

5 August 2010

Press Release

Schroders plc

Half-year results to 30 June 2010 (unaudited)

- Profit before tax £188.2 million (H1 2009: £36.3 million)
- Interim dividend 11.0 pence per share (interim dividend 2009: 10.0 pence per share)
- Net new business £16.1 billion (H1 2009: £1.8 billion)
- Funds under management £164.0 billion (31 December 2009: £148.4 billion)

	Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Profit before tax and exceptional items			
Asset Management	177.3	66.3	192.0
Private Banking	6.6	14.9	20.1
Group	4.3	(4.3)	(11.9)
Total profit before tax and exceptional items	188.2	76.9	200.2
Exceptional items	-	(40.6)	(62.7)
Total profit before tax	188.2	36.3	137.5
Funds under management (£bn)	164.0	113.3	148.4
Dividend (pence)	11.0	10.0	31.0

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Management Report

After twelve months of gains in equity markets, the second quarter of 2010 saw a decline with investors concerned about Eurozone instability and the sustainability of the global economic recovery. Net inflows, which were at record levels in the first quarter, were lower in the second quarter but continued to be strongly positive. Net inflows in the first half were £16.1 billion (H1 2009: £1.8 billion) and were well diversified by sales channel, by product, and by region with 80 per cent. of net inflows from clients outside the UK.

Funds under management at the end of June were £164.0 billion (31 December 2009: £148.4 billion) not including our joint venture in China which has funds under management of £5.1 billion.

Total profit before tax was £188.2 million (H1 2009: £36.3 million).

Asset Management

Asset Management net revenue was £476.8 million (H1 2009: £277.4 million) including performance fees of £31.3 million (H1 2009: £1.7 million). Net revenue margins, excluding performance fees, were slightly higher at 60 basis points (H1 2009: 57 basis points). Profit before tax was £177.3 million (H1 2009: £54.1 million).

Net inflows in Institutional were £9.8 billion in the first half (H1 2009: net outflows £0.8 billion) with high levels of new business wins in equities, fixed income, alternatives and multi-asset strategies. Funds under management in Institutional were £87.3 billion at the end of June (31 December 2009: £76.7 billion).

Net inflows in Intermediary were £5.1 billion in the first half (H1 2009: £2.5 billion) with positive results in all regions. Funds under management in Intermediary were £62.7 billion at the end of June (31 December 2009: £59.1 billion).

Private Banking

Private Banking net revenue was flat year on year at £49.9 million (H1 2009: £49.2 million) with higher management fee income offset by a reduction in interest income. Costs were higher as we added people in frontline, business generating roles. After £4.7 million of doubtful debt provisions most of which were taken in the first quarter, profit before tax was £6.6 million (H1 2009: £14.5 million).

Reflecting our continued investment in Private Banking we had net inflows of £1.2 billion in the first half (H1 2009: £0.1 billion). Private Banking funds under management at the end of June were £14.0 billion (31 December 2009: £12.6 billion).

Group

The result for the Group segment was a profit before tax of £4.3 million (H1 2009: loss £32.3 million).

Dividend

The Board has declared an interim dividend of 11.0 pence (2009: 10.0 pence) per share payable on 21 September 2010 to shareholders on the register at 13 August 2010.

Outlook

Against a background of continued economic uncertainty, we expect markets to remain volatile. This is likely to impact retail investor demand, although our Intermediary business is highly diversified by product and region. Our Institutional business is well positioned with a good pipeline of new business opportunities. In Private Banking we expect inflows to continue at higher levels than we have seen in the past.

Copies of today's announcement are available on the Schroders website: www.schroders.com.

Michael Dobson, Chief Executive, and Kevin Parry, Chief Financial Officer, will host a presentation and webcast for the investment community, to discuss the Group's half-year results at 9am BST on Thursday, 5 August 2010 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.StreetEvents.com. For individuals unable to participate in the live webcast, a replay will be available from midday on Thursday 5 August on www.schroders.com/ir.

Forward-looking statements

These half-year results may contain forward-looking statements with respect to the financial condition, results of operations and businesses of Schroders plc. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances in the future. 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. The forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement. 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 these half-year results should be construed as a profit forecast.

Consolidated Income Statement

	Notes	Six months ended 30 June 2010 (unaudited)	Six months ended 30 June 2009 (unaudited)			Year ended 31 December 2009 (audited)		
		£m	Before exceptionals £m	Exceptional items* £m	Total £m	Before exceptionals £m	Exceptional items* £m	Total £m
Revenue	2	692.9	415.2	(23.6)	391.6	998.5	(39.1)	959.4
Cost of sales		(155.5)	(82.9)	-	(82.9)	(209.6)	-	(209.6)
Net revenue[†]		537.4	332.3	(23.6)	308.7	788.9	(39.1)	749.8
Operating expenses		(363.7)	(268.8)	(17.0)	(285.8)	(615.1)	(23.6)	(638.7)
Operating profit		173.7	63.5	(40.6)	22.9	173.8	(62.7)	111.1
Interest receivable and similar income		4.2	8.3	-	8.3	12.5	-	12.5
Interest payable and similar charges		-	(0.1)	-	(0.1)	(1.7)	-	(1.7)
Net finance income		4.2	8.2	-	8.2	10.8	-	10.8
Share of profit of associates and joint ventures		10.3	5.2	-	5.2	15.6	-	15.6
Profit before tax		188.2	76.9	(40.6)	36.3	200.2	(62.7)	137.5
Tax	5	(47.5)			(17.6)			(41.8)
Profit after tax		140.7			18.7			95.7
Attributable to:								
Non-controlling interests		3.8			(0.8)			0.3
Owners of the parent		136.9			19.5			95.4
		140.7			18.7			95.7
Memo - dividends	6	(57.8)			(57.4)			(84.9)
Basic earnings per share before exceptional items[†]	7	49.4p			20.3p			54.0p
Basic earnings per share	7	49.4p			7.0p			34.3p
Diluted earnings per share	7	47.5p			7.0p			34.2p

