2**	**68.0**	**(6.3)**	**649.9**

3. Segmental reporting (continued)

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

Year ended 31 December 2019	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,140.3	253.2	–	2,393.5	(13.3)	2,380.2
Performance fees	42.9	0.9	–	43.8	–	43.8
Carried interest	23.4	–	–	23.4	–	23.4
Other fees	11.3	37.6	–	48.9	(1.6)	47.3
Wealth Management interest income earned	–	42.3	–	42.3	–	42.3
Revenue	**2,217.9**	**334.0**	**–**	**2,551.9**	**(14.9)**	**2,537.0**
Fee expense	(460.7)	(13.6)	–	(474.3)	2.1	(472.2)
Change in financial obligations in respect of carried interest	5.9	–	–	5.9	–	5.9
Wealth Management interest expense incurred	–	(18.3)	–	(18.3)	–	(18.3)
Cost of sales	**(454.8)**	**(31.9)**	**–**	**(486.7)**	**2.1**	**(484.6)**
Net operating revenue	**1,763.1**	**302.1**	**–**	**2,065.2**	**(12.8)**	**2,052.4**

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

3. Segmental reporting (continued)

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

Year ended 31 December 2019	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	727.9	750.5	622.8	292.3	2,393.5	(13.3)	2,380.2
Performance fees	6.0	15.0	14.6	8.2	43.8	–	43.8
Carried interest	–	23.4	–	–	23.4	–	23.4
Other fees	32.1	10.1	6.6	0.1	48.9	(1.6)	47.3
Wealth Management interest income earned	34.3	6.6	1.4	–	42.3	–	42.3
Revenue	**800.3**	**805.6**	**645.4**	**300.6**	**2,551.9**	**(14.9)**	**2,537.0**
Fee expense	(58.1)	(194.9)	(180.4)	(40.9)	(474.3)	2.1	(472.2)
Change in financial obligations in respect of carried interest	–	5.9	–	–	5.9	–	5.9
Wealth Management interest expense incurred	(15.7)	(2.5)	(0.1)	–	(18.3)	–	(18.3)
Cost of sales	**(73.8)**	**(191.5)**	**(180.5)**	**(40.9)**	**(486.7)**	**2.1**	**(484.6)**
Net operating revenue	**726.5**	**614.1**	**464.9**	**259.7**	**2,065.2**	**(12.8)**	**2,052.4**

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

3. Segmental reporting (continued)

Estimates and judgements – revenue

Carried interest represents the Group's contractual right to a share of the profits of around 85 private asset investment vehicles (2018: 74 vehicles), if certain performance hurdles are met. It is recognised when the relevant services have been provided and there is a low probability that a significant reversal will occur.

The amount of carried interest that will 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 timing and quantum of distributions to clients in the vehicle. The outcome is discounted to determine the present value of the carried interest to be recognised.

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 cash flows following the realisation of the underlying investments. No future growth is assumed, reflecting the uncertainty of future investment returns. The timing of distributions to clients is based on the expectations of the individual investment managers as to the realisation of a large number of underlying individual 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 change in financial obligations in respect of carried interest (carried interest payable) is based on an assessment of the fair value of the amounts that have been received or may be received in the future and the proportion that is payable to third parties. The settlement of these obligations is contingent on the receipt of the related revenue. The Group therefore applies the same estimates and judgements as those used to determine the present value of the carried interest receivable, as set out above. The 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 £3.2 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 £3.0 million/£2.4 million and this amount would be lower than the corresponding increase/reduction in revenue.

4. Net gain on financial instruments and other income

Year ended 31 December	2019 Income statement £m	2019 Other comprehensive income £m	2019 Total £m	2018 Income statement £m	2018 Other comprehensive income £m	2018 Total £m
Net gain/(loss) on financial instruments at fair value through profit and loss	**0.6**	**–**	**0.6**	**(13.9)**	**–**	**(13.9)**
Net gain/(loss) arising from fair value movements	–	6.8	6.8	–	(5.7)	(5.7)
Net transfers on disposal	0.5	(0.5)	–	0.2	(0.2)	–
Net gain/(loss) on financial assets at fair value through other comprehensive income	**0.5**	**6.3**	**6.8**	**0.2**	**(5.9)**	**(5.7)**
Net finance income	**8.3**	**–**	**8.3**	**8.4**	**–**	**8.4**
Other income	**33.6**	**–**	**33.6**	**25.6**	**–**	**25.6**
Net gain on financial instruments and other income[1]	**43.0**	**6.3**	**49.3**	**20.3**	**(5.9)**	**14.4**
Net gain/(loss) on financial instruments held to hedge employee deferred cash awards – presented within operating expenses	**21.3**	**–**	**21.3**	**(11.3)**	**–**	**(11.3)**
Change in financial obligations in respect of carried interest – presented within cost of sales	**5.9**	**–**	**5.9**	**(27.3)**	**–**	**(27.3)**
Net gain/(loss) on financial instruments and other income – net of hedging	**70.2**	**6.3**	**76.5**	**(18.3)**	**(5.9)**	**(24.2)**

[1] Includes a credit of £1.1 million (2018: £13.0 million charge) of exceptional items.

5. Operating expenses

Operating expenses include:

Year ended 31 December	**2019** **£m**	2018 £m
Salaries, wages and other remuneration	855.6	839.7
Social security costs	84.2	66.5
Pension costs	44.1	45.6
Employee benefits expense	**984.0**	**951.8**
Net (gain)/loss on financial instruments held to hedge deferred cash awards	(21.3)	11.3
Employee benefits expense - net of hedging	**962.6**	**963.1**

The employee benefits expense net of hedging of £962.6 million (2018: £963.1 million) includes £35.3 million (2018: £59.8 million) that is presented within exceptional items. This comprises £6.3 million (2018: £3.8 million) arising from acquisitions completed by the Group and £29.0 million (2018: £56.0 million) of expenses in relation to the cost reduction programme.

