Schroders

Annual Report and Accounts 2009

Overview

Business review

Governance

Financial statements

Shareholder information

Highlights

£148.4bn

Funds under management
(2008: £110.2 billion)

£15.0bn

Net new business
(2008: £(9.6) billion)

£137.5m

Profit before tax
(2008: £123.1 million)

£1.6bn

Shareholders' equity
(2008: £1.6 billion)

34.3p

Basic earnings per share
(2008: 27.5 pence)

31.0p

Total dividend per share
(2008: 31.0 pence)

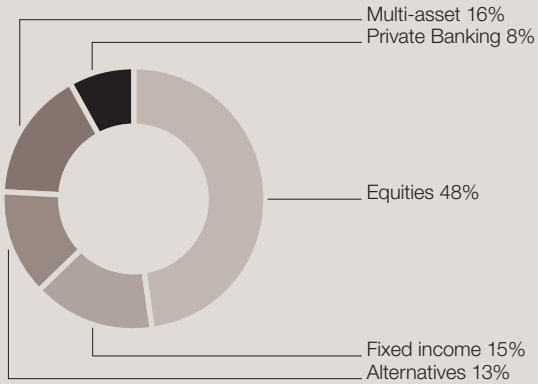
At Schroders, asset management is our business and our goals are completely aligned with those of our clients – the creation of long-term value.

We manage £148.4 billion on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income and alternatives.

We employ more than 2,600 talented people worldwide operating from 32 offices in 25 different countries across Europe, the Americas, Asia and the Middle East, close to the markets in which we invest and close to our clients.

Schroders has developed under stable ownership for over 200 years and long-term thinking governs our approach to investing, building client relationships and growing our business.

A diverse product range:
£148.4 billion funds under management



Worldwide offices:

More information can be found online at www.schroders.com

* Investment centres

Asset Management:

Equities	Multi-asset	Fixed income	Alternatives
£71.1bn (2008: £47.9bn)	£23.1bn (2008: £20.1bn)	£23.0bn (2008: £14.5bn)	£18.6bn (2008: £16.0bn)
Asia Pacific	Equities	Aggregate and multi-strategy	Commodities
Emerging markets	Fixed income	Government	Currency
Europe	Private equity	Global	Emerging market debt
Global	Property	Investment grade credit	Funds of hedge funds
Quantitative equities	Structured products	High yield	Private equity funds of funds
UK		Tax-exempt	Property
US		Cash/liquidity	

Private Banking:

£12.6bn (2008: £11.7bn)

- Advisory and discretionary asset management on behalf of high net worth individuals and family offices
- Cash management
- Custody and execution services
- Deposit taking
- Specialised lending

Amsterdam*
Copenhagen
Frankfurt
Geneva*
Gibraltar
Guernsey

Jersey
London*
Luxembourg
Madrid
Milan*
Paris

Rome
Stockholm
Zurich*

Dubai*

Beijing
Hong Kong*
Jakarta*
Seoul*
Shanghai*
Singapore*

Sydney*
Taipei*
Tokyo*

Chairman's and Chief Executive's statement

2009 was a remarkable year for financial markets with equities extending the sharp downward trend of the previous year to reach new lows in the first quarter, before staging a sustained rally which led to significant gains over the year as a whole. Investor sentiment swung from extreme caution earlier in the year to a search for yield and risk assets, as confidence developed that a full-blown banking crisis and prolonged economic recession had been avoided.

Our focus on the organic growth opportunities in our business, through delivering superior investment performance for clients, maintaining a product range that meets investor demand across market cycles and developing global distribution partnerships, was well rewarded in 2009. Gross sales were £54.1 billion (2008: £41.6 billion) generated across a wide range of products, net new business inflows were a record £15.0 billion (2008: net outflows £9.6 billion) and funds under management ended the year at a record £148.4 billion (2008: £110.2 billion).

Lower net revenue margins and reduced performance fees resulted in a fall in net revenue to £788.9 million (2008: £872.9 million). Total profit before tax and exceptional items was £200.2 million (2008: £290.5 million). Exceptional items were £62.7 million (2008: £167.4 million), £23.6 million of which related principally to actions taken to reduce our cost base, with £39.1 million of losses on Group investment capital, most of which arose in prior years and had previously been recognised in reserves. In 2009, gains of £15.8 million were recognised in reserves. Total profit before tax and after exceptional items was £137.5 million (2008: £123.1 million).

Asset Management

Asset Management net revenue fell to £679.2 million (2008: £748.7 million). Net revenue margins at 62 basis points declined on 2008 (66 basis points) reflecting the high level of new business in fixed income, net inflows in Institutional and lower performance fees of £34.5 million (2008: £50.7 million) as some funds failed to reach the high watermarks set in 2008. Asset Management profit before tax and exceptional items was £192.0 million (2008: £249.8 million).

Investment performance has been strong across equities, fixed income and alternatives with 79 per cent. of funds outperforming benchmark or peer group over three years.

In Institutional, investment performance, together with a range of new products and a strengthened sales capability, led to significantly increased gross sales of £18.6 billion as well as reduced outflows. Net Institutional inflows were £4.9 billion (2008: net outflows £3.8 billion), diversified across asset classes and regions. Funds under management in Institutional ended the year up 29 per cent. at £76.7 billion (2008: £59.6 billion).

In Intermediary, gross sales were £29.0 billion with record net inflows of £9.6 billion (2008: net outflows £6.2 billion). All regions achieved net inflows, with a particularly strong performance in continental Europe where we were the leading active manager in net sales of mutual funds. In the UK we maintained our leading position with substantial onshore and offshore fund flows through the year. Our joint venture asset management business in China continued to perform well, with year end funds under management (not reported in overall funds under management) of £7.7 billion (2008: £4.9 billion) and a £9.9 million profit contribution (2008: £6.4 million). Funds under management in Intermediary ended the year up 52 per cent. at £59.1 billion (2008: £38.9 billion).

Our focus on organic growth opportunities was well rewarded in 2009.

Private Banking
Private Banking net revenue fell to £97.7 million (2008: £111.3 million) reflecting reduced fees and commissions, and lower interest income in the low interest rate environment. Core operating expenses were marginally lower as we continued to invest in growth initiatives. After a £6.3 million doubtful debt provision, profit before tax fell to £20.1 million (2008: £38.2 million).

Despite the lower profit in 2009, we navigated the banking crisis well, generating competitive performance for clients, winning new business and maintaining a conservative and liquid balance sheet. Our Private Banking business is positioned for growth, with a strong client service proposition and investment culture, an efficient operating platform and a recognised brand. Net new business in 2009 amounted to £0.5 billion (2008: £0.4 billion) and funds under management ended the year at £12.6 billion (2008: £11.7 billion).

Group
The result for the Group segment was a loss before tax and exceptional items of £11.9 million (2008: profit £1.0 million), due to a lower yield on the Group's capital. We maintained a strong financial position with shareholders' equity of £1,649.0 million (2008: £1,632.2 million) including £1,059.0 million of Group investment capital in excess of regulatory and operating requirements.

Dividend
The Board has approved a second interim dividend of 21.0 pence per share in lieu of a final dividend. The second interim dividend will be payable on 29 March 2010 to shareholders on the Register at 12 March 2010. This brings the total dividend for the year to 31.0 pence per share, unchanged on 2008.

Board
Sir Peter Job will retire from the Board at the conclusion of the Annual General Meeting on 6 May. He joined the Board in 1999 and has served as both Senior Independent Director and Chairman of the Remuneration Committee. We are very grateful to Peter for his support and wise counsel over more than ten years.

With effect from the conclusion of the Annual General Meeting, Andrew Beeson will become Senior Independent Director and Chairman of the Remuneration Committee and Merlyn Lowther will succeed him as Chairman of the Audit Committee.

We welcome Robin Buchanan to the Board with effect from 4 March 2010. He was previously the Senior Partner of Bain & Company in the UK and more recently Dean and then President of London Business School.

Outlook
After the gains over the past nine months and with most developed countries still facing economic and financial challenges, a period of consolidation in financial markets is likely. However, 2010 has started well with high levels of net inflows in Institutional and Intermediary and we see further significant organic growth opportunities longer term, based on strong investment performance for clients, a broad product range, a proven distribution capability and a geographically diversified business.

Michael Miles
Chairman

Michael Dobson
Chief Executive

3 March 2010

Key performance indicators

We review a number of key performance indicators to measure the performance of our business. A five-year view of these is shown below and our performance in 2009 is explained in more detail in the financial review.

Investment performance

What is our objective?

We target at least 60 per cent. of funds under management to outperform benchmark or peer group over a three-year period.

Performance

per cent.

05	63
06	64
07	68
08	67
09	**79**

Net new business

We seek to generate positive net inflows in Institutional, Intermediary and Private Banking.

£ billion

05	(5.0)*
06	(5.6)*
07	(1.6)*
08	(9.6)*
09	**15.0†**

* outflows
† inflows

Funds under management
at 31 December

The principal influence on funds under management is the level of markets, but we aim to grow funds under management over time in excess of market growth through positive investment performance and net new business inflows.

£ billion

05	122.5
06	128.5
07	139.1
08	110.2
09	**148.4**

Net revenue margins

As a key driver of revenue, we focus on net revenue margins by product and by channel. As we grow Institutional, net revenue margins may decline but we expect them to remain higher than the industry average.

bps

05	54
06	59
07	64
08	69
09	**64**

Cost:operating revenue ratio
before exceptional items

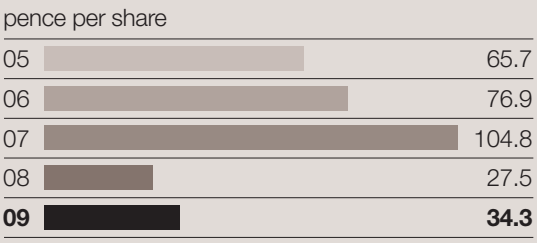
We target a 70 per cent. cost:operating revenue ratio over a market cycle, recognising that in weaker markets the ratio is likely to be higher than our long term target.

Compensation cost: operating revenue ratio
before exceptional items

By targeting a compensation cost: operating revenue ratio, we align the interests of shareholders and employees. We aim over the long term for a compensation cost:operating revenue ratio of 45 per cent.

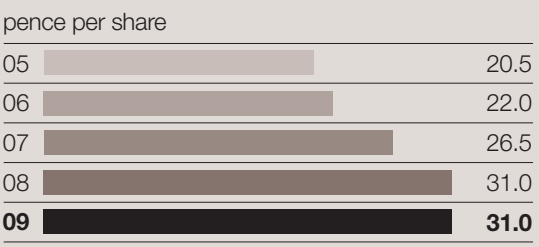
Earnings per share

We aim to grow earnings per share recognising the impact of market volatility on our operating businesses and Group investments.



Dividend per share

We have a progressive dividend policy taking account of increased profitability.



Recognition of our success in 2009 across asset classes, clients segments and geographies, included:

European Asset Management Company of the Year
Funds Europe

Financial News Award –
Business Development Team of the Year

Best Larger Fixed-Interest House
Morningstar UK

Morningstar Madrid Award –
Best performing US small and mid cap fund in US Small Capitalisation Category

Overall Service Quality and Image and Reputation Awards Europe
Private Asset Manager (PAM) Awards

Fund Manager of the Year International Equities – Emerging Markets Award
Standard and Poor's (Australia)

Offshore Fund of Hedge Funds – Fixed Income Over Three Years
Lipper

Lipper Fund Awards 2009 Europe –
Switzerland, Best Fund, Emerging Markets Equity Desk, Schroder ISF BRIC

Best Fund UK Equity Income and Equity Income and Growth Sector
Moneywise Fund Awards 2009

€uro and €uro am Sonntag magazines Award
Schroders Germany, 'Aufsteiger des Jahres' ('Climber of the Year')

Spear's Wealth Management Awards 2009
Winner Asset Management Firm of the Year – High Net Worth

Fund Manager of the Year 2009 – Money Management/Lonsec
Schroders Australia

2 Business review

With one of the largest networks of offices of any asset management company, and over 300 portfolio managers and analysts covering all the major investment markets, we offer our clients a comprehensive range of products and services to meet their investment objectives.

We employ over 2,600 people, across Europe, the Americas, Asia and the Middle East, operating from 32 offices in 25 different countries.

We manage assets on behalf of institutional and retail investors, financial institutions and high net worth individuals in a diverse range of products covering equities, fixed income, alternatives and multi-assets.

We seek to build long-term relationships with our clients by providing investment solutions which meet their investment requirements.

Our strategy

Long-term thinking governs our approach to investing, developing client relationships and growing our business. Our goal is to build a first-class asset management business, diversified by region, product and channel, and to deliver for our shareholders a growing return over the long term.

To achieve this goal we focus on:

- Delivering competitive and sustainable investment performance through clear investment processes;
- Building close relationships with our clients;
- Operational effectiveness;
- Being an employer of choice; and
- Investing in long-term growth opportunities.

Our strategy encompasses a highly diverse business model across products, channels and regions, which has proved resilient in the difficult market conditions we have seen in the last two years.

Investment performance

All investment activities are managed with the clear aim of delivering performance which meets or exceeds client objectives within their specific risk parameters.

We measure investment performance relative to benchmark and peer group over a three-year period. Over the past three years 79 per cent. of our funds have outperformed their benchmark or peer group.

Long-term thinking governs our approach to investing, developing client relationships and growing our business.

Building close relationships with our clients

We aim to excel in client service and develop partnerships of real value to clients. We have an effective global distribution capability that offers a wide range of products which represent solutions to most investment requirements. We are also innovative in developing new products that will meet our clients' future needs, whether retail, institutional or high net worth.

In recent years we have repositioned our Institutional offering to include new strategies focused on the needs of pension funds, endowments, insurance companies and sovereign wealth funds.

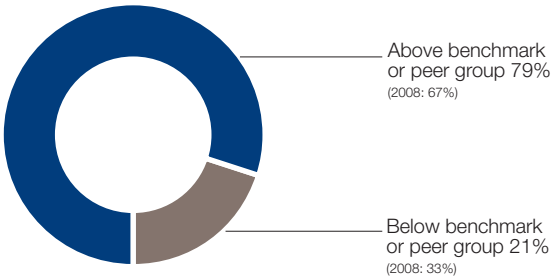
Operational effectiveness

Our investment and client service professionals benefit from high quality systems and we continually look for improved operating efficiencies by leveraging our expenditure on information technology.

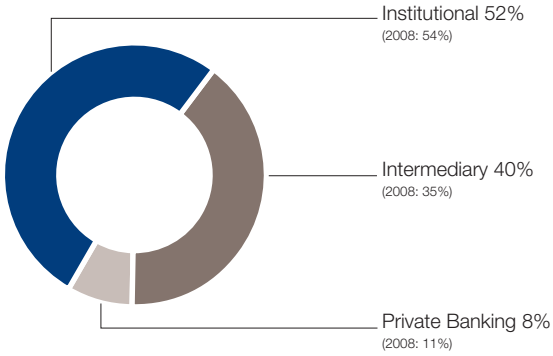
We meet our infrastructure support requirements through a combination of in-house and outsourced solutions. Our broad product range requires ongoing development of investment and operational systems, and over the last few years we have invested significantly in upgrading our IT infrastructure.

The modern technology at the heart of Schroders' IT architecture allows us to respond to client, market, business and regulatory demands rapidly and efficiently. We continue to invest in technology to support the launch of new products and the use of new financial instruments.

Investment performance over three years



Funds under management by client
£148.4 billion



Operating review
continued

Being an employer of choice
Our people are our most important asset and we have talented employees throughout Schroders.

It is a priority for us to develop our people to deliver to their full potential and we want to be an employer of choice wherever we operate.

We employ more than 40 nationalities across our business. Our culture values diversity, harnessing individual strengths and differences to surface the best ideas and insights.

Investing in long-term growth opportunities
Maintaining a strong financial position is a key part of our strategy, ensuring that we can invest through market downturns. This allows us to take a long-term view which is a fundamental differentiator for Schroders.

At 31 December 2009, we had total Group capital of £1,649.0 million, including £808.2 million available in cash and highly liquid debt securities. £1,059.0 million, the Group's investment capital, was in excess of regulatory and operating requirements.

Our strategic focus is on organic growth. We see significant potential for our business on the back of strong investment performance, a broad product range, a proven distribution capability and a highly diversified business internationally. We will continue to be selective about any acquisitions that we make to ensure that they are complementary additions to our organic growth plans.

Investment
We offer a broad product range covering most asset classes across equities, fixed income and alternatives. As a result, we are able to offer products that are in demand at different phases of the economic and market cycle.

Equities
In addition to our equity portfolio managers and analysts in London, we have equity professionals located in continental Europe, the US, Latin America and in eight offices across Asia Pacific.

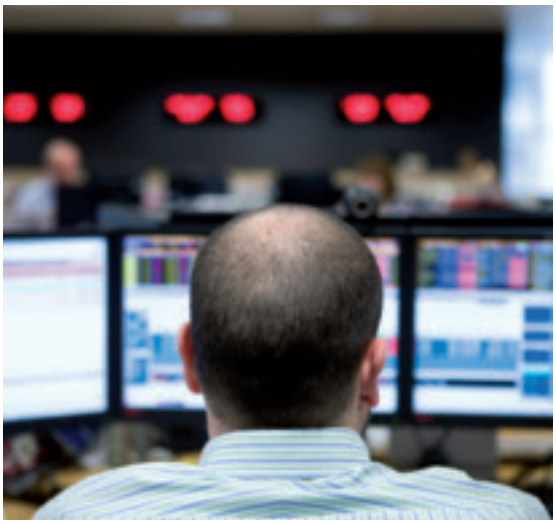
Our equity products range from single country to multi-regional funds, small and mid-cap funds, funds designed to deliver high excess returns over the market and defensive strategies which reduce market risk.

Fixed Income
Our global fixed income capability is based on a research-intensive, globally integrated, credit and macro capability that supports local portfolio management teams in Europe, North America and Asia. We employ fundamental and quantitative approaches to manage aggregate, government, credit and high yield portfolios.

Multi-asset
We have over 60 professionals dedicated to delivering multi-asset solutions for our clients with a broad range of skills and capabilities across different asset classes. We offer a comprehensive range of customised solutions, pooled products and advisory services. We specialise in providing a consultative, solutions-based approach for clients, which efficiently diversifies risk.

Our diversified growth strategies are available to both UK and international clients to address their specific multi-asset investment requirements. We also offer structured investments, liability driven investment and multi-manager products.

Alternatives
Our alternatives business includes property, emerging market debt, commodities and agriculture funds, funds of hedge funds and private equity funds of funds. We broadened our alternatives offering to include a new global currency fund in 2009.



Distribution

We have over 500 employees in Distribution across Europe, the Americas, Asia and the Middle East, specialising in sales, client service, marketing, product development and product management, serving Institutional and Intermediary sales channels.

Institutional

We work with a diverse range of clients, including corporate and local authority pension plans, government funds, sovereign wealth funds, insurance companies, charities and endowments. We have repositioned our Institutional offering towards new products and solutions as well as building on traditional strengths. 57 per cent. of our Institutional clients are now outside the UK.

Intermediary

In our Intermediary sales channel we work with financial institutions and independent financial advisors who use our mutual fund ranges to meet their clients' investment requirements.

We work closely with both global and local distribution investment strategies across Europe, Asia and the Americas to develop products for different stages of the market cycle. Reflecting the increasing importance of the individual in the savings market, our wide product range, strong investment performance and broad relationships with distributors, we have seen significant growth in Intermediary over the last decade.

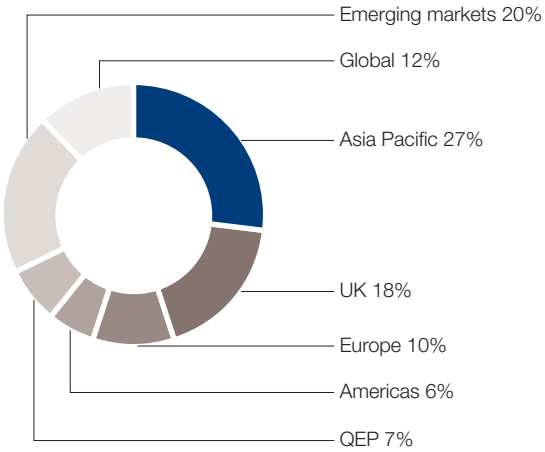
Private Banking

In Private Banking we offer the full range of our investment skills and provide specialist banking services, to high net worth individuals and family offices. Dedicated relationship management is core to our proposition, so that we can tailor our service to the individual needs of each client. Our business is centred in London, Guernsey, Geneva, Zurich, Milan and, since 2008, Singapore.

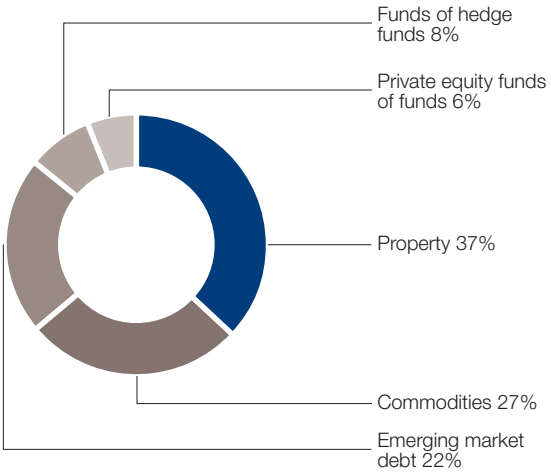
Operations

Over 1,000 employees worldwide are dedicated to ensuring operational effectiveness and integrity in various functions including technology, legal, finance, risk, compliance, internal audit, human resources and operations. Demands from clients, intermediaries, investors and regulators are ever changing and require material investments in resources, knowledge and IT.

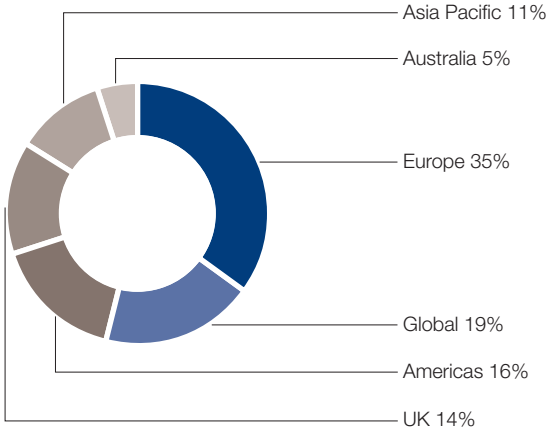
Equity funds under management
£71.1 billion



Alternative funds under management
£18.6 billion



Fixed income funds under management
£23.0 billion



Market review

The movement in key financial markets in the last two years is outlined in the table opposite.

2009: financial markets

2009 was a remarkable year for financial markets.

The outlook at the start of the year was very weak. Markets continued to fall in the first quarter as investors predicted another Great Depression. Bond markets were priced for ten years or more of deflation and the long-run implied rate of dividend growth in equity markets approached zero.

A rally began at the end of March as investor confidence increased on the back of improved economic news and strength in corporate earnings. The global economy returned to growth during the third quarter of 2009, driven by extraordinary public policy measures, including near zero interest rates, quantitative easing and significant fiscal programmes. The extent of the rebound in equity markets was such that 2009 was one of only six years since 1871 where a calendar year gain of 20 per cent. or more has followed a loss of more than 20 per cent.

Emerging markets have recovered ahead of developed economies due to the expectation of superior growth rates, which has attracted more capital, supporting emerging market currencies and asset prices.

Markets increased significantly in the second half of the year. In total, movements in financial markets, foreign exchange and our investment performance increased funds under management by £23.2 billion during the year (2008: £20.6 billion decrease) and in addition we won £15.0 billion of net new business (2008: net outflows £9.6 billion).

Since the second quarter of 2009, the asset management industry, particularly in Europe, has seen an increase in investors' risk appetite as market sentiment improved. Retail investors in particular, have switched from money market funds and bank deposits offering low returns, to fixed income mutual funds and then equity funds. Institutional investors who frequently deferred investment commitments in the turmoil of 2008, have also returned.

Longer-term market trends

Longer-term, key global and demographic trends are changing the outlook for savings. Average life expectancy increased by over 10 per cent. in the period 1960 to 2005, with further increases likely, at a time when birth rates are expected to continue to fall.

The ratio of non-working to working age individuals in the major western economies will dramatically increase in the next 30 to 40 years. This is expected to have a major impact on the cost of state-provided pensions. Individuals will be less able to rely solely on government-provided pension schemes to fund their retirement and will need to save more during their working lives.

We anticipate that this will lead to changes in the asset management industry, in terms of sales channels, products and markets. We are well placed to take advantage of these developments.

The majority of new savings flows are expected to arise from emerging economies, particularly Asia. This has been driven by the growth of China and rapidly increasing wealth accumulation in the region. This includes sovereign wealth funds and central banks which are becoming an increasingly important institutional market segment.

Changes to sales channels

The growing longevity of an ageing population is forcing the closure of defined benefit plans, which historically fuelled the growth of institutional asset management. This has driven the move to defined contribution schemes and the growing importance of individual and 'instividual' savings. For the asset management industry, accessing the individual retail investor, either directly or via intermediaries, will remain an important part of a large, global asset manager's strategy.

The retirement of the 'baby boomer' generation, that owns approximately 60 per cent. of global wealth, is also creating a major opportunity as this generation looks to use its assets to finance retirement. This is known as 'decumulation' and accounts for nearly 40 per cent. of gross flows into the financial sector of mature economies. Currently, banks and insurance companies see the majority of these flows and as a result they are becoming an increasingly important channel to reach a growing customer base.

Product changes

In product terms, these changes create demand for asset-liability management and investment solutions. Defined benefit pension funds are increasingly looking to match assets and liabilities through the use of outcome orientated products. To address decumulation needs, we expect to see increased demand for capital protected and income generating products as clients seek to minimise risks. We also expect demand for outcome orientated products to continue to grow.

Investors continue to look to separate sources of alpha (excess return relative to market benchmark) and beta (market correlation). Passive products have attracted increasing inflows but the demand for alpha has also led to growth in alternative products as savers look to diversify their investment portfolios in pursuit of higher returns. As a result of the financial crisis, we expect traditional fixed income and equity strategies to be more in demand.

	Percentage movement 12 months to 31 Dec 2008 %	Percentage movement 6 months to 30 Jun 2009 %	Percentage movement 6 months to 31 Dec 2009 %	**Percentage movement 12 months to 31 Dec 2009 %**
Local stock markets				
FTSE 100	(31.3)	(4.7)	27.4	22.1
S&P 500	(38.5)	1.8	21.3	23.5
Nikkei 225	(42.1)	12.4	5.9	19.0
Broad market indices				
MSCI World	(40.1)	3.2	19.0	22.8
MSCI Europe ex UK	(44.9)	1.2	22.3	23.8
MSCI Pacific	(43.8)	9.7	6.4	16.7
Fixed income: 10 year benchmark				
UK Gilts	10.8	(3.2)	(2.3)	(5.4)
US Treasuries	17.0	(9.9)	(2.6)	(12.3)
Alternatives				
UK Property Index, Capital Growth	(24.0)	(17.8)	0.6	(17.3)
Tremont Hedge Fund Index	(19.1)	7.2	10.6	18.6

	Total £bn	Institutional £bn	Intermediary £bn	Private Banking £bn
Funds under management – 2009 flows				
31 December 2008	**110.2**	**59.6**	**38.9**	**11.7**
Gross inflows	54.1	18.6	29.0	6.5
Gross outflows	(39.1)	(13.7)	(19.4)	(6.0)
Net flows	**15.0**	**4.9**	**9.6**	**0.5**
Investment returns	23.2	12.2	10.6	0.4
31 December 2009	**148.4**	**76.7**	**59.1**	**12.6**

Key risks and mitigations

Managing risk

For many years the management of risk has been embedded in our culture. Like any 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.

The executive oversight of risk lies with the Chief Financial Officer, supported by the Group Risk Committee. The non-executive oversight of risk lies with the Audit Committee. A detailed description of the governance framework is set out later in the Annual Report and Accounts in the risk management and internal controls report.

The external events of 2007 and 2008, including the failure of Northern Rock and Lehman Brothers, together with the government bailouts of banks and other financial institutions, caused us to reassess how we manage risk. We now group the risks we face into market and liquidity risks, credit risks, operational risks and emerging risks.

More information on risk management and internal control can be found in the governance section.

We are in the business of seeking a return on risks taken on behalf of our clients. The first line of defence against unexpected outcomes lies with line managers whether they are investors, Distribution employees or part of infrastructure support. Consequently, a designated senior member of management who sits on the Group Management Committee has risk management responsibility within each business area.

The senior management team, supported by its management functions, takes the lead role in ensuring that appropriate controls are in place across the business to maintain the quality standards expected by our clients and regulators. It is the responsibility of all employees to ensure that the control culture of Schroders is embedded within our working practices.

Line management is supplemented by independent oversight functions led by the Chief Risk Officer which provide a second line of defence. The Chief Risk Officer has allocated responsibility for each category of risk to a member of his team.

Internal Audit provides retrospective assurance over the operation of controls and is the third line of defence against unanticipated outcomes.

Individual risks are managed in a variety of different ways depending on the nature of the risks and their potential impacts to mitigate adverse consequences. We continuously upgrade our risk control processes and technological support tools to increase their effectiveness.

The following is a summary of the risks that the Board currently considers key to our business. It is not intended to provide an exhaustive list of all the risks faced by our business or a complete list of all the controls in operation.

Market and liquidity risk

We face risks from movements in the financial markets in which we operate, arising from holding investments as both principal and agent. We have principal exposure in our Private Banking business where we hold bank paper and government securities. The Group's investment capital is invested in bank paper; government and corporate bonds; fixed income; equities; hedge funds; property; and private equity. There is agency exposure in Asset Management and Private Banking in respect of the assets we manage on behalf of our clients.

Market risk

Market risk arises from market movements which can cause a fall in the value of principal investments and a decline in the value of funds under management. Revenues and net new business are also at risk from a failure to meet performance targets or a loss of confidence in markets that can affect investors in a period of falling markets.

Market risk within Private Banking, arising from the assets held on the balance sheet, is monitored and managed at a local level and collectively by the Private Banking Risk Committee. Group management regularly reviews all holdings within Group capital. All

principal investments across all businesses are managed within approved limits.

Our geographically diversified, broad product range enables us to provide clients with solutions tailored to a variety of market conditions and serves to diversify individual market dependencies.

Liquidity risk

Liquidity risk is the risk that cashflows cannot be generated to meet redemptions or other obligations as they arise. Liquidity issues can arise as a result of market conditions or through inherently illiquid investments. To mitigate this risk within client portfolios, we seek to match, where possible, the liquidity of a portfolio's underlying investments with its liquidity requirements. We actively monitor the market for indicators of declines in liquidity to enable pre-emptive actions to be taken. We also review products and portfolios to identify capacity constraints.

Each of our regulated subsidiaries and the Group as a whole meet regulatory capital requirements. In addition, we also maintain sufficient liquidity on our balance sheet for our anticipated needs taking account of the risks we face.

Credit risk

We face credit risk as a result of counterparty exposure. In order to manage this risk we actively monitor counterparty creditworthiness and operate with limits expressed in terms of value and term to maturity. Where possible, we also diversify our exposure across different counterparties.

All counterparties are reviewed on a regular basis and limits are amended following changes to their financial performance. We actively monitor market data and rating agency outputs in assessing counterparties.

We also face credit risk through lending to private clients by Private Banking, although this is mitigated where possible through collateralisation in the form of cash, portfolio investments or property.

Operational risk

Operational risk arises through the investment process, distribution channels, product development and the operation of our infrastructure, and as a consequence of our diversified business model.

Investment

Investment performance risk is the risk that portfolios will not meet their investment objectives. We adhere to a clearly defined investment process which seeks to meet investment targets within stated risk parameters. Individual portfolio performance, valuations and risk profiles are monitored by fund managers and management on a regular basis, allowing issues to be identified and mitigated. We use tools and governance principles within our investment risk framework and we review performance that lies outside expectations.

Recognising that not all products will outperform all of the time, we also offer a diversified product set which reduces the concentration of risk on the performance of any one fund or asset class.

Fund performance is monitored as part of our investment performance risk management process.

Distribution

Distribution risks arise from relationship management across different distribution channels and products. We distribute through three channels, institutional clients, often advised by consultants; retail clients, intermediated through banks, brokers and independent advisers; and private clients. The broad range of distribution channels mitigates against a key dependency on any channel. No single client accounts for more than one per cent. of our revenues.

Product

Product risk arises from complexity and the development of new, sophisticated products to meet changes in client demand. We have a dedicated product development team and a new product approval and review procedure.

The management of risk is embedded in our culture.

Key risks and mitigations
continued

Product risk can also arise from capacity constraints where demand exceeds the easily accessible supply of investments capable of delivering the required return. We actively monitor potential capacity constraints and mitigate by 'closing' the product to new investment.

Technology

We are reliant on technology and qualified professionals to maintain our infrastructure. Our technology is partly outsourced and our platform utilises well-established, tested technology from outsourcers judged to be financially stable and able to provide the required level of service. Outsourced suppliers are an important part of our business model and we work with our outsourced suppliers to maintain the quality and continuity of service. Detailed due diligence is undertaken before entering into new arrangements, and performance is reviewed on an ongoing basis.

Continuity and business resumption planning is in place across the business with clear identification of key staff.

People

All of our operations are heavily dependent on people. High quality resource is relatively scarce in our industry. We ensure we employ people with skill sets appropriate to our changing business needs. This requires the recruitment and development of specialist skills as the range of our product offerings deepens and our investment and distribution strategies develop into more complex areas.

To mitigate human resource risks, we have competitive remuneration plans, with appropriate deferred benefits, targeted at key staff. We also operate from several international centres to reduce the reliance on single pools of talent and individual country stability.

Clear objectives are also set for each employee and we measure success in the annual review process. This allows us to identify employee development initiatives which are a motivational force in retaining talented executives.

Geographic diversity

Our business is diverse and international which mitigates aggregate risks whilst introducing local risks as a result of local laws, business custom and tradition. We employ local staff with local expertise and also move employees internationally around the Group.

Emerging risks

Emerging risks are associated with situations outside Schroders that could cause risk to the Group. These are the hardest to define. We are concerned currently that regulatory developments could inadvertently affect the fund management industry due to changing regulation for the financial sector as a whole. We therefore maintain a dialogue with regulators and respond to consultations to assist them in their supervisory duties and draw their attention to important concerns.

The changing financial positions of countries can affect their financial stability. We allocate our capital within operational constraints to spread our concentration risk.

Overview

In 2009, profit before exceptional items was down 31 per cent. at £200.2 million (2008: £290.5 million). The decline in pre-exceptional profit was attributable to lower net revenues in our core operating segments of Asset Management and Private Banking.