*See note 3.

[†]Non-GAAP measure of performance.

Consolidated Statement of Comprehensive Income

	Notes	Six months ended 30 June 2010 (unaudited) £m	Six months ended 30 June 2009 (unaudited) £m	Year ended 31 December 2009 (audited) £m
Profit for the period		140.7	18.7	95.7
Net foreign exchange gains/(losses) on translation of foreign operations	12	31.2	(154.3)	(112.8)
Net (losses)/gains on hedges recognised directly in equity	12	(23.3)	79.6	65.8
Actuarial losses on defined benefit pension schemes	13	(7.7)	(74.4)	(69.6)
Net (losses)/gains on available-for-sale financial assets	13	(6.8)	(2.7)	15.8
Amounts recycled through the income statement [†]	12,13	0.1	26.6	42.4
Tax on items taken directly to equity	13	(3.2)	21.4	43.1
Other comprehensive loss for the period		(9.7)	(103.8)	(15.3)
Total comprehensive income/(loss) for the period		131.0	(85.1)	80.4
Attributable to:				
Non-controlling interests		3.5	(0.9)	0.3
Owners of the parent		127.5	(84.2)	80.1
		131.0	(85.1)	80.4

[†]Including foreign exchange gains and losses on non-controlling interests

[†]Amounts are recycled from the net exchange differences reserve and the fair value reserve.

Consolidated Balance Sheet

	Notes	30 June 2010 (unaudited) £m	30 June 2009 (unaudited) £m	31 December 2009 (audited) £m
Non-current assets				
Goodwill		119.8	112.2	115.6
Intangible assets	8	23.2	29.1	26.3
Property, plant and equipment	9	19.8	24.4	21.3
Associates and joint ventures		69.6	36.7	46.5
Financial assets	10	100.1	145.4	129.7
Loans and advances to customers		557.9	628.9	495.1
Deferred tax		60.8	61.5	71.1
Retirement benefit scheme assets	4	9.2	-	-
Trade and other receivables		4.8	6.4	4.9
		965.2	1,044.6	910.5
Current assets				
Financial assets	10	1,336.1	1,399.7	1,339.2
Loans and advances to customers		435.2	356.3	469.1
Current tax		12.3	12.8	20.5
Trade and other receivables		489.0	323.9	338.7
Cash and cash equivalents		1,733.3	1,164.4	1,502.6
		4,005.9	3,257.1	3,670.1
Non-current assets held for sale		1.8	0.8	-
Assets backing unit-linked liabilities		6,033.3	4,446.1	5,708.0
Total assets		11,006.2	8,748.6	10,288.6
Equity				
Called-up share capital	11	289.7	286.9	288.8
Share premium account	11	79.0	61.8	72.5
Other reserves	12	87.9	167.5	180.5
Retained profits	13	1,137.5	980.4	1,106.6
Equity attributable to owners of the parent		1,594.1	1,496.6	1,648.4
Non-controlling interests		3.7	(0.1)	0.6
Total equity		1,597.8	1,496.5	1,649.0
Non-current liabilities				
Financial liabilities		27.8	23.4	37.6
Deposits by customers and banks		465.5	381.1	383.1
Deferred tax		2.9	3.3	2.5
Provisions		11.8	11.5	12.8
Retirement benefit scheme deficits	4	6.4	54.6	46.5
Trade and other payables		67.2	76.0	84.1
		581.6	549.9	566.6
Current liabilities				
Financial liabilities		64.8	36.5	43.6
Deposits by customers and banks		2,158.8	1,867.9	1,904.5
Provisions		6.5	5.1	4.8
Current tax		27.6	20.6	16.5
Trade and other payables		535.5	326.0	395.6
		2,793.2	2,256.1	2,365.0
Non-current liabilities held for sale		0.3	-	-
Unit-linked liabilities		6,033.3	4,446.1	5,708.0
Total equity and liabilities		11,006.2	8,748.6	10,288.6