6. Tax expense

Analysis of tax charge reported in the income statement:

Year ended 31 December	**2019** **£m**	2018 £m
UK current year charge	60.9	56.9
Rest of the world current year charge	67.7	78.6
Adjustments in respect of prior year estimates	(1.1)	1.7
Total current tax	**127.5**	**137.2**
Origination and reversal of temporary differences	(4.1)	7.9
Adjustments in respect of prior year estimates	2.5	0.1
Effect of changes in corporation tax rates	3.0	–
Total deferred tax	**1.4**	**8.0**
Tax charge reported in the income statement	**128.9**	**145.2**

Analysis of tax credit reported in other comprehensive income:

Year ended 31 December	**2019** **£m**	2018 £m
Current tax (credit)/charge on movements in financial assets at fair value through other comprehensive income	(1.1)	1.5
Deferred tax credit on actuarial gains and losses on defined benefit pension schemes	(4.0)	(2.0)
Deferred tax charge/(credit) on other movements through other comprehensive income	1.5	(0.8)
Tax credit reported in other comprehensive income	**(3.6)**	**(1.3)**

6. Tax expense (continued)

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

Year ended 31 December	**2019 £m**	2018 £m
Current tax credit on Equity Compensation Plan and other share-based remuneration	(2.6)	(2.6)
Deferred tax (credit)/charge on Equity Compensation Plan and other share-based remuneration	(2.6)	5.9
Tax (credit)/charge reported in equity	**(5.2)**	**3.3**

The UK standard rate of corporation tax for 2019 is 19% (2018: standard rate of 19%). The tax charge for the year is higher (2018: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	**2019 £m**	2018 £m
Profit before tax	624.6	649.9
Less post-tax net profit of associates and joint ventures	(27.2)	(19.1)
Profit before tax of Group entities	**597.4**	**630.8**
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	**113.5**	**119.9**
Effects of:		
Different statutory tax rates of overseas jurisdictions	8.0	8.7
Permanent differences including non-taxable income and non-deductible expenses	1.7	11.1
Net movement in timing differences for which no deferred tax is recognised	1.3	3.7
Deferred tax adjustments in respect of changes in corporation tax rates	3.0	–
Adjustments in respect of prior year estimates	1.4	1.8
Tax charge reported in the income statement	**128.9**	**145.2**

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.

Amounts recorded within the 2019 tax charge relating to these judgements were not material (2018: same).

7. Earnings per share

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

Year ended 31 December	**2019 Number Millions**	2018 Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	276.2	275.9
Effect of dilutive potential shares – share options	4.8	5.2
Effect of dilutive potential shares – contingently issuable shares	0.1	–
Weighted average number of shares used in the calculation of diluted earnings per share	**281.1**	**281.1**

The pre-exceptional earnings per share calculations are based on profit after tax excluding non-controlling interest of £4.0 million (2018: £2.6 million). After exceptional items, the profit after tax attributable to non-controlling interest was £1.6 million (2018: loss of £0.3 million).

8. Dividends

	2020		**2019**		2018	
	£m	**Pence per share**	**£m**	**Pence per share**	£m	Pence per share
Prior year final dividend paid			216.5	79.0	216.0	79.0
Interim dividend paid			95.8	35.0	95.7	35.0
Total dividends paid			**312.3**	**114.0**	**311.7**	**114.0**
Current year final dividend recommended	**216.7**	**79.0**				

Dividends of £9.8 million (2018: £10.5 million) on shares held by employee trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2019 final dividend of 79.0 pence per share (2018 final dividend: 79.0 pence), amounting to £216.7 million (2018 final dividend: £216.5 million). The dividend will be paid on 7 May 2020 to shareholders on the register at 27 March 2020 and will be accounted for in 2020.

In addition, the Group paid £2.4 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2019 (2018: £1.4 million), resulting in total dividends paid of £314.7 million (2018: £313.1 million).

The Company offers a dividend reinvestment plan (DRIP). The last date for shareholders to elect to participate in the DRIP for the purposes of the 2019 final dividend is 16 April 2020. Further details are contained on the Group's website.

9. Fair value measurement disclosures

Estimates and judgements

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in pooled investment vehicles, quoted equities and government debt, daily-priced funds and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, asset and mortgage backed securities, and loans held at fair value. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data. The Group's level 3 financial assets principally comprise investments in private equity funds that are measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018. Level 3 financial assets also include investments in property investment vehicles that operate hotel businesses. These are valued based on the expected future cash flows that could be generated from the hotel business. The Group's financial liabilities categorised as level 3 principally consist of contingent consideration and other third party liabilities related to carried interest arrangements and other financial liabilities arising from prior acquisitions completed by the Group. The carrying values of level 3 financial liabilities are typically derived from an estimate of the expected future cash flows required to settle the liability. These estimates reflect the projected performance of the acquired businesses for a number of years into the future.

9. Fair value measurement disclosures (continued)

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

	2019				
	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	–	–	–	350.2	350.2
Loans and advances to clients	–	–	–	398.5	398.5
Debt securities	–	–	–	67.0	67.0
	–	**–**	**–**	**815.7**	**815.7**
Financial assets at fair value through other comprehensive income:					
Debt securities	598.3	318.6	–	–	916.9
	598.3	**318.6**	**–**	**–**	**916.9**
Financial assets at fair value through profit or loss:					
Loans and advances to clients	–	4.6	–	–	4.6
Debt securities	4.4	213.6	5.6	–	223.6
Pooled investment vehicles	546.6	28.5	95.3	–	670.4
Equities	282.5	13.7	29.7	–	325.9
Derivative contracts	0.5	54.5	4.3	–	59.3
	834.0	**314.9**	**134.9**	**–**	**1,283.8**
Financial assets	**1,432.3**	**633.5**	**134.9**	**815.7**	**3,016.4**
Trade and other receivables	**5.4**	**–**	**–**	**801.3**	**806.7**
Assets backing unit-linked liabilities	**8,724.3**	**2,596.2**	**29.5**	**1,075.9**	**12,425.9**
	10,162.0	**3,229.7**	**164.4**	**2,692.9**	**16,249.0**
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,041.3	3,041.3
Deposits by banks	–	–	–	97.1	97.1
Other financial liabilities	–	–	–	7.3	7.3
	–	**–**	**–**	**3,145.7**	**3,145.7**
Financial liabilities at fair value through profit or loss:					
Derivative contracts	3.1	39.6	–	–	42.7
Other financial liabilities	187.6	–	155.1	–	342.7
	190.7	**39.6**	**155.1**	**–**	**385.4**
Financial liabilities	**190.7**	**39.6**	**155.1**	**3,145.7**	**3,531.1**
Trade and other payables	**161.5**	**–**	**–**	**760.2**	**921.7**
Unit-linked liabilities	**12,310.5**	**56.5**	**–**	**58.9**	**12,425.9**
	12,662.7	**96.1**	**155.1**	**3,964.8**	**16,878.7**