During 2009, there was a net inflow of funds of £15.0 billion and stronger markets, both of which improved as the year progressed. This led to quarterly improvements in profitability and a strong base from which to develop in 2010.

Profit before tax was up 12 per cent. to £137.5 million (2008: £123.1 million) after exceptional items of £62.7 million (2008: £167.4 million). Exceptional items related to realised losses and unrealised write downs on Group investment capital, redundancy costs and other rationalisation costs. £39.1 million (2008: £147.2 million) has been recognised within revenue and £23.6 million (2008: £20.2 million) within administrative expenses.

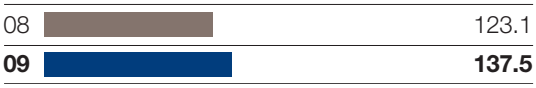
Net revenue

Asset Management

Asset Management net revenue was £679.2 million (2008: £748.7 million), of which £393.1 million (2008: £440.7 million) arose in our Intermediary sales channel and £286.1 million (2008: £308.0 million) in Institutional. In aggregate, net revenue decreased by nine per cent. and included performance fees of £34.5 million (2008: £50.7 million). The fall in revenue is attributable to the net impact of the outflow of funds in the second half of 2008, offset in part by the inflow of funds during 2009; and lower overall net margins. The impact of lower markets was broadly offset by weaker sterling.

Profit before tax (excluding exceptional items)

Profit before tax

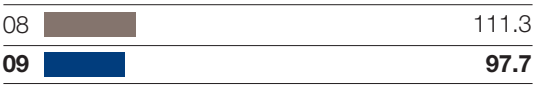


Net revenue (excluding exceptional items)

Net revenue – Institutional

Net revenue – Intermediary

Net revenue – Private Banking



Financial review
continued

Private Banking
Private Banking net revenue of £97.7 million (2008: £111.3 million) decreased by 12 per cent. compared to 2008, primarily reflecting reduced fees and commissions on investment products and lower returns on capital in an external environment of historically low interest rates.

Group
To mitigate the risk of capital losses arising in the year and to guard against market illiquidity, Group investment capital was conservatively invested for most of 2009, providing modest returns in the low interest rate environment. Market conditions offered limited opportunities to realise gains on our long-term private equity, property and other investments. Before exceptional losses, the Group segment reported net revenue of £6.7 million, compared to £7.4 million in 2008.

Net revenue margins
Net revenue margins for Asset Management and Private Banking combined were lower at 64 basis points (2008: 69 basis points) reflecting lower performance fees and changes in product mix. Despite strong investment performance, lower performance fees were earned because a number of funds are subject to high watermarks, where performance fees are not earned until the fund recovers to previous levels. Lower Private Banking margins reflected the impact of the lower interest rate environment on our banking business.

Exceptional losses within revenue
Exceptional losses of £39.1 million (2008: £147.2 million) on investment capital have been included within revenue. These comprise net profit on disposals of £2.9 million (2008: net losses £16.0 million); net losses on marking to fair value in the year of £0.2 million (2008: £49.9 million); and impairments of £41.8 million (2008: £81.3 million). Of the total losses £42.4 million (2008: £107.4 million) had been previously recognised in reserves in accordance with accounting standards. During 2009, unrealised mark to market profits of £15.8 million (2008: £194.3 million) were recognised in reserves and do not appear in the Income Statement.

Net revenue margins – Total

Net revenue margins – Asset Management

Net revenue margins – Private Banking

Fund flows

Our strong investment performance, broad product range and proven distribution capability generated record net inflows of £15.0 billion in 2009 (2008: £9.6 billion net outflows).

Asset Management

Asset Management saw very strong inflows of £14.5 billion in the year, £9.6 billion from Intermediary clients and £4.9 billion from Institutional clients. Inflows arose across a broad range of products, including European and global bonds, Quantitative Equity Products and Commodities.

Intermediary demand, which began to recover in the first half of the year, increased significantly in the third quarter as retail investors continued to move out of cash into higher returning investments as risk appetite increased. All regions saw net inflows aggregating to £9.6 billion (2008: £6.2 billion net outflows) with continental Europe and the UK having particularly strong inflows. We were the leading active manager in net sales of mutual funds across Europe during 2009.

2009 saw a significant turnaround in our Institutional sales channel, with net inflows of £4.9 billion compared to £3.8 billion net outflows in 2008 and net outflows every year since 2000. We believe that this demonstrates the success of our strategy over the last few years, which has resulted in improved investment performance, the development of new products and targeting of new clients. Significant new business was won in Quantitative Equity Products, Liability Driven Investment and alternatives.

Private Banking

Private Banking saw net inflows of £0.5 billion (2008: £0.4 billion) with a strong performance in the UK that offset the impact of outflows in continental Europe.

Costs

The Group's cost to operating revenue ratio before exceptional items increased to 79 per cent. (2008: 73 per cent.) as a result of the fall in net revenue and the need to increase the proportion of revenue distributed as compensation to retain talented individuals. The Board considered it important to reward people for the underlying business performance that will, in part, only be financially visible in 2010. The cost to operating revenue ratio was 82 per cent. after exceptional items (2008: 75 per cent.). During 2009, we sought to manage costs in line with market conditions, ensuring that we did not harm the long-term growth of the business.

Total compensation costs excluding exceptional items were established by reference to operating revenues and in 2009 were £390.7 million (2008: £373.4 million). In the 2008 Annual Report, we highlighted that we expected the ratio of compensation costs to operating revenues to increase and this ratio was 49.1 per cent. in 2009 (2008: 45.3 per cent.).

For 2010, we intend to revise this measure to a profit share ratio. This will ensure that bonuses are dependent not solely on revenue less fixed compensation costs but are also dependent on the effective management of all costs. In 2009, this measure would have been 45 per cent.

Non-compensation costs excluding exceptional items decreased during the year by 12 per cent. to £224.4 million. This decrease reflected the benefit of cost-reduction measures taken to align our cost base to market conditions. The benefit of these actions is stated after an adverse effect of approximately £44.9 million due to the weakening of sterling against other currencies. Underlying cost reductions were concentrated on marketing expenditure, IT costs and travel.

Within Private Banking, costs included a £6.3 million (2008: £1.2 million) doubtful debt provision where a shortfall in collateral arose on an individual exposure.

Exceptional items within costs

Exceptional items of £23.6 million (2008: £20.2 million) are included within administrative expenses in 2009. 78 per cent. (2008: 67 per cent.) relates to actions taken in relation to market conditions: £7.8 million (2008: £13.6 million) relates to redundancy costs; £6.8 million (2008: nil) to surplus office space; and £3.9 million (2008: nil) to the early termination of an IT services contract. £5.1 million (2008: £6.6 million) relates to impairment of assets.

Net finance income

Three-month sterling LIBOR averaged 1.2 per cent. in 2009 compared with 5.5 per cent. in 2008 and led to a material decline in interest receivable on cash, notwithstanding significantly higher balances. Other similar interest income declined due to the sale of higher risk interest bearing securities in early 2009. Interest payable of £1.7 million (2008: £0.2 million) primarily is in respect of the final determination of overseas tax payable.

Share of profit of associates and joint ventures

Profit from associates and joint ventures increased by 152 per cent. to £15.6 million (2008: £6.2 million). £5.7 million (2008: £0.4 million loss) arose from a private equity associate and £9.9 million (2008: £6.6 million) arose from joint ventures, predominantly from our China fund management company, operated with the Bank of Communications.

Tax

The effective tax rate was 30.4 per cent. (2008: 42.1 per cent.). The high effective tax rate of 2008 arose from losses for which no deferred tax credit could be recognised, a £2.8 million write down of the deferred tax asset regarding share based remuneration due to a fall in share price and an increase in the proportion of profits arising in higher rate jurisdictions. The 2009 effective tax rate is higher than the UK standard rate of 28 per cent. due mainly to tax losses arising for which no deferred tax asset can be recognised, offset by adjustments to prior year taxation of £6.4 million.

Attributable profit

£95.4 million (2008: £76.7 million) of the profit after tax of £95.7 million (2008: £71.3 million) is attributable to equity holders of the parent.

Earnings and dividend per share

Basic earnings per share equate to 34.3 pence (2008: 27.5 pence) and the dividends of 31.0 pence are covered 1.1 times (2008: 0.9 times).

Comprehensive income

The statement of comprehensive income is £26.8 million lower than 2008 at £80.4 million. The profit after tax accounts for £95.7 million (2008: £71.3 million). Unrealised foreign exchange translation losses, net of hedges, attributable to overseas net operational assets account for a charge of £47.0 million (2008 gain of £153.4 million). This was due to sterling being 3.1 per cent. stronger at the year-end than the average during the year against the Group's major currency exposures. Actuarial losses on the defined benefit section of the UK pension scheme were £69.6 million (2008: £29.6 million) and were primarily attributable to higher expectations of long-term rates of inflation and a lower expectation of long-term interest rates.

Other items relate primarily to investment activities, which generated income of £101.3 million (2008: loss of £87.9 million). £42.4 million (2008: £107.4 million) are prior period losses now recognised in the income statement; £15.8 million (2008: losses of £194.3 million) are current year gains on investments available for sale; and £43.1 million (2008: £1.0 million loss) is anticipated tax relief on the realisation of investment losses, pension scheme losses and

credits arising from the revaluation of Equity Compensation Plan and Share Option Plan awards.

Shareholders' equity

Total shareholders' equity at 31 December 2009 increased to £1,649.0 million (2008: £1,632.2 million). The net increase of £16.8 million (2008: net decrease of £64.0 million) comprises £80.4 million (2008: £107.2 million) in the comprehensive income statement, with the balance being principally attributable to an increase of £21.4 million (2008: £89.1 million decrease) from share issuance, remuneration payments and purchases, and the payment of dividends of £84.9 million (2008: £86.7 million) in the year.

The Board has judged that £590 million of capital is required to meet regulatory needs comprising £258 million of the regulatory minimum Pillar I and £332 million of additional capital. The capital requirement reflects the impact of the market crisis on the asset management industry in general and Schroders in particular. Whilst we consider that there are no abnormal risks specific to the Group, we hold additional regulatory capital in order to mitigate potential operational risks that may arise and events over which the Group has no control.

Within our capital base we continue to maintain a significant level of Group investment capital amounting to £1,059.0 million (2008: £899.2 million). Group investment capital is used to seed new investment strategies, co-invest selectively alongside our clients and finance organic and inorganic growth opportunities. It is deployed in accordance with limits approved by the Board. During 2009, assets that were inherently illiquid were sold down and the proceeds reinvested in liquid, low risk investments. Its constituents are shown on the next page. During 2010, we anticipate a modest ability to be less conservative than in 2009 and will prudently increase allocations to higher risk asset classes.

Consolidated balance sheet

Liquidity

The liquidity of the Group's balance sheet increased in 2009 due to Group investment capital being significantly invested in readily realisable securities and cash and from increased customer deposits. In Private Banking client deposits increased. Client deposits were invested in liquid and lower risk assets, with a bias towards cash and cash equivalents.

Liquidity increases accounted for most of the material balance sheet movements.

Other items

The reduction in intangible assets is due to amortisation, the finalisation of the accounting for the acquisition of Swiss Re Asset Management Funds (Switzerland) AG in 2008, and impairments of assets due to prevailing market conditions.

The deferred tax assets have increased due to timing differences on the relief of pension contributions and share based payments to employees.

The Group made a contribution of £53.2 million in February 2010 in relation to the deficit identified, on the applicable funding basis, in the defined benefits section of the UK pension scheme at 31 December 2008.

The unit linked liabilities and related assets in the life Company have increased by £2.0 billion due to market movements and net new business in our 'matching plus' range.

	2009 £m	2008 £m
Asset Management:		
Cash and cash equivalents	216	95
Liquid debt securities	56	235
Other net assets	76	136
Total Asset Management operational capital	**348**	**466**
Private Banking:		
Cash and cash equivalents	1,011	662
Other net liabilities	(769)	(395)
Total Private Banking operational capital	**242**	**267**
Group:		
Cash and cash equivalents	276	310
Liquid debt securities	532	118
Mortgage and asset backed securities	–	105
Third party hedge funds	19	53
Seed capital	141	252
Private equity	90	58
Other investments	1	3
Total Group investment capital	**1,059**	**899**
Total capital	**1,649**	**1,632**

Strategic priorities

Looking ahead

Schroders has all the attributes for success, beginning with a strategy that is focused on asset management. We are a global business, with considerable scale and £148.4 billion of funds under management, but also the ability to react quickly to opportunities as they arise. Our highly diversified business, by geography, sales channel and product, combines defensive characteristics relative to a difficult market environment in addition to growth characteristics when investor demand is strong. The underlying strength of our business is evident in the results for 2009. We will build on this success in 2010 to drive further organic growth.

Our main areas of focus to achieve this will be:

- Maintaining competitive investment performance;
- Generating net new business;
- Leveraging our international franchise; and
- Maintaining discipline on costs.

Maintaining competitive investment performance

Sustainability of investment performance is key for an active asset manager. We believe that we can maintain our performance through our talented people, the depth of our resources and the disciplined investment processes that we use across a broad range of asset classes.

Generating net new business

Strong investment performance, a broad product range, a proven distribution capability and a broadly diversified business geographically, position us well for further net new business gains. Provided we do not see any significant setback in equity and fixed income markets we believe that the positive start we have made in 2010 will continue through the year.

Leveraging our international franchise

The majority of our funds under management and revenues are now generated outside the UK. With representation on the ground in 25 different countries and with a particularly strong presence in rapidly growing, developing markets, we are well placed to continue to benefit from high rates of economic growth and high savings rates in many regions in which we operate. We have also forged important, long term relationships with international distribution partners which will contribute to the further growth of our business internationally.

Our Private Banking business will look to expand its Asian presence with a full banking licence for our Singapore private client advisory business that was acquired in 2008.

Maintaining discipline on costs

We will continue to seek operational efficiencies and increased productivity, particularly across our distribution and infrastructure functions, to deliver cost-effectiveness in our core operations. This will support continued investment in those areas that are of strategic importance in delivering our long term objectives.

We are well placed for further growth

Record net inflows and strong investment performance in 2009 position us well for 2010, provided the more confident tone in financial markets is maintained.

Our strong financial position, together with our highly diversified business model across products channels and regions, leaves us well placed for further growth.

Corporate responsibility

Schroders has a long-standing commitment to sustainability, maintaining consistently high standards in all areas of corporate responsibility.

We seek to:

- Attract and develop the best people;
- Reduce our environmental footprint;
- Support the communities in which we operate;
- Be transparent in our operations and reporting; and
- Encourage and support these principles in the companies in which we invest.

Schroders is an index component of both the Dow Jones Sustainability World Index and the Dow Jones STOXX Sustainability Index. We are also included in the FTSE4Good Index, which is designed to identify companies that meet globally recognised corporate responsibility standards. As a major investor, we recognise that how we behave can influence other companies.

Further information on our CR activities is published on our website at www.schroders.com/ir

Our stakeholders, with whom we maintain an ongoing dialogue, include shareholders, clients, employees, regulators, non-governmental organisations, the wider community and the companies in which we invest. We endeavour to develop close relationships with all stakeholders. Our behaviour is influenced by our core values:

Integrity: We are honest, open and uncompromising in our commitment to our standards. We welcome the responsibility that comes with the trust our stakeholders place in us.

Passion: We share a deep rooted belief in what we do. We demonstrate this through the dedication, enthusiasm and energy we bring to our work.

Innovation: We challenge the established way of doing things and seek to anticipate future developments.

Teamwork: We work as a team to create value for our clients. We value the contribution of individuals and encourage healthy debate.

Excellence: We strive to deliver the best and continually look for ways to improve.

Governance structure

The Board is responsible for corporate governance and corporate responsibility within the Group. Alan Brown, Chief Investment Officer, chairs the Corporate Responsibility Committee that oversees all employee, environmental and community involvement issues. This Committee is responsible for the development of Schroders' policies on corporate responsibility and their implementation throughout the Group as we look to embed corporate responsibility principles in all our activities and culture.

Our approach to corporate responsibility is built around four main areas:

- Marketplace;
- Workplace;
- Environment; and
- Community.

Our four main areas for corporate responsibility

The business monitors the following key performance indicators to assess its progress within each of these four areas:

Corporate responsibility

Marketplace

Number of environmental, social and governance engagements with companies in which we invest.

Why is it important?

As a leading asset management group, we recognise that our investment decisions have a greater impact than our direct operational activities.

Performance
No. of meetings

05	89
06	90
07	80
08	62
09	**87**

Environment
carbon footprint

Our CO_2 output in London, as a result of electricity and gas consumption, has been calculated using the 2009 Guidelines to DEFRA's GHG Conversion Factors for Company Reporting.

We are committed to continuous improvement in minimising the negative environmental impact of our operations and are targeting a 15 per cent. reduction by 2012. We began measuring our carbon footprint in 2007.

Tonnes

07	5,842
08	5,656
09	**5,098**

Community
charitable giving

The Group's financial contributions to charitable causes during the year.

Our charitable giving is focused on employee choice, with the Group 'matching' employee donations and sponsorship.

£m

05	0.5
06	0.6
07	1.3
08	1.1
09	**0.6**

Our people
employee opinion survey

A survey of employees where results are benchmarked against other financial services organisations and high performing organisations.

The survey is undertaken every three years and the results provide the management team with an insight into how employees view the business over the longer term. The last survey was undertaken in 2008.

Per cent. of survey respondents proud to be associated with Schroders

05	89
08	92

Corporate responsibility
continued

Marketplace

Transparency, accountability and sustainability are essential to the success of our business and have become increasingly prominent in the light of market events in recent years. At Schroders, we put our clients first and we are committed to developing sustainable relationships. Treating clients fairly is an important principle for our business. Our long-term values are embedded in our culture and can be seen in the integrity with which we behave. In providing solutions to address our clients' investment needs, we seek to communicate clearly the services we offer and to be transparent in our relationships with clients.

As a leading asset management group, we recognise our responsibility in ensuring that we engage with companies to assess not only the financial risks but also the environmental, social and governance (ESG) risks that can impact long-term value.

We introduced a socially responsible investment policy in 2000 to enhance our approach to corporate governance. This policy meets the Association of British Insurers Disclosure Guidelines on Socially Responsible Investment and endorses the Voluntary Code on Shareholder Activism issued by the Institutional Shareholders Committee. A copy of the policy is available on our website at http://ir.schroders.com/download/SRIPolicy.pdf. We are also a signatory to the United Nations Principles for Responsible Investment which serves to reinforce our commitment to integrating ESG issues into our investment decision making.

We are a founding member of the Institutional Investors Group on Climate Change, signatories to the Bali Communique issued by the Corporate Leadership Group on Climate Change and a member of the Carbon Disclosure Project. Our investment process incorporates ESG research into the corporate responsibility performance of companies and we engage with companies where their ESG practices fall short of acceptable standards.

During 2009, we engaged in dialogue with 87 companies (2008: 62 companies) on specific ESG related issues and our meetings with companies were used to assess ESG issues if there were concerns over the impact of a company's ESG performance on the share price. Overall, we voted on 99 shareholder resolutions of a social, ethical or environmental nature (2008: 92 resolutions). In addition we also utilise the Ethical Investment Research Service to screen investable universes in order to reflect clients' values in their investment portfolios. At the end of 2009, we had £3.8 billion of funds under management which had some form of ethical criteria attached to them (2008: £3.7 billion).

Workplace

Schroders has more than 2,600 employees across 25 countries. Our aim is to be an employer of choice and one of our strategic priorities is to develop, manage and retain our talented people in order to deliver to our potential.

We work to ensure that our employee policies reflect best practice within each of the countries where we operate, and that our employees understand the strategic aims and objectives of the Group, are clear about their role in achieving them and aware of and participate in the wider community. We communicate with employees worldwide on a day-to-day basis. We also ensure that what is explained to the external market is disseminated and discussed internally. We utilise employee meetings to facilitate the exchange of views with senior management and discussion of the progress made by the Group.

In the UK, there is an Employee Consultation Forum, consisting of employees elected by their peers. Members of the Forum meet regularly with management as part of a Joint Consultative Group which discusses employee-related matters and provides feedback and recommendations to senior management.

Remuneration
Our approach to remuneration is consistent with our ambition to be an employer of choice. We have developed flexibility to enable our employees to personalise elements of their remuneration package to suit their own needs and ambitions.

High ethical standards
We actively promote high ethical standards. Concerns about behaviour or decisions that are perceived to be unethical can be raised by employees through our internal 'whistleblowing' process. Personal securities trading by employees is regulated. Employees are not permitted to solicit or accept any inducements which are likely to conflict with their duties. Training is provided in relation to these issues and in relation to money laundering, terrorist finance, data protection and treating customers fairly.

Diversity
We are committed to providing equal opportunities and we expect our workforce to reflect the diversity of the many communities in which we operate. We recognise that through the attraction and retention of a diverse workforce we are better able to understand the needs of all our clients.

A flexible working policy has been developed to recognise the diverse needs of employees in managing the responsibilities of their work and personal lives. We believe that achieving an effective balance in these areas is beneficial to both the Group and the individual. It is the Group's policy to give fair consideration to applications from disabled persons, having regard to their particular aptitudes and abilities. For the purposes of training, career development and progression, disabled employees, including those who become disabled during the course of their employment, are treated on equal terms with other employees. We operate a zero tolerance policy to harassment and bullying.

Personal development
Our performance management process comprises an annual performance appraisal against agreed objectives and our core values. Output from this performance process is used to inform decisions on remuneration, career development and progression.

In creating a high performing organisation, we recognise the importance of encouraging all our employees to learn, develop and fulfil their potential. We provide our employees worldwide with access to a range of training and development opportunities that are relevant to our business.

Health and safety
We promote high standards of health and safety at work and have a global health and safety policy, which we expect all employees to follow and which highlights our commitment to ensuring employees are provided with a safe and healthy working environment. Training is offered to all employees.

Environment
During 2009, we made a number of key improvements to help minimise our environmental impact. We remain committed to continuous improvement in this area and to the promotion of positive environmental practices. We measure our performance in terms of waste management, energy usage and water usage. We are members of Green500, an initiative from the London Development Agency, which works with organisations to achieve carbon reduction goals as well as providing, in the future, independent verification of carbon savings.

Waste management (London only)
In 2009, we saw a 42 per cent. reduction in waste generation in London following the introduction of further recycling initiatives and employee awareness campaigns during the year. We aim to recycle or reuse over 90 per cent. of our waste: although this year's performance falls just short of this we have managed to significantly reduce the absolute amount of waste we generate.

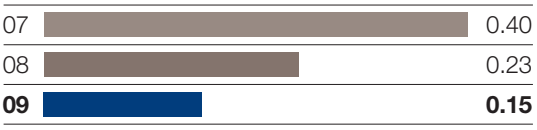
Schroders was awarded the Gold Award in the City of London's Clean City Scheme in 2009. A change to the scheme rules has meant that Schroders no longer qualified for the Platinum award, which we have won four years running, due to the size of our organisation. The Gold award places us in the top 100 out of 1,400 buildings in the Scheme, which recognises good waste management and effective recycling.

We recognise the importance of encouraging our employees to learn, develop and fulfil their potential.

Corporate responsibility
continued

Waste recycled or used (per cent.)

Waste generated (tonnes per employee)



Energy usage (London only)

Our energy usage is one of the most significant impacts that our operations have on the environment. During 2009, we developed and improved our carbon management policy. Our ambition is to reach our target of reducing carbon output by 15 per cent. by 2012.

From January to October 2009 our head office was supplied with 100 per cent. 'renewable' electricity. We have procured a contract for the supply of electricity that is exempt from the climate change levy. This contract runs from 1 November 2009 to 31 October 2010.

In total, energy consumption for 2009 across our main London offices has decreased by nine per cent. This reduction primarily reflects the introduction of more energy efficient systems and advanced controls, and the consolidation of space and IT computer systems.

Energy (megawatt hours per employee)

CO_2 (tonnes per employee)

We use the National Grid Rolling Average, as recommended by the Department for Environment, Food and Rural Affairs, to calculate CO_2 equivalent emissions relating to the electricity element of our total energy consumption.

We continue to encourage our employees to use video conferencing as an alternative to business air travel and to reduce our CO_2 impact. In London we have seen a 38.6 per cent. reduction in distance travelled in 2009, compared to 2008. Actions taken to align our cost base to the more challenging market conditions will have contributed positively to this.

Water usage (London only)

We are also committed to the efficient use of water and encourage our employees to conserve water. Our consumption of piped water in London has reduced by 12.7 per cent. in 2009, primarily as a result of water efficiency initiatives introduced during the year.

Community

We encourage all employees to participate in the community and in civic and charitable causes. We believe that involvement is valuable to the community and the individual as it can assist personal development.

Charitable giving

Our charitable giving is focused on employee choice, with the Group 'matching' employee donations and sponsorship. In 2009, donations totalled £0.6 million (2008: £1.1 million), reflecting the impact of the challenging market conditions on our profitability. In 2009, we have not made any discretionary donations, preferring to focus our efforts on employee choice through matched payroll giving and other matched donation schemes.

A number of our offices operate payroll giving schemes, of which the UK scheme remains the largest, with 21 per cent. (2008: 19 per cent.) of employees participating. Charitable donations of £202,000 were made through this scheme and we again received the Payroll Giving Quality Mark Gold Award in 2009, which recognises that over 20 per cent. of employees donated money to charity via our payroll.

Volunteering

We also encourage employees to spend time working in the community. Employees globally are able to take up to 15 hours paid leave per year to provide volunteering services.

In London, we are a corporate sponsor of the Hackney Schools Mentoring Programme, established by the East London Business Alliance and Hackney Learning Partnerships. Our employees help to mentor 14 and 15 year old students in the London Borough of Hackney to increase students' self confidence, whilst allowing them to gain experience of the working environment and broaden their aspirations. Employees have also helped senior school children with literacy skills and worked with a homeless charity. Overseas, our employees also participate in volunteering schemes.

3 Governance

As one of the UK's largest asset managers, corporate governance is very important to us. We are committed to business integrity, high ethical values and professionalism across all our activities.

Directors' profiles

Chairman

1 Michael Miles, OBE (73)

Chairman

(Chairman of the Nominations Committee) was appointed as a non-executive Director and Chairman of the Board on 1 January 2003. From 1958 to 1999 he worked for the Swire Group, serving as chairman of the Swire Group in Hong Kong and of Cathay Pacific Airways from 1984 until 1988. He was an executive director of John Swire & Sons Limited from 1988 to 1999. He was chairman of Johnson Matthey plc from 1998 to 2006 and a non-executive director of BP plc from 1994 to 2006. He is chairman of BP Pension Trustees Limited and a non-executive director of GEMS III Limited and GEMS Oriental and General Fund II Limited. He was an advisor to the board of John Swire & Sons Limited from 1999 to December 2009. He became an advisor to the board of Alexander Proudfoot in February 2010.

Executive Directors

2 Michael Dobson (57)

Chief Executive

joined the Board of Schroders as a non-executive Director in April 2001, and became Chief Executive in November of that year. From 1973 to 2000 he worked for Morgan Grenfell and Deutsche Bank. He was chief executive of Morgan Grenfell Group from 1989 to 1996 and a member of the board of managing directors of Deutsche Bank AG from 1996 to 2000. He is chairman of the investment board of the Cambridge University Endowment Fund and a member of the advisory committee of the staff retirement plan of the International Monetary Fund.

3 Alan Brown (56)

Chief Investment Officer

joined Schroders in 2005 and was appointed to the Board in July of that year. Between 1974 and 1995 he worked for Morgan Grenfell, Posthorn Global Asset Management and PanAgora Asset Management before joining State Street Global Advisors becoming chief investment officer and vice chairman, and executive vice president of State Street Corporation. Amongst other external positions he is a trustee of the Carbon Disclosure Project, Chairman of the CFA Advisory Council for Market Integrity and a non-executive director of Pool Reinsurance Company Limited. In October 2009 he was appointed a non-executive director of the Investment Management Association.

4 Philip Mallinckrodt (47)

Head of Private Banking

was appointed a Director on 1 January 2009. His career commenced in 1985 with Credit Suisse First Boston. He joined Schroders in 1994 and from 2000 to 2002 worked for Citigroup Investment Banking. He rejoined Schroders in 2002 and was Head of Corporate Development until 2007.

5 Kevin Parry (48)

Chief Financial Officer

was appointed a non-executive Director on 1 January 2003. He became Chief Financial Officer on 1 January 2009. He qualified as a chartered accountant with KPMG in 1986 and became a partner at the firm's London office in 1994 and a managing partner in 1998. From 2000 to 2008 he was chief executive of Management Consulting Group plc. In June 2009 he was appointed as a non-executive director of Intermediate Capital Group PLC. He is deputy chairman of the Royal Wanstead Children's Foundation.

6 Massimo Tosato (55)

Executive Vice Chairman and Head of Distribution

joined Schroders in 1995, when he was responsible for Schroders' asset management activities in Italy and from 1999 to 2001 for the whole of continental Europe. He became Global Head of Retail in February 2001 and was appointed to the Board in August of that year. He became the Head of Distribution globally in September 2003. Between 1981 and 1992 he was a founding partner and chief executive officer of Cominvest SpA. From 1992 to 1995 he was a partner and managing director of Euromercantile SpA. He has been a member of the International Advisory Board of Columbia Business School since 1992. From 2002 to 2005 he was an independent director of Banca Nazionale del Lavoro. In March 2005 he became a trustee of the Parasol Unit Foundation for Contemporary Art, London and in June 2009 he became a non-executive director of the European Fund and Asset Management Association.

1 Michael Miles, OBE
2 Michael Dobson
3 Alan Brown
4 Philip Mallinckrodt
5 Kevin Parry
6 Massimo Tosato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Non-executive Directors

7 Andrew Beeson (65)

Independent non-executive Director

(Chairman of the Audit Committee and member of the Nominations and Remuneration Committees), was appointed a Director on 1 October 2004. He was the founder and chief executive of the Beeson Gregory Group and subsequently chairman of Evolution Group plc, following its merger with Beeson Gregory, before leaving in 2003. He founded the City Group for Smaller Companies in 1992 (now known as Quoted Company Alliance) and became its first chairman. Between 2001 and 2004 he was a director of IP Group Plc and is currently a non-executive director of QC Holdings Limited, Queen's Club Limited and Westhouse Holdings plc. He is chairman of Datawind UK plc and an adviser to Armstrong Bonham Carter.

8 Luc Bertrand (59)

Independent non-executive Director

(member of the Audit and Nominations Committees), was appointed a Director on 1 March 2006. He is chairman of the executive committee of the Belgian company, Ackermans & van Haaren N.V. which he joined in 1985. He was appointed managing director in 1990 and became chairman of the executive committee in 1996. He started his career as a corporate financier with Bankers Trust in 1974. Between 1976 and 1980 he held various posts, including positions in New York, London and Amsterdam. He is an Independent Director of ING Belgium and various other profit and not-for-profit companies. He is the chairman of the Belgian Institute for Corporate Governance (Guberna) and also on the advisory council of INSEAD Belgium.

9 Lord Howard of Penrith (64)

Independent non-executive Director

(member of the Remuneration and Nominations Committees), was appointed a Director on 20 November 2008. He is chairman of Tarchon Capital Management LLP, which manages portfolios of hedge funds for institutions and high net worth individuals. Before joining Tarchon in 1998, he was deputy to the chairman of Lehman in Europe having previously been responsible for fixed income, derivatives and prime brokerage in Europe. Before joining Lehman Brothers in 1985, he was the partner in charge at Phillips & Drew of International fixed income.

10 Sir Peter Job (68)

Senior Independent Director

(Chairman of the Remuneration Committee and member of the Nominations Committee), was appointed a Director on 5 November 1999 and was appointed Senior Independent Director in November 2003. From 1991 to 2001 he was chief executive of Reuters Group plc. He is a non-executive director of Royal Dutch Shell plc and Tibco Software Inc. He is also a member of the supervisory board of Deutsche Bank AG.

11 Merlyn Lowther (56)

Independent non-executive Director

(member of the Audit and Nominations Committees), was appointed a Director on 1 April 2004. She joined the Bank of England Economics Division in 1975 and held various senior management positions within the Bank including Personnel Director from 1996 to 1998 and Deputy Chief Cashier from 1991 to 1996. She was appointed Chief Cashier in 1999, a post she held until leaving the Bank in 2004. She is a trustee of Henry Smith's Charity and of the Winston Churchill Memorial Trust, and is a member of the advisory group to the chief executive of Frogmore Property Company Ltd.

12 Bruno Schroder (77)

Non-executive Director

(member of the Nominations Committee), was appointed a Director in 1963. From 1954 to 1955 he worked for Schroder Gebrüder (Bank) in Hamburg and he joined the Schroder Group in London in 1960 where he worked in the Commercial Banking and Corporate Finance divisions of J. Henry Schroder Wagg & Co Ltd, London. He is a director of a number of private limited companies.

7 Andrew Beeson
8 Luc Bertrand
9 Lord Howard of Penrith
10 Sir Peter Job
11 Merlyn Lowther
12 Bruno Schroder


7


9


11


8


10


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Directors' report

The information contained in the statement from the Chairman and the Chief Executive, the business review, the Directors' profiles, the corporate governance report and the Nominations and Audit Committees' reports, the risk management and internal control report and the Directors' responsibility statement, forms part of the Directors' report.

Principal activities and business review

Schroders plc is the parent company of an international asset management and private banking group. A review of the Group's business during 2009 and likely future developments is contained in the statement from the Chairman and the Chief Executive and in the business review.

Results and dividends

The profit for the year attributable to equity holders of the parent company was £95.4 million, compared to £76.7 million for 2008. The Directors have decided to pay a second interim dividend, in lieu of a final dividend, of 21.0p per share which will be paid on 29 March 2010 to shareholders on the register of members at the close of business on 12 March 2010. Dividends payable in respect of the year and their total value are set out below:

Ordinary shares and non-voting ordinary shares	2008 £m	**2009 £m**
First interim dividend 10.0p per share (2008: 10.0p)	27.3	27.5
Second interim dividend 21.0p per share (2008: nil pence)	–	58.2
Final dividend nil pence (2008: 21.0p)	57.6	–
Total dividend 31.0p per share (2008: 31.0p)	84.9	85.7

The Schroders plc Employee Benefits Trust and the Schroder US Holdings Inc. Grantor Trust have waived their rights to the dividends paid on both the ordinary and non-voting ordinary shares in respect of 2009. The Schroders plc Employee Benefits Trust has waived dividends due at any time in the future in respect of all the Trust's shares.

Investments and disposals

On 30 September 2009 Schroders took a 33 per cent. interest in a joint venture with Nippon Life in Singapore to create Nissay Schroders Asset Management Asia Limited. The joint venture had assets under management of £211 million at that date.