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Other reserves	Retained profits	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2010 (unaudited)						
At 1 January 2010	288.8	72.5	180.5	1,106.6	0.6	1,649.0
Net foreign exchange gains/(losses) on translation of foreign operations	-	-	31.5	-	(0.3)	31.2
Net losses on hedges recognised directly in equity	-	-	(23.3)	-	-	(23.3)
Actuarial losses on defined benefit pension schemes	-	-	-	(7.7)	-	(7.7)
Net losses on available-for-sale financial assets	-	-	-	(6.8)	-	(6.8)
Amounts recycled through the income statement	-	-	0.9	(0.8)	-	0.1
Tax on items taken directly to equity	-	-	-	(3.2)	-	(3.2)
Profit for the period	-	-	-	136.9	3.8	140.7
Total comprehensive income for the period	-	-	9.1	118.4	3.5	131.0
Shares issued	0.9	6.5	-	-	-	7.4
Share-based payments	-	-	-	11.3	-	11.3
Dividends	-	-	-	(57.8)	(0.4)	(58.2)
Own shares purchased	-	-	(151.9)	-	-	(151.9)
Own shares disposed through sale to third parties	-	-	9.4	-	-	9.4
Share buy-back costs	-	-	-	(0.2)	-	(0.2)
Transfers	-	-	40.8	(40.8)	-	-
At 30 June 2010	289.7	79.0	87.9	1,137.5	3.7	1,597.8
Six months ended 30 June 2009 (unaudited)						
At 1 January 2009	286.7	61.2	228.6	1,055.4	0.3	1,632.2
Net foreign exchange losses on translation of foreign operations	-	-	(154.2)	-	(0.1)	(154.3)
Net gains on hedges recognised directly in equity	-	-	79.6	-	-	79.6
Actuarial losses on defined benefit pension schemes	-	-	-	(74.4)	-	(74.4)
Net losses on available-for-sale financial assets	-	-	-	(2.7)	-	(2.7)
Amounts recycled through the income statement	-	-	-	26.6	-	26.6
Tax on items taken directly to equity	-	-	-	21.4	-	21.4
Profit/(loss) for the period	-	-	-	19.5	(0.8)	18.7
Total comprehensive loss for the period	-	-	(74.6)	(9.6)	(0.9)	(85.1)
Shares issued	0.2	0.6	-	-	-	0.8
Share-based payments	-	-	-	11.0	-	11.0
Dividends	-	-	-	(57.4)	-	(57.4)
Net loss on consideration paid in the form of shares	-	-	(0.1)	-	-	(0.1)
Own shares purchased	-	-	(5.4)	-	-	(5.4)
Transfers	-	-	19.0	(19.0)	0.5	0.5
At 30 June 2009	286.9	61.8	167.5	980.4	(0.1)	1,496.5

Year ended 31 December 2009 (audited)	Share capital £m	Share premium £m	Other reserves £m	Retained profits £m	Non- controlling interests £m	Total £m
At 1 January 2009	286.7	61.2	228.6	1,055.4	0.3	1,632.2
Net foreign exchange losses on translation of foreign operations	-	-	(112.8)	-	-	(112.8)
Net gains on hedges recognised directly in equity	-	-	65.8	-	-	65.8
Actuarial losses on defined benefit pension schemes	-	-	-	(69.6)	-	(69.6)
Net gains on available-for-sale financial assets	-	-	-	15.8	-	15.8
Amounts recycled through the income statement	-	-	7.4	35.0	-	42.4
Tax on items taken directly to equity	-	-	-	43.1	-	43.1
Profit for the year	-	-	-	95.4	0.3	95.7
Total comprehensive (loss)/income for the year	-	-	(39.6)	119.7	0.3	80.4
Shares issued	2.1	11.3	-	-	-	13.4
Share-based payments	-	-	-	27.6	-	27.6
Dividends	-	-	-	(84.9)	-	(84.9)
Net loss on consideration paid in the form of shares	-	-	(0.1)	-	-	(0.1)
Own shares purchased	-	-	(19.6)	-	-	(19.6)
Transfers	-	-	11.2	(11.2)	-	-
At 31 December 2009	288.8	72.5	180.5	1,106.6	0.6	1,649.0

Consolidated Cash Flow Statement

	Notes	Six months ended 30 June 2010 (unaudited) £m	Six months ended 30 June 2009 (unaudited) £m	Year ended 31 December 2009 (audited) £m
Net cash from operating activities	14	310.5	29.9	370.9
Investing activities				
Acquisition of associates		(14.4)	-	-
Acquisition of joint ventures		-	(0.3)	(1.2)
Purchase of intangible assets		(1.5)	(0.8)	(1.2)
Purchase of property, plant and equipment		(4.9)	(3.2)	(4.9)
Disposal of property, plant and equipment		1.9	-	-
Net disposal of non-current financial assets		2.9	1.2	0.5
Net disposal of current financial assets		47.7	210.4	324.1
Net disposal of non-current assets held for sale		-	-	0.8
Interest received		4.2	8.3	12.5
Dividends and capital distributions received from associates and joint ventures		0.2	-	2.7
Net cash from investing activities		36.1	215.6	333.3
Financing activities				
Proceeds from issue of non-voting ordinary shares		7.4	0.8	13.4
Acquisition of own shares		(151.9)	(5.4)	(19.6)
Disposal of own shares		9.4	-	-
Share-based payments		(3.2)	-	-
Share buy-back costs		(0.2)	-	-
Distributions made to non-controlling interests		(0.4)	-	-
Dividends paid		(57.8)	(57.4)	(84.9)
Net cash used in financing activities		(196.7)	(62.0)	(91.1)
Net increase in cash and cash equivalents		149.9	183.5	613.1
Opening cash and cash equivalents		1,769.3	1,197.1	1,197.1
Net increase in cash and cash equivalents		149.9	183.5	613.1
Effect of exchange rate changes		24.1	(69.1)	(40.9)
Closing cash and cash equivalents		1,943.3	1,311.5	1,769.3
Closing cash and cash equivalents consists of:				
Cash and cash equivalents backing unit-linked liabilities		209.4	147.1	266.7
Cash and cash equivalents held for sale		0.6	-	-
Other cash and cash equivalents held by the Group		1,733.3	1,164.4	1,502.6
		1,943.3	1,311.5	1,769.3