9. Fair value measurement disclosures (continued)

	2018				
	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	–	–	–	384.2	384.2
Loans and advances to clients	–	–	–	572.6	572.6
Debt securities	–	–	–	139.1	139.1
	–	**–**	**–**	**1,095.9**	**1,095.9**
Financial assets at fair value through other comprehensive income:					
Debt securities	487.3	442.0	–	–	929.3
	487.3	**442.0**	**–**	**–**	**929.3**
Financial assets at fair value through profit or loss:					
Loans and advances to clients	–	2.4	–	–	2.4
Debt securities	260.7	103.3	5.0	–	369.0
Pooled investment vehicles	614.5	5.0	80.9	–	700.4
Equities	197.4	0.7	21.5	–	219.6
Derivative contracts	5.2	24.1	9.0	–	38.3
	1,077.8	**135.5**	**116.4**	**–**	**1,329.7**
Financial assets	**1,565.1**	**577.5**	**116.4**	**1,095.9**	**3,354.9**
Trade and other receivables	**9.1**	–	–	**739.8**	**748.9**
Assets backing unit-linked liabilities	**6,832.0**	**3,573.4**	**37.3**	**813.2**	**11,255.9**
	8,406.2	**4,150.9**	**153.7**	**2,648.9**	**15,359.7**
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,235.5	3,235.5
Deposits by banks	–	–	–	19.8	19.8
Other financial liabilities	–	–	–	6.2	6.2
	–	**–**	**–**	**3,261.5**	**3,261.5**
Financial liabilities at fair value through profit or loss:					
Derivative contracts	3.2	18.9	–	–	22.1
Other financial liabilities	222.6	–	154.4	–	377.0
	225.8	**18.9**	**154.4**	**–**	**399.1**
Financial liabilities	**225.8**	**18.9**	**154.4**	**3,261.5**	**3,660.6**
Trade and other payables	**144.6**	**–**	**–**	**844.0**	**988.6**
Unit-linked liabilities	**10,992.4**	**64.4**	**–**	**199.1**	**11,255.9**
	11,362.8	**83.3**	**154.4**	**4,304.6**	**15,905.1**

9. Fair value measurement disclosures (continued)

The fair value of financial assets at amortised cost approximates to their carrying value. No financial assets were transferred between levels during 2019 (2018: none).

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

	2019			2018		
	Financial assets £m	**Assets backing unit-linked liabilities £m**	**Financial liabilities £m**	Financial assets £m	Assets backing unit-linked liabilities £m	Financial liabilities £m
At 1 January	116.4	37.3	154.4	71.9	54.6	72.4
Exchange translation adjustments	(2.4)	(1.8)	(2.9)	1.9	0.3	4.4
Net gain or loss recognised in the income statement	1.3	2.7	(12.0)	6.3	10.7	38.1
Additions	35.2	1.4	54.4	48.4	–	47.4
Disposals	(15.6)	(10.1)	(38.8)	(12.1)	(28.3)	(7.9)
At 31 December	**134.9**	**29.5**	**155.1**	**116.4**	**37.3**	**154.4**

10. Associates and joint ventures

	2019			2018		
	Associates £m	**Joint ventures £m**	**Total £m**	Associates £m	Joint ventures £m	Total £m
At 1 January	173.1	2.1	175.2	141.8	2.1	143.9
Exchange translation adjustments	(8.3)	(0.1)	(8.4)	1.0	–	1.0
Additions	12.6	196.3	208.9	22.7	–	22.7
Disposals	(0.7)	–	(0.7)	(8.9)	–	(8.9)
Profit for the period after tax[1]	26.9	0.3	27.2	18.4	0.7	19.1
Other movements in reserves of associates and joint ventures	(0.7)	–	(0.7)	0.5	–	0.5
Distributions of profit	(2.7)	(0.8)	(3.5)	(2.4)	(0.7)	(3.1)
At 31 December	**200.2**	**197.8**	**398.0**	**173.1**	**2.1**	**175.2**

[1] Includes £3.3 million of costs that are presented within exceptional items.

On 3 October 2019, the Group acquired a 49.9% equity interest in a joint venture, Scottish Widows Schroder Wealth Holdings Limited, that trades as 'Schroders Personal Wealth' (SPW). A 19.9% interest in Schroder Wealth Holdings Limited (SWHL), the Group's UK Wealth Management business, was transferred as consideration for the 49.9% interest in SPW and the acquisition of a portfolio of Wealth Management clients. A gain of £153.6 million was recognised in the Group's statement of changes in equity as a result of the partial disposal of SWHL.

The Group invested in four other associate undertakings during the year for a total consideration of £12.6 million.

On 31 January 2020, the Group disposed of its 41.0% interest in RWC.

11. Property, plant and equipment

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2019	189.0	19.7	110.9	319.6
Exchange translation adjustments	(1.9)	–	(1.5)	(3.4)
Additions	3.7	–	39.4	43.1
Disposals	(3.2)	–	(3.4)	(6.6)
At 31 December 2019	**187.6**	**19.7**	**145.4**	**352.7**
Accumulated depreciation				
At 1 January 2019	(22.3)	(0.6)	(47.3)	(70.2)
Exchange translation adjustments	1.2	–	1.0	2.2
Depreciation charge	(14.3)	(0.3)	(16.6)	(31.2)
Disposals	1.4	–	2.7	4.1
At 31 December 2019	**(34.0)**	**(0.9)**	**(60.2)**	**(95.1)**
Net book value at 31 December 2019	**153.6**	**18.8**	**85.2**	**257.6**
Right of use assets				**394.7**
Property, plant and equipment net book value at 31 December 2019				**652.3**

	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost				
At 1 January 2018	166.0	23.1	72.4	261.5
Exchange translation adjustments	2.0	–	1.9	3.9
Additions	58.6	0.6	51.9	111.1
Disposals	(37.6)	(4.0)	(15.3)	(56.9)
At 31 December 2018	**189.0**	**19.7**	**110.9**	**319.6**
Accumulated depreciation				
At 1 January 2018	(50.5)	(0.1)	(48.1)	(98.7)
Exchange translation adjustments	(1.3)	–	(1.1)	(2.4)
Depreciation charge	(8.1)	(0.5)	(13.2)	(21.8)
Disposals	37.6	–	15.1	52.7
At 31 December 2018	**(22.3)**	**(0.6)**	**(47.3)**	**(70.2)**
Net book value at 31 December 2018	**166.7**	**19.1**	**63.6**	**249.4**

12. Leases

	Right-of-use assets £m	Lease liabilities £m
At 1 January 2019	411.9	418.3
Exchange translation adjustments	(4.0)	(6.0)
Additions and remeasurements of lease obligations	27.1	27.1
Lease Payments	–	(26.5)
Depreciation charge	(40.3)	–
Interest expense	–	12.4
At 31 December 2019	**394.7**	**425.3**