On 31 December 2009 Schroders took a 33 per cent. interest in a further joint venture with Nippon Life in the UK to create Nissay Schroders Asset Management Europe Limited. The joint venture manages Nippon Life's European equity assets with £480 million of assets under management at that date.

Directors

The names and biographical details of the current Directors of the Company are given in the Directors' profiles section of this report.

Robin Buchanan will join the Board as an independent non-executive Director with effect from 4 March 2010.

Under the Company's Articles of Association any Director appointed by the Board may only hold office until the next Annual General Meeting, when shareholders have the opportunity to vote on his election. Accordingly, Robin Buchanan will seek election in accordance with the Articles at the forthcoming Annual General Meeting. The Articles of Association also require each Director to retire from office not later than the third Annual General Meeting following his or her last election or re-election to the Board, and so Michael Miles and Merlyn Lowther will both retire from office in accordance with the Articles and offer themselves for re-election at the Annual General Meeting. In accordance with the Company's Corporate Governance Guidelines, which reflect the provisions of the 2008 Combined Code on Corporate Governance (the 'Combined Code'), Bruno Schroder, who has served as a Director for more than nine years, will retire from office at the forthcoming Annual General Meeting and will also offer himself for re-election.

After more than 10 years on the Board, Sir Peter Job will retire as a Director at the conclusion of the Annual General Meeting. Andrew Beeson will succeed Sir Peter as Senior Independent Director and Chairman of the Remuneration Committee.

Details of Directors' service contracts or terms of appointment are shown in the remuneration report. None of the Directors had an interest in any contract with the Company or any of its subsidiaries either during or at the end of the year.

Capital structure and voting rights

The Company's share capital is comprised of ordinary shares and non-voting ordinary shares of £1 each. As at 31 December 2009, 226,022,400 ordinary and 62,755,497 non-voting ordinary shares (including 600,000 non-voting ordinary shares held in treasury) were in issue, representing 78.27 per cent. and 21.73 per cent. respectively of the total issued share capital.

The non-voting ordinary share class was introduced in 1986 to permit the operation of an employee share option plan without diluting the voting rights of ordinary shareholders. Since then, non-voting ordinary shares have been used in connection with subsequent employee share and share option plans. The non-voting ordinary shares carry the same rights as ordinary shares except that they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares. During 2009, the Company issued 2,064,537 non-voting ordinary shares as a result of the exercise of awards under share and share options plans. Since the end of the year a further 20,000 non-voting ordinary shares have been issued.

The Directors have the authority to issue non-voting ordinary shares in relation to awards made under the Group's share and share option plans (as described in the remuneration report).

The Company does not intend that the issued share capital should increase over the medium term as a result of awards under the share and share option plans. The Company intends to repurchase an equivalent number of non-voting ordinary shares to neutralise any dilutive effect of issues of non-voting ordinary shares made as a result of those plans, as described in the notice of the 2010 Annual General Meeting.

At the last Annual General Meeting on 23 April 2009, shareholders renewed the Directors' general authority to issue non-voting ordinary shares up to an aggregate nominal amount of £5,000,000. Renewal of this authority will be sought at the 2010 Annual General Meeting.

Also at the last Annual General Meeting, shareholders gave approval for the Company to purchase up to 14,300,000 non-voting ordinary shares. During the financial year 600,000 non-voting ordinary shares were repurchased, representing 0.97 per cent. of the issued non-voting ordinary share capital. The aggregate amount of consideration paid for the shares was £5,854,563. Since the year end a further 450,000 non-voting ordinary shares of £1 each have been repurchased by the Company representing 0.16 per cent. of the total issued share capital. The aggregate amount of consideration paid for these shares was £4,385,072. All shares repurchased were placed in treasury. The shares are held in treasury in order to fulfil obligations in respect of the Group's share plans. As at the date of this report there were 62,775,497 non-voting ordinary shares in issue with a further 1,050,000 held in treasury. Renewal of this general authority will be sought at the 2010 Annual General Meeting.

Under the terms of the Schroders Share Incentive Plan ('SIP'), participating employees use their own funds to acquire shares in the Company – called Partnership Shares – and in return also receive awards of shares – called Matching Shares – up to £50 per month. To qualify for maximum tax benefits, Partnership Shares and Matching Shares must be left in the SIP for five years. Participants are free to withdraw their Partnership Shares at any time but if they do so within three years of the acquisition of the Partnership Shares they forfeit the corresponding Matching Shares, save in certain circumstances set out in the rules of the SIP. Participants are not normally entitled to withdraw the Matching Shares from the SIP within three years of the shares being awarded to them.

Under the terms of the Schroder plc Employee Benefits Trust the Trustee may vote or abstain from voting, or accept any offer relating to shares, in any way that it thinks fit. In so doing, it may take into account both financial and non-financial interests of the beneficiaries or their dependants.

Directors' report
continued

Directors' share interests
The interests of the Directors who were on the Board in 2009 in the securities of the Company at the year end, can be found in the remuneration report.

Employees
Details of the Company's employment practices (including the employment of disabled persons) can be found in the corporate responsibility section of the business review.

Change of control
The provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Charitable and political donations
The amount paid by Group companies to charitable organisations during 2009 was £568,688 (2008: £1,127,539). Further information on the Group's charitable activities can be found in the corporate responsibility section of the business review. No political donations or contributions were made or expenditure incurred by the Company or its subsidiaries during the year (2008: nil).

Substantial shareholdings
As at the date of this report, the Company has received notifications, in accordance with the FSA's Disclosure and Transparency Rule 5.1.2 R, of interests in three per cent. or more of the voting rights attaching to the Company's issued share capital, as set out in the table below.

Creditor payment policy
The Group's policy and practice in the UK is to agree the terms of payment with suppliers at the time of contract and to make payment in accordance with those terms subject to satisfactory performance. The Group does not follow any code or standard on payment practice. At 31 December 2009 the amount owed to the Group's trade creditors in the UK represented approximately 12.1 days' average purchases from suppliers (2008: 10.2 days).

Contractual arrangements
Contractual and other arrangements that are essential to the business are referred to in the business review.

Amendments to Articles of Association
Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by special resolution of the Company's shareholders.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review which also describes its financial and capital position. In addition, the financial statements include information on the Group's approach to managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks despite the current uncertain economic outlook.

Accordingly, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Voting rights attached to shares

Notifier	Class of shares	No. of shares Direct	No. of voting rights Direct	No. of voting rights Indirect	% of voting rights Direct	% of voting rights Indirect
Vincitas Limited*	Ordinary	–	–	60,951,886	–	26.97
Veritas Limited*	Ordinary	–	–	39,218,470	–	17.35
Flavida Limited#	Ordinary	–	–	60,951,886	–	26.97
Fervida Limited#	Ordinary	–	–	40,188,706	–	17.78
Harris Associates L.P.	Ordinary	8,603,500	8,603,500	–	3.81	–

* Vincitas Limited and Veritas Limited act as trustee of certain settlements made by members of the Schroder family.
# The interests of Flavida Limited and Fervida Limited include interests in voting rights in respect of all the shares in which Vincitas Limited and Veritas Limited are interested as trustees.

2010 Annual General Meeting

The Annual General Meeting will be held at 31 Gresham Street, London EC2V 7QA at 11.30 a.m. on Thursday, 6 May 2010. Resolutions will be proposed at the Annual General Meeting to reappoint PricewaterhouseCoopers LLP as auditors and to authorise the Directors to fix their remuneration. The notice of meeting also contains business in relation to the general authority for the Directors to allot non-voting ordinary shares or to grant rights to subscribe for, or convert securities into, non-voting ordinary shares; a general authority for the Company to purchase its own non-voting ordinary shares; changes to the Company's Articles of Association; and renewal of the authority for the Company to give 14 days' notice of general meetings (other than annual general meetings). Shareholders will also be asked to approve the establishment of a new Long Term Incentive Plan for Directors and other senior executives. The Board believes that each of the items of business are in the interests of shareholders and recommends them to shareholders for approval.

Details of the items of business to be dealt with at the Annual General Meeting can be found in the separate notice of meeting, which is also available on our website: www.schroders.com.

By Order of the Board

Graham Staples
Company Secretary

Schroders plc
31 Gresham Street
London EC2V 7QA
Registered number: 3909886

3 March 2010

Corporate governance report

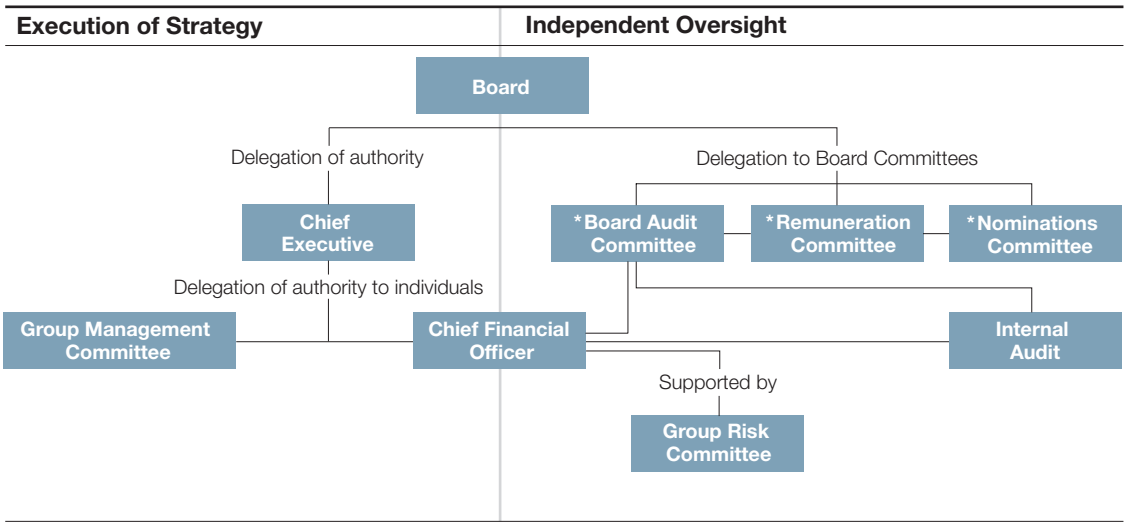
Corporate governance review 2009

This section explains our overall approach to corporate governance, how we have applied the principles of the Combined Code, the extent to which we have complied with the Code's provisions and an explanation of the one area where we have not complied. As one of the UK's largest asset managers, corporate governance is very important to us. We are committed to business integrity, high ethical values and professionalism in all our activities. The Board supports the highest standards of corporate governance.

Schroders Corporate Governance Guidelines form the basis for how the Board and its Committees operate, what is expected of Directors and how they discharge their duties. These Guidelines and the Group's other core governance documents, including the Schedule of Matters Reserved to the Board and the terms of reference of the principal Board Committees, are available on our website at www.schroders.com or from the Company Secretary.

Subject to the provisions of the Companies Act 2006 and the Company's Articles of Association, the Board is authorised to manage the business of the Company. The diagram below illustrates the Group's high level governance framework and how authority is delegated from the Board.

The Board has monitored closely the developments in corporate governance following the recent financial crisis. As an investor and as a listed company we support the general aims of the Walker Review to improve corporate governance in the UK.



*The Board Committees are composed entirely of non-executive Directors of Schroders plc

The role of the Board

The Board is accountable to shareholders for the creation and delivery of strong, sustainable financial performance and long-term shareholder value. The Board achieves this by its own decision making, delegating responsibility to Board Committees and authority to the Chief Executive. Certain matters can only be decided by the Board. These are contained in a Schedule of Matters Reserved to the Board and include consideration and approval of such matters as:

- The Group's strategy;
- Acquisitions and disposals;
- The Group's capital;
- Significant new business activities;
- The Annual Report and Accounts and other financial statements;
- The annual budget; and
- The issue and repurchase of the Company's shares.

The composition of the Board

Throughout 2009, there were 12 Directors. In addition to the Chairman, there were five executive Directors and six non-executive Directors, of whom five were considered by the Board to be independent. Philip Mallinckrodt joined the board on 1 January 2009 and Kevin Parry, who was already a member of the Board, became an executive Director on the same date. Biographical details of the Directors are set out in the Directors' profiles section of this report.

On 4 March 2010 Robin Buchanan will be appointed as an independent non-executive Director. Sir Peter Job will be retiring as a Director at the conclusion of the Annual General Meeting on 6 May 2010.

The Chairman is Michael Miles. He is responsible for leading the Board. His other responsibilities are to ensure the effectiveness of the Board, monitor and evaluate the performance of the Chief Executive and ensure there is appropriate dialogue with shareholders.

The Chief Executive is Michael Dobson. He is responsible for the executive management of the business of the Company and its subsidiaries. This includes recommending the Group's strategy to the Board.

The Chairman and Chief Executive each have a written job description setting out their respective responsibilities. Michael Miles' job description was reviewed and updated in 2007. Michael Dobson's job description was reviewed and updated in 2008.

The Senior Independent Director is Sir Peter Job. He is available to shareholders if they have concerns which have not or cannot be resolved through discussion with the Chairman or the executive Directors. Sir Peter also chairs meetings of the non-executive Directors at which the performance of the Chairman is reviewed. Andrew Beeson will succeed Sir Peter as Senior Independent Director when Sir Peter retires in May 2010.

The non-executive Directors considered by the Board to be independent are Andrew Beeson, Luc Bertrand, Sir Peter Job, Merlyn Lowther and Lord Howard. Sir Peter ceased to be independent under the Combined Code at the 2009 Annual General Meeting, having served for more than nine years since his first election to the Board. The Board however considers that Sir Peter continues to be independent in character and judgement, notwithstanding his long service as a Director, and that he makes a significant contribution to the Board's effectiveness. The Board also considers that Sir Peter continues to be well qualified for the role of Senior Independent Director. Bruno Schroder does not meet the test of independence in the Combined Code. The Board considers that he brings valuable experience to Board deliberations and that at all times he acts in the best interests of the Company.

President George W. Mallinckrodt, KBE, retired as a Director of the Company on 31 December 2008. The Board is delighted that he continues as President of the Company following his retirement.

Time commitment Although non-executive Directors are not required to commit a specific number of days, they are expected to commit sufficient time in order for them to discharge their duties appropriately. The Board is satisfied that the Chairman and each of the non-executive Directors committed sufficient time during 2009 to the fulfilment of their duties as Directors of the Company.

External non-executive directorships The Board believes in the benefit of executive Directors and other employees accepting non-executive directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. The Board has adopted a policy on external appointments which is designed to ensure that employees remain able to discharge their responsibilities to the Group. Under the policy, executive Directors should normally not take on more than one non-executive directorship of a major company or any chairmanship of such a company. Directors and employees are usually permitted to retain any fees paid in respect of such appointments.

To avoid potential conflicts of interest, non-executive Directors inform the Chairman before taking up any external appointments.

Board meetings The Board held five meetings during 2009, including a two-day meeting at which the Group's strategy was reviewed. The Board has an 18-month rolling plan of items for discussion, agreed

between the Chairman and the Chief Executive. This plan is reviewed and adapted regularly to ensure that all of the Matters Reserved to the Board, as well as other key issues, are discussed at the appropriate time. At each Board meeting in 2009 the Chief Executive provided a review of the business and how it was performing and the Chief Financial Officer provided a detailed review of the Group's financial position. The range of subjects discussed by the Board included:

- The strategic development of the Group, including its people strategy;
- The Group's financial results;
- The budget for 2010;
- The Group's capital;
- The key risks facing the Group;
- Our businesses in Asia, continental Europe and the Americas;
- Our key business areas including Equities, Fixed Income, Distribution, Alternatives and Private Banking;
- The Group's corporate responsibility and charitable giving policies;
- Corporate development; and
- Regulatory and governance matters.

Attendance at Board meetings is set out in the table below:

	Maximum possible attendance	Meetings attended
Michael Miles	5	5
Andrew Beeson	5	5
Luc Bertrand	5	5
Alan Brown	5	5
Michael Dobson	5	5
Lord Howard	5	5
Sir Peter Job	5	4
Merlyn Lowther	5	5
Philip Mallinckrodt	5	5
Kevin Parry	5	5
Bruno Schroder	5	5
Massimo Tosato	5	5

Information provided to the Board Before each Board meeting Directors received comprehensive papers and reports on the issues to be discussed. Senior executives below Board level also attended meetings to make presentations on their areas of responsibility. This and other meetings gave the non-executive Directors the opportunity to have direct access to a broader group of executives. In addition to Board papers, Directors were provided with relevant information between meetings. This included information on management changes, analysts' commentaries on the Company, information on the competitive environment and the asset management industry generally, and copies of the minutes of Group Management Committee meetings.

In order to keep the Board informed of wider developments within the business and on general issues affecting their role as Directors, specific briefing sessions were also held. These were open to all Directors. The Board held two briefing sessions in 2009 covering structured investments, liability driven investments, multi-assets, and multi-manager businesses, and fraud risk and prevention. We shall be continuing with these briefings in 2010.

Induction All new non-executive Directors undertake an induction programme to introduce them to the Group's business, operations and governance arrangements. The induction programme includes meetings with senior management, visits to offices, presentations on key business areas and relevant documentation.

Support to the Board The Board Secretary is responsible for advising and supporting the Chairman and the Board on corporate governance matters. Directors have access through the Board Secretary to independent professional advice at the Company's expense.

Insurance and indemnities The Company maintains appropriate Directors' and Officers' liability insurance.

At the 2007 Annual General Meeting, shareholders authorised the Company to provide indemnities to Directors in certain circumstances and to fund Directors' defence costs. The Company has subsequently granted specific deeds of indemnity to each of the Directors including Directors appointed since the 2007 Annual General Meeting.

Conflicts of interest The Board approved a policy on conflicts of interest in 2009, in light of changes to the law resulting from the implementation of the Companies Act 2006, under which Directors are required to disclose all actual and potential conflicts. The Board reviewed and approved these for each Director as disclosed by them. The Board may impose restrictions if these are deemed necessary. A register of conflicts is maintained and all actual and potential conflicts are reviewed annually.

Chairman's Committee Meetings of the Chairman and non-executive Directors, usually without all of the executive Directors present, are held prior to most scheduled Board meetings. Four such meetings were held in 2009 and matters discussed included the evaluation of the Board, the performance of the Chairman and the Chief Executive, investment performance and remuneration issues. The Chief Executive attended three meetings at the invitation of the Chairman.

Delegated authorities The Board has a formal schedule of matters reserved to it, subject to which authority to manage the business is delegated to the Chief Executive. He in turn delegates authority to the senior executive team which meets as the Group Management Committee. This is chaired by the Chief Executive and generally meets twice each month to oversee the management of the Group's business.

The current members and their areas of responsibility are set out below:

Michael Dobson	Chief Executive
Geoff Blanning	Head of Emerging Market Debt and Commodities
Alan Brown	Chief Investment Officer
Karl Dasher	Head of Fixed Income
Jamie Dorrien Smith	Head of Americas
Lester Gray	Head of Asia Pacific
Ken Lambden	Head of Equities
Philip Mallinckrodt	Head of Private Banking
Kevin Parry	Chief Financial Officer
Markus Ruetimann	Chief Operating Officer
Massimo Tosato	Executive Vice Chairman and Head of Distribution
John Troiano	Head of Global Institutional Business
Howard Trust	General Counsel

The Board delegates certain of its responsibilities to its Remuneration Committee, Nominations Committee and Audit Committee. Reports on the Committees' activities during the year, together with summaries of the terms of reference of these Committees, are set out in the subsequent sections of this corporate governance report. The Chairmen of the Audit, Remuneration and Nominations Committees reported to the Board on the matters considered, and any significant issues that had arisen, at the next Board meeting after the Committees had met. Directors receive copies of the minutes of Committee meetings.

Board effectiveness

Evaluation The Board, led by the Chairman, reviewed the effectiveness of the Board and the principal Board Committees. The Board considered alternative evaluation methods and agreed that internal evaluation, using a Schroders specific questionnaire complemented by interviews between the Chairman and individual Directors where required, was appropriate. The performance of the Board Committees and individual Directors was considered as part of this evaluation process. The responses to the questionnaires were analysed and discussed with the Chairman. A report was prepared on the findings of the evaluation process and this was considered by the whole Board at its meeting in March 2010.

The performance of the Chief Executive was considered by the Chairman's Committee against his agreed objectives for the year. The outcome was discussed by the Chairman with the Chief Executive.

A meeting of the non-executive Directors, led by Sir Peter Job in his role as Senior Independent Director, also assessed the performance of the Chairman with input from the whole Board. Sir Peter discussed the outcome of this review with the Chairman.

Shareholder relations

Ongoing communication across the Company's shareholder base, including institutional investors and private and employee shareholders, is achieved mainly through the publication of the annual report and interim management statements, the announcement of significant developments affecting the Group and the Annual General Meeting. Corporate and investor information, including webcasts of the presentations of the interim and final results made by the Chief Executive and Chief Financial Officer, can be found at www.schroders.com.

The Board as a whole is responsible for ensuring that dialogue with shareholders takes place. During the year the Chief Executive, the Chief Financial Officer and other senior executives conducted a series of meetings with, and presentations to, institutional investors, analysts and prospective shareholders to review the Group's strategy and to discuss corporate governance matters. Over 100 such meetings were held in 2009. The Chairman is also available to meet institutional shareholders, as is the Senior Independent Director. Feedback from shareholders is provided to the Board by the Chairman, the Chief Executive and the Chief Financial Officer.

The Annual General Meeting provides shareholders with an opportunity to question the Chairman and other Directors, including the Chairmen of the Remuneration and Audit Committees. The Chief Executive provided shareholders at the meeting in April 2009 with a review of the Group's business in 2008 and an update on our results for the first quarter of 2009.

The Annual Report and Accounts and the notice of meeting are sent to shareholders at least 20 working days prior to the date of the Annual General Meeting.

Compliance with code provisions

The Company complied with all of the provisions of section 1 of the Combined Code throughout the year except for one. Less than half of the Board (excluding the Chairman) comprised independent non-executive Directors. Bruno Schroder is a representative of the principal shareholder group and the Board considers that it is appropriate for this group to be represented on the Board and Sir Peter is considered by the Board to be independent as described above.

Michael Miles
Chairman

3 March 2010

Remuneration report

Remuneration Committee Chairman's statement

We report to you this year on remuneration decisions reflecting a good performance by the Group. We achieved strong investment performance for clients and record net new business inflows.

We report on key actions we are taking to tighten the link between remuneration and Group strategy. An important change for which we seek your support at the 2010 Annual General Meeting is a Long Term Incentive Plan for executive Directors and other senior employees who are critical in developing long term shareholder value. The payout under this Plan is conditional on performance in the key areas of net new business and earnings per share return compared with a composite index.

We further report on other significant changes designed to bring us more closely in line with the latest stipulations and recommendations of regulators and shareholder groups. Although our level of compliance has been considered acceptable in the past we believe that we must push forward in this area at a time of increasing external scrutiny.

Finally, we have responded to the call for more detailed explanation of the rationale behind bonus allocation. In doing so, we draw on the results of our work over recent years, made in close co-operation with the management team, to introduce a consistent framework of targeting and assessment.

I am retiring from the Board at the forthcoming Annual General Meeting after ten years, including six years as Remuneration Committee Chairman. I would like to thank shareholders for their approval of our Committee reports thus far and express the hope that the changes we are laying before you now and in future will continue to attract your support.

Sir Peter Job
Chairman, Remuneration Committee

3 March 2010

In this report we detail the role of the Remuneration Committee, its responsibilities, membership and the matters considered during the year. It describes the overall remuneration policy of the Schroders Group and gives details of the compensation arrangements in place for Directors for the year ended 31 December 2009. It has been prepared in accordance with the Companies Act 2006 and the Combined Code.

Composition of the Committee

The current members of the Committee are:

Sir Peter Job (Chairman)
Andrew Beeson
Lord Howard of Penrith

There were no changes to the Committee membership during the year. Luc Bertrand will join the Committee and Andrew Beeson will become Chairman of the Committee at the end of the 2010 Annual General Meeting when Sir Peter Job retires from the Board.

Attendance

The Committee met five times in 2009 and there was full attendance at all meetings by members.

Other non-executive Directors, as well as the Chief Executive and Chief Financial Officer, attend Committee meetings by invitation. They were not involved in decisions relating to their own remuneration.

Senior Human Resources executives attended the meetings as remuneration specialists and to advise on market practice.

The Chief Financial Officer advised on matters connected to the Company's financial performance.

The Chief Risk Officer attended one meeting during the year to report on risk matters.

Advisers

PricewaterhouseCoopers
PricewaterhouseCoopers provided advice to the Committee and to management on deferred award plans.

PricewaterhouseCoopers are the Group's external auditors.

The provision of non-audit services by PricewaterhouseCoopers is subject to scrutiny by the Audit Committee and any service that might lead to a conflict of interest must be approved.

McLagan
McLagan provided the Committee with information on market positioning and current market conditions.

Hewitt New Bridge Street
Hewitt New Bridge Street provided information on share option valuations and shareholding targets.

All of the above were appointed by the Committee.

Responsibilities of the Committee

The Committee's role is to review and approve the remuneration strategy and policies for the Group including a responsible approach to the Group's annual compensation review. The Remuneration Committee's terms of reference include responsibility for setting the over-arching principles and remuneration policy on a Group-wide basis, and this approach has been followed by Schroders for a number of years. It also determines the remuneration of the executive Directors, and monitors the level and structure of remuneration for senior management.

The responsibilities of the Committee are to:

- Review and approve, on an annual basis, the remuneration strategy for the Group, as recommended by the Chief Executive;
- Review and approve the remuneration approach for use in the Group's annual compensation review;
- Fix the remuneration of each of the executive Board members;
- Review and recommend to the Board the design and operation of the long term incentive plans and share option schemes, including any performance-related pay for executives;
- Monitor the level and structure of remuneration for senior management;
- Review and recommend to the Board the remuneration of the Chairman, the Board Secretary and, from 1 January 2010, the Chief Risk Officer;
- Review and approve, employee remuneration packages which are of a value greater than, or guaranteed for a duration longer than, the levels set by the Board;
- Approve contractual termination arrangements and exit packages for executive Board members on an individual basis;
- Approve the appointment (and rotation) of external compensation advisers to the Committee;
- Provide an annual report to the Board of the Group's remuneration policy;
- Conduct an annual review of the Committee's performance, periodically reviewing the adequacy of its Terms of Reference and recommending to the Board any changes; and
- Undertake appropriate discussions as necessary with institutional investors and the FSA on policy or other aspects of remuneration.

A member of the Audit Committee serves on the Remuneration Committee in order that any risks associated with setting remuneration and any circumstances that could materially increase the exposures to risk faced by the Group can be reported back to the Audit Committee.

The Committee reviewed its terms of reference, which are aligned to the Combined Code, having regard to regulatory guidance during the year from the FSA, major investor representative groups and best practice in the market. The terms of reference confirm that the Committee has oversight of remuneration policy and outcomes in respect of the senior management of the Company. The full terms of reference of the Committee are available at www.schroders.com or from the Company Secretary.

The annual evaluation of the Committee's effectiveness, required under the Combined Code, was undertaken as part of the overall board evaluation process in February 2010. The specific findings relating to the Remuneration Committee were discussed with the Committee Chairman.

Report on the Committee's activities in 2009

During 2009 we undertook a review of our remuneration practices with three objectives; to better align remuneration policy with Group strategy; to take into account emerging regulatory guidance; and to meet institutional guidelines.

The Group's value proposition is based on competitive and sustainable investment performance, translated into a broad product range that meets the investment needs of clients, and efficiently leverages our global distribution capability. Performance across this value chain is reflected in our annual bonus scheme.

We believe that success in these areas converts into growth in net new business and earnings per share. We are therefore proposing to introduce a share based Long Term Incentive Plan ('LTIP'), for which shareholder approval is required, in order to incentivise key employees in relation to further growth in earnings per share and net new business over four year measurement periods.

The Plan is designed to help us in the process of targeting and linking awards to longer term performance. The proposed LTIP provides executive Directors with potential remuneration upside but also downside risk through the exchange of part of their deferred bonus for a performance linked LTIP award.

50 per cent. of the cost of the overall LTIP award will be included within our revised compensation KPI, the level of bonus to pre-bonus profit before tax and exceptional items (the profit share ratio), as approved by the Board and to be reported to shareholders every year. This measure replaces the previous compensation to operating revenue ratio. The change in the ratio increases focus on the control of all costs. Further information on the proposed LTIP is included in the circular that contains the notice of Annual General Meeting.

During the year the Committee also reviewed our remuneration policies taking account of FSA recommended best practice and the following changes have been effected:

2009	2010
Bonus pool based upon compensation to revenue ratio	Bonus pool based on a bonus to pre-bonus profit before tax ratio
Bonus deferral for senior officers 50 per cent.	No change
Bonus deferral three years minimum with leaver forfeiture	No change
Deferred bonus in Company shares/funds	No change
No Long Term Incentive Plan	Long Term Incentive Plan pending shareholder approval
Limited risk review in setting bonus pool	Risk review including reports from the Chief Executive and Chief Risk Officer

The Committee also considered:

- 2008 and 2009 annual compensation reviews;
- The compensation review process;
- The 2009 bonus pool for discretionary bonus awards;
- Objectives for the Chief Executive;
- Feedback from Institutional Investors;
- Tax treatment of prior year ECP awards and tax treatment of future deferred awards; and
- Bonus payroll tax.

Remuneration policy and 2009 performance

In seeking to attract and retain talented staff, Group policy is to offer relatively modest salaries in comparison to other FTSE 100 companies. These are infrequently adjusted and were not increased for executive Directors in 2009. In addition, we offer non-pensionable variable rewards which can be high in years of good performance. These are delivered in the form of an annual bonus paid out of a pool agreed each year by the Board. There is a significant degree of three-year deferral into Schroders' shares and funds. It is now further proposed, as referred to above, to extend this concept by introducing long term performance-linked share awards.

Our 2009 results were affected by the financial crisis, with a corresponding impact on the 2009 bonus pool, which was calculated as a percentage of compensation to revenue. The Board took the view that 2009 was nevertheless a good year for Schroders, since timely measures were taken to cut costs and grow the business at the same time. The Board therefore decided to limit the reduction in the bonus pool to 8.7 per cent. (on a currency-adjusted basis) by raising the compensation to operating revenue ratio from 45 per cent. in 2008 to 49 per cent. in 2009. Since good performance during the year in generating net new business will favourably impact results in the following year, the Remuneration Committee expects the percentage of compensation to revenue to go down in 2010. The bonus charge will for the first time in 2010, be defined as a percentage of pre-bonus profit before tax and exceptional items, instead of a percentage of operating revenue. The transition is being implemented so that the sum of the bonus pool is neither increased nor decreased directly as a result of the change. Comparability with previous years will be maintained.

Directors' bonuses are not subject to individual caps. The overall bonus pool is capped each year by the Board, as described above, and Directors' bonuses are framed proportionately. Bonus payments to executive Directors were based on targets set in advance, covering individual and team responsibilities. These were to a large extent achieved and in many cases exceeded. The targets covered both personal performance and the principal drivers of the business, notably superior investment performance converted by good marketing and sales into a net increase in assets under management and a positive pre-exceptionals profit before tax performance against budget. 72 per cent. of funds outperformed benchmark or peer group over the twelve months to 31 December 2009. Net new business was at record levels as detailed in the business review and compared favourably with what we know of competitor performance. Profit before tax and exceptional items was ahead of budget by 30 per cent.

Other targets included performance of Private Banking, which made tangible progress but still suffered more than the rest of the business from the financial crisis. Objectives agreed by the Board for the Chief Executive included cost control (£57 million was cut on an annualised basis before the adverse effect of £45 million due to currency fluctuations) and the retention of talent needed to sustain our performance, in terms of investment

performance and net inflows. The Committee was pleased to note that our retention level was satisfactory. Management of the Company's own investment portfolio was also considered in assessing performance of the Chief Financial Officer and other executive Directors.

Despite exceptional income statement losses within revenue of £39.1 million, the Committee noted that the basic factors driving the main losses had been taken into account in the 2008 bonus round, and the underlying exceptional profit relating to 2009 was £19.1 million. Personal performance evaluation of the Chief Executive was conducted by the Chairman, after consultation with non-executive Directors, and the Chairman summarised his conclusions to the Committee. Evaluation of the other executive Directors was conducted by the Chief Executive, who reported to the Committee. The Committee received a report from the Chief Risk Officer to confirm that there were no known material outstanding threats to the business. The Committee received a year end report from the Chief Executive on the underlying business. The Committee also received an update on bonus levels amongst competitors.

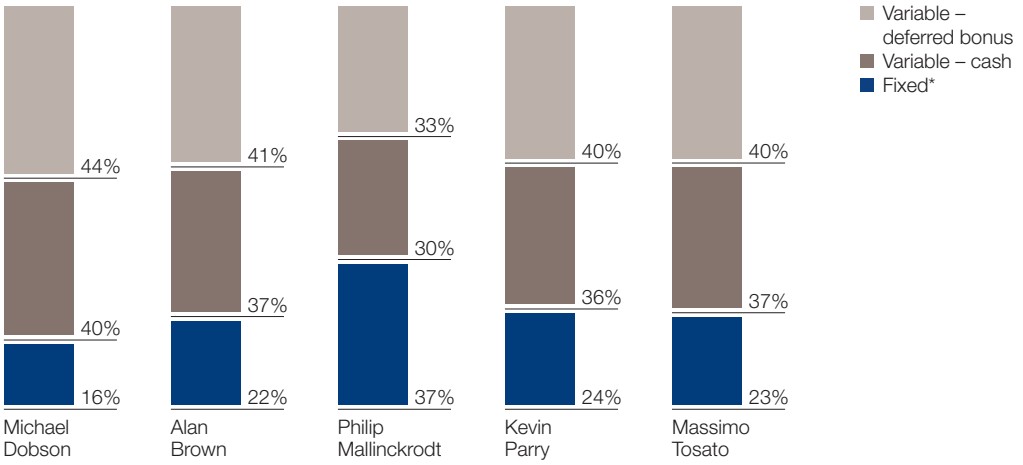
After consideration of these reports, the Committee decided on bonus payments as follows:

- The Chief Executive's bonus declined by 11.1 per cent. compared to the previous year. The bonuses of other executive Directors also declined.
- Bonuses for executive Directors were subject to 50 per cent. deferral for three years in Company shares and funds, so that Directors risk forfeiture if they leave prematurely, and share in falls in the Company's share price over at least three years. See details of the Equity Compensation Plan 2000 set out below.
- The Committee approved the Chief Risk Officer's bonus directly.
- Bonuses for other staff were decided by the Chief Executive taking into account individual performance against objectives, the performance of the area or function of the business in which the individual worked and the levels of reward for comparable roles in the external market. The Committee had oversight of the amounts paid to senior staff, as well as the mechanisms used to determine their levels and the proportionate amount of deferral required. It had regular opportunities to discuss these matters with management.