	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
Six months ended 30 June 2010					
External revenue	629.4	45.3	9.1	1.5	685.3
External net interest	-	7.6	-	-	7.6
Inter-segment revenues	-	(0.1)	-	0.1	-
Total revenue	629.4	52.8	9.1	1.6	692.9
Cost of sales	(152.6)	(2.9)	-	-	(155.5)
Net revenue	476.8	49.9	9.1	1.6	537.4
Operating expenses	(306.6)	(43.3) [*]	(12.3)	(1.5)	(363.7)
Operating profit/(loss)	170.2	6.6	(3.2)	0.1	173.7
External interest receivable and similar income	1.5	-	2.7	-	4.2
Inter-segment interest receivable/(payable)	0.4	-	(0.3)	(0.1)	-
Interest receivable and similar income	1.9	-	2.4	(0.1)	4.2
Net finance income	1.9	-	2.4	(0.1)	4.2
Share of profit of associates and joint ventures	5.2	-	5.1	-	10.3
Profit before tax	177.3	6.6	4.3	-	188.2

	Asset Management £m	Private Banking £m	Group £m	Total £m
Total assets	7,072.9	3,018.4	914.9	11,006.2

^{*}Including £4.7 million in respect of loan loss provisions.

	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
Six months ended 30 June 2009					
External revenue	358.1	40.0	(20.5)	2.5	380.1
External net interest	-	11.5	-	-	11.5
Inter-segment revenues	-	(0.1)	-	0.1	-
Total revenue	358.1	51.4	(20.5)	2.6	391.6
Cost of sales	(80.7)	(2.2)	-	-	(82.9)
Net revenue	277.4	49.2	(20.5)	2.6	308.7
Operating expenses	(229.4)	(34.7) [†]	(19.2)	(2.5)	(285.8)
Operating profit/(loss)	48.0	14.5	(39.7)	0.1	22.9
External interest receivable and similar income	1.5	-	6.8	-	8.3
Inter-segment interest receivable/(payable)	0.6	-	(0.5)	(0.1)	-
Interest receivable and similar income	2.1	-	6.3	(0.1)	8.3
Interest payable and similar charges	(0.1)	-	-	-	(0.1)
Net finance income	2.0	-	6.3	(0.1)	8.2
Share of profit of associates and joint ventures	4.1	-	1.1	-	5.2
Profit/(loss) before tax	54.1	14.5	(32.3)	-	36.3

Exceptional items included in the analysis above (see note 3):

Revenues	-	-	(23.6)	-	(23.6)
Operating expenses	(12.2)	(0.4)	(4.4)	-	(17.0)
	(12.2)	(0.4)	(28.0)	-	(40.6)
Profit/(loss) before tax and exceptional items	66.3	14.9	(4.3)	-	76.9
Profit/(loss) before tax	54.1	14.5	(32.3)	-	36.3

	Asset Management £m	Private Banking £m	Group £m	Total £m
Total assets	5,250.2	2,573.8	924.6	8,748.6

†Including £4.3 million in respect of loan loss provisions.

Year ended 31 December 2009	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
External revenue	884.4	83.0	(32.4)	5.1	940.1
External net interest	-	19.3	-	-	19.3
Inter-segment revenues	-	(0.2)	-	0.2	-
Total revenue	884.4	102.1	(32.4)	5.3	959.4
Cost of sales	(205.2)	(4.4)	-	-	(209.6)
Net revenue	679.2	97.7	(32.4)	5.3	749.8
Operating expenses	(517.6)	(77.6) [‡]	(38.4)	(5.1)	(638.7)
Operating profit/(loss)	161.6	20.1	(70.8)	0.2	111.1
External interest receivable and similar income	2.7	-	9.8	-	12.5
Inter-segment interest receivable/(payable)	0.6	-	(0.4)	(0.2)	-
Interest receivable and similar income	3.3	-	9.4	(0.2)	12.5
Interest payable and similar charges	(0.1)	-	(1.6)	-	(1.7)
Net finance income	3.2	-	7.8	(0.2)	10.8
Share of profit of associates and joint ventures	9.9	-	5.7	-	15.6
Profit/(loss) before tax	174.7	20.1	(57.3)	-	137.5

Exceptional items included in the analysis above (see note 3):

Revenues	-	-	(39.1)	-	(39.1)
Operating expenses	(17.3)	-	(6.3)	-	(23.6)
	(17.3)	-	(45.4)	-	(62.7)
Profit/(loss) before tax and exceptional items	192.0	20.1	(11.9)	-	200.2
Profit/(loss) before tax	174.7	20.1	(57.3)	-	137.5

	Asset Management £m	Private Banking £m	Group £m	Total £m
Total assets	6,549.0	2,647.9	1,091.7	10,288.6

[‡]Including £6.3 million in respect of loan loss provisions.