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

13. Goodwill and intangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2019	676.5	278.4	251.4	1,206.3
Exchange translation adjustments	(10.3)	(3.6)	(2.0)	(15.9)
Additions	104.5	51.2	99.8	255.5
Disposals	(8.9)	–	(8.6)	(17.5)
At 31 December 2019	**761.8**	**326.0**	**340.6**	**1,428.4**
Accumulated amortisation				
At 1 January 2019	–	(154.1)	(84.0)	(238.1)
Exchange translation adjustments	–	1.5	1.0	2.5
Amortisation charge for the year	–	(30.0)	(37.2)	(67.2)
Disposals	–	(0.1)	7.9	7.8
At 31 December 2019	**–**	**(182.7)**	**(112.3)**	**(295.0)**
Carrying amount at 31 December 2019	**761.8**	**143.3**	**228.3**	**1,133.4**

13. Goodwill and intangible assets (continued)

	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost				
At 1 January 2018	595.1	247.3	177.4	1,019.8
Exchange translation adjustments	10.6	4.0	1.6	16.2
Additions	70.8	27.1	90.8	188.7
Disposals	–	–	(18.4)	(18.4)
At 31 December 2018	**676.5**	**278.4**	**251.4**	**1,206.3**
Accumulated amortisation				
At 1 January 2018	–	(123.3)	(70.7)	(194.0)
Exchange translation adjustments	–	(2.0)	(1.5)	(3.5)
Amortisation charge for the year	–	(28.8)	(30.2)	(59.0)
Disposals	–	–	18.4	18.4
At 31 December 2018	**–**	**(154.1)**	**(84.0)**	**(238.1)**
Carrying amount at 31 December 2018	**676.5**	**124.3**	**167.4**	**968.2**

Of the total goodwill, £556.6 million (2018: £492.0 million) is allocated to Asset Management and £205.2 million (2018: £184.5 million) is allocated to Wealth Management. £66.1 million (2018: £65.0 million) of Wealth Management's goodwill relates to Benchmark Capital.

The Group acquired £49.9 million (2018: £24.9 million) of intangible assets as a result of business combinations completed in 2019, £37.0 million of which related to the acquisition of Blue Asset Management GmbH and BlueOrchard Finance AG in the Asset Management segment, and £12.9 million of which related to five other business combinations within the Wealth Management segment. The Group also acquired £1.3 million (2018: £2.2 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 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 goodwill or an acquired intangible asset may be impaired. If any indication exists and a full assessment determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

13. Goodwill and intangible assets (continued)

Estimates and judgements (continued)

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised immediately 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, it is the Group's judgement that the lowest level of CGU used to determine impairment is segment level for Asset Management. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management.

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 immediately in the income statement but may be reversed if relevant conditions improve.

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 (2018: 2%), a pre-tax discount rate of 10% (2018: 11%), expected fund flows and expected changes to margins. The results of the calculations indicate that goodwill is not impaired.

14. Retirement benefit obligations

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

	2019 £m	2018 £m
At 1 January	951.2	1,029.2
Interest on assets	27.1	26.1
Remeasurement of assets	54.6	(56.8)
Benefits paid	(31.4)	(47.3)
Fair value of plan assets	**1,001.5**	**951.2**
At 1 January	(795.6)	(866.3)
Interest cost	(22.6)	(21.9)
Actuarial gains due to change in demographic assumptions	6.4	18.3
Actuarial (losses)/gains due to change in financial assumptions	(90.4)	36.3
Actuarial gains/(losses) due to experience	5.6	(9.3)
Benefits paid	31.4	47.3
Present value of funded obligations	**(865.2)**	**(795.6)**
Net assets	**136.3**	**155.6**

14. Retirement benefit obligations (continued)

The principal assumptions used for the UK defined benefit scheme, Schroders Retirement Benefits Scheme (the Scheme) are:

	2019	2018
	%	%
Discount rate	2.1	2.9
RPI inflation rate	3.1	3.3
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.0	3.2
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.2

Average number of years a current pensioner is expected to live beyond age 60:	**Years**	**Years**
Men	28	28
Women	29	29

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 2017. The funding level at that date was 115% on the technical provisions basis and no contribution to the Scheme was required (2018: nil). The next triennial valuation is due as at 31 December 2020 and will be performed in 2021.

Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out above to determine the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The most significant judgemental assumption relates to mortality rates which are inherently uncertain. The Group’s mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2018: 1.0%) per annum. An additional adjustment, an “A parameter” set to 0.5% per annum, introduced this year, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics. Mortality tables for male pensioners are scaled back by 2.5% and female pensioners are scaled back by 7.5% to reflect the history of longer life expectancy of the Group’s employees.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

15. 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 2019	282.5	226.0	56.5	282.5	124.2
At 31 December 2019	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2018	282.5	226.0	56.5	282.5	124.2
At 31 December 2018	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	2019 Number of shares Millions	2018 Number of shares Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	282.5	**282.5**

16. Own shares

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

Movements in own shares during the year were as follows:

	2019 £m	2018 £m
At 1 January	(163.9)	(162.3)
Own shares purchased	(81.0)	(74.9)
Awards vested	75.8	73.3
At 31 December	**(169.1)**	**(163.9)**

During the year 2.8 million own shares (2018: 2.2 million own shares) were purchased and held for hedging share-based awards. 2.8 million shares (2018: 2.8 million shares) awarded to employees vested during the year and were transferred out of own shares.

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

	2019			2018		
	Number of vested shares Millions	**Number of unvested shares Millions**	**Total Millions**	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	2.0	6.3	8.3	2.7	6.3	9.0
Non-voting ordinary shares	–	0.1	0.1	–	0.1	0.1
	2.0	**6.4**	**8.4**	**2.7**	**6.4**	**9.1**

17. Reconciliation of net cash from operating activities

	2019 £m	2018 £m
Profit before tax	**624.6**	**649.9**
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	138.7	80.8
Net gain on financial instruments	(28.3)	52.3
Share-based payments	61.6	63.9
Net release for provisions	(9.0)	(0.6)
Other non-cash movements	(20.9)	(20.3)
	142.1	**176.1**
Adjustments for which the cash effects are investing activities:		
Net finance income	(8.3)	(8.4)
Interest expense on lease liabilities	12.4	–
Share of profit of associates and joint ventures	(27.2)	(19.1)
	(23.1)	**(27.5)**
Adjustments for statement of financial position movements:		
Decrease in loans and advances within Wealth Management	198.8	406.2
Increase in trade and other receivables	(101.0)	(36.2)
Decrease in deposits and client accounts within Wealth Management	(101.5)	(545.2)
Decrease/(increase) in trade and other payables, other financial liabilities and provisions	(57.5)	12.0
	(61.2)	**(163.2)**
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(795.6)	2,756.2
Net increase/(decrease) in unit-linked liabilities	1,170.0	(2,730.5)
Net increase/(decrease) in cash within consolidated pooled investment vehicles	48.8	(4.1)
	423.2	**21.6**
Tax paid	**(103.6)**	**(143.0)**
Net cash from operating activities	**1,002.0**	**513.9**

18. Business combinations

The Group completed seven business combinations during the period.