The general policy is to avoid guaranteed bonuses. None of the executive Directors has such a guarantee. There are, however, times when guaranteed bonuses form part of the initial package necessary to recruit senior employees.

It remains the Committee's practice and intention to grant share options sparingly, principally to assist in recruitment where necessary.

The balance between the fixed and variable elements of the total compensation package for each of the executive Directors was as follows:



* Fixed includes base salary, other cash payments, benefits-in-kind (each as disclosed in the Directors' emoluments table) and pension entitlements.

The Group provides its compensation in the following form:

Base salary (fixed)	For executive Directors, base salaries are adjusted infrequently. The salary of the Chief Executive is £400,000 per annum and the salaries of the other executive Directors are set at £300,000. Base salary is the only element of remuneration that is pensionable. The level of contribution into the UK pension scheme is subject to a notional earnings cap (see notes to the accounts – Retirement benefit obligations).
Benefits	Executive Directors can participate in the Group's flexible benefits plan on the same basis as other UK employees. Two executive Directors received a taxable cash allowance in lieu of pension benefits.
Share Incentive Plan	The Share Incentive Plan that was introduced in 2006 for all UK-based employees broadens the number of employee shareholders. 68.8 per cent. of UK employees including Michael Dobson, Alan Brown, Kevin Parry and Massimo Tosato participated in the Plan as at 31 December 2009.
Equity Compensation Plan 2000 (variable)	Key employees receive part of their discretionary bonus in the form of deferred awards under the Equity Compensation Plan ('ECP') on terms designed to align their interests with those of shareholders and to retain their services. These awards do not give rise to any immediate entitlement but may be exercised in full from the third anniversary of the grant date provided that the participant continues to be employed by the Group. The following forfeiture provisions apply if a participant resigns before the three years have elapsed:

Completed years of service from date of award:	Less than 1	1≥ and <2	≥ 2 and <3
Percentage of award forfeited:	100%	66.7%	33.3%

In general the first £50,000 of any deferred award is provided in share awards and any balance, subject to a minimum fund award of £10,000, is delivered equally in share awards and fund awards. The level of fund awards may vary in certain locations where local practice or legal restrictions restrict or preclude the use of fund awards.

ECP awards are not subject to further performance conditions as they are considered as already having been earned by reference to performance.

ECP Share awards	Share awards can be granted over either ordinary (used wherever possible) or non-voting ordinary shares in the Company and are normally structured as rights to acquire shares at nil cost. At the third anniversary of the date of grant the award is increased by 20 per cent. If the employee chooses to leave the award within the ECP until the fifth anniversary, the award is increased by a further 11.1 per cent. Dividends are accrued in respect of share awards after the fifth anniversary ending with the date on which awards are exercised. No dividends are paid in respect of share awards prior to the fifth anniversary, but awards left in the ECP thereafter are adjusted to reflect dividends paid after the fifth anniversary. Since these increases are not performance-linked, the Committee has decided not to include those increases, when the present plan is proposed for renewal next year, and instead to adjust awards to reflect dividends paid. Share awards not previously exercised are deemed to have been exercised on the tenth anniversary of their date of grant. During 2009 the rules of the ECP were amended to allow participants to elect to accelerate the exercise of any share awards which had not reached the fifth anniversary of the date of grant and to receive on exercise ordinary or non-voting ordinary shares subject to restrictions ('restricted shares').

ECP Share awards (continued)

The restrictions on the restricted shares mirror the restrictions on the original share awards, including the forfeiture provisions, and therefore shareholder approval was not required. In February 2010 the rules were further amended to allow new awards to be granted over restricted shares.

ECP Fund awards

Fund awards are notional investments in a range of Schroders' investment funds and can be granted by the Committee as an alternative to share awards. These fund awards are re-valued in line with the performance of the relevant fund and are paid out in cash upon exercise.

Fund awards not previously exercised are deemed to have been exercised on the fifth anniversary of their date of grant.

The rules of the ECP were also amended in February 2010 to allow participants to elect to accelerate the exercise of any fund awards which had not reached the third anniversary of the date of grant and to receive on exercise units in funds which are subject to restrictions ('restricted fund units') and to allow new awards to be granted over restricted shares. The restrictions on the restricted fund units mirror the restrictions on the original fund awards, including the forfeiture provisions.

Equity Incentive Plan 2008 (variable)

The Equity Incentive Plan provides awards over shares, restricted for five years. If a participant resigns before the five years have elapsed forfeiture provisions will apply. Its purpose is to increase the shareholdings of key employees below senior management, for whom the LTIP will apply. 699,738 shares were awarded in 2009.

The following forfeiture provisions apply if a participant resigns before the five years have elapsed:

Completed years of service from date of award:	Less than 3	3≥ and <4	≥ 4 and <5
Percentage of award forfeited:	100%	66.7%	33.3%

Share Option Plan 2000 (variable)

Under the Share Option Plan 2000, the Company grants market value share options over non-voting ordinary shares. Options usually become exercisable if the option holder remains with the Group for at least three years. For executive Directors, in line with market practice, options usually become exercisable if the performance target has been met at the third anniversary, being the Company's earnings per share growth which must be at least four per cent. per annum above the increase in the Retail Price Index over a three-year period. There is no retesting if the performance target is not met after three years. Share options granted to other employees have no performance conditions.

Proposed Long-Term Incentive Plan (variable)

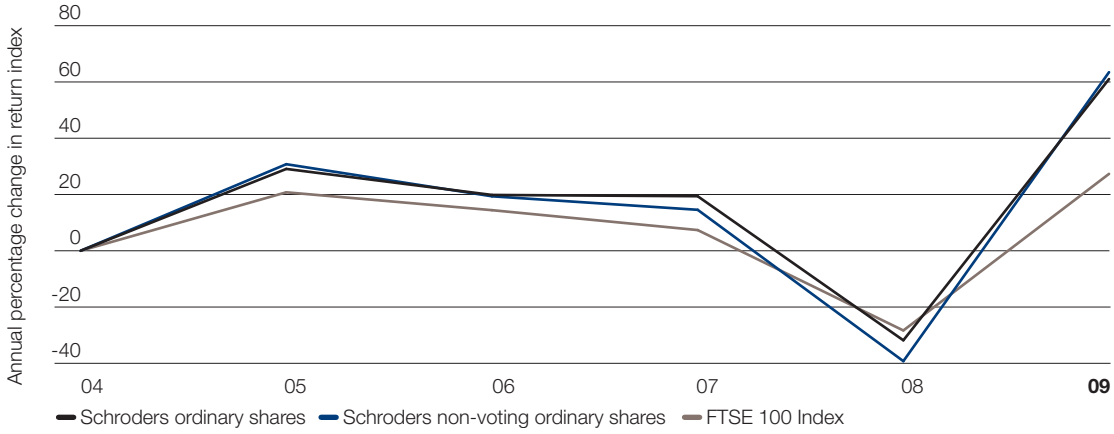
We are proposing to introduce a share based LTIP in order to incentivise key employees in relation to further growth in earnings per share and net new business over four year periods. This proposed plan requires shareholder approval which will be sought at our Annual General Meeting in May. The Plan takes into account the views of our major shareholders.

The Plan is designed to help us in the process of targeting and linking executive rewards to longer term performance. The Plan has stretching performance criteria. The overall cost of remuneration will only increase once the Plan reaches the 50 per cent. payout level. Executive Directors will have downside risk as their bonuses will be reduced by 25 per cent. of the initial maximum value of any awards granted to them. Full details are provided in the circular that contains the notice of Annual General Meeting.

Performance graph

The following performance graph shows the Company's total shareholder return performance, comprising share price movements plus the value of dividends reinvested, compared to the FTSE 100 Index. This index was chosen by the Committee because it is the principal index in which the Company's shares were quoted during the period.

The graph shows the annual percentage change in the value over each financial year of an initial amount invested in Schroders plc on 31 December 2004 to 31 December 2009 compared with the same initial amount invested in each of the companies making up the FTSE 100 Index.



Remuneration report
continued

Personal shareholding policy

In order to align the interests of the most senior employees with those of shareholders, the executive Directors and the other members of the Group Management Committee are required, over time, to acquire and retain a target holding of Schroders shares or rights to shares, equivalent to 300 per cent. of annual base salary. Rights to shares include the after tax value of share awards granted subject to the rules of the Equity Compensation Plan.

For each executive Director (other than Kevin Parry who became an executive Director on 1 January 2009) as at 31 December 2009, based upon the share prices at close of business on that date, this target had been achieved.

Service contracts

The Committee's general policy is that each executive Director should have a rolling contract of employment with mutual notice periods of six months. When recruiting executive Directors, the Committee's policy is that contracts should not contain any provision for compensation upon early termination and that the parties should rely on employment rights conferred by law. In the event that compensation for early termination is payable, the Committee's policy is to seek to keep such compensation to an appropriate level.

The following table provides details of service contracts of the executive Directors who served during 2009:

	Date of contract(s)	Nature of contract	Notice period from Company	Notice period from Director
Executive Directors				
Michael Dobson[1]	19 October 2001	Rolling	12 months	6 months
Alan Brown	17 May 2005	Rolling	6 months	6 months
Philip Mallinckrodt[2]	4 February 2002	Rolling	6 months	6 months
Kevin Parry[3]	17 December 2008	Rolling	6 months	6 months
Massimo Tosato[4]	27 July 2001 and 1 August 2001	Rolling	6 months	6 months

Notes

1 If Michael Dobson's employment is terminated by the Company without cause he would be entitled to receive the equivalent of one year's compensation, calculated as the annual average of the aggregate of base salary, discretionary cash bonus and awards under the Equity Compensation Plan received in the preceding three years.

2 Philip Mallinckrodt's contract originally related to his employment prior to joining the Board of Directors on 1 January 2009. His notice period was increased from three months to six months on 24 February 2010.

3 Kevin Parry previously had a contract dated 16 December 2002 related to his appointment as a non-executive Director prior to becoming an employee and executive Director on 1 January 2009.

4 Massimo Tosato's contract dated 27 July 2001 relates to his UK duties and his contract dated 1 August 2001 relates to his international duties. Under these contracts he would be entitled to 12 months' compensation (calculated as base salary, discretionary cash bonus and any award under the Equity Compensation Plan for the previous year) upon early retirement.

Executive Directors' non-executive directorships

The Board may permit executive Directors to take on non-executive directorships in other organisations, in order to widen their skills and knowledge for the benefit of the Company, provided that it is satisfied that such an appointment would not be to the detriment of their responsibilities to the Company or represent a conflict of interest. It is the Group's policy to allow executive Directors to retain any fees earned from such appointments. Alan Brown receives £26,625 per annum from Pool Reinsurance Company Limited. Kevin Parry receives £45,000 per annum from Intermediate Capital Group PLC.

Non-executive Directors

Non-executive Directors' appointments are subject to the re-election requirements of the Company's Articles of Association and are without a fixed term. Both non-executive Directors and the Company are required to give reasonable notice to terminate their appointment. There are no contractual provisions for non-executive Directors to receive compensation upon termination.

The following table provides the dates of the current appointment letters of the non-executive Directors who served during 2009:

	Date of letter of appointment
Michael Miles	17 December 2002
Andrew Beeson	1 October 2004
Luc Bertrand*	20 February 2006
Lord Howard*	20 November 2008
Sir Peter Job	23 December 2002
Merlyn Lowther*	4 March 2004
Bruno Schroder	24 December 2002

* Directors with a mutual notice period of six months.

Fees for the Chairman and other non-executive Directors are determined by the Board based on market information supplied by Hewitt New Bridge Street. Non-executive Directors do not participate in decisions concerning their individual fees. Fees are usually reviewed bi-annually. They have remained the same since July 2008 and will be reviewed during 2010.

The fees payable are as follows:

Non-executive Directors' fees	Current £
Board chairman	250,000
Board member	55,000
Audit Committee member	12,500
Audit Committee chairman*	20,000
Nominations Committee member	Nil
Nominations Committee chairman	Nil
Remuneration Committee member	12,500
Remuneration Committee chairman*	15,000

* In addition to the Committee membership fee.

The Senior Independent Director receives no additional fee for services as the Senior Independent Director.

Awards from the Group's incentive and pension plans are not made to non-executive Directors.

Letters of appointment and service contracts are available for shareholders to view at the Company's registered office on business days between the hours of 9am and 5pm and at the Annual General Meeting.

Directors' remuneration in 2009

Directors' emoluments (audited information)

The emoluments (not including any pension entitlements, rights to shares and rights to fund awards) of the Directors of the Company in respect of the period for which they were in office in the relevant year, including their remuneration in respect of subsidiary undertakings, comprised:

	Salary and fees £'000	Other cash payments[1] £'000	Benefits-in-kind[2] £'000	Annual cash bonus £'000	2009 Total £'000	2008 Total £'000
Executive Directors						
Michael Dobson (Chief Executive)	400	59	8	1,200	1,667	1,816
Alan Brown	300	33	4	550	887	934
Philip Mallinckrodt	300	10	2	300	612	–
Kevin Parry[3]	300	–	3	500	803	90
Massimo Tosato	300	11	35	900	1,246	1,414
Former executive Director						
Jonathan Asquith[4]	–	–	–	–	–	126
Non-executive Directors						
Michael Miles (Chairman)	250	–	4	–	254	227
Andrew Beeson	100	–	–	–	100	74
Luc Bertrand	68	–	–	–	68	63
Lord Howard of Penrith	68	–	–	–	68	7
Sir Peter Job	83	–	–	–	83	75
Merlyn Lowther	68	–	–	–	68	63
Bruno Schroder[5]	83	–	5	–	88	83
Former non-executive Director						
George Mallinckrodt (President)	–	–	–	–	–	129
Total	2,320	113	61	3,450	5,944	5,101

Notes

1 Other cash payments comprise one or more of: cash allowance in lieu of a company car and cash allowance in lieu of pension entitlements.

2 The benefits-in-kind provided to Directors comprise one or more of: private use of company chauffeur, company car, car parking, meals, private use of taxis, life insurance and private healthcare.

3 Kevin Parry was a non-executive Director during 2008 and the comparative figure shown for 2008 relates to these duties.

4 The Company made a cash payment to Jonathan Asquith of £1,000,000 in January 2009 in recognition of his contribution in 2008.

5 Bruno Schroder received an annual fee of £55,000 as a Director, a fee of £28,000 for his additional services to the Group and £5,423 in benefits-in-kind.

Directors' pension entitlements (audited information)

Defined benefit

The following table gives details of the accrued pension benefit at 31 December 2009 for Directors who participated in the defined benefit section of the Schroders Retirement Benefits Scheme during the year to 31 December 2009. Further information concerning the Group's pension scheme is set out in the retirement benefit obligations note to the accounts.

	Accrued pension at 31 Dec 2008 £'000	Change in accrued pension due to inflation £'000	Change in accrued pension excluding inflation		Accrued pension at 31 Dec 2009 £'000	Transfer value at 31 Dec 2008 £'000	Increase in transfer value £'000	Transfer value at 31 Dec 2009 £'000
			Increase £'000	Transfer value £'000				
Executive Directors								
Michael Dobson[1]	12	0	0	15	12	219	83	302
Philip Mallinckrodt	59	0	4	68	63	693	377	1,070
Massimo Tosato	30	0	6	123	36	510	270	780
Non-executive Director								
Bruno Schroder[2]	33	0	0	2	33	458	11	469

Notes

1 Michael Dobson ceased further accrual in the Scheme on 31 March 2006. In lieu of this, he receives a taxable cash payment of £34,467 per annum, included in the emoluments table above. No contributions were paid by the Company during the year.

2 No contributions for Bruno Schroder have been made by the Company into the Scheme since 17 January 1993. He began to draw his pension from the Scheme on 17 April 2007. The values shown in this table in respect of his pension benefits are notional.

The accrued pension represents the annual pension which each Director would be entitled to receive from normal retirement age after leaving service. The accrued pension would be increased each year until it became payable in accordance with statutory requirements.

The change in accrued pension represents the difference between the accrued pension at 31 December 2008 and 31 December 2009. This is broken down into inflationary increases, where the inflationary increase for 2009 is shown as nil because the annual Retail Price Index figure for the measurement period, September to September, was negative, and increases arising as a result of service for the year, postponement of retirement or any change in salary.

The transfer value represents the current capital sum which is expected to be required, using longevity and financial assumptions, to provide the pension and ancillary benefits at the relevant date. Transfer values have been calculated using assumptions set by the Scheme Trustee, having taken advice from the Scheme Actuary, in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

The significant increase in the transfer values in 2009 are primarily due to the reduction in gilt yields over the year.

The pension is non-contributory. The accrued pension or transfer value shown above does not include any allowance for additional voluntary contributions made by a Director.

Defined contribution

The following table gives details of the pension contributions paid or payable by the Company into defined contribution arrangements for the year to 31 December 2009. The contributions disclosed exclude any personal contributions made by a Director.

	2009 Employer contributions £'000	2008 Employer contributions £'000
Executive Directors		
Kevin Parry	19	–
Massimo Tosato	90	90
Total	109	90

Summary of the deferred compensation earned in respect of 2009

In respect of 2009 bonuses the executive Directors will be granted on 8 March awards under the ECP. These awards, split between share awards and fund awards, are subject to forfeiture. They may be exercised in full from the third anniversary of the grant date provided the Director continues to be employed by the Group, in line with the rules of the ECP. The table opposite sets out the value at the date of grant of these awards split between share and fund awards, subject to any election executive Directors may make to receive restricted shares instead. Restricted share awards received in place of fund awards would attract the 20 per cent. increase described on page 47.

	Share Awards £'000	Fund Awards £'000	Equity Compensation Plan 2009 Total Award £'000	2008 Total Award £'000
Executive Directors				
Michael Dobson	750	575	1,325	1,490
Alan Brown	360	250	610	665
Philip Mallinckrodt	210	125	335	445
Kevin Parry	330	225	555	–
Massimo Tosato	570	425	995	1,133

Further details in respect of previous years' awards are shown in the following two tables.

Directors' rights to shares (audited information)

These rights to shares do not give rise to any immediate entitlement on grant. They are subject to forfeiture. They become exercisable in full on the third anniversary of the grant date provided the Director continues to be employed by the Group, in line with the rules of the respective plans.

The executive Directors (other than Kevin Parry[1] who has not yet been granted share awards since he became an executive Director on 1 January 2009) had the following rights to ordinary and non-voting ordinary shares:

		Number of Shares						
	Notes	Rights held at 1 Jan 2009	Rights granted/ dividends during year	Rights exercised /lapsed during year[6]	Rights held at 31 Dec 2009	Exercise price of outstanding rights	Earliest exercise date	Latest exercise date
Executive Directors								
Michael Dobson	(2)	250,000		250,000	–	–	9 Dec 2005	8 Dec 2012
	(2)	150,000		150,000	–	–	10 Mar 2006	9 Mar 2013
	(2)	500,000		495,748	4,252	£7.06	12 Nov 2006	11 Nov 2011
	(3)	365,122	16,320	381,442	–	–	10 Mar 2006	9 Mar 2013
	(3)	502,386	22,457	524,843	–	–	8 Mar 2007	7 Mar 2014
	(3)	305,499			305,499	–	7 Mar 2008	6 Mar 2015
	(4)	146,162			146,162	–	6 Mar 2009	5 Mar 2016
	(4)	119,719			119,719	–	8 Mar 2010	7 Mar 2017
	(4)	153,869		153,869[8]	–	–	10 Mar 2011	9 Mar 2018
	(4)		132,825	132,825[8]	–	–	23 Feb 2012	22 Feb 2019
	(5,7,8)		138,517		138,517	–	10 Mar 2011	9 Mar 2018
	(5,7,8)		119,572		119,572	–	23 Feb 2012	22 Feb 2019
Alan Brown	(4)	32,154		32,154	–	–	6 Mar 2009	5 Mar 2016
	(4)	56,405		56,405	–	–	8 Mar 2010	7 Mar 2017
	(5,7,9)		32,154		32,154	–	6 Mar 2009	5 Mar 2016
	(5,7,9)		56,405		56,405	–	8 Mar 2010	7 Mar 2017
	(4)	56,209			56,209	–	10 Mar 2011	9 Mar 2018
	(4)		61,668		61,668	–	23 Feb 2012	22 Feb 2019
Philip Mallinckrodt	(2)	55,000			55,000	£5.41	6 Nov 2005	5 Nov 2012
	(2)	30,000			30,000	£3.98	10 Mar 2006	9 Mar 2013
	(3)	20,831	930		21,761	–	10 Mar 2006	9 Mar 2013
	(3)	14,663	655		15,318	–	8 Mar 2007	7 Mar 2014
	(3)	35,364			35,364	–	7 Mar 2008	6 Mar 2015
	(3)	26,173			26,173	–	6 Mar 2009	5 Mar 2016
	(3)	24,468			24,468	–	8 Mar 2010	7 Mar 2017
	(3)	35,031			35,031	–	10 Mar 2011	9 Mar 2018
	(3)		47,046		47,046	–	23 Feb 2012	22 Feb 2019
Massimo Tosato	(2)	116,749			116,749	£8.00	22 Apr 2005	21 Apr 2012
	(3)	83,332	3,724	87,056	–	–	10 Mar 2006	9 Mar 2013
	(3)	80,447	3,595	84,042	–	–	8 Mar 2007	7 Mar 2014
	(3)	103,856			103,856	–	7 Mar 2008	6 Mar 2015
	(4)	90,877			90,877	–	6 Mar 2009	5 Mar 2016
	(4)	77,601			77,601	–	8 Mar 2010	7 Mar 2017
	(4)	111,505			111,505	–	10 Mar 2011	9 Mar 2018
	(4)		101,990		101,990	–	23 Feb 2012	22 Feb 2019

Notes
1 Kevin Parry became Chief Financial Officer on 1 January 2009. The ECP award in respect of 2009 will be granted on 8 March 2010.
2 Share Option Plan 2000. Exercise of these options is conditional upon achieving a performance target of earnings per share growth of at least the Retail Price Index plus four per cent. per annum over a minimum three-year period. In respect of the awards exercisable from 22 April 2005, 6 November 2005, 9 December 2005, 10 March 2006 and 12 November 2006, the performance target has been achieved.
3 ECP 2000. The figures shown above comprise the number of shares available on the third anniversary plus additional shares of up to 11.1 per cent., assuming shares remain within the Plan until the fifth anniversary. Awards that have passed the fifth anniversary are entitled to dividends. Awards are structured as nil-cost share awards over non-voting ordinary shares.
4 Same as note 3, with the exception that these awards are structured as nil-cost share awards over ordinary shares.
5 Grant of restricted shares made on 8 December 2009.
6 The market prices on the dates the rights were exercised during 2009 were: £9.55 for the share option awards and for the ECP award. The aggregate gain on rights exercised amounted to £13,548,331 of which £3,255,837 relates to the share option awards and £10,292,494 relates to the ECP award. There are no gains or losses on the election to receive restricted shares.
7 Awards exercised and satisfied by the award of restricted shares.
8 Michael Dobson exercised 138,517 of the 153,869 award into restricted shares. In doing so 15,352 rights to shares lapsed (these represented the 11.1 per cent. increase referred to in note 3 above). He also exercised 119,572 of the 132,825 award into restricted shares resulting in a lapse of 13,253 rights to shares.
9 Alan Brown exercised all of the 32,154 and 56,405 awards into restricted shares.

The market price of the ordinary shares at 31 December 2009 was £13.30 and the range during 2009 was £6.84 to £13.30.

The market price of the non-voting ordinary shares at 31 December 2009 was £10.70 and the range during 2009 was £5.69 to £10.70.

The value of those rights to share awards, or restricted shares based upon the original grant price that are still subject to forfeiture at the date of this report are as follows: Michael Dobson £2,043,191, Alan Brown £863,073, Philip Mallinckrodt £479,523 and Massimo Tosato £1,465,713. This excludes the share awards made in respect of 2009, to be granted on 8 March 2010.

Directors' rights to ECP fund awards (audited information)

Fund awards are notional investments in a range of Schroders investment funds. These are rights to a deferred cash payment and do not give rise to any immediate entitlement on grant. These awards are subject to forfeiture and are not accessible for three years. They become exercisable in full on the third anniversary of the grant date provided the Director continues to be employed by the Group, in line with the rules of the ECP.

The executive Directors (other than Kevin Parry[1] who has not yet been granted fund awards since he became an executive Director on 1 January 2009) had the following rights to fund awards under the Equity Compensation Plan.

	Rights held as at 1 Jan 2009 £'000	Rights granted during the year £'000	Rights exercised during the year £'000	Rights held as at 31 Dec 2009 £'000	Earliest exercise date	Latest exercise date
Executive Directors						
Michael Dobson	1,200	–	–	1,200	6 Mar 2009	5 Mar 2011
	967	–	–	967	8 Mar 2010	7 Mar 2012
	994	–	–	994	10 Mar 2011	9 Mar 2013
	–	650	–	650	23 Feb 2012	22 Feb 2014
Alan Brown	225	–	–	225	6 Mar 2009	5 Mar 2011
	429	–	–	429	8 Mar 2010	7 Mar 2012
	331	–	–	331	10 Mar 2011	9 Mar 2013
	–	275	–	275	23 Feb 2012	22 Feb 2014
Philip Mallinckrodt	163	–	–	163	6 Mar 2009	5 Mar 2011
	141	–	–	141	8 Mar 2010	7 Mar 2012
	132	–	–	132	10 Mar 2011	9 Mar 2013
	–	175	–	175	23 Feb 2012	22 Feb 2014
Massimo Tosato	727	–	727[2]	–	6 Mar 2009	5 Mar 2011
	609	–	–	609	8 Mar 2010	7 Mar 2012
	706	–	–	706	10 Mar 2011	9 Mar 2013
	–	488	–	488	23 Feb 2012	22 Feb 2014

Notes
1 Kevin Parry became Chief Financial Officer on 1 January 2009. The fund awards in respect of 2009 will be granted on 8 March 2010.
2 The value of this award on exercise was £675,705.

The grant value of those rights to fund awards that are still subject to forfeiture at the date of this report are as follows: Michael Dobson £1,418,849, Alan Brown £547,188, Philip Mallinckrodt £251,918 and Massimo Tosato £999,378. This excludes the fund awards made in respect of 2009 to be granted on 8 March 2010.

Directors' share interests (audited information)

At 1 January 2009 (or date of appointment, if later) and at 31 December 2009, the Directors and their connected persons had the following interests in shares in the Company:

	31 Dec 09		1 Jan 09	
	Ordinary shares	Non-voting ordinary shares	Ordinary shares	Non-voting ordinary shares
Executive Directors				
Michael Dobson [1]	2,913	745,141	2,650	11,105
Alan Brown[2]	938	–	686	–
Philip Mallinckrodt[3]	79,461,706	5,804,500	79,461,706	5,804,500
Kevin Parry	5,491	–	5,333	–
Massimo Tosato	1,901	–	1,650	–
Non-executive Directors				
Michael Miles	5,000	–	5,000	–
Andrew Beeson	–	15,000	–	15,000
Luc Bertrand	–	–	–	–
Lord Howard	–	–	–	–
Sir Peter Job	–	–	–	–
Merlyn Lowther	1,000	–	1,000	–
Bruno Schroder[3]	13,946,216	1,498,617	13,946,216	1,498,617

Notes
[1] Additionally, 258,089 ordinary shares are held as restricted shares under the terms of the Equity Compensation Plan.
[2] Additionally, 88,559 ordinary shares are held as restricted shares under the terms of the Equity Compensation Plan.
[3] The interests of Philip Mallinckrodt and Bruno Schroder set out above include beneficial interests of those Directors (and of their connected persons) in their respective capacities as members of a class of potential discretionary beneficiaries under certain settlements made by members of the Schroder family.

Additionally, at 31 December 2009, the executive Directors were potential beneficiaries of the Schroders Employee Benefits Trust, which held 7,996,370 ordinary shares (1 January 2009: 8,488,772) and 1,212,663 non-voting ordinary shares (1 January 2009: 3,658,422) on behalf of all non-US based employees.

During the year no Director held an interest in the shares or loan stock of any subsidiary of the Company.

Since 31 December 2009 each of the executive Directors, Michael Dobson (28 shares), Alan Brown (29 shares), Kevin Parry (28 shares) and Massimo Tosato (28 shares) acquired ordinary shares under the terms of the Share Incentive Plan. There have been no other changes in the interests set out above between 31 December 2009 and the date of this report.

A resolution to approve this report will be put to shareholders at the Annual General Meeting on 6 May 2010.

Approved and signed on behalf of the Board

Sir Peter Job
Chairman, Remuneration Committee

3 March 2010

Nominations Committee report

In this report we detail the role of the Nominations Committee, its membership and the matters under consideration during the year.

The composition of the Committee

All non-executive Directors are members of the Committee, the composition of which in 2009 was:

Michael Miles (Chairman)
Andrew Beeson
Luc Bertrand
Lord Howard
Sir Peter Job
Merlyn Lowther
Bruno Schroder

The composition of the Committee did not change in 2009. Robin Buchanan will join the Committee on his appointment to the Board on 4 March. The Chief Executive is usually invited to attend Committee meetings.

Responsibilities of the Committee

The Board has delegated to the Committee responsibility for reviewing and proposing appointments to the Board and for recommending any other changes to the composition of the Board or the Board Committees. The principal responsibilities of the Committee include:

- Reviewing the size and composition of the Board and its Committees and making recommendations to the Board with respect to the role and responsibilities for each appointment;
- Ensuring there is a formal, rigorous and transparent procedure for the appointment of new Directors;
- Selecting and interviewing potential candidates for appointment to the Board and its Committees;
- Identifying and recommending suitable candidates for the roles of Chairman and Senior Independent Director;
- Developing and recommending appropriate criteria for determining Director independence;
- Periodically reviewing the terms of appointment of the non-executive Directors; and
- Conducting a review of the Committee's performance, periodically reviewing the adequacy of its terms of reference and recommending any changes to the Board.

There were no changes to the Committee's terms of reference in 2009. The Committee's terms of reference are available on www.schroders.com or from the Company Secretary.

Report on the Committee's activities in 2009

Meetings and attendance

The Committee met five times during the year. Attendance by Committee members at each meeting is set out in the table below:

	Maximum possible attendance	Meetings attended
Michael Miles (Chairman)	5	5
Andrew Beeson	5	5
Luc Bertrand	5	3
Lord Howard	5	5
Sir Peter Job	5	3
Merlyn Lowther	5	4
Bruno Schroder	5	5

Principal issues addressed during 2009 were:

- Review of the non-executive Directors standing for re-election at the Annual General Meeting;
- The size and composition of the Board and the principal Board Committees; and
- The appointment of an additional independent non-executive Director.

In reviewing the composition of the Board, the Committee considered in detail the position of Sir Peter Job as an Independent Director given that at the 2009 Annual General Meeting he had served for nine years since election.

The Committee recommended that Sir Peter should be considered to be an independent Director in view of his demonstrable independence of character and judgement. The Board supported the Committee's recommendation. Sir Peter will have served ten years with the Company at the 2010 Annual General Meeting and will not seek further re-election. The Committee also made recommendations to the Board on the re-election of non-executive Directors after first considering the effectiveness and commitment of those non-executive Directors.

The Committee reviewed the size and composition of the Board and the three principal Committees: Remuneration; Audit; and Nominations. When undertaking this review, the Committee applied the principles agreed in 2003 and reaffirmed in 2007 that the Board should have a balance of executive Directors, independent non-executive Directors and Directors who have a connection with the principal shareholder group.

The Committee engaged a firm of external search consultants, to identify and help assess a shortlist of candidates to join the Board as an independent non-executive Director. Several candidates were interviewed by Board members during the year to assess their suitability. In March 2010 the Committee recommended the appointment of Robin Buchanan to the Board. It also, in the light of Sir Peter's decision to retire from the Board, recommended that Andrew Beeson be appointed Senior Independent Director and Chairman of the Remuneration Committee, that Luc Bertrand should join the Remuneration Committee and that Merlyn Lowther should be appointed Chairman of the Audit Committee. The Board approved these appointments at its meeting on 3 March 2010.

Support

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively. The Committee has the right to appoint external advisers where it believes that to be appropriate and to seek any information that it requires from any officer or employee of the Group.

Audit Committee report

In this report we detail the role of the Audit Committee, its membership and the matters under consideration during the year.

Composition of the Committee

The Audit Committee comprises three independent, non-executive Directors:

Andrew Beeson (Chairman)
Luc Bertrand
Merlyn Lowther

Following his appointment to the Board, Robin Buchanan will join the Committee, at the end of the Annual General Meeting, replacing Luc Bertrand who will join the Remuneration Committee.

Merlyn Lowther, former Chief Cashier of the Bank of England, is considered by the Board to have recent and relevant financial experience. There were no changes to the composition of the Committee in 2009. She will succeed Andrew Beeson at the end of the Annual General Meeting when he assumes the chairmanship of the Remuneration Committee.

Responsibilities of the Committee

The Board has delegated to the Committee responsibility for overseeing the financial reporting and internal control of the Group and for maintaining an appropriate relationship with the Company's auditors. The main role of the Committee is to encourage and safeguard the highest standards of integrity, financial reporting, risk management and internal control. In doing this the principal responsibilities of the Committee include:

- Reviewing the form and content and monitoring the integrity of the Company's and the Group's financial statements and the significant financial reporting issues and judgements;
- Reviewing and monitoring the arrangements for ensuring the objectivity and effectiveness of the external and internal audit functions;
- Recommending to the Board the appointment, re-appointment or removal of the external auditors;
- Developing and implementing policy on the provision of non-audit services;
- Reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems; and
- Reviewing and monitoring the Company's ethical standards and procedures for ensuring compliance with regulatory and financial reporting requirements and the Group's relationship with the relevant regulatory authorities.

Revised terms of reference were adopted by the Board on 4 August 2009. The Committee's terms of reference are available on www.schroders.com or from the Company Secretary.

Report on the Committee's activities in 2009

Meetings and attendance

The Committee met four times in 2009 and there was full attendance at all meetings by members.

A number of senior executives are invited to attend each Committee meeting to assist the Committee in fulfilling its role. These include the Chief Financial Officer, the Global Head of Compliance, Chief Risk Officer, the Head of Group Internal Audit and the Group General Counsel and each provided reports on their areas of responsibility. Other members of senior management are also invited to attend as appropriate to present reports. The Group's external auditors, PricewaterhouseCoopers, are also represented at each meeting and presented reports on its activities.

During the year the Committee met separately on two occasions with the Group's external auditors and with the Head of Internal Audit, without executive management present. This provided an opportunity for the external and internal auditors to raise matters of concern in confidence. The Committee also met privately with the Chief Financial Officer during the year.