Inter-segment amounts represent interest payable and receivable on cash balances held by Private Banking on behalf of Group companies.

3. Exceptional items

Exceptional items are those significant items which are required to be separately disclosed by virtue of their size or incidence to enable a better understanding of the Group's financial performance.

Exceptional items comprise:

	Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Within revenues:			
Net losses on financial assets	-	(23.6)	(39.1)
Within operating expenses:			
Redundancy costs	-	(6.2)	(7.8)
Surplus space provision and office rationalisation arising from the cost reduction programme	-	(3.0)	(6.8)
Other rationalisation costs	-	(2.7)	(3.9)
Impairment of joint ventures and intangible assets	-	(3.7)	(3.7)
Provisions for bad and doubtful debts	-	(1.4)	(1.4)
	-	(17.0)	(23.6)
Total exceptional items	-	(40.6)	(62.7)

4. Retirement benefit obligations

The income statement charge for retirement benefit costs is as follows:

	Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Pension costs - defined contribution plans	7.9	7.6	15.0
Pension costs - defined benefit plans	0.1	1.7	2.8
Other post-employment benefits	0.1	0.2	0.4
	8.1	9.5	18.2
The defined benefit scheme charge in respect of the UK scheme consists of:			
Current service cost	4.1	3.7	7.5
Past service cost	-	-	0.2
Expected return on scheme assets	(20.7)	(17.6)	(35.0)
Curtailment	-	-	(0.5)
Interest on scheme liabilities	16.4	14.9	29.6
Total (credit)/charge in respect of the UK scheme	(0.2)	1.0	1.8
Charges in respect of other defined benefit schemes	0.3	0.7	1.0
Total defined benefit scheme charges	0.1	1.7	2.8

The amounts disclosed in respect of the defined benefit section of the UK Retirement Benefits Scheme (the 'Scheme') have been projected from previous valuations of the Scheme. They do not represent the results of a full actuarial valuation. The most recent triennial valuation of the Scheme was carried out as at 31 December 2008. The Group has not materially changed any of the principal financial assumptions underlying the calculation of the Scheme's net financial position, although such assumptions have been amended where applicable to reflect current market conditions and expectations. The amounts under IAS 19 that have been recognised in the statement of comprehensive income ('SOCl') in respect of the Scheme are set out below:

	Six months ended 30 June 2010		Six months ended 30 June 2009		Year ended 31 December 2009	
	£m	%	£m	%	£m	%
Actual return less expected return on Scheme assets	(2.9)		(55.6)		0.1	
% of period-end market value of Scheme assets		(0.5)		(11.0)		-
Experience gains and losses arising on Scheme liabilities	- *		- *		16.6	
% of period-end present value of Scheme liabilities		- *		- *		2.7
Changes in assumptions underlying the present value of the Scheme liabilities	(4.8)		(18.6)		(87.0)	
% of period-end present value of Scheme liabilities		(0.8)		(3.4)		(14.2)
Actuarial losses recognised in SOCl	(7.7)		(74.2)		(70.3)	
% of period-end present value of Scheme liabilities		(1.2)		(13.4)		(11.4)

* Calculation is undertaken annually as part of the year-end valuation of the Scheme.

The amounts recognised in the balance sheet in respect of the Scheme are determined as follows:

	30 June 2010 £m	30 June 2009 £m	31 December 2009 £m
Present value of funded obligations	(628.0)	(553.1)	(614.1)
Fair value of plan assets	637.2	504.7	573.0
Net asset/(liability) recognised in the balance sheet	9.2	(48.4)	(41.1)

The movement in the Scheme's surplus/(deficit) during the period is as follows:

	Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m	Year ended 31 December 2009 £m
At 1 January	(41.1)	22.4	22.4
Pension credit/(cost)	0.2	(1.0)	(1.8)
Contributions by employer	57.8	4.4	8.6
Actuarial losses recognised in SOCl	(7.7)	(74.2)	(70.3)
At the end of the period	9.2	(48.4)	(41.1)

The amounts recognised in the balance sheet in respect of the Group's retirement benefit scheme deficits are:

	30 June 2010	30 June 2009	31 December 2009
	£m	£m	£m
UK Retirement Benefits Scheme	-	(48.4)	(41.1)
Other defined benefit schemes	(6.4)	(6.2)	(5.4)
	(6.4)	(54.6)	(46.5)

The amount recognised in the balance sheet in respect of the Group's retirement benefit scheme surplus is:

	30 June 2010	30 June 2009	31 December 2009
	£m	£m	£m
UK Retirement Benefits Scheme	9.2	-	-

5. Tax expense

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	£m	£m	£m
Current tax:			
UK corporation tax on profits of the period	1.0	19.9	32.2
Double tax relief	-	(18.2)	(18.8)
	1.0	1.7	13.4
Adjustments in respect of prior periods	0.6	1.5	(4.6)
	1.6	3.2	8.8
Foreign tax - current	37.7	11.9	36.8
Foreign tax - adjustments in respect of prior periods	(0.1)	1.6	(3.5)
Total current tax	39.2	16.7	42.1
Deferred tax - origination and reversal of temporary differences	8.8	1.4	(2.0)
Adjustments in respect of prior periods	(0.5)	(0.5)	1.7
Total tax charge for the period	47.5	17.6	41.8

The tax charge for the period has been arrived at by forecasting an effective annual tax rate for each tax jurisdiction and applying that rate individually to the pre-tax income of that jurisdiction.