The most significant of these transactions completed on 31 October 2019 when the Group acquired 70% of the issued share capital of Blue Orchard Finance AG (BlueOrchard), a leading impact investment manager, specialising in fostering inclusive finance and sustainable growth, for a total consideration of £90.6 million. The acquisition contributed £2.9 billion of Asset Management AUM and strengthens the Group's private asset capabilities.

On 24 May 2019, the Group acquired 100% of the issued share capital of Blue Asset Management GmbH (Blue Asset Management), a real estate asset management business, for a total consideration of £22.8 million. The acquisition contributed £1.0 billion of Asset Management AUM and strengthens the Group's private asset capabilities.

The Group completed five further acquisitions during the year for a combined consideration of £31.9 million. These acquisitions contributed around £2.3 billion of Wealth Management AUM and increase the scale and capability of the Group's Wealth Management business.

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

Net assets acquired:	BlueOrchard £m	Blue Asset Management £m	Other £m	Total £m
Cash	12.4	0.6	1.0	14.0
Property, plant and equipment	–	0.8	–	0.8
Trade and other receivables	4.5	1.2	0.2	5.9
Other Assets	3.0	-	–	3.0
Trade and other payables	(9.6)	(0.9)	(0.2)	(10.7)
Lease liabilities	–	(0.8)	–	(0.8)
Other liabilities	(1.8)	–	(0.6)	(2.4)
Tangible net assets	**8.5**	**0.9**	**0.4**	**9.8**
Goodwill	66.0	17.7	20.8	104.5
Intangible assets arising on acquisition	32.0	5.0	12.9	49.9
Deferred tax arising on acquisition	(5.4)	(0.8)	(2.2)	(8.4)
Non-controlling interest	(10.5)	–	–	(10.5)
Total	**90.6**	**22.8**	**31.9**	**145.3**

Satisfied by:				
Cash	90.6	22.8	24.8	138.2
Contingent consideration	–	–	3.9	3.9
Deferred consideration	–	–	3.2	3.2
Total	**90.6**	**22.8**	**31.9**	**145.3**

18. Business combinations (continued)

The goodwill arising on the acquisitions is attributable to the value arising 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 2019, the seven acquired businesses contributed £18.3 million to the Group's net income. The contribution to profit before tax and exceptional items was £9.0 million and exceptional costs of £4.6 million were incurred in respect of amortisation of the acquired intangible assets and deferred compensation costs. Additionally, acquisition costs of £4.0 million were recorded within 'Operating expenses' and classified as exceptional in the Group's income statement.

If the acquisitions had been completed on 1 January 2019, the Group's pre-exceptional net income for the year would have been £2,175.3 million, and the profit before tax and exceptional items for the year on the same basis would have been £725.2 million.

Estimates and judgements

The fair value of certain items of consideration, assets acquired and liabilities assumed requires some estimation. For intangible assets and contingent consideration payable, 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.

Key risks and mitigations

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

Managing risk

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

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

The executive oversight of risk is delegated by the Group Chief Executive to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group. Independent monitoring and reporting of risks and controls across the Group and at a legal entity level is undertaken by the second line.

The Chief Financial Officer chairs the Group Risk Committee, which normally meets ten times a year. The Group Risk Committee supports the Chief Financial Officer and the GMC in discharging their risk management responsibilities. The committee is attended by the heads of the control functions (Group Risk, Compliance, Legal and Internal Audit) along with chief operating officers from across the business and senior management from Distribution, Product and Wealth Management. Other GMC members regularly attend. The Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews trends and current exposures to our key risks and considers issues as they arise. The Group Risk Committee and the Wealth Management Audit and Risk Committee (WMARC) receive reports relating to the risk profile of Wealth Management.

The Group Conflicts Committee supports the Group Risk Committee and GMC in identifying and managing conflicts that may arise from time to time in our diversified business.

Lines of defence

The first line of defence against undesirable outcomes is the business functions themselves and the line managers across the Group. Heads of each business area take the lead role with respect to identifying potential risks in their area and implementing and maintaining appropriate controls to manage these risks, including through the Risk and Control Assessment process.

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

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

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

Our control framework is underpinned by a set of policies, which are reviewed annually to ensure they remain relevant. Our approach is to have simple, principles-based policies that are adopted across the Group. This means our employees are well supported with clear guidance on what they should do and what we expect of them, while similarly our service providers and partners are briefed on the standards we expect them to adhere to. The Group Policy Framework helps our newly acquired businesses understand the culture of the Group and the parameters we expect them to operate within.

Specific initiatives were undertaken during 2019 by Group Risk that covered a wide range of activities across the Group. Some of these are summarised below:

- Continued to provide focused oversight of our cyber risk through the Information Security Risk Oversight Committee (ISROC). This included the sponsorship of an independent review that provided us with a benchmark of the Group's security capabilities against industry best practice and assessed the security control framework against our risk appetite. The results were presented to Group Risk Committee and to the Audit and Risk Committee and used to inform the information security strategy.
- We have reviewed and enhanced the Group's business continuity and disaster recovery strategy, the results of which were presented to the Group Risk Committee and the Audit and Risk Committee. A key focus is ensuring our critical business services are resilient and that we can continue to operate in the event of loss of a critical service provider.
- Working closely with our Information Security team, our annual crisis management exercise challenged and tested our GMC members to navigate through a cyber attack, the loss of a critical service provider and a potential external fraud scenario.
- We have tested our business continuity and recovery options, including our pandemic plans, which have been activated in response to the Covid-19.
- Working with our investment operations teams we have been assessing the resilience of our investment platform and our ability to service our customers in the event of an outage.
- We have reviewed our procurement approach to improve management of third-party suppliers and in turn strengthened the linkage to resilience of the Group's activities.
- We have supported growth initiatives in our Private Assets business and our global operating strategy.

- We have assessed the risks in our acquisitions, investments and joint ventures including ThirdRock, Blue Asset Management, BlueOrchard and Schroders Personal Wealth.
- We have combined our cyber and technology risk oversight team with our business continuity team.
- A number of thematic investment risk reviews have been conducted to support the oversight and challenge of risk-taking within portfolios. Themes covered included fund capacity, private asset risks and the levels of active risk taking.
- We have enhanced our liquidity oversight framework. Additional metrics were introduced to provide early warning signals and an enhanced Liquidity Management Plan was established to support decision making under stressed market conditions.