The Committee has a formal programme of issues which it covers during the year. This programme is formulated by the Committee Chairman and the Company Secretary and is designed to ensure that all matters that fall within the Committee's remit are reviewed during the year. The Committee has access to external independent advice at the Company's expense.

Principal issues considered during 2009 were:

- The annual financial statements for 2008 and interim results for 2009;
- The external audit plan for 2009;
- Group Internal Audit's quarterly reports on its activities and the control environment;
- The scope and mandate of the control functions: Risk, Internal Audit and Compliance;
- The Group's risk management process, including key risks facing the Group;
- The Group's overall governance and risk framework;
- The appropriateness of the accounting policies used in drawing up the Group's financial statements;

– The Group's Internal Capital Adequacy Assessment Process as required under the Capital Requirements Directive;

– The external auditors' year-end report, interim report and management letters;

– The valuation and pricing of investment assets;

– The Group's major IT projects;

– Tax strategy and governance;

– Management of the Group's capital;

– The performance, independence and objectivity of the external auditors, including a review of non-audit fees;

– The assessment of Group Internal Audit; and

– The arrangements for employees to raise concerns about possible improprieties relating to the Group's operations.

Other issues

The Committee received reports and presentations on various subjects connected principally to the control environment within the Group. The Committee reviewed the scope and level of cover provided by the Group's Directors' and Officers' liability insurance and the appropriateness of cover provided by other insurances, the governance of the Group's pension arrangements and the governance of outsourced activities.

Non-audit services and auditor independence

In 2008 the Committee reviewed and updated the policy covering the provision of non-audit services to the Group by the external auditors which was adopted in 2004. This enhanced the governance of the provision of such services and provides a clear and transparent framework to ensure the objectivity and independence of the external auditors. Under the policy the provision of any service that might lead to a conflict of interest is not permitted unless other possible providers are themselves conflicted. In such exceptional cases the Audit Committee must approve each service and approval will only be given where the Committee is satisfied that appropriate measures are in place to manage or mitigate any potential conflict of interest. During 2009 there were no instances where PricewaterhouseCoopers were engaged to provide services which might have led to a conflict of interests.

The policy also has strict rules in relation to the approval of contracts for non-audit services which do not present a possible conflict of interest. All contracts for non-audit services must be notified to the Head of Finance and contracts valued in excess of £25,000 require prior approval.

In 2009 the value of non-audit services provided by PricewaterhouseCoopers to Group companies was £1.6 million (2008: £1.5 million). The range of non-audit services provided included tax and compliance advice, reports on internal controls and regulatory opinions for regulated subsidiaries across the Group.

The Group's external auditors are also required to provide a report to the Audit Committee every six months detailing all non-audit services, including the level of fees charged, and to have their own internal processes to ensure that the firm, its partners and its staff are independent of the Group. Annually the Committee reviews a formal letter provided by the external auditors confirming its independence and objectivity within the context of applicable regulatory requirements and professional standards.

To support the principles of independence, the auditors have a policy governing the length of time a partner can work on the Schroders' audit. In accordance with this policy PricewaterhouseCoopers changed the senior audit partner in 2006. The Committee is satisfied that the external auditors remain independent.

The Committee considered the re-appointment of PricewaterhouseCoopers as auditors, taking into account the results of the auditor assessment process, the quality of work undertaken and the level of audit fees. In its review, the Committee took into account, amongst other things, the tenure of the auditors and the rotation of the lead audit partner and did not consider it necessary to require PricewaterhouseCoopers to tender for the audit work. The Committee concluded that it was appropriate to recommend the re-appointment of the auditors and the Board supported this recommendation which will be put to shareholders at the 2010 Annual General Meeting.

Committee evaluation

The annual evaluation of the Committee's effectiveness was undertaken as part of the overall Board evaluation process. The specific findings relating to the Audit Committee were discussed with the Committee Chairman. The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

Risk management and internal control report

In this section we set out the Group's risk management process and system of internal controls.

Risk management

The Board is accountable for risk and is responsible for oversight of the risk management process. The Board has considered the most significant risks facing the Group, including quantitative exposure measures such as stress tests where appropriate.

The Group Management Committee reviews the key corporate risks facing the Group. The Chief Financial Officer has responsibility for the risk and control framework within the Group and the independent monitoring and reporting of risk and controls. The Chief Risk Officer, who reports directly to the Chief Financial Officer, manages the ongoing development of the Group's risk and control framework. Schroders embeds risk management within the business, with independent oversight and challenge being provided by the Group risk function.

Group Risk Committee

The Group Risk Committee supports the Chief Financial Officer in discharging the responsibilities outlined above and is the principal management committee for the monitoring and reporting of risks and controls. The Committee is chaired by the Chief Financial Officer and includes senior representatives from each of the businesses and the control functions, including the Chief Investment Officer and Chief Operating Officer. The 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 exceptions in the most significant risk exposures.

Market and liquidity risk

The Private Banking subsidiaries hold certain financial instruments including debt securities, forward foreign exchange contracts and interest rate swaps for customer facilitation purposes.

The management of market and liquidity risks in Private Banking is the responsibility of its management assisted by local risk committees.

The Group has a number of overseas subsidiaries whose shareholders' funds, revenues and expenses are denominated principally in local currencies. The boards of each subsidiary manage these risks in the relevant, normally local, currency. Forward foreign exchange contracts with third parties are used partially to mitigate exposure to currency movements from a Group perspective.

The Group's seed capital investments may be hedged in respect of market risk. The decisions to hedge market risk on seed capital investments are taken by the Group Capital Committee, chaired by the Chief Financial Officer. Details on financial instrument risk management are provided in note 27 to the financial statements.

The Group Capital Committee monitors and controls the use and liquidity of the Group's capital resources.

Dedicated personnel are responsible for producing and maintaining market and liquidity risk reports based upon the Capital Requirements Directive and overseas regulatory requirements as applicable. The underlying methodologies and limits are reviewed and set centrally. Local risk committees review exposures against limits on a regular basis.

Credit risk

In respect of both principal and agency counterparty risk, the Group sets the overall limits. An independent credit risk team, reporting directly to the Chief Risk Officer, is responsible for monitoring, managing and reporting exposures against limits, subject to oversight by the Group Risk Committee.

Credit risk within Private Banking is also monitored and managed against the performance of the collateral.

Operational risk

Local management is responsible for operational risk controls. Where appropriate, depending on the size and complexity of the business unit, risk and control maps have been prepared which are captured on an on-line worldwide risk management system. The Group Risk Committee receives reports from line management regarding matters giving cause for concern and ensures appropriate remedial action is taken. An independent team reporting directly to the Chief Risk Officer is responsible for assessing the impact of material issues and errors, in order to ensure that appropriate risk mitigation is undertaken on a timely basis.

The management of investment risk is a core activity of the Group. The Schroders Investment Risk Management Framework provides review and challenge of investment risks across each of the asset classes managed by the Group. A team reporting directly to the Chief Risk Officer provides further independent oversight and challenge to this process.

Compliance and control validation

Group Compliance undertakes through Group Internal Audit detailed monitoring to review compliance with legal and regulatory requirements. Group Internal Audit also carries out a programme of audits approved by the Audit Committee, including reviews of the risk management process and advice and recommendations on improving the control environment.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. This does not extend to the Group's joint ventures and associates. Such a system can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to mitigate, not eliminate, risk.

On behalf of the Board, the Audit Committee carried out its annual assessment of the effectiveness of internal controls during 2009 using the following to support its conclusions:

- Quarterly reports from the Chairman of the Group Risk Committee and the Global Head of Compliance on the control environment within the Group, highlighting any major instances of non-compliance and the actions being taken to remedy such non-compliance;
- Regular risk reports provided by Group Risk management setting out the most significant risks faced by the Group, and where appropriate quantifying these exposures;
- Quarterly reports from the Group General Counsel outlining the Group's legal risks;
- Quarterly reports from the Head of Internal Audit on the key issues arising from Internal Audit's inspection programme;
- Internal Audit's review of the effectiveness and application of the risk management process;
- Annual and regular reports from the Head of Internal Audit on the control environment; and
- The ICAAP internal assessment of the capital required to support the business. This includes a series of rigorous stress tests designed to address the potential impact of the material risks facing the Group.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks that:

- Has been in place for the year ended 31 December 2009 and up to the date of approval of the Annual Report and Accounts;
- Is regularly reviewed by the Board and complies with the Financial Reporting Council's revised guidance for directors on internal control; and
- Necessary actions have been or are being taken to remedy any significant failings identified as part of the ongoing risk management process.

Directors' responsibility statement

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are listed in the Directors' profiles section of this report, confirm that, to the best of their knowledge:

- The Group financial statements, which have been 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 the Group;
- The Directors' report, including the information incorporated from elsewhere in the Annual Report, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- So far as the 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.

Forward-looking statements

This Annual Report and Accounts and the Schroders website contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of the Group. 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 such 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 report. 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 report should be construed as a profit forecast.

4 Financial statements

Independent Auditors' report to the members of Schroders plc

We have audited the Group financial statements of Schroders plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibility statement on page 62, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, in the Directors' report, in relation to going concern; and
- the part of the corporate governance report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Schroders plc for the year ended 31 December 2009 and on the information in the Remuneration report that is described as having been audited.

Richard Keers, Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 March 2010

Consolidated income statement

for the year ended 31 December 2009

	Notes	2009			2008		
		Before exceptionals £m	**Exceptional items[1] £m**	**Total £m**	Before exceptionals £m	Exceptional items[1] £m	Total £m
Revenue	3, 4(a), 4(b)	998.5	(39.1)	959.4	1,083.0	(147.2)	935.8
Cost of sales		(209.6)	–	(209.6)	(210.1)	–	(210.1)
Net revenue		**788.9**	**(39.1)**	**749.8**	**872.9**	**(147.2)**	**725.7**
Operating expenses	4(a), 4(c)	(615.1)	(23.6)	(638.7)	(627.4)	(20.2)	(647.6)
Operating profit		**173.8**	**(62.7)**	**111.1**	**245.5**	**(167.4)**	**78.1**
Interest receivable and similar income	4(d)	12.5	–	12.5	39.0	–	39.0
Interest payable and similar charges	4(d)	(1.7)	–	(1.7)	(0.2)	–	(0.2)
Net finance income		10.8	–	10.8	38.8	–	38.8
Share of profit of associates and joint ventures	13	15.6	–	15.6	6.2	–	6.2
Profit before tax		**200.2**	**(62.7)**	**137.5**	**290.5**	**(167.4)**	**123.1**
Tax	7			(41.8)			(51.8)
Profit after tax				**95.7**			**71.3**
Attributable to:							
Minority interests				0.3			(5.4)
Equity holders of the parent				95.4			76.7
				95.7			**71.3**
Memo – dividends	8			(84.9)			(86.7)
Basic earnings per share before exceptional items[2]	9			**54.0p**			**75.5p**
Basic earnings per share	9			**34.3p**			**27.5p**
Diluted earnings per share	9			**34.2p**			**27.3p**

[1] See notes 1(ae) and 4(a).
[2] Non-GAAP measure of performance.

Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Profit for the year		**95.7**	**71.3**
Net foreign exchange (losses)/gains on translation of foreign operations	31	(112.8)	322.7
Net gains/(losses) on hedges recognised directly in equity	31	65.8	(169.3)
Actuarial losses on defined benefit pension schemes	32	(69.6)	(29.6)
Net gains/(losses) on available-for-sale financial assets	32	15.8	(194.3)
Amounts recycled through the income statement	31, 32	42.4	107.4
Tax on items taken directly to equity	7(b), 32	43.1	(1.0)
Other comprehensive income for the year		**(15.3)**	**35.9**
Total comprehensive income for the year net of tax		**80.4**	**107.2**
Attributable to:			
Minority interests	33	0.3	(5.4)
Equity holders of the parent		80.1	112.6
		80.4	**107.2**

Consolidated balance sheet

31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Goodwill	10	115.6	112.8
Intangible assets	11	26.3	50.7
Property, plant and equipment	12	21.3	27.7
Associates and joint ventures	13	46.5	32.7
Financial assets	15	129.7	154.8
Loans and advances to customers	18	495.1	417.0
Deferred tax	22	71.1	43.1
Retirement benefit scheme surplus	5	–	22.4
Trade and other receivables	16	4.9	6.8
		910.5	**868.0**
Current assets			
Financial assets	17	1,339.2	1,661.7
Loans and advances to customers	18	469.1	385.4
Current tax		20.5	15.5
Trade and other receivables	16	338.7	358.9
Cash and cash equivalents	19	1,502.6	1,067.6
		3,670.1	**3,489.1**
Non-current assets held for sale	20	–	2.0
Assets backing unit-linked liabilities	14	5,708.0	3,714.3
Total assets		**10,288.6**	**8,073.4**
Equity			
Called-up share capital	29	288.8	286.7
Share premium account	29	72.5	61.2
Other reserves	31	180.5	228.6
Retained profits	32	1,106.6	1,055.4
Equity attributable to equity holders of the parent		**1,648.4**	**1,631.9**
Minority interests	33	0.6	0.3
Total equity		**1,649.0**	**1,632.2**
Non-current liabilities			
Financial liabilities	21	37.6	26.4
Deposits by customers and banks	25	383.1	198.8
Deferred tax	22	2.5	4.1
Provisions	23	12.8	10.2
Retirement benefit scheme deficits	5	46.5	7.4
Trade and other payables	24	84.1	70.0
		566.6	**316.9**
Current liabilities			
Financial liabilities	21	43.6	118.9
Deposits by customers and banks	25	1,904.5	1,858.2
Provisions	23	4.8	8.7
Current tax		16.5	22.8
Trade and other payables	24	395.6	401.4
		2,365.0	**2,410.0**
Unit-linked liabilities	14	5,708.0	3,714.3
Total equity and liabilities		**10,288.6**	**8,073.4**

Approved by the Board of Directors on 3 March 2010.

Kevin Parry
Bruno Schroder
} Directors

Consolidated statement of changes in equity

for the year ended 31 December 2009

Year ended 31 December 2009	Share capital £m	Share premium £m	Other reserves £m	Retained profits £m	Minority 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 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**

Year ended 31 December 2008	Share capital £m	Share premium £m	Other reserves £m	Retained profits £m	Minority interests £m	Total £m
At 1 January 2008	294.5	58.1	64.0	1,279.1	0.5	1,696.2
Net foreign exchange gains on translation of foreign operations	–	–	322.7	–	–	322.7
Net losses on hedges recognised directly in equity	–	–	(169.3)	–	–	(169.3)
Actuarial losses on defined benefit pension schemes	–	–	–	(29.6)	–	(29.6)
Net losses on available-for-sale financial assets	–	–	–	(194.3)	–	(194.3)
Amounts recycled through the income statement	–	–	–	107.4	–	107.4
Tax on items taken directly to equity	–	–	–	(1.0)	–	(1.0)
Profit for the year	–	–	–	76.7	(5.4)	71.3
Total comprehensive income for the year	**–**	**–**	**153.4**	**(40.8)**	**(5.4)**	**107.2**
Shares issued	0.8	3.1	–	–	–	3.9
Shares cancelled	(8.6)	–	8.5	(71.8)	–	(71.9)
Share-based payments	–	–	–	24.4	–	24.4
Dividends	–	–	–	(86.7)	(0.7)	(87.4)
Net loss on consideration paid in the form of shares	–	–	(0.2)	–	–	(0.2)
Own shares purchased	–	–	(45.5)	–	–	(45.5)
Transfers	–	–	48.4	(48.4)	5.9	5.9
Share issue costs	–	–	–	(0.4)	–	(0.4)
At 31 December 2008	**286.7**	**61.2**	**228.6**	**1,055.4**	**0.3**	**1,632.2**

Consolidated cash flow statement

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Net cash from operating activities	34	**370.9**	**133.5**
Investing activities			
Aggregate cash flows arising from the acquisition of subsidiaries		–	(33.6)
Acquisition of joint ventures		(1.2)	–
Purchase of intangible assets		(1.2)	(9.3)
Purchase of property, plant and equipment		(4.9)	(6.9)
Net disposal/(purchase) of non-current financial assets		0.5	(11.4)
Net disposal of current financial assets		324.1	452.5
Net disposal/(purchase) of non-current assets held for sale		0.8	(3.3)
Interest received		12.5	39.0
Dividends and capital distributions received from associates and joint ventures		2.7	9.5
Net cash from investing activities		**333.3**	**436.5**
Financing activities			
Redemption of non-voting ordinary shares		–	(71.8)
Proceeds from issue of non-voting ordinary shares		13.4	3.9
Acquisition of own shares		(19.6)	(45.5)
Distributions made to minority interests		–	(0.7)
Dividends paid		(84.9)	(86.7)
Net cash used in financing activities		**(91.1)**	**(200.8)**
Net increase in cash and cash equivalents		**613.1**	**369.2**
Opening cash and cash equivalents		1,197.1	716.9
Net increase in cash and cash equivalents		613.1	369.2
Effect of exchange rate changes		(40.9)	111.0
Closing cash and cash equivalents		**1,769.3**	**1,197.1**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents backing unit-linked liabilities	14	266.7	129.5
Other cash and cash equivalents held by the Group	19	1,502.6	1,067.6
		1,769.3	**1,197.1**

Notes to the accounts

for the year ended 31 December 2009

Presentation of the financial statements
Financial information for the year ended 31 December 2009 is presented in accordance with IAS 1 Presentation of Financial Statements.

IAS 1 allows an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant.

The Group has adopted a mixed basis of presentation within its consolidated balance sheet which shows the assets and liabilities of the Group's life company business, Schroder Pension Management Limited, in order of liquidity and the remainder of the Group's assets and liabilities using a current/non-current classification.

This presentation provides more relevant information in that if the assets and liabilities of the Group's life company business, Schroder Pension Management Limited, were to be included within existing captions on the Group's balance sheet the effect would be to gross up a number of individual line items to a material extent. By adopting a mixed basis of presentation, the Group is able to provide a more transparent presentation that shows the life company asset and the related unit-linked liability as separate and distinct from the remainder of the Group's balance sheet items.

Changes to the presentation of the consolidated balance sheet
Comparative amounts in the balance sheet in respect of unit-linked liabilities and assets held to cover such liabilities have been restated by £479.6 million in order to record the holdings of assets controlled by the life company that are beneficially owned by third parties. Such holdings arise where the life company is in a position to be able to control a fund in which it invests. This restatement does not change the Group's net assets and has no net impact on the Group's income statement.

1 Summary of accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS'), which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

With the exception of the Standards which were issued during the year, but which were not effective at the balance sheet date, the Group adopted all Standards and Interpretations that were either issued, or which had become effective, during the year. Standards and Interpretations not yet adopted at the balance sheet date were:

IFRS 3 (Amended)	Business Combinations
IFRS 9	Financial Instruments
IAS 27 (Amended)	Consolidation of Separate Financial Statements

In addition, a number of other existing Standards and Interpretations have also been revised to ensure consistency with the amended Standards listed above.

The main impact on the Group of the amendments to IFRS 3 will be the requirement for costs relating to business combinations to be expensed, where previously they were capitalised and for adjustments to contingent consideration to be recognised within the income statement. The Group's accounting policy in respect of business combinations will be amended accordingly.

IFRS 9 has not yet been endorsed by the European Union. As it currently stands, the Standard would require the Group to reclassify a significant number of its financial assets that are currently classified as being either available-for-sale or held to maturity. The Group's decision as to how it wishes to reclassify such instruments will determine the impact of the new Standard. The Group's accounting policy in respect of financial assets will be amended on initial application of the Standard.

The Directors do not anticipate that the adoption of the amended IAS 27 or any other of the new or revised Standards and Interpretations will have a material impact on the financial statements of the Group.

The Standards and Interpretations adopted in the year required the Group to amend its disclosures within the notes to the accounts, but had no impact on the Group's financial statements. Standards and Interpretations adopted were:

IFRS 7 (Amended)	Financial Instruments: Disclosures
IFRS 8	Operating Segments
IAS 1 (Amended)	Presentation of Financial Statements

The consolidated financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and liabilities that are available-for-sale or held at fair value through profit or loss and the measurement of long-term employee benefits at present value of the obligation less fair value of any assets held to settle the obligation. The carrying value of recognised assets and liabilities that are hedged is adjusted to record changes in the fair values attributable to the risks that are being hedged. This valuation is in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2 below.

(b) Basis of consolidation

The consolidated financial information contained within these financial statements incorporates financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Where the Group controls an entity, but does not own all the share capital of that entity, the interest of minority shareholders is stated within equity at the minority's proportion of the fair values of the assets and liabilities recognised.

The accounts of subsidiary undertakings and associates, which are prepared using uniform accounting policies, are coterminous with those of the Company apart from those of certain undertakings which have accounting reference dates other than 31 December for commercial reasons. Management accounts made up to 31 December are used for such undertakings.

The results of subsidiary undertakings and associates acquired or sold are included from or to the date control (for subsidiaries) or significant influence (for associates) changes.

Employee share ownership trusts have been established for the purposes of satisfying certain share-based awards. These trusts are fully consolidated within the accounts.

The Group has life company and seed capital investments in a number of funds where it is in a position to be able to control those funds. The funds are consolidated unless they meet the criteria set out in the accounting policy in respect of non-current assets held for sale to be categorised as being held for sale, in which case they are classified and accounted for in accordance with that policy. Where the Group consolidates a fund, but does not own all the net assets of that fund, the interests of third party investors are classified either within unit-linked liabilities (for life company investments) or as financial liabilities (where they relate to consolidated funds for seed capital investments). Such balances represent the third party investors' proportion of the assets and liabilities of the relevant funds.

All intra-Group transactions, balances, income and expense are eliminated on consolidation.

(c) Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

(d) Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on the acquisition of subsidiaries is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

Goodwill arising on the acquisition of associates or jointly controlled entities is included in the amount of the investments. Gains and losses on the disposal of an entity include the carrying amount of the goodwill relating to the entity sold. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date and annually thereafter. Goodwill written off to other comprehensive income prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

(e) Intangible assets arising from business combinations
The costs of acquiring intangible assets such as fund management contracts and client relationships as part of a business combination are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

Fund management contracts are recorded initially at fair value and then amortised over their useful lives of five to ten years, on a straight-line basis. The fair value at the date of acquisition is calculated using discounted cash flow methodology and represents the valuation of the net residual income stream arising from the fund management contracts in place at the date of acquisition. The contracts are included in the balance sheet as an intangible asset.

At each reporting date, an assessment is made as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use.

(f) Intangible assets – software
The costs of purchasing and implementing software, together with associated relevant expenditure, are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

Software is recorded initially at cost and then amortised over its useful life, usually three years, on a straight-line basis. It is included in the balance sheet as an intangible asset.

At each reporting date, an assessment is made as to whether there is any indication that an asset in use may be impaired. If any such indication exists and the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Where intangible software assets are not yet available for use, an assessment of whether the carrying values exceed the estimated recoverable amount is made irrespective of whether there is any indication of impairment.

(g) Property, plant and equipment
The Group's assets include leasehold improvements, office equipment, computers and cars. Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided on the depreciable amount over their useful lives on a straight-line basis at rates varying between 20 per cent. and 33 per cent. per annum. The depreciable amount is the gross carrying amount, less the estimated residual value at the end of its economic life. Depreciation rates and methods as well as the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances.

The carrying values of these assets are reviewed for impairment at each reporting date. An assessment is made as to whether there is any indication that an asset may be impaired; if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. Impairment losses are recognised in the income statement.

(h) Associates and joint ventures
Associates comprise those undertakings, not being subsidiary undertakings, where the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

Joint ventures comprise those undertakings, not being subsidiary undertakings, which carry on related activities, and where there is contractually agreed sharing of control over the financial and operating policy decisions of the investee.

Investments in associates and joint ventures are accounted for using the equity method. The investments are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate or joint venture.

The income statement includes the Group's post-tax share of associates' and joint ventures' profits or losses for the year. Where a Group company transacts with an associate or joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in that associate or joint venture.

Where associates and joint ventures hold financial assets classified as available-for-sale, the Group recognises movements in such assets in other comprehensive income.

Where the interest in an associate or joint venture is reduced to nil, losses and liabilities are recognised only to the extent that the Group has incurred legal or constructive obligations. If the associate or joint venture subsequently makes profits, the Group resumes recognising its share of those profits only after the share of profits equals the share of losses not recognised.

Where the Group has investments in funds over which it is able to exert significant influence but not control, the Group has applied the scope exclusion within IAS 28 Investments in Associates for mutual funds, unit trusts and similar entities and has accounted for such holdings at fair value through profit or loss.

(i) Financial assets
Items included within this caption on the face of the balance sheet principally comprise investments in debt securities and equities and derivative instruments. It excludes financial assets that are recorded under the following headings:

- Loans and advances to customers;
- Trade and other receivables;
- Cash and cash equivalents; and
- Non-current assets held for sale.

Separate accounting policies are presented in respect of these excluded items.

Derivative instruments are included within the caption 'Financial assets' on the face of the balance sheet. The accounting policy in respect of each such instrument is included in the note to the accounts concerning derivative contracts.

Financial assets held as available-for-sale
Measurement
Where financial assets have been categorised as being available-for-sale, all such investments are initially recognised at fair value, being the consideration given, including, where appropriate, acquisition costs associated with the investment.

After initial recognition, investments which are classified as available-for-sale are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included within 'Revenue' in the income statement. Interest calculated using the effective interest method is recognised within the income statement. Assets categorised as available-for-sale are reviewed at the end of each reporting period for impairment.

Where, in prior years, investments have been reclassified out of the fair value through profit or loss category and into the available-for-sale category, they have been reclassified at their fair value on the date of reclassification.

Gains or losses on reclassified investments are recognised after reclassification as a separate component of equity until the investment is sold or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is included within 'Revenue' in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to official quoted market bid prices at the close of business on the balance sheet date. For investments that are not actively traded in organised financial markets, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies. For private equity investments where there is no quoted market price, fair value is determined with reference to International Private Equity and Venture Capital Valuation Guidelines or by independent professional valuers. In such circumstances, fair values are derived using the most appropriate technique, examples of which include the use of earnings multiples (applying an appropriate earnings multiple to the earnings of individual businesses being valued in order to derive a value) and the values assigned to recent similar transactions.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Financial assets held at fair value through profit or loss
Assets held within the life company are designated as fair value through profit or loss, as they are managed and evaluated on a fair value basis, in accordance with documented strategy. All other financial assets held at fair value through profit or loss are classified as held for trading financial assets.

Measurement
All investments are initially recognised at fair value, being the consideration given.

After initial recognition, investments which are classified as held at fair value through profit or loss are measured at fair value. Gains or losses, together with transaction costs, on investments are recognised within 'Revenue' in the income statement. Such gains or losses, where they arise on seed capital investments, include distributions from funds.

For investments that are actively traded in organised financial markets, fair value is determined by reference to official quoted market bid prices at the close of business on the balance sheet date. For quoted investments that are not actively traded in organised financial markets, fair value is determined by using appropriate valuation techniques. For private equity investments that were classified as at fair value through profit or loss until 1 July 2008, fair value was determined with reference to International Private Equity and Venture Capital Valuation Guidelines or by independent professional valuers.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Financial assets held to maturity
Designation
Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity. Where the Group has the positive intention and ability to hold such assets to maturity, it is able to categorise such investments as held to maturity. Such assets are held exclusively by the Group's Private Banking operations.

Measurement
All investments are initially recognised at fair value, being the consideration given, including, where appropriate, acquisition charges associated with the investment.

Financial assets held to maturity are measured at amortised cost, being the amount at which they are measured at initial recognition less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or irrecoverability.

(j) Derivative financial instruments and hedge accounting
Derivative contracts are included at fair value at the balance sheet date within 'Financial assets' or 'Financial liabilities'. Fair value represents the amount at which a derivative could be exchanged in a transaction at the balance sheet date between willing parties.

Where derivatives are held for risk management purposes, the Group formally documents the relationship between the derivative and any hedged item, its risk management objectives, its strategy for undertaking the various hedging transactions and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value of hedged items.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognised in the income statement. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting.

In relation to hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income and the ineffective portion is recognised within 'Revenue' in the income statement. On disposal of the foreign operation, the gain or loss on the hedging instrument recognised directly in other comprehensive income is transferred to the income statement.

(k) Loans and advances to customers
Loans and advances to banks and customers are initially recorded at fair value and subsequently at amortised cost using the effective interest method.

Impairments for specific bad and doubtful debts are made against loans and advances made by the Group to reflect an assessment of irrecoverability and are deducted from the relevant assets. Such impairments are recorded within 'Administrative expenses' in the income statement.

(l) Deferred tax
Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries, branches and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Trade and other receivables
Trade receivables are recorded initially at fair value and subsequently at amortised cost.

Impairments for specific bad and doubtful debts are made against receivables to reflect an assessment of irrecoverability and are deducted from the relevant assets. Such impairments are recorded within 'Administrative expenses' in the income statement.

(n) Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. Where the Group considers that such items are not to be used for settling its liabilities, for example, securities with short maturity dates that will be rolled over as part of an investment portfolio, they are classified as financial assets rather than cash and cash equivalents. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where such facilities form an integral part of the Group's cash management.

(o) Non-current assets held for sale
Non-current assets (and disposal groups) acquired exclusively with a view to subsequent disposal through sale or deemed disposal are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. At date of sale, post-tax gains or losses on such assets are taken to the income statement where they are recorded within 'Revenue'.

(p) Unit-linked liabilities and assets backing unit-linked liabilities
Investments in authorised unit trusts and other financial assets held by the life company are recognised and measured under IAS 39 which applies to investment contracts that do not meet the insurance contract definition under IFRS 4 Insurance Contracts. Accordingly the life company assets and liabilities are recorded at fair value, with gains and losses recorded within 'Revenue' in the income statement in the year in which they arise.

(q) Financial liabilities
Items included within this caption on the face of the balance sheet principally comprise debt securities in issue and derivative financial instruments. Comparative periods also include items in respect of hedge accounting and deferred consideration arising from the acquisition of

New Finance Holdings Limited in 2006. It excludes financial liabilities that are recorded under the following headings:

- Deposits by customers and banks;
- Trade and other payables; and
- Provisions.

Debt securities in issue are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses are recognised within 'Revenue' in the income statement when the liabilities are derecognised.

(r) Deposits by customers and banks
Deposits by banks are initially recognised at the fair value of the consideration received net of any directly attributable transaction costs incurred. After initial recognition, the liabilities are accounted for at amortised cost using the effective interest method taking into account any attributable transaction costs.

(s) Trade and other payables
Trade payables, other than long-term employee benefits (see note t below), are recorded initially at fair value and subsequently at amortised cost.

(t) Long-term employee benefits
Long-term employee benefits consist of surpluses/deficits in defined benefit pension schemes and deferred cash awards under the Equity Compensation Plan. They are recorded at the present value of the defined benefit obligation at the balance sheet date less the fair value at the balance sheet date of plan assets out of which the obligations are to be settled directly.

For further details on the accounting policy in respect of defined benefit schemes, see note z below.

The Group makes deferred cash awards to key employees under the Equity Compensation Plan in the form of a notional investment in funds operated by the Group. Such awards do not constitute share-based payments, but are accounted for in accordance with IAS 19. These awards are charged to 'Administrative expenses' within the income statement over the performance period and the vesting period of the awards. Awards that lapse are credited to the income statement, again within 'Administrative expenses', in the year in which they lapse.

(u) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the existence of an obligation is possible, dependent on uncertain events not wholly within the control of the Group, or a present obligation cannot be measured reliably, or it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the Group discloses, but does not recognise, a contingent liability.

Where the Group expects to recover amounts provided, for example under an insurance contract, the recovery is recognised as a separate asset but only when the recovery is virtually certain.

For onerous lease (or 'surplus space') provisions, where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

(v) Own shares
Employee trusts have been established for the purposes of satisfying certain equity-based awards. The holdings of these trusts include shares that have not vested unconditionally in employees of the Group (own shares).

Own shares are held for the short term to meet future award requirements and are recorded, at cost, as a deduction from equity.

(w) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Unless otherwise stated, the types of revenue listed below are all reported within 'Revenue' in the income statement. The following specific recognition criteria must also be met before revenue is recognised:

Interest – non-banking
Interest on non-banking activities comprises amounts due on the Group's investment capital and temporary surpluses or deficits in the Group's cash accounts held with banks. Interest receivable and payable not arising from the Group's Private Banking activities is recognised using the effective interest method and is recorded in the income statement within 'Interest receivable and similar income' or 'Interest payable and similar charges', as appropriate.

Interest – banking
Interest receivable on the Group's Private Banking activities comprises interest receivable on debt securities and other fixed income securities, loans, advances and deposits placed, guarantee and commitment commissions, and is recognised using the effective interest method. Interest payable on banking activities comprises interest payable on deposits taken and debt securities in issue, and is recognised using the effective interest method.

Fees and commissions
Asset management fees, investment advisory fees, ad hoc advisory fees, custody fees, stock lending commission, commitment fees, arrangement fees, guarantor fees, and Directors' fees are accrued over the period for which the service is provided.

Private Banking transaction and loan-related fees, together with fees from structured client facilitation transactions are accrued over the period for which the service is provided.

Asset management fees received in advance are taken to the balance sheet and amortised on a straight-line basis over the period of the provision of the asset management service. The period of provision of asset management service is estimated based on experience of average holding periods for investments in the separate geographical locations where such fees are earned. Redemptions are reviewed on an annual basis and the amortisation rate adjusted where there has been a significant and lasting change in redemption levels.

Asset management fees received in advance in respect of structured product funds and the reimbursement of any marketing and distribution fees paid to the distributor as agent of the fund are deferred and spread

over the life of the fund on a straight-line basis. Such deferred fees are released to the income statement on redemption.

The Group is entitled to earn performance fees from a number of clients where the performance of the clients' assets exceeds defined benchmarks by an agreed level of outperformance over a set time period. Performance fees are recognised when the fee amount can be estimated reliably and it is probable that the fee will be received. Fees are normally recognised at the end of a performance period.

Dividends receivable
Revenue is recognised when the shareholders' right to receive the payment is established.

Returns from private equity investments
The Group's private equity investments are classified as available-for-sale. After initial recognition, these investments are measured at fair value.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income is in the income statement.

Carried interests are recognised in the income statement on an accruals basis in accordance with the substance of the relevant contractual agreement. Where there is a contractual agreement to receive such amounts subject to the fulfilment of specified conditions, capital gains receivable are recognised in the income statement on an accruals basis in accordance with the substance of the relevant contractual agreement. Where there is no such agreement, capital gains receivable are recognised when the right to receive the payment is established.