In total, a charge of £3.2 million (interim 2009: credit of £21.4 million) has been included in respect of tax within the SOCI. This consists primarily of a £6.4 million (2009 interim: £nil) charge on available-for-sale financial assets, partially offset by £2.2 million (2009 interim: £20.8 million) deferred tax credit on the actuarial losses within the UK defined benefit scheme and a £1.0 million (2009 interim: £0.7 million) credit for the outstanding share plans and share option awards in respect of Group employees as at 30 June 2010.

6. Dividends

	Six months ended 30 June 2010		Six months ended 30 June 2009		Year ended 31 December 2009	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Declared and paid in period:						
Final dividend paid	-	-	57.4	21.0	57.4	21.0
Interim dividend paid	-	-	-	-	27.5	10.0
Second interim dividend paid for 2009	57.8	21.0	-	-	-	-
	57.8	21.0	57.4	21.0	84.9	31.0
Interim dividend for 2010	29.8	11.0				

7. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to owners of the parent of £136.9 million (interim 2009: £19.5 million) by the weighted average number of shares in issue during the period, less the weighted average number of own shares.

Diluted earnings per share is calculated as for basic earnings per share with a further adjustment to the weighted average number of shares to reflect the effects of all dilutive potential shares.

There is no difference between the profit for the financial period attributable to owners of the parent used in the basic and diluted earnings per share calculations.

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

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	Number	Number	Number
Weighted average number of shares used in calculation of basic earnings per share	276,900,043	277,758,307	278,180,961
Effect of dilutive potential shares - share options	10,945,259	512,424	680,378
Effect of dilutive potential shares - contingently issuable shares	15,956	318,865	158,122
Weighted average number of shares used in calculation of diluted earnings per share	287,861,258	278,589,596	279,019,461

There have been no material transactions involving shares or potential shares since the reporting date and before the completion of these half-yearly results.

8. Intangible assets

In the six months to 30 June 2010, the Group acquired software with a value of £1.5 million (interim 2009: £0.8 million), none of which arose from business combinations. No disposals of software were made during the period (interim 2009: £nil).

The Group has no commitments to purchase software (31 December 2009: £0.4 million).

9. Property, plant and equipment

In the six months to 30 June 2010, the Group acquired property, plant and equipment with a value of £4.9 million (interim 2009: £3.2 million), none of which arose from business combinations, and made disposals of £1.6 million (interim 2009: £0.2 million).

The Group has no commitments to purchase property, plant and equipment (31 December 2009: £0.7 million).

10. Financial assets

30 June 2010				
	Held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Equities	-	214.4	182.1	396.5
Debt securities	528.0	303.0	122.5	953.5
Investments	528.0	517.4	304.6	1,350.0
Derivative contracts	-	86.2	-	86.2
	528.0	603.6	304.6	1,436.2

31 December 2009				
	Held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Equities	-	82.3	171.2	253.5
Debt securities	504.8	394.4	254.4	1,153.6
Investments	504.8	476.7	425.6	1,407.1
Derivative contracts	-	61.8	-	61.8
	504.8	538.5	425.6	1,468.9

11. Share capital

	Number of shares	Ordinary shares	Non-voting ordinary shares	Total shares	Share premium
	Number	£m	£m	£m	£m
At 1 January 2010	288,777,897	226.0	62.8	288.8	72.5
Shares issued	966,426	-	0.9	0.9	6.5
At 30 June 2010	289,744,323	226.0	63.7	289.7	79.0

	Number of shares	Ordinary shares	Non-voting ordinary shares	Total shares	Share premium
	Number	£m	£m	£m	£m
At 1 January 2009	286,713,360	226.0	60.7	286.7	61.2
Shares issued	153,000	-	0.2	0.2	0.6
At 30 June 2009	286,866,360	226.0	60.9	286.9	61.8

	Number of shares	Ordinary shares	Non-voting ordinary shares	Total shares	Share premium
	Number	£m	£m	£m	£m
At 1 January 2009	286,713,360	226.0	60.7	286.7	61.2
Shares issued	2,064,537	-	2.1	2.1	11.3
At 31 December 2009	288,777,897	226.0	62.8	288.8	72.5

	30 June 2010	30 June 2009	31 December 2009	30 June 2010	30 June 2009	31 December 2009
	Number	Number	Number	£m	£m	£m
Authorised:						
Ordinary shares of £1 each	226,022,400	226,022,400	226,022,400	226.0	226.0	226.0
Non-voting ordinary shares of £1 each	113,977,598	113,977,598	113,977,598	114.0	114.0	114.0
	339,999,998	339,999,998	339,999,998	340.0	340.0	340.0
Allotted, called-up and fully paid:						
Ordinary shares of £1 each	226,022,400	226,022,400	226,022,400	226.0	226.0	226.0
Non-voting ordinary shares of £1 each	63,721,923	60,843,960	62,755,497	63.7	60.9	62.8
	289,744,323	286,866,360	288,777,897	289.7	286.9	288.8

The Company has 2.9 million non-voting ordinary shares held in treasury to cover 1.8 million vested options over non-voting ordinary shares and for general corporate purposes.