The Risk and Control Assessment (RCA) process continues to be a key part of our operational risk framework and is summarised in the following diagram. In 2019, we have strengthened the challenge and oversight performed by our extended second line functions: Governance, Compliance, HR, Tax, Finance and Legal.

Risk and Control Assessment process

Key risks

Assessment of key risks

We periodically assess the risks faced by our business and as a result the key risks for the Group are updated to ensure they are well understood and managed. We have identified 19 key risks across strategic, business and operational risk categories, as shown on the following pages.

These risks have been assessed in light of the current environment, taking into consideration the views of subject matter experts and risk owners within the firm, geopolitical risks that may impact our clients, market conditions and the ability of our employees to operate in local offices around the world. Regulatory sentiment, changes within the business and threats with uncertain impact, probability and timeframes could impact the Group. We continuously monitor internal and external environments to identify new and emerging risks. We then analyse each risk and assess how this can be managed and mitigated.

We have added Climate change risk as a new Business risk, to highlight the risk of climate change to the Group and the portfolios we manage. We have considered the physical risks, as a result of more extreme weather events and prolonged climate impacts from increased global temperatures, and the transition risk as economies of the world shift towards a low carbon environment. Importantly we have recognised the impact if we don't deliver on our commitments made to stakeholders and the reputational damage this may cause.

We have added Business services resilience risk as a new Operational risk, which replaces Third party service provider risk. This provides an aggregate view of the interdependencies between Technology risk, third party service providers and Process risk which must be managed to mitigate a failure of a critical business process. This also meets regulatory expectations as required.

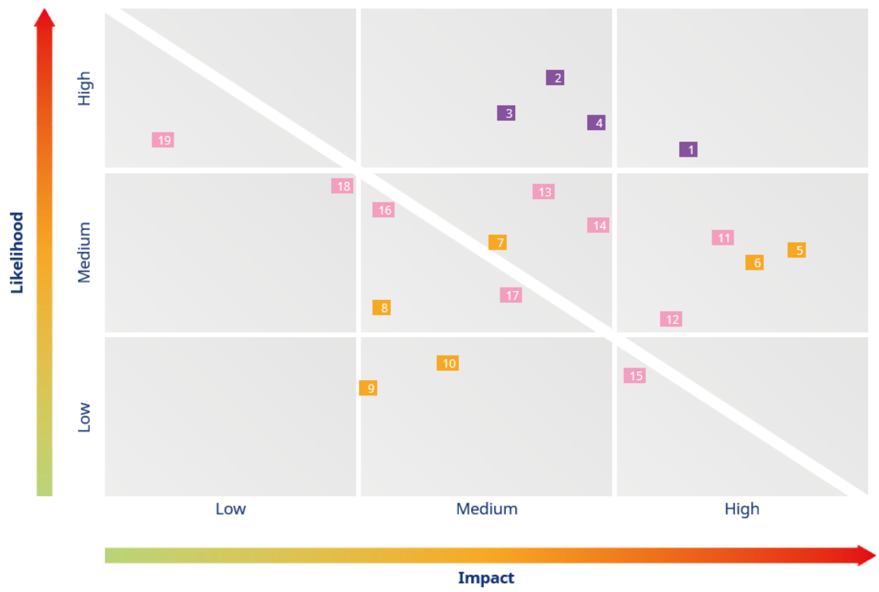
The Group determines which key risks it considers to be heightened, for example those that are more costly if they materialised, and we then undertake further work to manage these actively. When considering these risks, we take into account the objectives of regulators to ensure market integrity, good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

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

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

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

Risk impact matrix



Strategic risks

1. Changing investor requirements
2. Fee attrition
3. Business model disruption
4. Market returns

Business risks

5. Reputational risk
6. Investment performance risk
7. Climate change risk
8. Product risk
9. Business concentration risk
10. Financial instrument risk

Operational risks

11. Conduct and regulatory risk
12. Information security risk
13. Process risk
14. Business services resilience risk
15. Fraud risk
16. Technology risk
17. Legal risk
18. Tax risk
19. People and employment practices risk

Key risks

(a) Strategic risks

Impact for Schroders: These risks relate to our strategy and the environment in which we operate. If these risks are not carefully managed, our AUM may be lowered and likewise the income we receive may decrease. Our business plans seek to address these risks by responding to the challenges faced and by growing our assets and earnings.

Higher-rated key risks	Description	How we manage risk
1. Changing investor requirements	Client requirements are evolving rapidly. Failing to adapt or evolve our business model and product range to reflect these changes could lead to a drop in AUM. This continues to be notable in the Solvency II driven investment requirements of clients and the move from Defined Benefit to Defined Contribution pensions for example. ESG is a material part of our client considerations and we expect climate change risks to feature more heavily in future investment requirements and offerings.	We have a dedicated Product, Solutions and Quant division that focuses on developing our product strategy. We continue to expand our capabilities into new areas, including private assets, and to commit seed capital to developing solutions. We carefully manage our cost base to respond to our clients' changing asset allocation requirements.
2. Fee attrition	Clients allocate more of their assets to passive products with a lower fee budget allocated to public markets, which results in a smaller pool of capital allocated to active fund managers and increased competition on price. A move towards vertical integration can also impact revenues of investment managers as the pricing power may reside with the organisations that have the end client relationship.	We are increasing our focus on solutions and outcome-oriented strategies and private assets, which diversify our fee income. We are also increasingly diversifying our product offering, supporting long-term profitability. We also remain focused on our strategic objectives of moving closer to the end client.
3. Business model disruption	Our business model could be disrupted by a range of external factors including technology changes, product evolution and market participants. Changes in regulation such as the value assessment, RDR and PRIIPS could be disruptors to the traditional role of asset managers.	We are increasing our delivery of efficiencies and insights through technology. Digital initiatives are in progress to improve client experience, engagement and servicing. We are investing in our technology platform to support scalability, agility in our product offering and our expanding Private Assets business.