(x) Cost of sales
Commissions and distribution fees payable to third parties are recognised over the period for which the service is provided.

Asset management fees paid in advance in respect of structured product funds and the reimbursement of any marketing and distribution fees paid to the distributor as agent of the fund are deferred and spread over the life of the fund. Fees paid to the distributor but not yet charged that relate to deferred fees received are released to the income statement on redemption.

(y) Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Income from operating leases is recognised within 'Revenue' on a straight-line basis over the period of the lease. Incentives given to enter into leases are amortised over the period of the lease.

As lessee, costs under operating leases are charged to the income statement as 'Administrative expenses' in equal amounts over the periods of the leases. Incentives received to enter into leases are amortised over the period of the lease.

(z) Pensions and other post-employment benefits
The Group operates a number of pension schemes around the world. For defined contribution schemes, pension contributions payable in respect of the accounting period are charged as 'Administrative expenses' to the income statement. For funded defined benefit schemes, the cost of providing benefits is determined separately for each plan using the projected unit credit actuarial valuation method. The difference between the fair value of the plan assets and the present value of the defined benefit obligation at the balance sheet date, together with adjustments for unvested past service cost, is recognised as an asset or liability, as appropriate, in the balance sheet. An asset arising, for example, as a result of past over-funding or the performance of the plan investments, is recognised to the extent that it is recoverable either in that it does not exceed the present value of future contribution holidays or through refunds or set offs of contributions.

All actuarial gains and losses are recognised in full in other comprehensive income.

(aa) Share-based payments
The Group makes equity-settled share-based payments to key employees through awards over ordinary and non-voting ordinary shares and by the grant of market value share options over non-voting ordinary shares.

Awards over ordinary and non-voting ordinary shares made under the Group's Equity Compensation Plan are charged at fair value as 'Administrative expenses' in the income statement. The fair value of an award is calculated using the market value of the shares on the date of grant, discounted for the dividends forgone over the average holding period of the award. The fair value charges, adjusted to reflect actual and expected levels of vesting, are spread over the performance period and the vesting period of the awards.

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value to the income statement over a five year vesting period. Fair value is determined at the date of grant and is equal to the market value at that time.

Options granted over non-voting ordinary shares under the Group's Share Option Plan are measured at fair value at the date of grant. The fair value determined is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a stochastic option valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Awards that lapse are credited to the income statement in the year in which they lapse.

(ab) Foreign currency translation
The results of subsidiary undertakings, branches and associates drawn up in currencies other than sterling are translated at average rates of exchange ruling during the year. The assets and liabilities of these entities are translated at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the translation of the results of these entities from the average rate used in the income statement to the closing rate used in the balance sheet are taken in other comprehensive income. In addition, exchange differences arising on the translation of the equity of these undertakings at the beginning of the year, together with hedges of such exposures, are also taken directly in other comprehensive income.

Foreign currency assets and liabilities held by Group entities are translated at the rates of exchange ruling at the balance sheet date. Any exchange differences arising are taken to the income statement within 'Revenue' unless they relate to non-monetary items whose gains or losses are recognised directly in other comprehensive income. For such non-monetary items, the exchange components of those gains or losses are recognised in other comprehensive income.

(ac) Operating profit
The Group has chosen to present a subtotal for 'Operating profit' on the face of its income statement. The purpose of this presentation is to display a measure of the Group's earnings before tax and non-core receivables such as net finance income and income from associates and joint ventures.

(ad) Dividends payable
Dividends payable are recognised when the dividend is paid or approved by shareholders, whichever is earlier.

(ae) 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.

2 Estimates and judgements
Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below.

Valuation of quoted financial assets where there is an active market
Such assets are valued at the current quoted bid price using price feeds from third party market participants.

Valuation of quoted financial assets where there is no active market
From time to time quoted investments held by the Group may not be actively traded in financial markets. In such cases, the Group uses price feeds from third party market participants to determine fair value.

Valuation of financial assets where there is no quoted price
Such assets principally consist of investments in private equity, venture and buy-out funds, hedge funds and funds of hedge funds. Private equity, venture and buy out funds are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines and, where appropriate, by independent professional valuers. Hedge funds and funds of hedge funds are valued using the last price, quoted by the relevant fund adjusted to reflect changes in underlying market conditions occurring between the date of the last quoted price and the balance sheet date. These determinations require significant judgement particularly in determining changes in fair value since the last formal valuation by the fund manager or advisor. In making this judgement the Group evaluates amongst other factors the effect of cash distributions and changes in the business outlook for each fund due to the financial health and performance of individual investments within each fund.

Impairment of financial assets categorised as available-for-sale
Assets categorised as available-for-sale are reviewed at the end of each reporting period for impairment. If the period-end fair value of an asset is less than the cost or deemed cost of that asset, the Group will assess whether there is objective evidence that the asset is impaired.

For fixed income products, prime considerations are whether the issuer is experiencing significant financial difficulties, whether there has been a breach of contract, such as a default or delinquency in interest or principal payments, and whether national or local economic conditions correlate with defaults on the types of product held.

In respect of equity products, consideration is given to the extent to which the fair value of an instrument is below cost and to the length of time that the fair value of an instrument has been below cost.

Impairment of other assets
Goodwill and other assets that have indefinite useful lives are tested annually to determine whether they have suffered any impairment. Other intangible assets which have a finite useful economic life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

For non-financial assets, the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates.

For other financial assets, the recoverable amount is determined based on the estimated future cash flows. Disclosure of the sensitivity of carrying amounts of goodwill to the methods, assumptions and estimates underlying the calculation is included in the note to the accounts concerning goodwill.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Bank payroll tax
The Bank Payroll Tax ('BPT') was announced in the United Kingdom ('UK') on 9 December 2009 and applies to certain bonuses awarded to employees of UK resident banks between 9 December 2009 and 5 April 2010. BPT is charged at a rate of 50 per cent. Draft legislation and guidance on the new tax was issued on 9 December 2009 and further guidance was issued over the following weeks. The subsequent guidance has clarified the Government's intentions but substantial questions remain.

The Group has considered the impact that BPT may have on its financial statements and has concluded that a small number of employees working in the Private Banking business in the UK may fall into the Government's definition of a relevant banking employee. As the Group believes that the legislation in its current form, or in a form substantially similar to the draft legislation, will be enacted, BPT is expected to become payable and has been accrued by the Group based on the payments expected to be made to those employees within the specified period.

Pension obligations
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net charge/(credit) for pension costs include the expected long-term rate of return on the plans' assets and the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The expected return on plan assets assumption is determined on a uniform basis, taking into consideration long-term historical returns, asset allocation and future estimates of long-term investment returns.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality long-dated corporate bonds that are denominated in the currency in which the benefits will be paid.

The other key assumption that impacts the carrying value of the obligation is that of expected mortality rates. Any assumption made in this area is inherently uncertain. The Group's mortality assumptions are based on standard mortality tables projected forwards ten years for current pensioners and 20 years for future pensioners with the 'medium cohort' adjustment applied, augmented by underpinning to provide for a constant level of improvement in long-term mortality rates. The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of the scheme. Other assumptions for pension obligations are based in part on current market conditions. Further information, including a sensitivity analysis, is given in the note to the accounts concerning retirement benefit obligations.

Surplus space
The Group periodically reviews its space requirements and makes provisions where the Group has no current need for space to which the Group is already contractually committed under the terms of an operating lease agreement. The calculation of the required provision requires significant judgement, as the Group needs to estimate the provision based upon discounted future cash outflows due to be paid under the lease less any potential cash inflows from sub-letting arrangements that the Group is able to negotiate. These cash flows are then discounted for the remaining lease period. In estimating these cash flows, the Group consults with external advisors in the relevant location to understand the potential to sub-let the space, the rental rates which could be achieved and the potential amount and time period of any leasehold inducements which may need to be offered to successfully secure a sub-tenant.

Disclosure of the sensitivity of carrying amounts of provisions for surplus space to the methods, assumptions and estimates underlying their calculation is included in the note to the accounts concerning provisions.

3 Segmental reporting

(i) Operating segments

The Group has three continuing business segments: Asset Management, Private Banking and Group. Asset Management principally comprises investment management including advisory services, equity products, fixed income securities and alternative asset classes such as property, commodities, private equity and funds of hedge funds; Private Banking principally comprises investment management and banking services provided to high net worth individuals and certain smaller institutions; and Group principally comprises the income on the Group's investments in cash, liquid debt securities, investments in equities, venture and buy-out funds and related vehicles less Group costs and provisions.

During the year, the Group has adopted IFRS 8, which replaced IAS 14 Segment Reporting. A key difference between IAS 14 and IFRS 8 is that the latter requires segment information to be presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision-maker. The chief operating decision-maker is the Group's Chief Executive. Within the note below, segment information is presented on that basis. Comparatives for 2008 have been restated accordingly.

Within the Group's last annual financial statements, the Group segment was disclosed as two separate segments – Group and Private Equity. As a result of the adoption of IFRS 8, the Group and Private Equity segments, which have similar economic characteristics, have been aggregated into a single segment.

The allocation of costs to individual business segments is undertaken in order to provide management information on the cost of providing services and to provide managers with a tool to manage and control expenditure. Costs are allocated on a basis that aligns the charge with the resources employed by the Group in a particular area of its business. Typical dynamic allocation bases are square footage occupied and number of staff employed by particular business segments.

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/(expense)	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 4):					
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
Operating expenses include the following non-cash expenses:					
Share-based payments	(24.6)	(1.6)	(1.4)	–	(27.6)
Depreciation and amortisation of property, plant and equipment and software	(12.7)	(0.5)	(1.2)	–	(14.4)
Amortisation of other intangible assets	(2.5)	(0.1)	–	–	(2.6)
Impairment of other intangible assets	(2.7)	–	–	–	(2.7)
Bad and doubtful debts	0.2	(6.3)	(1.6)	–	(7.7)
Other provisions	2.7	(0.1)	(4.9)	–	(2.3)
	(39.6)	(8.6)	(9.1)	–	(57.3)

As at 31 December 2009	Asset Management £m	Private Banking £m	Group £m	Total £m
Segment assets	6,549.0[1]	2,647.9	1,091.7[2]	10,288.6
Segment liabilities	(6,201.0)	(2,405.9)	(32.7)	(8,639.6)
	348.0	242.0	1,059.0	1,649.0
Capital expenditure on segment assets	6.0	0.1	–	6.1

[1] Includes £30.0 million investment in joint ventures, £0.1 million investment in associates.
[2] Includes £16.4 million investment in associates.

3 Segmental reporting continued

Impairment losses and the reversal of impairment losses have been recognised in the year as follows:

	2009			
	Asset Management £m	Private Banking £m	Group £m	Total £m
Impairment losses recognised in profit or loss in respect of:				
Financial assets[1]	–	–	(41.8)	(41.8)
Intangible assets arising from business combinations[2]	(2.7)	–	–	(2.7)
Bad and doubtful debts[3]	(2.2)	(6.3)	(1.6)	(10.1)
Reversal of impairment losses recognised in profit or loss in respect of:				
Bad and doubtful debts[3]	2.4	–	–	2.4
	(2.5)	(6.3)	(43.4)	(52.2)

[1] Reported within revenue as an exceptional item.
[2] Reported within operating expenses as an exceptional item.
[3] Reported within operating expenses; £1.4 million of the losses within the Group segment are reported as an exceptional item.

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

Year ended 31 December 2008	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
External revenue	953.6	88.8	(139.5)	4.3	907.2
External net interest	–	28.6	–	–	28.6
Inter-segment revenues	–	(1.2)	–	1.2	–
Total revenue	953.6	116.2	(139.5)	5.5	935.8
Cost of sales	(204.9)	(4.9)	(0.3)	–	(210.1)
Net revenue	748.7	111.3	(139.8)	5.5	725.7
Operating expenses	(537.3)	(73.1)	(32.9)	(4.3)	(647.6)
Operating profit/(loss)	211.4	38.2	(172.7)	1.2	78.1
External interest receivable and similar income	6.7	–	32.3	–	39.0
Inter-segment interest receivable/(payable)	6.5	–	(5.3)	(1.2)	–
Interest receivable and similar income	13.2	–	27.0	(1.2)	39.0
Interest payable and similar charges	(0.1)	–	(0.1)	–	(0.2)
Net finance income/(expense)	13.1	–	26.9	(1.2)	38.8
Share of profit/(loss) of associates and joint ventures	6.6	–	(0.4)	–	6.2
Profit/(loss) before tax	231.1	38.2	(146.2)	–	123.1
Exceptional items included in the analysis above (see note 4):					
Revenues	–	–	(147.2)	–	(147.2)
Operating expenses	(18.7)	(1.5)	–	–	(20.2)
	(18.7)	(1.5)	(147.2)	–	(167.4)
Profit before tax and exceptional items	249.8	39.7	1.0	–	290.5
Profit/(loss) before tax	231.1	38.2	(146.2)	–	123.1
Operating expenses include the following non-cash expenses:					
Share-based payments	(21.5)	(1.3)	(1.6)	–	(24.4)
Depreciation and amortisation of property, plant and equipment and software	(10.7)	(0.7)	(0.5)	–	(11.9)
Amortisation of other intangible assets	(2.5)	(0.7)	–	–	(3.2)
Impairment of other intangible assets	(5.2)	(1.4)	–	–	(6.6)
Bad and doubtful debts	(2.4)	(1.2)	–	–	(3.6)
Other provisions	(3.5)	–	(2.7)	–	(6.2)
	(45.8)	(5.3)	(4.8)	–	(55.9)

As at 31 December 2008	Asset Management £m	Private Banking £m	Group £m	Total £m
Segment assets	4,663.9[1]	2,458.6[1]	950.9[2]	8,073.4
Segment liabilities	(4,197.9)	(2,191.6)	(51.7)	(6,441.2)
	466.0	267.0	899.2	1,632.2
Capital expenditure on segment assets	14.7	1.1	0.4	16.2

[1] Includes £21.9 million investment in joint ventures, £0.1 million investment in associates.
[2] Includes £10.7 million investment in associates.

3 Segmental reporting continued

Impairment losses and the reversal of impairment losses have been recognised in the year as follows:

	2008			
	Asset Management £m	Private Banking £m	Group £m	Total £m
Impairment losses recognised in profit or loss in respect of:				
Financial assets[1]	–	–	(81.3)	(81.3)
Intangible assets arising from business combinations[2]	(5.2)	(1.4)	–	(6.6)
Bad and doubtful debts[3]	(2.4)	(1.2)	–	(3.6)
	(7.6)	(2.6)	(81.3)	(91.5)

[1] Reported within revenue as an exceptional item.
[2] Reported within administrative expenses as an exceptional item.
[3] Reported within administrative expenses.

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

(ii) Geographical information

The Group earns its revenue in the following locations:

	Revenue	
Country	2009 £m	2008 £m
United Kingdom	298.7	236.3
Luxembourg	119.8	116.6
Switzerland	84.4	82.1
Japan	54.4	73.0
Italy	39.1	46.6
USA	39.6	54.1
Hong Kong	38.5	43.3
Korea	37.8	53.4
Taiwan	35.4	34.5
Singapore	32.3	30.3
Other	179.4	165.6
	959.4	935.8

The Group holds its non-current assets in the following locations:

	Non-current assets[1]	
Country	2009 £m	2008 £m
United Kingdom	92.2	143.1
Switzerland	26.3	19.9
Channel Islands	10.8	15.9
China	20.2	20.2
Other	60.7	25.7
	210.2	224.8

[1] Under IFRS 8, the Group is required to disclose by geographical location amounts of non-current assets other than financial instruments, deferred tax assets and retirement benefit assets.

4 Exceptional items, revenues and expenses – other disclosures

(a) Exceptional items comprise:

	2009 £m	2008 £m
Within revenues:		
Net losses on financial assets	(39.1)	(147.2)
Within operating expenses:		
Redundancy costs	(7.8)	(13.6)
Surplus space provision and office rationalisation arising from the cost reduction programme	(6.8)	–
Other rationalisation costs	(3.9)	–
Impairment of joint ventures and intangible assets	(3.7)	(6.6)
Provision for bad and doubtful debts	(1.4)	–
	(23.6)	(20.2)
Total exceptional items	(62.7)	(167.4)

The Group believes that the deterioration of the world's financial markets that occurred during 2008 and which continued to affect markets in 2009 constituted rare events that had a material impact on the value of the Group's investment capital and intangible assets arising from business combinations. As such, losses on such assets during the year have been classified as exceptional items, together with the cost of redundancies and actions related to the cost reduction programme that have arisen as a direct consequence of market conditions.

(b) Included in revenues:

	2009 £m	2008 £m
Property rental income	5.1	4.3
Net (losses)/gains on foreign exchange[1]	(21.9)	107.3
Net gains/(losses) on financial assets and liabilities held at fair value through profit or loss	20.9	(138.4)
Carried interests and distributions from available-for-sale Private Equity financial assets	–	1.2
Other net losses on disposal of available-for-sale financial assets	(0.6)	(27.3)
Impairment of available-for-sale financial assets – equities	(27.7)	(31.4)
Impairment of available-for-sale financial assets – debt securities	(6.7)	(49.9)
Foreign exchange losses on impairment of available-for-sale financial assets	(7.4)	–
Amounts recycled through revenues in respect of available-for-sale financial assets[2]	(42.4)	(107.4)
Net (losses)/gains on fair value hedges – hedged items	(11.0)	47.8
Net gains/(losses) on fair value hedges – hedging instruments	11.4	(49.2)
Ineffectiveness recognised in revenue	0.4	(1.4)
Fee income from fiduciary activities	958.7	1,022.0
Interest income receivable by Private Banking subsidiaries on financial assets not at fair value through profit or loss	60.8	123.5
Interest income receivable by Private Banking subsidiaries on financial assets at fair value through profit or loss	–	0.6
Interest expense payable by Private Banking subsidiaries on financial liabilities not at fair value through profit or loss	(41.5)	(95.5)
Net interest income in Private Banking subsidiaries	19.3	28.6

[1] Excludes foreign exchange on forward exchange contracts. Such gains and losses are included in net gains/(losses) on financial assets and liabilities held at fair value through profit or loss.
[2] Includes £1.3 million (2008: £70.2 million) losses on financial assets that were reclassified out of the fair value through profit or loss category into the available-for-sale category on 1 July 2008. If these investments had not been reclassified an additional £7.1 million gain (2008: £21.6 million loss) would have been recognised in revenue.

(c) Included in operating expenses:

	2009 £m	2008 £m
Salaries and other remuneration	343.6	340.5
Social security costs	36.7	27.1
Other pension costs (see note 5)	18.2	19.4
Employee benefits expense	398.5	387.0
Operating lease payments	31.8	29.4

4 Exceptional items, revenues and expenses – other disclosures continued

The average number of employees employed by the Company and its subsidiary undertakings during the year was:

	2009 Number	2008 Number
Full-time employees	2,540	2,699
Contract and temporary staff	118	254
	2,658	2,953
They were employed as follows (all continuing operations):		
Asset Management	2,281	2,588
Private Banking	322	314
Group	55	51
	2,658	2,953

Included in operating expenses:
Audit and non-audit fees

	2009			2008		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Audit fees for the Annual Accounts	0.6	–	0.6	0.6	–	0.6
Year-end audit services to the subsidiaries of the Company	0.6	1.3	1.9	0.6	1.1	1.7
Other audit services provided pursuant to legislation	0.2	0.1	0.3	0.1	0.2	0.3
Tax services	0.4	0.5	0.9	0.4	0.5	0.9
Other services	0.3	0.1	0.4	0.2	0.1	0.3
	2.1	2.0	4.1	1.9	1.9	3.8

(d) Included in net finance income:

	2009 £m	2008 £m
Bank interest receivable	9.5	15.5
Other interest receivable on financial assets not at fair value through profit or loss[1]	0.5	6.6
Interest on financial assets held at fair value through profit or loss	2.5	16.9
Interest receivable and similar income	12.5	39.0
Interest payable on bank loans and overdrafts	–	(0.1)
Other interest payable on financial liabilities not at fair value through profit or loss	(1.7)	(0.1)
Interest payable and similar charges	(1.7)	(0.2)

[1] Includes £0.9 million (2008: £5.6 million) interest on impaired financial assets.

5 Retirement benefit obligations

The charge for retirement benefit costs is as follows:	2009 £m	2008 £m
Pension costs – defined contribution plans	15.0	15.9
Pension costs – defined benefit plans	2.8	3.4
Other post-employment benefits	0.4	0.1
	18.2	19.4
The defined benefit scheme charge in respect of the UK scheme consists of:		
Current service cost	7.5	8.5
Past service cost	0.2	–
Expected return on scheme assets	(35.0)	(34.9)
Curtailment	(0.5)	(0.5)
Interest on scheme liabilities	29.6	28.8
Total charge in respect of the UK scheme	1.8	1.9
Charges in respect of other defined benefit schemes	1.0	1.5
Total defined benefit scheme charges	2.8	3.4

5 Retirement benefit obligations continued

The principal scheme in the UK is the Schroders Retirement Benefits Scheme (the 'Scheme') which is non-contributory and administered by the Trustee. It is a funded scheme comprising a defined benefit section and a defined contribution section. It is open to new entrants and has 305 active members in the defined benefit section and 813 active members in the defined contribution section at 31 December 2009 (2008: 299 and 878 respectively). The most recent triennial valuation of the Scheme was carried out as at 31 December 2008. It discloses that the market value of the assets of the Scheme represented 92 per cent. of the liability at that date, calculated on the funding basis applicable to the Scheme, for the benefits that had accrued to members at that date allowing for future increases in earnings and pensions. The deficit identified has been met in full during 2010 by a single cash contribution.

The Company paid effective contributions to the defined benefit section in 2009 of 35.8 per cent. of pensionable salaries to cover the accrual of ongoing benefits. For joiners on or after 1 June 1989, pensionable salaries for this purpose were subject to the statutory earnings cap which was in force until April 2006, after which this cap was replaced by a notional earnings cap.

The pension cost under IAS 19 for the defined benefit section of the Scheme has been determined by independent qualified actuaries, Hewitt Associates Limited, and is based on an assessment of the Scheme as at 31 December 2009. This assessment was carried out using the projected unit method and the principal financial assumptions set out below. Assets were taken at bid value and are held by an independent custodian.

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.

In the year, the contributions to the defined benefits section of the Scheme totalled £8.6 million (2008: £12.4 million). The balance sheet liability at 31 December 2009 was £41.1 million (2008: asset of £22.4 million).

Administration expenses and the levy payable to the Pensions Protection Fund are met directly by the Group. The actual return on Scheme assets was £35.1 million (2008: negative return of £5.1 million).

The Group operates a number of smaller pension schemes around the world, some of which are funded defined benefit schemes with valuations performed regularly by qualified actuaries. Actuarial assumptions vary according to the economic conditions of the countries in which the funds are situated. In addition, there are several defined contribution schemes.

The additional disclosures required by IAS 19 are set out below. Figures shown are for the defined benefits section of the UK Scheme only.

(a) Balance sheet assets:

	2009 £m	2008 £m
(Deficit)/surplus in the UK Scheme	(41.1)	22.4

(b) Income statement charge:

	2009 £m	2008 £m
Pension benefits	1.8	1.9

Pension benefits The amounts recognised in the balance sheet are determined as follows:	**2009 £m**	2008 £m
Present value of funded obligations	(614.1)	(525.2)
Fair value of plan assets	573.0	547.6
Net (liability)/asset recognised in the balance sheet	(41.1)	22.4

Scheme assets do not include any of the Company's shares (2008: nil) or buildings occupied by the Group (2008: nil).

The cumulative amount of actuarial gains and losses recognised in respect of the Scheme through the statement of comprehensive income is a £91.6 million loss (2008: £21.3 million loss).

The expected rates of return on individual categories of Scheme assets (net of investment expenses only) are determined by reference to the following:

Bonds – based on an outperformance of 0.4 per cent. (2008: 0.6 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

Equities – based on an outperformance of 4.1 per cent. (2008: 3.9 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

Liability-matching – based on an outperformance of 1.0 per cent. (2008: 1.8 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

5 Retirement benefit obligations continued

Other – based on the long-term expected return on cash implied by swaps yields, together with an expected return on hedge funds based on outperformance of 1.0 per cent. per annum above the yield on long-dated government bonds at the balance sheet date (2008: based on the long-term expected return on cash implied by swaps yields, together with an expected return on hedge funds based on outperformance of 1.0 per cent. per annum above the yield on long-dated government bonds at the balance sheet date).

The movement in the present value of the UK defined benefit obligation during the year is as follows:

	2009 £m	2008 £m
At 1 January	525.2	512.8
Current service cost	7.5	8.5
Past service cost	0.2	–
Interest cost	29.6	28.8
Curtailment	(0.5)	(0.5)
Actuarial losses/(gains)	70.4	(9.4)
Benefits paid	(18.3)	(15.0)
At 31 December	614.1	525.2

The movement in the fair value of Scheme assets during the year is as follows:

	2009 £m	2008 £m
At 1 January	547.6	555.3
Expected return	35.0	34.9
Actuarial gains/(losses)	0.1	(40.0)
Contributions by employer	8.6	12.4
Benefits paid	(18.3)	(15.0)
At 31 December	573.0	547.6

The fair value of Scheme assets at the balance sheet date is analysed as follows:

	2009 £m	2008 £m
Equity instruments[1]	289.2	250.6
Debt instruments	78.3	45.4
Liability-matching assets	190.6	204.8
Other assets[2]	14.9	46.8
	573.0	547.6

[1] Includes property.
[2] Includes hedge funds.

35 per cent. of the Scheme's assets are liability-driven investments (including bonds and derivatives such as interest rate and inflation swaps and cash) so as to match the profile of the Scheme's liabilities. The remaining 65 per cent. is invested in a diversified portfolio of growth assets with an allocation of approximately 45 per cent. to equities and 20 per cent. to a range of other asset classes, including property, private equity, hedge funds, currency, high yield and emerging market bonds. The combination and the spread across the different asset classes has been designed to reduce risk while still generating an expected return in excess of the cost of meeting the Scheme's liabilities.

The principal financial assumptions used were as follows:

	2009 %	2008 %
Discount rate	5.5	5.7
Inflation rate	3.9	3.0
Future salary increases	4.7	4.5
Future pension increases (for benefits earned before 13 August 2007)	3.6	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.3	2.1
Expected return on Scheme assets analysed as:		
Equities	8.6	7.8
Bonds	4.9	4.5
Liability-matching assets	5.5	5.7
Other assets	5.2	4.4
Number of years a current pensioner is expected to live beyond age 60:	**Years**	Years
Men	28	28
Women	31	30
Number of years future pensioners currently aged 45 are expected to live beyond age 60:	**Years**	Years
Men	30	30
Women	32	31

5 Retirement benefit obligations continued

The history of the Scheme is as follows:

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Present value of defined benefit obligation	(614.1)	(525.2)	(512.8)	(500.8)	(471.7)
Fair value of Scheme assets	573.0	547.6	555.3	517.6	480.5
(Deficit)/surplus in the Scheme	(41.1)	22.4	42.5	16.8	8.8
Experience adjustments on Scheme liabilities	16.6	2.0	(0.6)	(1.0)	10.1
Experience adjustments on Scheme assets	0.1	(40.0)	(1.4)	14.4	34.8

The amounts under IAS 19 that have been recognised in the statement of comprehensive income ('SOCI') in respect of the UK Scheme are set out below:

	2009		2008	
	£m	%	£m	%
Actual return less expected return on UK Scheme assets	0.1		(40.0)	
% of year-end market value of assets		–		(7.3)
Experience gains and losses arising on UK Scheme liabilities	16.6		2.0	
% of year-end present value of Scheme liabilities		2.7		0.4
Changes in assumptions underlying the present value of the UK Scheme liabilities	(87.0)		7.4	
% of year-end present value of UK Scheme liabilities		(14.2)		1.4
Actuarial (losses)/gains recognised in SOCI	(70.3)		(30.6)	
% of year-end present value of UK Scheme liabilities		(11.4)		(5.8)

The sensitivity of the 2009 pension liabilities to changes in assumptions are as follows:

Assumption	Assumption change	Estimated reduction in pension liabilities £m	Estimated reduction in pension liabilities %
Discount rate	Increase by 0.5% per annum	57.8	9.4
Expected rate of salary increases	Reduce by 0.5% per annum	2.3	0.4
Expected rate of pension increases in payment	Reduce by 0.5% per annum	38.7	6.3
Life expectancy	Reduce by one year	14.2	2.3

Membership details as at 31 December 2009 are as follows:

Active workers	305
Total pensionable salary roll	£23.2 million per annum
Average age (active)	46
Average service in plan	10.5 years
Number of deferred members	1,466
Total deferred pensions (at date of leaving Scheme)	£9.9 million per annum
Average age (deferred)	48
Number of pensioners	645
Average age (pensioners)	68
Total pensions in payment	£14.0 million per annum

The Group currently expects to make contributions totalling approximately £9.0 million during 2010, payable monthly, to cover the accrual of ongoing benefits in the Scheme. In addition, the Group made a contribution of £53.2 million in February 2010 in relation to the deficit identified on the Scheme's funding basis at 31 December 2008, as identified above.

As at 31 December 2009, the amounts recognised in the balance sheet in respect of the Group's retirement benefit scheme deficits are:

	£m
UK Retirement Benefit Schemes	(41.1)
Other defined benefit schemes	(5.4)
	(46.5)

6 Directors

(a) Total emoluments

The aggregate emoluments of the Directors amounted to £5.9 million (2008: £5.1 million). The aggregate of employer contributions to defined contribution arrangements in respect of the Directors during the year was £0.1 million (2008: £0.1 million). Details of retirement benefits accruing under defined contribution arrangements and under the defined benefit section of the Scheme are provided in the remuneration report. The emoluments of the highest paid Director during the year amounted to £1.7 million (2008: £1.8 million). There were 895,748 (2008: 250,000) market value share options exercised during 2009 resulting in a gain of £3.3 million (2008: £1.1 million). There were 1,077,383 (2008: nil) nil cost options exercised during 2009, resulting in a gain of £10.3 million (2008: £nil). In addition, 375,253 nil cost options were exchanged for 346,648 restricted shares. There was no gain or loss as a result. Further details relating to emoluments paid to Directors are given in the remuneration report.

(b) Rights to deferred cash and shares

Details of Directors' rights to deferred cash and shares are provided in the remuneration report.

(c) Directors' loans

Under the Companies Act 2006, Schroder & Co. Limited is permitted as a banking company to make loans to Directors but no loans have been made (2008: £nil). A non-UK banking subsidiary made a loan of £1.2 million (2008: £nil) to a Director which was outstanding at the year end.

7 Tax expense

(a) Analysis of charge in the year

	2009 £m	2008 £m
Current tax:		
UK corporation tax on profits for the year	32.2	39.5
Double tax relief	(18.8)	(38.2)
	13.4	1.3
Adjustments in respect of prior years	(4.6)	2.9
	8.8	4.2
Foreign tax – current	36.8	45.1
Foreign tax – adjustments in respect of prior years	(3.5)	1.0
Total current tax	42.1	50.3
Deferred tax – origination and reversal of temporary differences	(2.0)	3.5
Adjustments in respect of prior years	1.7	(2.0)
Total tax charge for the year	41.8	51.8

(b) Analysis of credit to equity

	2009 £m	2008 £m
Current income tax on Equity Compensation Plan and share option awards	(5.4)	(0.8)
Current income tax on movements on available-for-sale financial assets	(8.0)	(1.3)
Deferred tax on Equity Compensation Plan and share option awards – current year	(10.0)	11.3
Deferred tax on Equity Compensation Plan and share option awards – prior year	(0.1)	0.4
Deferred tax on actuarial gains and losses on defined benefit pension schemes	(19.6)	(8.6)
Tax (credit)/charge reported in equity	(43.1)	1.0

7 Tax expense continued

(c) Factors affecting tax charge for the year

As of 1 April 2008, the UK standard rate of corporation tax changed from 30 per cent. to 28 per cent., leading to a change in the effective UK corporation tax rate used from 28.5 per cent. in 2008 to 28.0 per cent. in 2009.

The tax charge for the year is higher (2008: higher) than the UK standard rate of corporation tax of 28 per cent. The differences are explained below:

	2009 £m	2008 £m
Profit before tax	137.5	123.1
Profit before tax multiplied by corporation tax at the UK rate of 28 per cent. (2008: 28.5 per cent.)	38.5	35.1
Effects of:		
Impact of profits/losses arising in jurisdictions with higher tax rates	4.3	2.7
Impact of profits/losses arising in jurisdictions with lower tax rates	(3.0)	(7.5)
Non-taxable income net of disallowable expenses	(2.1)	(0.3)
Movement in unrecognised deferred tax – current year	9.0	12.3
Effect of share price movements on deferred tax assets relating to share schemes	(1.1)	2.8
Foreign exchange movements on tax balances	(0.6)	(0.7)
UK tax on profits of overseas entities after double tax relief	1.6	4.9
Overseas tax on profits of UK entities after double tax relief	1.6	0.6
Prior year adjustments:		
UK tax	(4.6)	2.9
Foreign tax	(3.5)	1.0
Deferred tax	1.7	(2.0)
Total tax charge for the year	41.8	51.8

8 Dividends

	2009		2008	
	£m	**Pence per share**	£m	Pence per share
Declared and paid in year:				
Final dividend paid	57.4	21.0	59.4	21.0
Interim dividend paid	27.5	10.0	27.3	10.0
	84.9	31.0	86.7	31.0
Second interim dividend for 2009 payable 29 March 2010	58.2	21.0		

Dividends of £4.0 million (2008: £3.5 million) on shares held by the employee trusts have been waived.

9 Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to equity holders of the parent of £95.4 million (2008: £76.7 million) by the weighted average number of shares in issue during the year, less the weighted average number of own shares. The post-tax attributable profit adjusted for exceptional items is £150.3 million (2008: £210.9 million).

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 year attributable to equity holders of the parent used in the basic and diluted earnings per share calculations.

9 Earnings per share continued

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

	2009 Number	2008 Number
Weighted average number of shares used in calculation of basic earnings per share	278,180,961	279,534,683
Effect of dilutive potential shares – share options	680,378	1,128,445
Effect of dilutive potential shares – contingently issuable shares	158,122	632,053
Weighted average number of shares used in calculation of diluted earnings per share	279,019,461	281,295,181

There have been no material transactions involving shares or potential shares since the reporting date and before the completion of these financial statements.

10 Goodwill

	2009 £m	2008 £m
At 1 January	112.8	95.2
Exchange translation adjustments	(10.1)	29.6
Additions	0.1	12.1
Reversal of contingent consideration	–	(24.1)
Transfers from intangible assets	12.8	–
At 31 December	115.6	112.8

At 31 December 2008, the initial accounting for two acquisitions of the Group had been determined only provisionally. The accounting for these acquisitions has now been finalised and, in respect of the 2008 acquisition of Swiss Re Asset Management Funds (Switzerland) AG, intangible assets of £12.8 million have been reclassified in the year as goodwill. This is recorded above within the 'Transfers from intangible assets' line. A small adjustment was also made in relation to the 2008 acquisition of E.Sun SITE, recorded within the 'Additions' line above.