12. Other reserves

	Shares to be issued [†] £m	Capital reserves £m	Own shares held [†] £m	Net exchange differences £m	Hedging reserve £m	Total £m
At 1 January 2010	-	174.2	(89.7)	203.6	(107.6)	180.5
Exchange differences on translation of foreign operations	-	-	-	31.5	(23.3)	8.2
Amounts recycled through the income statement	-	-	-	0.9	-	0.9
Net income and expense recognised directly in equity	-	-	-	32.4	(23.3)	9.1
Own shares purchased	-	-	(151.9)	-	-	(151.9)
Own shares disposed through sale to third parties	-	-	9.4	-	-	9.4
Transfers from retained profits reserve	-	2.3	38.5 [‡]	-	-	40.8
At 30 June 2010	-	176.5	(193.7)	236.0	(130.9)	87.9
	Shares to be issued [†] £m	Capital reserves £m	Own shares held [†] £m	Net exchange differences £m	Hedging reserve £m	Total £m
At 1 January 2009	5.0	203.4	(100.8)	294.4	(173.4)	228.6
Exchange differences on translation of foreign operations	-	-	-	(154.2)	79.6	(74.6)
Net income and expense recognised directly in equity	-	-	-	(154.2)	79.6	(74.6)
Consideration paid in the form of shares	(5.0)	-	4.9	-	-	(0.1)
Own shares purchased	-	-	(5.4)	-	-	(5.4)
Transfers from retained profits reserve	-	1.0	18.0 [‡]	-	-	19.0
At 30 June 2009	-	204.4	(83.3)	140.2	(93.8)	167.5
	Shares to be issued [†] £m	Capital reserves £m	Own shares held [†] £m	Net exchange differences £m	Hedging reserve £m	Total £m
At 1 January 2009	5.0	203.4	(100.8)	294.4	(173.4)	228.6
Exchange differences on translation of foreign operations	-	-	-	(112.8)	65.8	(47.0)
Amounts recycled through the income statement	-	-	-	7.4	-	7.4
Net income and expense recognised directly in equity	-	-	-	(105.4)	65.8	(39.6)
Consideration paid in the form of shares	(5.0)	-	4.9	-	-	(0.1)
Own shares purchased	-	-	(19.6)	-	-	(19.6)
Transfers (to)/from retained profits reserve	-	(29.2)	25.8 [‡]	14.6	-	11.2
At 31 December 2009	-	174.2	(89.7)	203.6	(107.6)	180.5

[†] Shares to be issued represent outstanding deferred consideration in respect of the 2006 acquisition of NewFinance Holdings Limited.

[‡] See note 16.

[‡] Represents the transfer of own shares held to the profit and loss reserve as a result of vesting.

13. Retained profits reserve

	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2010	30.7	57.9	1,018.0	1,106.6
Actuarial losses on defined benefit pension schemes	-	-	(7.7)	(7.7)
Net losses on available-for-sale financial assets	(3.8)	(3.0)	-	(6.8)
Amounts recycled through the income statement	-	(0.8)	-	(0.8)
Tax on items taken directly to equity	-	(6.4)	3.2	(3.2)
Other comprehensive loss	(3.8)	(10.2)	(4.5)	(18.5)
Profit for the period	10.3	-	126.6	136.9
Total comprehensive income/(loss)	6.5	(10.2)	122.1	118.4
Share-based payments	-	-	11.3	11.3
Dividends	-	-	(57.8)	(57.8)
Share buy-back costs	-	-	(0.2)	(0.2)
Transfers to other reserves	-	-	(40.8)	(40.8)
Transfers within retained profits reserve	0.1	-	(0.1)	-
At 30 June 2010	37.3	47.7	1,052.5	1,137.5

	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2009	14.6	16.9	1,023.9	1,055.4
Actuarial losses on defined benefit pension schemes	-	-	(74.4)	(74.4)
Net gains/(losses) on available-for-sale financial assets	2.4	(5.1)	-	(2.7)
Amounts recycled through the income statement	-	26.6	-	26.6
Tax on items taken directly to equity	-	-	21.4	21.4
Other comprehensive income/(loss)	2.4	21.5	(53.0)	(29.1)
Profit for the period	5.2	-	14.3	19.5
Total comprehensive income/(loss)	7.6	21.5	(38.7)	(9.6)
Share-based payments	-	-	11.0	11.0
Dividends	-	-	(57.4)	(57.4)
Transfers to other reserves	-	-	(19.0)	(19.0)
At 30 June 2009	22.2	38.4	919.8	980.4