Higher-rated key risks	Description	How we manage risk
4. Market returns	Our income is primarily derived from the assets we manage. Falling markets reduce our AUM and therefore impact revenues. This could be sudden in cases such as the Covid-19 where material disruption to the supply chain and distribution networks in consumer activity may occur. Market falls may also be exacerbated by geopolitical risks and the currency in which the AUM is denominated and clients are billed. Economic uncertainty and slowing global economies may also impact markets. The response of central banks may have a dependency on fiscal measures which could impact market returns. Greater cooperation across central banks may be required, at a time when economies are becoming more inward looking. Capital investment may be targeted at domestic growth rather than being allocated to cross border initiatives. Lower levels of capital raising on public markets shrinks the size of the investable market and the opportunity for returns.	We have diversified income streams across a range of markets to mitigate falling markets in any one area. Our focus on growing our private assets and alternative product range allows us to have a broader range of income streams which are less directly linked to public markets. We strive to outperform our competitors with a view to attracting assets, which may offset a decline or fall in any given market while pursuing returns for our clients.

(b) Business risks

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

Higher-rated key risks	Description	How we manage risk
5. Reputational risk	This may arise from poor conduct, judgement or risk events due to weaknesses in systems or controls. The reputation of Schroders can be impacted by any of our key risks and in particular for Conduct and regulatory risks which may materialise.	We consider reputational risks when initiating changes to our strategy or operating model and maintain high standards of conduct.
6. Investment performance risk	There is a risk that portfolios may not meet their investment objectives or that there is a failure to deliver consistent performance, resulting in clients moving assets away from the Group, or a failure to attract new assets.	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.

Higher-rated key risks	Description	How we manage risk
7. Climate change risk	In terms of the assets we manage, this is the risk of a failure to understand the pricing of assets affected by climate change due to declining cash flows from industries or those with a lower demand from investors. This may lead to poor investment decisions and more volatile pricing as asset prices adjust to reflect the increasing regulation of carbon emissions. Our business may also be impacted if we fail to offer climate friendly products which will impact our performance, brand and reputation. Our business activities are directly or indirectly disrupted if we do not meet corporate emissions targets.	We have developed a range of tools to better understand the impacts of climate change on the portfolios we manage, including a physical risk model and a transition risk model. We assess our corporate exposure to physical climate change risks and that of our supply chain. We actively monitor our emissions and have adopted targets to reduce our carbon footprint.

Lower-rated key risks	Description	How we manage risk
8. Product risk	There is a risk that our product offering is not suitably diversified, or does not provide access to strategies that will help clients to meet their objectives. There is also the risk that the product liquidity is not consistent with the product description, or the redemption requirements of clients.	Our dedicated Product, Solutions and Quant function focuses on strategy, innovation and changing client requirements. We have established a Product Governance Committee to monitor products at each stage of their lifecycle. We have a liquidity risk management framework and monitor liquidity on an ongoing basis.
9. Business concentration risk	The risk that insufficient diversification in distribution channels, products, clients, markets or income streams could impact our business.	We have a broad range and scale of products, distribution and investment channels and our development of strategic relationships and acquisitions enables further diversification of income streams.
10. Financial instrument risk	We face market, credit, liquidity and capital risks from the instruments we manage as part of our AUM, as well as those arising from holding investments where we act as principal. The impact of financial instrument risks on our business may negatively affect our earnings, balance sheet or our ability to invest in our business.	We manage capital and liquidity through Board-set limits and in the Group Capital Committee, and the Assets and Liabilities Committees of the private banks. We monitor our credit and counterparty exposure in the Group balance sheet and in the bank lending portfolios. We manage market risks in our investment capital and foreign exchange risk in our income.

(c) Operational risks

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

Higher-rated key risks	Description	How we manage risk
11. Conduct and regulatory risk	The risks of inappropriate conduct, conflicts management practices or behaviour resulting in detriment and client harm, or market abuse, and of failing to meet regulatory requirements and changes.	We promote a strong compliance culture among all our staff through communication of our Group's purpose and values, policies and procedures, appropriate governance, monitoring and assurance activities, staff training, appropriate remuneration structures and the annual appraisal process.
12. Information security risk	The risk that our technology is compromised or inadequate, resulting in the confidentiality, integrity or availability of our clients' and our own data or Schroders' services being negatively impacted.	Formal governance of information security (cyber) risks exists across the three lines of defence and is monitored by the Information Security Risk Oversight Committee.
13. Process risk	The risk of failure of significant business processes, such as mandate compliance, client suitability checks, financial crime risk management and asset pricing.	Our key business processes are regularly reviewed and the risks assessed through the RCA process. When we undertake change, such as acquisitions, we assess new processes that may arise.
14. Business services resilience risk	The risk we are unable to operate critical business services, this includes our third parties' readiness to manage the risk from the Covid-19.	We manage this throughout processes, procedures and plans which are tested to ensure we can maintain service, respond or recover.

Lower-rated key risks	Description	How we manage risk
15. Fraud risk	Fraud could arise from any attempt to defraud the business or our clients by circumventing our processes and controls.	Controls are in place, which are assessed as part of the RCA process. We apply particular focus to our payment processes.
16. Technology risk	A change or failure in technology could pose a risk to the integrity or availability of the services we offer.	Policies and technical standards are deployed, together with robust project and change management processes, which cover the assessment of business requirements, risk and scalability.
17. Legal risk	The risk that we, our clients, our suppliers or other third parties fail to meet or record legal or regulatory obligations, and related disputes.	Our policies and procedures consider Legal risk as part of their design. We have an escalation process for areas of material risk and our Legal function supports our employees globally across our business.

Lower-rated key risks	Description	How we manage risk
18. Tax risk	We and the funds we manage are exposed to tax compliance and reporting risks, which include the submission of late or inaccurate tax returns.	Our tax strategy sets out our approach to managing our tax affairs, underpinned by a governance framework and supported by the Tax function, which works with management and advisers to monitor our position and relevant tax changes.
19. People and employment practices risk	The inability to attract, retain or develop key employees to support our business, offer an attractive value proposition under remuneration regulation or maintain high standards in employment practices.	We have sustainable succession and employee development processes and recruit selectively through our entry-level and experienced hire programmes. We have competitive remuneration, which is designed to encourage retention, and we build depth and strength in our workforce.

Our business model and Brexit

The United Kingdom left the European Union on 31 January 2020 under the terms of the European Union (Withdrawal Agreement) Act 2020, beginning a transition period to 31 December 2020 during which EU law and the rulings of the European Court of Justice will still apply within and to the UK. Negotiations on the future relationship between the UK and the EU will continue but uncertainty remains as to what will be agreed before the end of the year.

Schroders remains well-positioned to manage the challenges that may arise as a result of Brexit, regardless of the outcome of the negotiations. Our diversified business model and significant presence in Continental Europe mean that our ability to service our European clients and continue to grow our business should be unaffected.