Goodwill acquired in a business combination is allocated to the cash generating units ('CGUs') that are expected to benefit from that business combination. For all relevant acquisitions, the lowest level of CGU the Group is able to use to determine impairment is segment level.

The carrying amount of goodwill has been allocated as follows:

	2009 £m	2008 £m
Asset Management	107.0	103.9
Private Banking	8.6	8.9
	115.6	112.8

The recoverable amounts of the CGUs are determined from value-in-use calculations. The key assumptions on which management have based their five-year cash flow projections to arrive at the value-in-use are those regarding the market growth rates (based on the Group's view of anticipated future market movements), a pre-tax discount rate of 10.2 per cent., expected fund flows (based on the aggregation of local expectations of country heads worldwide) and expected changes to margins (based on an analysis of the current fee structure flexed to take into account expected changes in product mix and the proportion of rebates payable to external distributors). The growth rate used within the calculation is 2 per cent. (2008: 2 per cent.).

The sensitivity of the carrying amounts of goodwill to the methods and assumptions used in the estimation of the recoverable amounts of the CGUs is small due to the amount of goodwill on the Group's balance sheet relative to the size of the Group's estimations of future profitability within the business segments to which that goodwill has been allocated.

11 Intangible assets

	2009			2008		
	Intangible assets arising from business combinations £m	**Software £m**	**Total £m**	Intangible assets arising from business combinations £m	Software £m	Total £m
Cost						
At 1 January	44.5	49.0	93.5	12.5	36.4	48.9
Exchange translation adjustments	(2.6)	(1.3)	(3.9)	11.5	3.4	14.9
Additions	–	1.2	1.2	20.5	9.3	29.8
Transfers to goodwill	(12.8)	–	(12.8)	–	–	–
Disposals	–	(1.0)	(1.0)	–	(0.1)	(0.1)
At 31 December	29.1	47.9	77.0	44.5	49.0	93.5
Amortisation						
At 1 January	(14.3)	(28.5)	(42.8)	(2.7)	(21.1)	(23.8)
Exchange translation adjustments	0.9	0.9	1.8	(1.8)	(2.9)	(4.7)
Amortisation and impairment for the year	(5.3)	(5.4)	(10.7)	(9.8)	(4.5)	(14.3)
Disposals	–	1.0	1.0	–	–	–
At 31 December	(18.7)	(32.0)	(50.7)	(14.3)	(28.5)	(42.8)
Carrying amount at 31 December	10.4	15.9	26.3	30.2	20.5	50.7

There were no additions to intangible assets arising from business combinations during the year. However, at 31 December 2008, the initial accounting for two acquisitions of the Group had been determined only provisionally. The accounting for these acquisitions has now been finalised and, in respect of the 2008 acquisition of Swiss Re Asset Management Funds (Switzerland) AG, intangible assets of £12.8 million have been reclassified in the period as goodwill. This is recorded above within the 'Transfers to goodwill' line.

The amortisation charge for the year in respect of fund management contracts was £2.6 million (2008: £3.2 million). In addition, a charge for impairment of £2.7 million (2008: £6.6 million) was taken in respect of reduced expected future cash inflows from entities acquired by the Group. Discount rates of between 10.2 per cent. and 10.5 per cent. were used in calculating the estimated levels of impairment.

Amortisation of intangible assets is recorded in the income statement as an operating expense.

The Group has future commitments to purchase software with a value of £0.4 million (2008: £nil). None of the Group's intangible assets are internally generated.

12 Property, plant and equipment

	2009			2008		
	Office equipment, computers and cars £m	**Long leasehold premises and leasehold improvements[1] £m**	**Total £m**	Office equipment, computers and cars £m	Long leasehold premises and leasehold improvements[1] £m	Total £m
Cost						
At 1 January	26.8	53.0	79.8	21.3	44.6	65.9
Exchange translation adjustments	(1.4)	(2.1)	(3.5)	2.7	5.7	8.4
Additions	2.2	2.7	4.9	3.6	3.3	6.9
Disposals	(3.5)	(3.3)	(6.8)	(0.8)	(0.6)	(1.4)
At 31 December	24.1	50.3	74.4	26.8	53.0	79.8
Depreciation						
At 1 January	(19.3)	(32.8)	(52.1)	(15.4)	(24.9)	(40.3)
Exchange translation adjustments	1.0	1.1	2.1	(2.2)	(3.6)	(5.8)
Depreciation charge for the year	(2.8)	(6.2)	(9.0)	(2.5)	(4.9)	(7.4)
Disposals	3.1	2.8	5.9	0.8	0.6	1.4
At 31 December	(18.0)	(35.1)	(53.1)	(19.3)	(32.8)	(52.1)
Net book value at 31 December	6.1	15.2	21.3	7.5	20.2	27.7

[1] Includes lease deposits of £3.1 million (2008: £1.8 million).

Depreciation of property, plant and equipment is recorded in the income statement as an operating expense.

At 31 December 2009 and 2008, none of the above assets were held under finance leases. The Group has future commitments to purchase property, plant and equipment with a value of £0.7 million (2008: £nil).

13 Associates and joint ventures

	2009 £m	2008 £m
Associates	16.5	10.8
Joint ventures	30.0	21.9
Associates and joint ventures	46.5	32.7

Associates

The interest in associates comprised:

	Equity £m	Group's share of post-acquisition reserves £m	Total £m
At 1 January 2009	5.5	5.3	10.8
Profit for the year after tax	–	5.7	5.7
At 31 December 2009	5.5	11.0	16.5

The principal associate, Schroder Ventures Investments Limited ('SVIL'), is unlisted and engaged in private equity investment. Its results included in these accounts are shown below, together with the Group's percentage interest therein at 31 December 2009. It is incorporated and operates in Guernsey.

Particulars of issued share and loan capital of the principal associate held by the Group at 31 December 2009 are:

	Class	Number	Issued capital	Percentage owned by the Group
Guernsey				
Schroder Ventures Investments Limited	Ordinary shares	446,200	£4,462	50
	Deferred shares	107,200	£1,072	50
	Redeemable preference shares	2,119,450	£2,119	50

The financial statements of SVIL are prepared to 30 June each year. Accounts are prepared to this date so that the company's year end is coterminous with those of its major investments. For the purposes of applying the equity method of accounting, the interim financial statements of SVIL have been used.

Summarised financial information in respect of the Group's associates is set out below:

	2009			2008		
	SVIL £m	Other associates £m	Total £m	SVIL £m	Other associates £m	Total £m
Total assets	33.0	0.3	33.3	21.7	0.6	22.3
Total liabilities	(0.2)	(0.1)	(0.3)	(0.5)	(0.1)	(0.6)
Net assets	32.8	0.2	33.0	21.2	0.5	21.7
Group's share of associates' net assets	16.4	0.1	16.5	10.6	0.2	10.8
Revenue	11.3	0.2	11.5	0.6	(0.1)	0.5
Profit/(loss) for the year	11.2	0.2	11.4	(0.6)	(0.1)	(0.7)
Group's share of associates' profit/(loss) for the year	5.6	0.1	5.7	(0.3)	(0.1)	(0.4)

The Group has a contractual commitment to the further purchase of share capital in SVIL of £4.5 million, subject to call.

13 Associates and joint ventures continued

Joint ventures

The Group's principal joint venture is a 30 per cent. interest in the ordinary share capital of Bank of Communications Schroder Fund Management Co. Ltd., which is involved in the management of funds in China.

The Group accounts for its holdings in joint ventures using the equity method of accounting. The Group's share of the assets, liabilities, revenue and expenses of the joint ventures is as follows:

	2009			2008		
	China joint venture £m	**Other joint ventures £m**	**Total £m**	China joint venture £m	Other joint ventures £m	Total £m
Non-current assets	3.4	0.7[1]	4.1	0.7	1.5[1]	2.2
Current assets	32.8	1.5	34.3	24.3	0.3	24.6
Non-current liabilities	(1.1)	–	(1.1)	(0.2)	–	(0.2)
Current liabilities	(7.0)	(0.3)	(7.3)	(4.6)	(0.1)	(4.7)
Total equity	28.1	1.9	30.0	20.2	1.7	21.9
Revenue	26.5	0.5	27.0	16.2	0.5	16.7
Expenses	(13.2)	(0.5)	(13.7)	(7.0)	(0.3)	(7.3)
Tax	(3.4)	–	(3.4)	(2.8)	–	(2.8)
Group's share of joint ventures' profit for the year	9.9	–	9.9	6.4	0.2	6.6

[1] Balance consists of goodwill.

14 Unit-linked liabilities and assets backing unit-linked liabilities

Assets backing unit-linked liabilities comprise:

	2009 £m	2008 £m
Investments in authorised unit trusts	1,905.4	1,510.7
Other financial assets[1]	3,535.9	2,074.1
Cash and cash equivalents[1]	266.7	129.5
	5,708.0	3,714.3

The life company's assets are regarded as current assets as clients are able to withdraw funds within one year.

Unit-linked liabilities comprise:

	2009 £m	2008 £m
Financial liabilities due to life company investors	5,062.9	3,234.7
Financial liabilities due to third party investors[2]	645.1	479.6
	5,708.0	3,714.3

[1] Represents the assets of underlying funds in which the life company invests where the Group is in a position to be able to exercise control over those funds.
[2] Such liabilities arise in respect of assets controlled by the Group that are beneficially owned by third parties.

The above assets and unit-linked liabilities arise within the Group's wholly-owned entity, Schroder Pension Management Limited ('the life company'), which purchases units in open-ended authorised unit trusts on behalf of clients seeking to invest in unit trusts with a life assurance wrapper.

The Group has negligible exposure to credit risk in relation to the investments of the life company as the risks and rewards associated with its investments are borne by the investors in the life company's funds and not by the life company itself.

As is common practice in the industry, the life company has granted floating charges over its long term assets to its reinsured policy holders. The floating charges convert into fixed charges in the event of the insolvency of the life company. The charge ensures that such policy holders rank equally with direct policy holders in the event of the insolvency or winding-up of the life company.

15 Non-current financial assets

	2009			
	Held to maturity £m	**Fair value through profit or loss £m**	**Available-for-sale £m**	**Total £m**
Equities – listed	–	–	32.9	32.9
Equities – unlisted	–	–	30.6	30.6
Debt securities – listed	27.3	–	0.3	27.6
Debt securities – unlisted	–	–	2.5	2.5
Investments	27.3	–	66.3	93.6
Derivative contracts (see note 26)	–	36.1	–	36.1
	27.3	36.1	66.3	129.7

	2008			
	Held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Equities – listed	–	–	24.1	24.1
Equities – unlisted	–	–	36.8	36.8
Debt securities – listed	69.0	–	0.2	69.2
Other – unlisted	–	–	0.5	0.5
Investments	69.0	–	61.6	130.6
Derivative contracts (see note 26)	–	24.2	–	24.2
	69.0	24.2	61.6	154.8

The Group's held to maturity financial assets are held within the Group's Private Banking operations as part of their banking book.

Effective from 1 July 2008, the Group adopted the amendment to IAS 39 issued in October 2008 and reclassified held for trading financial assets out of the fair value through profit or loss category and into the available-for-sale category. The carrying value of the reclassified financial assets at 31 December 2009 is £7.8 million (2008: £7.6 million).

16 Trade and other receivables

	2009			2008		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Trade and other receivables held at amortised cost:						
Fee debtors	42.7	–	42.7	41.5	–	41.5
Settlement accounts	65.3	–	65.3	77.6	–	77.6
Accrued income	141.2	2.0	143.2	133.4	2.4	135.8
Other debtors	63.3	2.4	65.7	86.4	3.5	89.9
	312.5	4.4	316.9	338.9	5.9	344.8
Non-financial instruments:						
Prepayments	22.2	0.1	22.3	13.6	0.9	14.5
Other debtors	4.0	0.4	4.4	6.4	–	6.4
	338.7	4.9	343.6	358.9	6.8	365.7

All trade and other receivables listed above are non-interest bearing. The carrying amount of the non-interest bearing trade and other receivables approximates to their fair value.

17 Current financial assets

	2009			
	Held to maturity £m	**Fair value through profit or loss £m**	**Available-for-sale £m**	**Total £m**
Equities – listed	–	71.1	86.8	157.9
Equities – unlisted	–	11.2	20.9	32.1
Debt securities – listed	196.6	393.8	59.5	649.9
Debt securities – unlisted	280.9	0.6	192.1	473.6
Investments	477.5	476.7	359.3	1,313.5
Derivative contracts (see note 26)	–	25.7	–	25.7
	477.5	502.4	359.3	1,339.2

	2008			
	Held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Equities – listed	–	48.5	53.6	102.1
Equities – unlisted	–	39.5	124.7	164.2
Debt securities – listed	72.3	363.1	184.6	620.0
Debt securities – unlisted	704.4	10.7	3.6	718.7
Investments	776.7	461.8	366.5	1,605.0
Derivative contracts (see note 26)	–	56.7	–	56.7
	776.7	518.5	366.5	1,661.7

The Group's held to maturity investments are held within the Group's Private Banking operations as part of their banking book.

Effective from 1 July 2008, the Group adopted the amendment to IAS 39 issued in October 2008 and reclassified held for trading assets out of the fair value through profit or loss category and into the available-for-sale category. The carrying value of the reclassified financial assets at 31 December 2009 is £59.7 million (2008: £262.1 million).

18 Loans and advances to customers

	2009 £m	2008 £m
Loans and advances to customers	964.2	802.4

	2009			2008		
	Gross £m	**Provisions £m**	**Net £m**	Gross £m	Provisions £m	Net £m
Maturing/repricing (whichever is earlier) in:						
Less than 1 year	478.7	(9.6)	469.1	387.0	(1.6)	385.4
1 – 2 years	180.5	–	180.5	130.4	–	130.4
2 – 3 years	13.4	–	13.4	60.8	–	60.8
3 – 4 years	31.0	–	31.0	25.5	–	25.5
4 – 5 years	33.7	–	33.7	58.3	–	58.3
More than 5 years	236.5	–	236.5	142.0	–	142.0
	495.1	–	495.1	417.0	–	417.0
	973.8	(9.6)	964.2	804.0	(1.6)	802.4

An impairment charge of £7.7 million (2008: £1.2 million) has been charged to the income statement in respect of loans and advances to customers. Factors considered in determining whether impairment has taken place include how many days past the due date a receivable is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a debtor's ability to repay an amount due.

19 Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	1,045.0	866.6
Cash equivalents	457.6	201.0
	1,502.6	1,067.6

Cash equivalents principally comprise cash on short-term deposit with banks. The book value of cash and cash equivalents approximates to their fair value.

20 Non-current assets held for sale

From time to time, Group companies inject capital into funds operated by the Group (seed capital). Where the Group holds more than 50 per cent. of the fund in which it is investing and where voting rights are attached to the holding, the Group technically controls the fund and it becomes a subsidiary of the Group. Where the Group is actively seeking to reduce its holding within 12 months, the fund is classified as being held for sale as it is considered highly probable that the fund will not remain under the control of the Group one year after the original investment is made.

If the Group still retains control of the fund after this time, the fund ceases to be classified as held for sale and is consolidated.

	2009 £m	2008 £m
Seed capital classified as being held for sale	–	2.0

At 31 December 2009, the fair value of non-current assets held for sale was £nil (2008: £2.0 million).

In the year to 31 December 2009, no investments in funds were classified as non-current assets held for sale. The two funds in which the Group held seed capital investments at the start of the year ceased to be classified as non-current assets held for sale as they no longer met the conditions within IFRS 5 regarding such classifications. Investments cease to be classified as held for sale when they are no longer controlled by the Group. This may happen either through sale of the investment and/or dilution of the Group's holding.

The effect of reclassifying these funds on the results of operations is to increase revenue by £nil in 2009 (2008: increase of £0.5 million).

£0.1 million (2008: £1.3 million) has been charged to revenue within the income statement in relation to non-current assets held for sale.

The Group's exposure to credit risk is represented by the carrying amount of the assets.

21 Financial liabilities

	2009			2008		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Derivative contracts (see note 26)	23.6	37.6	61.2	100.2	26.4	126.6
Liabilities in respect of consolidated funds	19.7	–	19.7	9.9	–	9.9
Deferred consideration payable on acquisitions	–	–	–	8.8	–	8.8
Other	0.3	–	0.3	–	–	–
	43.6	37.6	81.2	118.9	26.4	145.3

All financial liabilities with the exception of other are held at fair value through profit or loss. Derivative contracts and liabilities in respect of consolidated funds are held for trading. Other financial liabilities are held at amortised cost.

Liabilities in respect of consolidated funds arise where non-current assets previously classified as being held for sale (see note 20) are consolidated. When this occurs, the Group acquires a liability in respect of units held by third parties in the funds of which the Group has control.

Included in current derivative contracts are forward foreign exchange contracts with a fair value of £0.9 million (2008: £27.2 million) held to hedge net investments in foreign operations.

	2009 £m	2008 £m
Maturing/repricing (whichever is earlier) of financial liabilities (excluding derivatives) in:		
Less than 1 year	20.0	18.7

22 Deferred tax

Deferred tax assets/(liabilities) represent temporary differences, including those arising from bonuses.

(a) Deferred tax liabilities

	2009 £m	2008 £m
At 1 January	(4.1)	(2.7)
Exchange translation adjustments	0.2	(1.3)
Income statement credit/(expense)	1.4	(0.4)
Transfers	–	0.3
At 31 December	(2.5)	(4.1)

(b) Deferred tax assets

	2009			
	Accelerated capital allowances £m	**Temporary differences including bonuses £m**	**Tax losses carried forward £m**	**Total £m**
At 1 January	3.6	38.1	1.4	43.1
Exchange translation adjustments	–	(0.6)	–	(0.6)
Changes in timing differences – income statement (expense)/credit	(0.7)	(5.8)	5.3	(1.2)
Debit taken to equity	–	29.8	–	29.8
At 31 December	2.9	61.5	6.7	71.1

	2008			
	Accelerated capital allowances £m	Temporary differences including bonuses £m	Tax losses carried forward £m	Total £m
At 1 January	4.5	36.8	1.5	42.8
Exchange translation adjustments	0.1	4.7	–	4.8
Changes in timing differences – income statement (expense)/credit	(1.0)	0.1	(0.1)	(1.0)
Effect of changes in tax rates – income statement expense	–	(3.2)	–	(3.2)
Transfers	–	(0.3)	–	(0.3)
At 31 December	3.6	38.1	1.4	43.1

Included in deferred tax assets relating to temporary differences including those arising from bonuses is an asset relating to UK tax deductions for share-based remuneration which are dependent on the prices of Schroders' ordinary and non-voting ordinary shares at the time the awards are exercised. These have been recognised based on the share prices as at 31 December 2009. Subsequent to the end of the period, Schroders share prices have fallen. If the asset were recognised at the share price on 2 March 2010, then deferred tax assets would be reduced by £2.3 million all of which would be recognised as a charge directly in equity.

A deferred tax asset of £12.9 million (2008: £12.9 million) relating to realised and unrealised capital losses has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised.

A deferred tax asset of £34.9 million (2008: £47.8 million) relating to losses and other temporary differences has not been recognised as there is insufficient evidence that there will be sufficient taxable profit against which these losses and temporary differences can be utilised. This unrecognised deferred tax includes an amount of £14.9 million (2008: £15.1 million) relating to US losses of £42.6 million (2008: £33.4 million), which are subject to a minimum expiry period of 12 years.

The aggregate amount of gross temporary differences regarding investments in subsidiaries is £14.5 million (2008: £29.0 million). Deferred tax has not been provided as the relevant parent company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Due to changes in UK tax legislation, from 1 July 2009, the use of Excess Unrelieved Foreign Tax ('EUFT') has been abolished. Therefore, there is no unrecognised deferred tax asset in relation to EUFT as at 31 December 2009 (2008: £9.1 million).

23 Provisions

	Legal and tax £m	Surplus space and other £m	Total £m
At 1 January 2009	6.8	12.1	18.9
Exchange translation adjustments	(0.3)	(0.4)	(0.7)
Unwinding of discounts	–	0.4	0.4
Provisions utilised	(1.0)	(2.3)	(3.3)
Additional provisions charged in the year	0.1	6.1	6.2
Unused amounts reversed in the year	(3.8)	(0.1)	(3.9)
At 31 December 2009	1.8	15.8	17.6
Current – 2009	1.8	3.0	4.8
Non-current – 2009	–	12.8	12.8
	1.8	15.8	17.6
Current – 2008	6.8	1.9	8.7
Non-current – 2008	–	10.2	10.2
	6.8	12.1	18.9

The Group's provisions are expected to mature in the following time periods:

	2009 £m	2008 £m
Less than 1 year	4.8	8.7
1 – 2 years	2.6	2.3
2 – 3 years	2.3	1.8
3 – 4 years	2.3	1.7
4 – 5 years	2.3	1.7
More than 5 years	3.4	3.3
Effect of discounting	(0.1)	(0.6)
	12.8	10.2
	17.6	18.9

Legal and tax

The amount is primarily in respect of a potential overseas tax liability and the balance of a provision for indemnification obligations under the terms of the sale of the investment banking business in 2000. Details are not given as the Directors feel that to do so may prejudice the Group. The timing of resolution of legal claims is subject to uncertainty, but it is possible that those matters will have been resolved by 31 December 2010.

Surplus space

The Group holds provisions of £15.4 million (2008: £11.4 million) against certain leaseholds in connection with surplus space. The provisions for these onerous contracts have been made taking into account residual lease commitments, other outgoings and sub-letting arrangements. In arriving at the provisions, the cash flows have been discounted at rates representing an estimate of the interest rates relevant to the period of provision. The weighted average of these rates is 3.3 per cent. (2008: 3.6 per cent.). It is envisaged that the provisions will be utilised on an even basis until 2015.

The calculation of the surplus space provisions involves two principal assumptions: an estimation of the time value of money to the Group, and the mitigating effects of sub-letting income receivable. Cash outflows and inflows are predominantly contractually agreed fixed amounts. The effect on the provisions of an increase/decrease of one per cent. in the discount rate used in the calculation would be approximately £0.6 million (2008: £0.5 million). The sensitivity of the carrying amounts of surplus space provisions to the methods and assumptions used in their estimation is therefore not considered to be significant.

24 Trade and other payables

	2009			2008		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Financial liabilities at amortised cost:						
Settlement accounts	72.8	–	72.8	88.4	–	88.4
Trade creditors	21.2	–	21.2	23.9	–	23.9
Social security	24.5	20.2	44.7	20.4	15.2	35.6
Accruals	214.6	3.2	217.8	223.6	5.8	229.4
Other liabilities	52.5	54.2	106.7	31.0	39.7	70.7
	385.6	77.6	463.2	387.3	60.7	448.0
Non-financial instruments:						
Deferred income	4.1	5.6	9.7	6.7	8.4	15.1
Other liabilities	5.9	0.9	6.8	7.4	0.9	8.3
	395.6	84.1	479.7	401.4	70.0	471.4

The carrying amount of the financial liabilities at amortised cost approximates to their fair value.

The Group's financial liabilities at amortised cost are expected to mature in the following time periods:

	2009 £m	2008 £m
Less than 1 year[1]	385.6	387.3
1 – 2 years	52.8	34.1
2 – 3 years	9.4	9.9
3 – 4 years	6.7	3.0
4 – 5 years	3.3	2.0
More than 5 years	5.4	11.7
	77.6	60.7
	463.2	448.0

[1] Settlement accounts are generally settled within 4 (2008: 4) working days and trade creditors have an average settlement period of 12 (2008: 10) working days.

25 Deposits by customers and banks

	2009 £m	2008 £m
Customer accounts	2,127.6	1,890.0
Deposits by banks	160.0	167.0
	2,287.6	2,057.0

	2009			2008		
	Customer accounts £m	**Deposits by banks £m**	**Total £m**	Customer accounts £m	Deposits by banks £m	Total £m
Maturing/repricing (whichever is earlier) in:						
Less than 1 year	1,744.5	160.0	1,904.5	1,691.2	167.0	1,858.2
1 – 2 years	168.1	–	168.1	99.5	–	99.5
2 – 3 years	12.5	–	12.5	62.9	–	62.9
3 – 4 years	–	–	–	4.9	–	4.9
4 – 5 years	5.6	–	5.6	28.0	–	28.0
More than 5 years	196.9	–	196.9	3.5	–	3.5
	383.1	–	383.1	198.8	–	198.8
	2,127.6	160.0	2,287.6	1,890.0	167.0	2,057.0

26 Derivative contracts

(a) Why the Group uses derivatives

The Group holds derivatives for risk management and customer facilitation purposes only. The Group does not hold derivatives for trading or other speculative purposes.

Risk management: the Group actively seeks to limit and manage its exposures to risk where that exposure is not desired by the Group. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By purchasing or selling derivative contracts, the Group is able to mitigate or eliminate such exposures. The principal risk the Group faces through such use of derivative contracts is credit risk. For details of how the Group manages its exposures to credit risk, see (b) below and note 27.

Customer facilitation: The Group's Private Banking entities are involved in providing portfolio management, banking and investment advisory services, primarily to private clients. In carrying out this business they transact as agent and principal in financial assets and liabilities in order to meet customer facilitation requirements. Private Banking's policy is to hedge, as appropriate, exchange rate and interest rate risk on its customer facilitation positions using foreign exchange and interest rate contracts. This hedging of equal and opposite risks seeks to mitigate market risk, but does not eliminate the possibility of credit risk. For details of how the Group manages its exposures to credit risk, see (b) below and note 27.

(b) What kind of derivatives the Group uses

Currency forwards represent commitments to sell or purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an organised financial market. For customer facilitation contracts, the credit risk is minimal, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. For other contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Company assesses counterparties using the same techniques as for its lending activities.

Foreign exchange, equity and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchase in consideration for the assumption of foreign exchange, equity or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer or market counterparty (OTC). The Group is exposed to credit risk on purchased options only, and only to the extent of their carrying amount, which is their fair value.

	2009			2008		
	Notional amount £m	**Assets £m**	**Liabilities £m**	Notional amount £m	Assets £m	Liabilities £m
Interest rate contracts	197.8	2.8	(3.9)	141.4	2.1	(4.1)
Forward foreign exchange contracts	2,593.0	25.4	(24.0)	2,054.0	52.7	(96.4)
Equity contracts	502.7	32.3	(31.7)	309.7	20.1	(20.7)
Commodity contracts	56.1	1.3	(1.6)	154.7	6.0	(5.4)
	3,349.6	61.8	(61.2)	2,659.8	80.9	(126.6)

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

26 Derivative contracts continued

	2009		2008	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Net-settled interest rate contracts maturing/repricing[1] in:				
Less than 1 year	0.4	–	0.2	–
1 – 2 years	0.6	–	–	(0.1)
2 – 3 years	0.1	(0.6)	0.5	–
3 – 4 years	–	(0.2)	–	(0.6)
4 – 5 years	–	(0.1)	0.1	(0.3)
More than 5 years	1.7	(3.0)	1.3	(3.1)
	2.8	(3.9)	2.1	(4.1)
Gross-settled forward foreign exchange contracts in Private Banks maturing/repricing[1] in:				
Less than 1 year:				
Gross inflows	1,160.1	1,059.6	861.2	731.7
Gross outflows	(1,160.1)	(1,059.2)	(851.6)	(725.8)
Difference between future contractual cash flows and fair value	21.1	(18.7)	37.0	(48.6)
	21.1	(18.3)	46.6	(42.7)
1 – 2 years:				
Gross inflows	4.1	4.0	35.2	35.2
Gross outflows	(4.0)	(4.1)	(34.9)	(34.9)
Difference between future contractual cash flows and fair value	–	–	0.3	(0.9)
	0.1	(0.1)	0.6	(0.6)
2 – 3 years:				
Gross inflows	75.1	75.2	9.8	9.8
Gross outflows	(75.2)	(75.1)	(9.6)	(9.6)
Difference between future contractual cash flows and fair value	3.6	(3.6)	(0.1)	(0.3)
	3.5	(3.5)	0.1	(0.1)
Gross-settled forward foreign exchange contracts in the rest of the Group maturing/repricing[1] in:				
Less than 1 year:				
Gross inflows	104.7	171.2	49.8	406.2
Gross outflows	(103.9)	(173.6)	(44.8)	(458.5)
Difference between future contractual cash flows and fair value	(0.1)	0.3	0.4	(0.7)
	0.7	(2.1)	5.4	(53.0)
Net-settled equity contracts maturing/repricing[1] in:				
Less than 1 year	2.7	(2.1)	3.7	(4.3)
1 – 2 years	11.4	(11.4)	0.1	(0.1)
2 – 3 years	18.2	(18.2)	16.3	(16.3)
	32.3	(31.7)	20.1	(20.7)
Net-settled commodity contracts maturing/repricing[1] in:				
Less than 1 year	0.8	(1.1)	0.9	(0.3)
1 – 2 years	0.5	(0.5)	1.4	(1.4)
2 – 3 years	–	–	3.7	(3.7)
	1.3	(1.6)	6.0	(5.4)
	61.8	(61.2)	80.9	(126.6)

[1] Whichever is earlier.

27 Financial instrument risk management

The Group is subject to market risk throughout its business. In addition, operational, liquidity and credit risk exposures exist within the business. The effectiveness of the Group's risk management process is, therefore, critical to its soundness and profitability and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Group's senior management. The Schroder Group Risk and Compliance functions are responsible for monitoring the overall risk environment. The Group has established a control environment that ensures risks are reviewed regularly and that all risk controls operating throughout the Group are in accordance with regulatory requirements. In addition, an independent assessment of the risk management process and the fundamental risk assumptions is provided by Schroder Group Internal Audit.

Credit risk

The Group has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Group carefully manages its exposure to credit risk by approving lending policies including types of acceptable collateral and minimum lending margins, setting limits for individual exposures and sectors and by taking security.

27 Financial instrument risk management continued

All individual facility requests are presented to the relevant Private Bank credit committees and exposures against limits are monitored daily. The Group's maximum exposure to credit risk is represented by the carrying value of its financial assets less the collateral held on its loans and advances to customers.

Loans and advances to customers, trade and other receivables and cash and other equivalents at amortised cost

Financial assets at amortised cost principally comprise loans and advances to customers, fee debtors, settlement accounts and cash and cash equivalents.

Loans and advances to customers are fully secured on a range of assets including property (both residential and commercial), cash, client portfolios and insurance policies. It is the policy of the Group's Private Banking entities not to advance client facilities on an unsecured basis.

Collateral, except for property, is marked to market daily and positions compared to customer loans. Limits are set for the reduction in market value of each type of collateral, depending on the perceived risk associated with the collateral. Clients are contacted once these limits are breached so that action can be taken before the outstanding loan balances exceed the fair value of the collateral.

As at 31 December 2009, the Group had no (2008: £nil) loans and advances to customers that were past due and not impaired.

Fee debtors arise principally within the Group's institutional business and amounts are monitored regularly by local offices. Historically, default levels have been insignificant, and, unless a client has withdrawn funds, there is an ongoing relationship between the Group and the client. Although the Group is usually managing client cash representing a large multiple of the amount owed to the Group by the client, the Group does not hold any of the assets it invests on behalf of its clients as collateral.

The Group's fee debtors and other debtors that are past due but are not considered to be impaired are presented below. Factors considered in determining whether impairment has taken place include how many days past the due date a receivable is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a debtor's ability to repay an amount due.

	2009 £m	2008 £m
Not older than 30 days	0.4	2.7
Older than 30 days not older than 45 days	1.5	2.6
Older than 45 days not older than 60 days	2.5	2.3
Older than 60 days not older than 90 days	1.7	2.3
Older than 90 days not older than 120 days	–	1.0
Older than 120 days not older than 180 days	0.3	0.7
Older than 180 days	0.2	0.3
	6.6	11.9

The credit risk attributable to settlement accounts is 100 per cent. of the nominal amount involved. However, the period of exposure is short and the majority of the counterparties are unit trusts managed by the Group.

The Group's cash and cash equivalents are concentrated principally in its Private Banking entities and fall within their treasury portfolios (see the 'Held to maturity financial assets' section below). The remainder of the Group's cash and cash equivalents is invested primarily in current accounts and on deposit with well-rated UK and overseas banks.

Breakdown of cash and cash equivalents by grade as at 31 December:

	2009 %	2008 %
Credit rating[1]:		
AAA	2	1
AA+	2	–
AA	30	17
AA-	15	13
A+	33	46
A	10	18
A-	4	–
BBB+	–	1
BBB	–	1
Non-rated	4	3
	100	100

[1] Provided by rating agencies.

Debt securities at amortised cost

Most debt securities within the Private Banks' treasury book are classified as held to maturity and are unsecured. Policies and limits are set by the relevant Private Bank credit committee and monitored daily. 100 per cent. of the treasury portfolio is rated A- or better. The portfolio has no exposures to emerging markets, sub-investment grade assets or any asset-backed securities.

27 Financial instrument risk management continued

The Private Banks take a conservative approach to their treasury investments which are concentrated in terms of industrial sectors purely to well-rated UK and overseas banks and government securities. All assets within the treasury book are unsecured.

No held to maturity financial assets or loans and advances to banks were impaired during the year (2008: £nil) or are past due as at 31 December 2009 (2008: £nil).

Breakdown by investment grade as at 31 December:

	2009 %	2008 %
Credit rating[1]:		
AAA	30	–
AA	3	24
AA–	43	55
A+	7	15
A	13	2
A–	4	4
	100	100

[1] Provided by rating agencies.

Debt securities, equities and derivatives at fair value

Substantially all of the Group's investments in equities at fair value are in listed companies or in listed and unlisted funds managed by the Group. The Group also has investments in unlisted private equity funds. All investments are unsecured. For each type of equity and debt security investment, the maximum credit risk is the carrying value.

Breakdown of debt securities by investment grade as at 31 December:

	2009 %	2008 %
Credit rating[2]:		
Sovereign	15	29
AAA	8	26
AA+	–	11
AA	34	16
AA–	15	3
A+	20	7
A	8	3
A–	–	1
Non-investment grade	–	4
	100	100

[2] Provided by rating agencies.

Liquidity risk

Liquidity risk is the risk that Schroders cannot meet its obligations as they fall due or can only do so at a cost. The principal liquidity risk the Group faces concerns its Private Banking liabilities. The liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain the solvency of the Private Banks as well as the rest of the Group.