	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2009	14.6	16.9	1,023.9	1,055.4
Actuarial losses on defined benefit pension schemes	-	-	(69.6)	(69.6)
Net gains on available-for-sale financial assets	3.2	12.6	-	15.8
Amounts recycled through the income statement	-	35.0	-	35.0
Tax on items taken directly to equity	-	8.0	35.1	43.1
Other comprehensive income/(loss)	3.2	55.6	(34.5)	24.3
Profit for the year	15.6	-	79.8	95.4
Total comprehensive income	18.8	55.6	45.3	119.7
Share-based payments	-	-	27.6	27.6
Dividends	-	-	(84.9)	(84.9)
Transfers (to)/from other reserves	(2.7)	-	2.7	-
Transfers within retained profits reserve	-	(14.6)	3.4	(11.2)
At 31 December 2009	30.7	57.9	1,018.0	1,106.6

14. Reconciliation of net cash from operating activities

	Six months ended 30 June 2010 £m	Six months ended 30 June 2009 £m	Year ended 31 December 2009 £m
Operating profit	173.7	22.9	111.1
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of software	7.2	6.8	14.4
Impairment and amortisation of intangible assets	3.1	4.2	5.3
Impairment of associates and joint ventures	-	-	1.0
Impairment of financial assets	1.8	20.4	34.4
Other amounts recycled through the income statement in respect of financial assets	(1.7)	6.2	0.6
Increase in trade and other receivables	(187.9)	(189.0)	(148.3)
Increase in trade and other payables and provisions and customer deposits	449.5	122.1	214.4
Increase in unit-linked liabilities	325.3	731.9	1,993.7
Net charge for provisions	1.7	0.3	2.5
Net (gains)/losses on financial assets and liabilities held at fair value through profit or loss	(9.6)	1.4	0.3
Share-based payments expensed	14.5	11.0	27.6
Other non-cash movements	(7.2)	24.0	19.8
Payments made to defined benefit schemes	(57.8)	(4.4)	(8.6)
UK corporation tax (paid)/recovered	(0.9)	8.9	4.8
Overseas tax paid	(18.6)	(22.4)	(43.9)
Interest paid	-	(0.1)	(1.7)
Net purchase of assets backing unit-linked liabilities	(382.6)	(714.3)	(1,856.5)
Net cash from operating activities	310.5	29.9	370.9

15. Acquisition of associate

On 22 June 2010, the Group acquired a 49% shareholding in RWC Partners Limited. The total consideration of £14.4 million, including £10.8 million of goodwill, is recorded within associates and joint ventures.

16. Own shares

'Own shares' are shares held by employee trusts for the purposes of satisfying certain equity-based awards where such shares have not vested unconditionally to employees of the Group and shares held in treasury. During the period, the number of own shares held increased from 8.8 million to 16.1 million. Of the own shares held, 13.1 million (31 December 2009: 8.0 million) were ordinary shares and 3.0 million (31 December 2009: 0.8 million) were non-voting ordinary shares.

17. Events after the balance sheet date

On 1 July 2010, the Group disposed of its private equity administration services companies based in Guernsey and Bermuda. The consideration received was £9.5 million.

Additional information

Funds under Management (FUM) - 2010 Flows

	Institutional £bn	Intermediary £bn	Private Banking £bn	Total £bn
31 December 2009	76.7	59.1	12.6	148.4
Net flows	9.8	5.1	1.2	16.1
Market movements & other	0.8	(1.5)	0.2	(0.5)
30 June 2010	87.3	62.7	14.0	164.0

Income and Cost Metrics for the Group

	Six months ended 30 June 2010	Six months ended 30 June 2009
Before exceptional items		
Group cost: income ratio	66%	78%
Group cost: net revenue ratio	68%	81%
Compensation cost: Operating revenue ratio	46%	48%
Return on average capital (pre-tax) *	23%	5%
Return on average capital (post-tax) *	17%	2%
Asset Management cost: net revenue ratio	64%	78%
Asset Management net revenue on average funds under management	64bps	58bps
Asset Management costs on average funds under management	41bps	45bps
Asset Management costs on closing funds under management	41bps	43bps

*after exceptional items

Key Risks

Like any other asset management business we are exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Group not being able to meet its objectives. Some of them, like the risks inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take. The key risks to which the Group will be exposed in the second half of 2010 are substantially the same as those described on page 16 of the 2009 Annual Report, being market and liquidity risk, credit risk, operational risk and emerging risks.

Responsibility Statement

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

- have been prepared in accordance with IAS 34 as adopted by the European Union;
- include a fair review of the information required by DTR 4.2.7, namely important events that have occurred during the first six months of the financial period and their impact on the half-year results, as well as a description of the principal risks and uncertainties faced by the Company and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
- include, as required by DTR 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial period and any material changes in the related party transactions described in the last Annual Report.

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

On behalf of the Board

Kevin Parry
Chief Financial Officer

4 August 2010

Independent review report to Schroders plc

Introduction

We have been engaged by the company to review the financial statements in the half-year results for the six months ended 30th June 2010, which comprise the consolidated income statement, the statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial statements.

Directors' responsibilities

The half-year results are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The financial statements included in these half-year results have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the financial statements in the half-year results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements in the half-year results for the six months ended 30th June 2010 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
4 August 2010
London