We have a long-standing presence in Europe with over 800 employees across 15 offices. We have obtained additional investment management permissions in Luxembourg to ensure that we can continue to offer the full range of investment services to all our EU clients. We have substance and portfolio management oversight experience in the EU to enable Schroders to perform portfolio management and to delegate portfolio management of our Luxembourg fund range and EU client mandates as appropriate to our investment centres across the world.

We have registered our Luxembourg fund ranges under the UK Financial Conduct Authority's temporary permissions regime to allow EU27-based funds to continue to be offered to clients based in the UK if necessary in future. We are closely monitoring developments to support continuity for our clients and our business.

Directors' responsibility statement

To the best of their knowledge and belief, each of the Directors listed below confirms that:

- The consolidated financial statements of Schroders plc, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of Schroders plc and the undertakings included in the consolidation taken as a whole;
- The announcement includes a fair summary of the development and performance of the business and the position of Schroders plc and the undertakings included in the consolidation taken as a whole and a description of the principal risks and uncertainties that they face;
- So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors:

Michael Dobson	Chairman
Peter Harrison	Group Chief Executive
Richard Keers	Chief Financial Officer
Ian King	Senior Independent Director
Sir Damon Buffini	Independent non-executive Director
Rhian Davies	Independent non-executive Director
Rakhi Goss-Custard	Independent non-executive Director
Deborah Waterhouse	Independent non-executive Director
Philip Mallinckrodt	Non-executive Director
Leonie Schroder	Non-executive Director

4 March 2020

Five year consolidated financial summary

Before exceptional items	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Profit before tax	**701.2**	761.2	800.3	644.7	609.7
Tax	**(140.5)**	(163.3)	(171.6)	(132.4)	(126.3)
Profit after tax	**560.7**	597.9	628.7	512.3	483.4

After exceptional items	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Profit before tax	**624.6**	649.9	760.2	618.1	589.0
Tax	**(128.9)**	(145.2)	(165.8)	(127.9)	(121.6)
Profit after tax	**495.7**	504.7	594.4	490.2	467.4

Pre-exceptional earnings per share:	2019 Pence	2017 Pence	2016 Pence	2015 Pence	2014 Pence
Basic earnings per share[1]	**201.6**	215.8	226.9	186.3	176.9
Diluted earnings per share[1]	**198.0**	211.8	222.4	182.4	172.2

Post-exceptional earnings per share:	2019 Pence	2018 Pence	2017 Pence	2016 Pence	2015 Pence
Basic earnings per share[1]	**178.9**	183.1	215.3	178.3	171.1
Diluted earnings per share[1]	**175.8**	179.7	211.0	174.5	166.5

Dividends	2019	2018	2017	2016	2015
Cost (£m)	**312.3**	311.7	267.6	236.6	226.3
Pence per share[2]	**114.0**	114.0	98.0	87.0	83.0
Total equity (£m)	**3,847.5**	3,621.2	3,471.0	3,152.8	2,795.6
Net assets per share (pence)[3]	**1,362**	1,282	1,229	1,115	990

[1] See note 7 for the basis of this calculation.
[2] Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates.
[3] Net assets per share are calculated by using the actual number of shares in issue at the year-end date.

Exchange rates – closing

31 December	2019	2018	2017	2016	2015
Sterling:					
Euro	**1.18**	1.11	1.13	1.17	1.36
US dollar	**1.32**	1.27	1.35	1.24	1.47
Swiss franc	**1.28**	1.26	1.32	1.26	1.48
Australian dollar	**1.88**	1.81	1.73	1.71	2.03
Hong Kong dollar	**10.32**	9.97	10.57	9.58	11.42
Japanese yen	**143.97**	139.73	152.39	144.12	177.30
Singaporean dollar	**1.78**	1.74	1.81	1.79	2.09

Glossary

Annualised net new revenue	The net operating revenue that would be earned over a one year timeframe if the net new business was all transacted on the same day and there were no market movements or other changes to assets under management or fee rates over that year. It is calculated as gross new funds from clients multiplied by the applicable net operating revenue margin for each flow, less gross funds withdrawn multiplied by the applicable net operating revenue margin for each flow. This measure provides additional information to better assess the impact of net new business on the Group's net operating revenue.
Basic or diluted earnings per share before exceptional items	Profit after tax but before exceptional items divided by the relevant weighted average number of shares (see note 7). The presentation of earnings per share before exceptional items provides transparency of recurring revenue and expenditure to aid understanding of the financial performance of the Group.
Net new business	New funds from clients less funds withdrawn by clients. This is also described as net inflows (when positive) or net outflows (when negative). New funds and funds withdrawn are calculated as at 31 December 2019 on the basis of actual funding provided or withdrawn.
Payout ratio	The total dividend per share in respect of the year (see note 8) divided by the pre-exceptional basic earnings per share.
Profit before tax and exceptional items	Profit before tax but excluding exceptional items. This presentation provides transparency of recurring revenue and expenditure to aid understanding of the financial performance of the Group.
Ratio of total costs to net income	Total Group costs before exceptional items divided by net income before exceptional items. A 65% ratio is targeted to ensure costs are aligned with net income, although we recognise that in weaker markets the ratio may be higher than our long-term target.
Total compensation ratio	Pre-exceptional compensation costs (note 5) divided by pre-exceptional net income. By targeting a total compensation ratio of 45% to 49%, depending upon market conditions, we align the interests of shareholders and employees.

Business areas

Private Assets & Alternatives	Investment opportunities available in private markets, such as real estate, private equity and infrastructure finance, and alternative investments.
Solutions	Provision of complete solutions and partnerships, including liability offsets and risk mitigation.
Mutual Funds	Mutual Funds are provided through our intermediary network for retail clients and are solely or dual-branded 'Schroders'
Institutional	Provision of index-relative investment components for institutions as a component of their overall investment strategy or as part of a sub-advised mandate.
Wealth Management	A wide range of wealth management services, which focus on preserving or growing our clients' wealth.

Appendix 1

Assets under management (AUM)

Year ended 31 December 2019

£bn	Institutional	Intermediary	**Asset Management**	**Wealth Management**	**Total**
1 January 2019	**242.3**	**121.2**	**363.5**	**43.7**	**407.2**
Gross inflows	66.6	45.7	112.3	20.3	132.6
Gross outflows	(35.5)	(48.1)	(83.6)	(5.6)	(89.2)
Net flows	**31.1**	**(2.4)**	**28.7**	**14.7**	**43.4**
Acquisitions	3.9	–	3.9	2.3	6.2
Investment returns	27.2	11.0	38.2	5.2	43.4
Transfers	–	(0.8)	(0.8)	0.8	–
31 December 2019	**304.5**	**129.0**	**433.5**	**66.7**	**500.2**