This is maintained through the management of the Private Banks' treasury against limits set and monitored daily. For details of maturity analyses, see notes 18, 21, 23, 24, 25 and 26, although, in practice, customer deposits tend to be repaid later than on the earliest date on which repayment can be required.

In terms of non-Private Banking liquidity, the Group's policy is that its subsidiaries should trade solvently and have adequate capital for all activities undertaken in the normal course of business. In particular, all companies should have sufficient capital to meet regulatory requirements, keep an appropriate credit standing with counterparties, and maintain sufficient liquid funds to meet peak working capital requirements.

In total, the Group holds investment capital of over £1 billion, three quarters of which is in short-term bank deposits or is invested in liquid securities with maturity dates of less than three months. Liquidity in the Group's investment capital portfolios is monitored on a regular basis.

When policyholders withdraw funds from the life company business and in the Group's reasonable opinion it is required, the Group may delay payment by 30 days and in the case of real estate funds by 180 days. The Group is not required to surrender all units at the same time and may surrender units in such numbers, at such intervals over the relevant period as the Group considered appropriate.

Schroders has no committed standby lines (2008: £nil).

27 Financial instrument risk management continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

In the Private Banks, interest rates are monitored against policies and limits set by the relevant risk committee.

Schroders' treasury policy is to hedge fixed-rated assets and liabilities back to the floating rate as much as possible and therefore outright interest rate risk arises mainly from the decision to allow a limited amount of mismatch between the cash flows.

Within the Private Banks, three methods are used for monitoring interest rate risk:

Sensitivity analysis (PV01) – this assesses the impact on Schroders' current net worth against a one basis point parallel rise in interest rates and is calculated daily for each currency regularly and then in aggregate.

Sensitivity analysis (PV100) – this assesses the impact on Schroders' current net worth against a 100 basis point parallel rise in interest rates and is calculated regularly for each currency and then in aggregate.

Stress testing (PV200) – this is calculated in the same way as the PV01, but against the much more severe change of a 200 basis point movement both up and down in interest rates.

Interest rate risk in the Private Bank is limited due to the short-term nature of the Private Bank's financial assets. In the case of changes in market interest rates, the Private Bank's treasurer can reprice the assets within an average of between two and three months (2008: two months).

Cash held by the operating companies is not normally expected to be placed on deposit for longer than three months. The Group's capital includes investments in fixed income and money market portfolios, and funds managed by the Group's fixed income fund managers. These investments are managed to a maximum average duration of two years (2008: two years). The fund managers may reduce the average duration with the use of futures contracts at their discretion.

At 31 December 2009, if interest rates had been 250 basis points higher/nil basis points lower (2008: 100 basis points higher/200 basis points lower) with all other variables held constant, the Group estimates that post-tax profit for the year would have increased/decreased by £18 million/£nil (2008: increased by £4 million/decreased by £8 million) respectively, mainly as a result of higher/lower interest income on the Group's floating rate debt securities and cash; other components of equity would have been unaffected.

The following are underlying assumptions made in the model used to calculate the effect on post-tax profits in the Private Banks:

- The fair values of assets and liabilities will not be affected by a change in interest rates
- Within the Private Bank, the fixed rate financial assets will be repriced to the higher/lower market interest rates
- The average term for repricing is between two and three months (2008: two months).

The following are underlying assumptions made in the model used to calculate the effect on post-tax profits in the rest of the Group:

- The fair values of assets and liabilities will not be affected by a change in interest rates
- Funds would be reinvested in similar variable interest bearing debt securities on maturity.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

In the Private Banks, some loans and advances to clients as well as a proportion of the treasury activities are undertaken in foreign currencies; however, this is hedged on a daily basis to reduce currency exposures to low levels. Limits regarding the amount of foreign currency risk that the Group is exposed to are set by the relevant risk committee and monitored daily.

Given the low level of currency mismatch within the Group, the FSA's Basic Methodology for calculating the exposure is used.

The Group's policy in relation to revenue and expenditure currency exposure is not to hedge, as the Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered part of the business.

The Group hedges some of its investments in foreign operations using forward foreign exchange contracts with third parties to mitigate exposure to currency movements where it is considered that the sterling values of such amounts are at risk. The use of such instruments is subject to the approval of the Group Capital Committee.

27 Financial instrument risk management continued

The Group's balance sheet is exposed to the following currencies:

	2009			2008		
	Gross exposure £m	**Hedged £m**	**Net exposure £m**	Gross exposure £m	Hedged £m	Net exposure £m
US dollar	575	(474)	101	580	(512)	68
Euro	259	(91)	168	314	(97)	217
Swiss franc	129	–	129	150	–	150
Australian dollar	26	(14)	12	23	(12)	11
Hong Kong dollar	23	–	23	30	–	30
Japanese yen	20	–	20	35	–	35
Other	90	–	90	94	–	94
	1,122	(579)	543	1,226	(621)	605
Sterling	527	579	1,106	406	621	1,027
	1,649	–	1,649	1,632	–	1,632

The Group estimates that, at 31 December 2009, if the US dollar had strengthened by 10 per cent./weakened by 12 per cent. against sterling with all other variables held constant, post-tax profit for the year would have increased/decreased by £8 million/£6 million respectively, principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would have increased/decreased by £7 million/£6 million respectively, principally as a result of the unhedged portion of net investment in foreign operations.

The Group estimates that, at 31 December 2009, if the euro had strengthened by 8 per cent./weakened by 12 per cent. against sterling with all other variables held constant, post-tax profit for the year would have increased/decreased by £2 million/£2 million respectively, principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would have increased/decreased by £18 million/£22 million respectively, principally as a result of the unhedged portion of net investment in foreign operations.

The Group estimates that, at 31 December 2008, if the US dollar had strengthened by 5 per cent./weakened by 15 per cent. against sterling with all other variables held constant, post-tax profit for the year would have increased/decreased by £1 million/£2 million respectively, principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would have increased/decreased by £3 million/£7 million respectively, principally as a result of the unhedged portion of net investment in foreign operations.

The Group estimates that, at 31 December 2008, if the euro had strengthened by 5 per cent./weakened by 15 per cent. against sterling with all other variables held constant, post-tax profit for the year would have increased/decreased by £1 million/£2 million respectively, principally as a result of the increase/decrease in assets and liabilities denominated in foreign currencies; other components of equity would have increased/decreased by £11 million/£26 million respectively, principally as a result of the unhedged portion of net investment in foreign operations.

Pricing risk

Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

The Group holds equity investments in its seed capital portfolio. Equity market exposure is hedged where it is considered that the amount at risk is material and an effective hedge is available. The Group also holds debt security investments in its fixed income and money market portfolios. Pricing risk of these investments is partially mitigated by their short-term nature.

The Group estimates that, at 31 December 2009, if the FTSE All Share Index had been 20 per cent. higher/lower with all other variables held constant, the effect on post-tax profit would be an increase/decrease of £30 million/£38 million (2008: £53 million/£70 million) respectively, principally as a result of an increase/decrease in management fees receivable and impairment losses on the Group's unhedged available-for-sale financial assets; other components of equity would increase/decrease by £14 million/£8 million respectively (2008: £12 million/£nil), principally as a result of fair value gains on the Group's unhedged available-for-sale financial assets.

The following are underlying assumptions made in the model used to calculate the effect on post-tax profits and other components of equity:

- Changes in the FTSE All Share Index correlate to changes in the Group's equity funds
- Performance fees, being principally based on returns relative to specified indices, would be unaffected by changes in the index
- The Group's investments in debt securities and hedge funds have no correlation to the FTSE All Share Index
- The Group's Private Equity investments is perfectly correlated to the FTSE All Share Index for all but property investments, which are assumed to have no correlation
- The market risk on the Group's seed capital investments is hedged effectively.

27 Financial instrument risk management continued

Fair value measurements

The Group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);
- 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 (unobservable inputs).

The Group's financial instruments at the balance sheet date are analysed as follows:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Non-current financial assets:				
Equities	2.9	6.9	53.7	63.5
Debt securities	0.3	2.5	–	2.8
Derivative contracts	–	36.1	–	36.1
	3.2	45.5	53.7	102.4
Current financial assets:				
Equities	127.1	21.5	41.4	190.0
Debt securities	181.0	465.0	–	646.0
Derivative contracts	1.6	24.1	–	25.7
	309.7	510.6	41.4	861.7
Assets backing unit-linked liabilities	5,353.3	26.7	61.3	5,441.3
	5,666.2	582.8	156.4	6,405.4

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Non-current financial liabilities:				
Derivative contracts	–	37.6	–	37.6
Current financial liabilities:				
Derivative contracts	0.2	23.4	–	23.6
Liabilities in respect of consolidated funds	19.7	–	–	19.7
Other	0.3	–	–	0.3
	20.2	23.4	–	43.6
Unit-linked liabilities	5,708.0	–	–	5,708.0
	5,728.2	61.0	–	5,789.2

Instruments classified as Level 1 principally comprise investments in quoted equities, daily-priced funds, gilts, amounts due to unit-linked policy holders and exchange-traded derivatives.

Investments classified as Level 2 principally comprise corporate bonds and foreign exchange contracts.

Investments classified as Level 3 principally comprise investments in private equity and hedge funds.

There were no significant transfers between Level 1 and 2 in the period.

Movements in financial assets categorised as Level 3 during the year were:

	Equities £m	Assets backing unit-linked liabilities £m	Total £m
At 1 January 2009	139.9	64.6	204.5
Exchange translation adjustments	(4.9)	–	(4.9)
Total gains or losses recognised in profit or loss	(7.0)	(3.3)	(10.3)
Total gains or losses recognised in other comprehensive income	11.9	–	11.9
Additions	31.6	–	31.6
Disposals	(76.4)	–	(76.4)
At 31 December 2009	95.1	61.3	156.4

There were no financial liabilities categorised as Level 3 in the period.

27 Financial instrument risk management continued

Of the total gains or losses recognised in profit or loss during the year, £7.5 million net gains related to assets and liabilities still held by the Group at the balance sheet date. Such gains or losses are included within 'Revenue' in the income statement.

As stated above, instruments classified as Level 3 principally comprise investments in private equity and hedge funds.

Private equity fund valuations are normally supplied to the Group by the funds' investment advisors and subsequently reviewed and validated internally by the Group. When reviewing valuations, the Group considers such factors as valuations of relevant comparable investments, current industry trading multiples and the materiality of any differences in valuation between in-house estimations and the valuations supplied to us by third parties and those derived from reasonably possible alternatives as produced by the Group's in-house models.

In respect of hedge funds, the process is similar in that the funds are valued by a third party with subsequent internal review by the Group. The Group has little visibility as to the assumptions inherent in the valuations it receives, although validation checks can be performed by comparing discrete returns with movements in publicly-available indices such as the Credit Suisse/Tremont index. At the year-end, the Group was not aware of any significant differences between the valuations received and reasonably possible alternatives explored by the Group.

Capital management

The Group's capital is divided between Operating capital (consisting of Asset Management and Private Banking capital) and Group investment capital. An analysis of this is shown in the table of Group Capital in the Financial Review.

Operating capital

Operating capital is the capital required to meet the Group's regulatory and working capital requirements.

Recognised regulatory bodies, such as the Financial Service Authority in the UK, oversee the activities of many of the Group's operating subsidiaries and impose minimum capital requirements on the subsidiaries. The Group's policy is that its subsidiaries should have sufficient capital to meet regulatory requirements, keep an appropriate standing with counterparties and meet working capital requirements. The Group Capital Committee regularly reviews this.

Schroders plc is regulated by the Financial Services Authority as a UK consolidation group. The current capital resource calculation of capital resources for banks, is £1,286 million (December 2008: £1,422 million) and the Pillar 1 minimum capital requirement is £258 million (December 2008: £277 million).

The Internal Capital Adequacy Assessment Process carried out in 2009 under Pillar 2 of the Capital Requirements Directive concluded that £590 million capital should be retained. Operating capital is maintained at this level.

All regulated entities within the Group complied at all times with all of the externally imposed regulatory capital requirements.

Group investment capital

Group investment capital is used to seed new investment strategies, co-invest selectively alongside our clients and finance organic and inorganic growth opportunities. It is deployed in accordance with limits approved by the Board.

Group investment capital is the Group's capital that is not required for the regulatory and working capital requirements of the business. It is invested in the following areas:

- Cash
- Debt securities
- Seed capital
- Private equity
- Third party hedge funds
- Other legacy investments.

The Group investment capital is held to assist existing products and businesses and to accelerate their development; to support the organic development of new businesses which fit with the existing asset management franchise; and to respond to other investment and growth opportunities, such as acquisitions that will accelerate the development of the business, as they arise.

The investments in seed capital and property funds are primarily to support the business.

The remainder of the Group investment capital is invested in cash, fixed income and liquid debt securities, a portfolio of third party hedge funds and private equity. The objectives are to maintain liquidity and to optimise the return on investments.

Other structural considerations underlying the way in which Group investment capital is deployed are to avoid or hedge exposure to markets so as not to increase the Group's operational gearing and to minimise currency exposure by hedging into sterling.

28 Additional disclosures on financial instruments

	2009							
			At fair value through profit or loss					
	At amortised cost £m	Held to maturity £m	Held for trading £m	Designated as at fair value through profit or loss £m	Available-for-sale £m	Held for sale £m	Non-financial instruments £m	Total £m
Assets								
Goodwill	–	–	–	–	–	–	115.6	115.6
Intangible assets	–	–	–	–	–	–	26.3	26.3
Property, plant and equipment	–	–	–	–	–	–	21.3	21.3
Associates and joint ventures	–	–	–	–	–	–	46.5	46.5
Financial assets	–	504.8	538.5	–	425.6	–	–	1,468.9
Loans and advances to customers	964.2	–	–	–	–	–	–	964.2
Deferred tax	–	–	–	–	–	–	71.1	71.1
Current tax	–	–	–	–	–	–	20.5	20.5
Trade and other receivables	316.9	–	–	–	–	–	26.7	343.6
Cash and cash equivalents	1,502.6	–	–	–	–	–	–	1,502.6
Assets backing unit-linked liabilities	266.7	–	–	5,441.3	–	–	–	5,708.0
	3,050.4	504.8	538.5	5,441.3	425.6	–	328.0	10,288.6
Liabilities								
Financial liabilities	0.3	–	80.9	–	–	–	–	81.2
Deposits by customers and banks	2,287.6	–	–	–	–	–	–	2,287.6
Deferred tax	–	–	–	–	–	–	2.5	2.5
Provisions	17.6	–	–	–	–	–	–	17.6
Current tax	–	–	–	–	–	–	16.5	16.5
Retirement benefit scheme deficits	–	–	–	–	–	–	46.5	46.5
Trade and other payables	463.2	–	–	–	–	–	16.5	479.7
Unit-linked liabilities	–	–	–	5,708.0	–	–	–	5,708.0
	2,768.7	–	80.9	5,708.0	–	–	82.0	8,639.6

	2008							
			At fair value through profit or loss					
	At amortised cost £m	Held to maturity £m	Held for trading £m	Designated as at fair value through profit or loss £m	Available-for-sale £m	Held for sale £m	Non-financial instruments £m	Total £m
Assets								
Goodwill	–	–	–	–	–	–	112.8	112.8
Intangible assets	–	–	–	–	–	–	50.7	50.7
Property, plant and equipment	–	–	–	–	–	–	27.7	27.7
Associates and joint ventures	–	–	–	–	–	–	32.7	32.7
Financial assets	–	845.7	533.9	8.8	428.1	–	–	1,816.5
Loans and advances to customers	802.4	–	–	–	–	–	–	802.4
Deferred tax	–	–	–	–	–	–	43.1	43.1
Retirement benefit scheme assets	–	–	–	–	–	–	22.4	22.4
Current tax	–	–	–	–	–	–	15.5	15.5
Trade and other receivables	344.8	–	–	–	–	–	20.9	365.7
Cash and cash equivalents	1,067.6	–	–	–	–	–	–	1,067.6
Non-current assets held for sale	–	–	–	–	–	2.0	–	2.0
Assets backing unit-linked liabilities	129.5	–	–	3,584.8	–	–	–	3,714.3
	2,344.3	845.7	533.9	3,593.6	428.1	2.0	325.8	8,073.4
Liabilities								
Financial liabilities	–	–	136.5	8.8	–	–	–	145.3
Deposits by customers and banks	2,057.0	–	–	–	–	–	–	2,057.0
Deferred tax	–	–	–	–	–	–	4.1	4.1
Provisions	18.9	–	–	–	–	–	–	18.9
Current tax	–	–	–	–	–	–	22.8	22.8
Trade and other payables and retirement benefit scheme deficits	448.0	–	–	–	–	–	30.8	478.8
Unit-linked liabilities	–	–	–	3,714.3	–	–	–	3,714.3
	2,523.9	–	136.5	3,723.1	–	–	57.7	6,441.2

For all financial instruments, carrying value approximates fair value. Details of differences between the carrying and fair values of non-current assets held for sale are set out in note 20.

29 Share capital

	Number of shares	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £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

	Number of shares	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2008	294,498,843	226.0	68.5	294.5	58.1
Shares issued	752,747	–	0.8	0.8	3.1
Shares cancelled	(8,538,230)	–	(8.6)	(8.6)	–
At 31 December 2008	286,713,360	226.0	60.7	286.7	61.2

	2009 Number	2008 Number	2009 £m	2008 £m
Authorised:				
Ordinary shares of £1 each	226,022,400	226,022,400	226.0	226.0
Non-voting ordinary shares of £1 each	113,977,598	113,977,598	114.0	114.0
	339,999,998	339,999,998	340.0	340.0
Allotted, called-up and fully paid:				
Ordinary shares of £1 each	226,022,400	226,022,400	226.0	226.0
Non-voting ordinary shares of £1 each	62,755,497	60,690,960	62.8	60.7
	288,777,897	286,713,360	288.8	286.7

The difference between the share classes

The non-voting ordinary shares carry the same rights as ordinary shares except that they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares.

30 Own shares

Employee trusts have been established for the purposes of satisfying certain share-based awards. At 31 December 2009, the trusts held 1,438,135 (2008: 4,406,488) non-voting ordinary shares costing £12.4 million (2008: £42.1 million), with a market value of £15.4 million (2008: £30.1 million). In addition, the trusts held 9,088,588 (2008: 9,450,527) voting ordinary shares costing £92.7 million (2008: £97.7 million), with a market value of £120.9 million (2008: £81.1 million). Dividends on shares held by the trusts are waived. In addition, the Group holds a further 600,000 non-voting ordinary shares within treasury. The shares cost £5.9 million and have a market value of £6.4 million.

Movements during the year were as follows:

	2009 £m	2008 £m
At 1 January	(100.8)	(75.5)
Own shares purchased	(19.6)	(45.5)
Own shares disposed through vesting[1]	30.7	20.2
At 31 December	(89.7)	(100.8)

[1] On vesting, own shares balances are transferred to the profit and loss reserve insofar as they relate to share-based payments and to the shares to be issued reserve insofar as they relate to certain contractual obligations to issue shares (for example, as part of the consideration for an acquisition).

	2009			2008		
	Number of shares Units	Cost £m	Market value £m	Number of shares Units	Cost £m	Market value £m
Group						
Shares funded by employing companies	2,318,878	21.3	27.7	4,132,179	39.0	28.9
Own shares	8,807,845	89.7	115.0	9,724,836	100.8	82.3
	11,126,723	111.0	142.7	13,857,015	139.8	111.2
Company						
Own shares	7,627,034	75.7	99.9	8,247,911	84.9	70.8

31 Other reserves

	Shares to be issued[1] £m	Capital reserves £m	Own shares held £m	Net exchange differences[3] £m	Hedging reserve[3] £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)
Shares cancelled	–	–	–	–	–	–
Consideration paid in the form of shares	(5.0)	–	4.9	–	–	(0.1)
Own shares purchased	–	–	(19.6)	–	–	(19.6)
Retained profit transfers	–	(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[1] £m	Capital reserves £m	Own shares held £m	Net exchange differences[3] £m	Hedging reserve[3] £m	Total £m
At 1 January 2008	10.1	161.8	(75.5)	(28.3)	(4.1)	64.0
Exchange differences on translation of foreign operations	–	–	–	322.7	(169.3)	153.4
Net income and expense recognised directly in equity	–	–	–	322.7	(169.3)	153.4
Shares cancelled	–	8.5	–	–	–	8.5
Consideration paid in the form of shares	(5.1)	–	4.9	–	–	(0.2)
Own shares purchased	–	–	(45.5)	–	–	(45.5)
Retained profit transfers	–	33.1[2]	15.3	–	–	48.4
At 31 December 2008	5.0	203.4	(100.8)	294.4	(173.4)	228.6

[1] Shares to be issued represent outstanding deferred consideration in respect of the 2006 acquisition of NewFinance Holdings Limited.
[2] Includes a non-distributable credit of £26.1 million from retained profits in respect of a bonus issue made by a subsidiary of Schroders plc.
[3] Net exchange differences arise on the translation of the net assets of the Group's non-sterling operations into sterling. The hedging reserve offsets such differences, recording the changes in fair value of financial instruments used to hedge these exposures.

32 Retained profits reserve

	Associates and joint ventures reserve £m	Fair value reserve[1] £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	3.2	55.6	(34.5)	24.3
Profit for the year	15.6	–	79.8	95.4
Total comprehensive income for the year	18.8	55.6	45.3	119.7
Share-based payments	–	–	27.6	27.6
Dividends	–	–	(84.9)	(84.9)
Transfers within retained profits reserve	(2.7)	–	2.7	–
Transfers to/from other reserves	–	(14.6)	3.4	(11.2)
At 31 December 2009	30.7	57.9	1,018.0	1,106.6

32 Retained profits reserve continued

	Associates and joint ventures reserve £m	Fair value reserve[1] £m	Profit and loss reserve £m	Total £m
At 1 January 2008	20.8	99.4	1,158.9	1,279.1
Actuarial losses on defined benefit pension schemes	–	–	(29.6)	(29.6)
Net losses on available-for-sale financial assets	(3.1)	(191.2)	–	(194.3)
Amounts recycled through the income statement	–	107.4	–	107.4
Tax on items taken directly to equity	–	1.3	(2.3)	(1.0)
Other comprehensive income	(3.1)	(82.5)	(31.9)	(117.5)
Profit for the year	6.2	–	70.5	76.7
Total comprehensive income for the year	3.1	(82.5)	38.6	(40.8)
Shares cancelled	–	–	(71.8)	(71.8)
Share-based payments	–	–	24.4	24.4
Dividends	–	–	(86.7)	(86.7)
Transfers within retained profits reserve	(9.3)	–	9.3	–
Transfers to/from other reserves	–	–	(48.4)	(48.4)
Share issue costs	–	–	(0.4)	(0.4)
At 31 December 2008	14.6	16.9	1,023.9	1,055.4

[1] The fair value reserve represents the difference between the cost (or, if an asset has been reclassified, fair value at the date of reclassification) and the fair value of unimpaired financial assets classified as available-for-sale.

33 Minority interests

	2009 £m	2008 £m
At 1 January	0.3	0.5
Profit/(loss) retained for the year	0.3	(5.4)
Transfer to financial liabilities	–	5.9
Distributions made	–	(0.7)
At 31 December	0.6	0.3

34 Reconciliation of net cash from operating activities

	2009 £m	2008 £m
Operating profit	111.1	78.1
Adjustments for:		
Depreciation of property, plant and equipment and amortisation of software	14.4	11.9
Impairment and amortisation of intangible assets acquired in business combinations	5.3	9.8
Impairment of associates and joint ventures	1.0	–
Impairment of financial assets	34.4	81.3
Other amounts recycled through the income statement in respect of financial assets	0.6	26.1
Increase in trade and other receivables	(148.3)	(134.1)
Increase in trade and other payables and provisions	214.4	112.9
Increase in unit-linked liabilities	1,993.7	986.5
Net charge for provisions	2.5	6.2
Net losses on financial assets and liabilities held at fair value through profit or loss[1]	0.3	48.2
Share-based payments expensed	27.6	24.4
Other non-cash movements[2]	19.8	(134.2)
Payments made to the UK defined benefit pension scheme	(8.6)	(12.4)
UK corporation tax recovered/(paid)	4.8	(21.7)
Overseas tax paid	(43.9)	(90.8)
Interest paid	(1.7)	(0.2)
Net purchase of assets backing unit-linked liabilities	(1,856.5)	(858.5)
Net cash from operating activities	370.9	133.5

[1] Excludes gains and losses on all derivative assets and liabilities.
[2] Principally foreign exchange movements.

35 Commitments and contingent liabilities

(a) Commitments

	2009 £m	2008 £m
Documentary credits	2.7	10.1
Undrawn loan facilities	30.7	48.2
Investment call commitments	24.9	38.8
	58.3	97.1

(b) Contingent liabilities

	2009 £m	2008 £m
Assets pledged as collateral security	49.1	53.1
Guarantees and irrevocable letters of credit	38.0	53.5
Other contingent liabilities	–	0.4
	87.1	107.0

Transactions giving rise to contingent liabilities are only entered into by the Group once it has received sufficient high-quality collateral from the client. The collateral may be in the form of cash, fiduciary deposits or securities held by the Group's Private Banking entities but may also include charges over property or third party guarantees.

(c) Litigation

Certain Group undertakings are the subject of current or pending legal actions or regulatory reviews; the Directors believe that none of these, either individually or in aggregate, is likely to have a material adverse effect on the Group's financial position.

(d) (i) Operating leases – as lessee

At 31 December, the Group's total future aggregate minimum lease payments were:

	2009		2008	
	Offices £m	Office equipment £m	Offices £m	Office equipment £m
Commitment expiring in:				
Less than 1 year	30.3	1.0	31.9	1.3
1 – 5 years	87.9	0.8	97.6	1.0
More than 5 years	21.2	–	45.9	–
	139.4	1.8	175.4	2.3

Leases in respect of office properties are negotiated for an average term of 2.6 years (2008: 3.8 years) and rentals are fixed for an average of 2.3 years (2008: 3.0 years). Leases in respect of office equipment are negotiated for an average term of 1.9 years (2008: 2.3 years) and rentals are fixed for an average of 1.9 years (2008: 2.1 years).

(ii) Operating leases – as lessor

The Group sublets certain of its properties around the world. At 31 December, the future minimum lease payments under non-cancellable operating leases were:

	2009	2008
	Offices £m	Offices £m
Commitment expiring in:		
Less than 1 year	5.1	5.4
1 – 5 years	21.3	21.3
More than 5 years	6.7	9.0
	33.1	35.7

Subleases in respect of office properties are negotiated for an average term of 5.0 years (2008: 7.5 years) and rentals are fixed for an average of 3.7 years (2008: 5.7 years).

(e) Other

Obligations of certain Group companies under the Euroclear settlement system are secured by charges on assets held on their behalf from time to time within that system and by cash deposits placed.

In the ordinary course of business, subsidiary undertakings have custody of customers' securities, act as trustees and issue indemnities on behalf of customers who have lost certificates of title.

The Company and subsidiary undertakings have also provided letters of comfort to regulatory authorities and others that subsidiary undertakings will be capitalised adequately and will meet their contractual obligations.

36 Awards to employees of rights to share-based payments

The Group has the following share-based payment arrangements:

Share Option Plan 1999: Options over non-voting ordinary shares were granted to executive Directors and other key employees. Under the Share Option Plan 1999 the performance target of all option holders, including executive Directors, was that the Company's earnings per share growth must be at least two per cent. per annum above the increase in the Retail Price Index over a minimum five-year period. This performance condition was in line with market practice at the time of the award. The Company no longer grants awards under this plan.

Share Option Plan 2000: Under this Plan, the Group grants market value share options over non-voting ordinary shares to executive Directors and other key employees. Options usually become exercisable if the option holder remains with the Group for at least three years and, for executive Directors, the performance target has been met. The performance target, in line with market practice, is that the Company's earnings per share growth (defined as the earnings per ordinary share before any exceptional items, as derived from the Company's Annual Report and Accounts) must be at least four per cent. per annum above the increase in the Retail Price Index over the initial three-year period.

Equity Compensation Plan 2000: Under this Plan, executive Directors and other key employees receive deferred bonus awards over either voting or non-voting ordinary shares, normally structured as rights to acquire shares at nil cost. These awards are subject to forfeiture and will vest on the third anniversary provided the participant continues to be employed within the Group. Further details are given in the remuneration report.

All of the above share-based payment arrangements involve a maximum term of ten years for each option granted and are settled through the transfer of shares of the Company to its employees.

Share Incentive Plan: Under this Scheme approved by HM Revenue & Customs, eligible employees can purchase shares in the Company each month up to £1,500 per taxation year from their gross salary. In April 2006, the Group began to match employee share purchases up to £50 per month. These matching shares are effectively free shares awarded to the employee subject to their remaining in employment for one year.

Equity Incentive Plan 2008: Under this Scheme, eligible employees receive awards of ordinary shares, normally structured as rights to acquire shares at nil cost. These awards are subject to forfeiture and will vest on the fifth anniversary of the grant, provided the employee continues to be employed within the Company. Full details are included within the remuneration report.

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

(a) Share option plans

Movements in the number of share options outstanding and their relative weighted average exercise prices are as follows:

	2009		2008	
	Weighted average exercise price per share	**Options**	Weighted average exercise price per share	Options
At 1 January	742p	6,403,208	718p	7,155,955
Exercised	648p	(2,064,537)	511p	(752,747)
Lapsed	869p	(658,839)	–	–
At 31 December	772p	3,679,832	742p	6,403,208
Outstanding options immediately exercisable	772p	3,679,832	740p	6,366,341

The weighted average share price, at exercise date, of options exercised during the year was £9.50 (2008: £8.89).

At 31 December 2009 options to subscribe for non-voting ordinary shares, with the weighted average contractual life remaining of 2.0 years (2008: 3.0 years), were outstanding as follows:

(i) Under the terms of the Share Option Plan 1999:

Exercise periods	**Exercise price per share**	**2009 Number**	2008 Number
7 May 2004 to 6 May 2009	822p	–	84,719
13 March 2005 to 12 March 2010	800p	275,430	784,779
		275,430	869,498

36 Awards to employees of rights to share-based payments continued
(ii) Under the terms of the Share Option Plan 2000:

Exercise periods	Exercise price per share	2009 Number	2008 Number
13 March 2006 to 12 March 2011	987p	985,254	1,327,185
12 November 2006 to 11 November 2011	706p	4,252	500,000
22 April 2005 to 21 April 2012	800p	1,263,999	1,607,499
22 April 2005 to 29 June 2010	800p	150,000	150,000
6 November 2005 to 5 November 2012	541p	462,500	625,500
9 December 2005 to 8 December 2012	483p	–	250,000
10 March 2006 to 9 March 2013	398p	410,000	754,000
27 October 2006 to 26 October 2013	665p	–	15,000
8 March 2007 to 7 March 2014	655p	75,000	108,000
17 August 2007 to 16 August 2014	530p	–	37,735
7 March 2008 to 6 March 2015	709p	4,231	109,625
15 July 2008 to 14 July 2015	736p	7,000	7,000
18 August 2008 to 17 August 2015	802p	5,300	5,300
6 March 2009 to 5 March 2016	1085p	36,866	36,866
		3,404,402	5,533,710

There were no options granted during the year (2008: nil).

(b) Equity Compensation Plan
Under the Equity Compensation Plan, rights over 3,697,433 (2008: 5,309,627) ordinary and 47,046 (2008: 35,031) non-voting ordinary shares were granted during the year ended 31 December 2009. The weighted average fair value of £5.82 (2008: £7.87) per ordinary and £5.15 (2008: £6.88) per non-voting ordinary share was calculated using the market value of the shares at the grant date, discounted for dividends forgone over the average holding period of the award. As at 31 December 2009 there were rights over 12,148,461 (2008: 10,858,303) ordinary shares outstanding of which 11,127,578 (2008: 10,494,404) were unvested and rights over 2,574,691 (2008: 5,148,961) non-voting shares outstanding of which 378,536 (2008: 623,815) were unvested.

The table below shows the estimated charges for awards issued under the Equity Compensation Plan to be expensed in future years making reasonable assumptions about forfeiture:

	£m
2010	16.0
2011	7.7
2012	3.3
2013	0.7
2014	0.3
	28.0

(c) Cash-settled share-based awards
The Company issues to certain employees cash-settled share-based awards that require the Group to pay the intrinsic value of the award to the employee on the date of exercise. At 31 December 2009, the total carrying amount of liabilities arising from cash-settled share-based awards at the balance sheet date was £2.4 million (2008: £1.2 million). The total intrinsic value at 31 December 2009 of liabilities for which the employee's right to cash or other assets had vested by that date was £0.5 million (2008: £0.6 million).

(d) Share Incentive Plan
The employee monthly share purchase plan is open to most employees and provides free shares from the Group to match the employee purchase up to a maximum of £50 per month. Pursuant to these plans the Group purchased 44,303 ordinary shares in 2009 (2008: 43,014), at a weighted average share price of £9.28 (2008: £9.38). A charge of £0.4 million (2008: £0.4 million) will be expensed over a vesting period of one year.

36 Awards to employees of rights to share-based payments continued

(e) Equity Incentive Plan

Under the Equity Incentive Plan, the Group issued rights to 699,738 (2008: 1,213,639) ordinary shares. A charge of £2.8 million (2008: £0.4 million) was recognised during the financial year. The weighted average fair value was £12.29 (2008: £7.91) per ordinary share, calculated as the market value on the date of grant. As at 31 December 2009 there were rights over 1,959,656 (2008: 1,213,639) ordinary shares outstanding of which 1,959,656 (2008: 1,213,639) were unvested.

The table below shows the estimated charges for awards issued under the Equity Incentive Plan to be expensed in future years making reasonable assumptions about forfeiture:

	£m
2010	4.7
2011	4.5
2012	3.4
2013	1.7
2014	0.5
	14.8

The Group recognised total expenses of £28.8 million (2008: £23.9 million) arising from share-based payment transactions during the year of which £27.6 million (2008: £24.4 million) were equity-settled share-based payment transactions.

37 Events after the balance sheet date

No events requiring disclosure under IAS 10 occurred after the balance sheet date.

38 Related party transactions

(a) Transactions between related parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties, excluding compensation, are disclosed below:

	2009			
	Revenues £m	**Expenses £m**	**Amounts owed by related parties £m**	**Amounts owed to related parties £m**
Associates	–	–	–	–
Key management personnel	–	(0.1)	1.2	(4.0)

	2008			
	Revenues £m	Expenses £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Associates	2.0	(0.7)	–	–
Key management personnel	0.1	(0.1)	–	(5.4)

Transactions with related parties were made at market rates. The amounts outstanding are secured and will be settled in cash. No guarantees have been given or received. No expense for bad or doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

(b) Key management personnel compensation

The remuneration of key management personnel during the year was as follows:

	2009 £m	2008 £m
Short-term employee benefits	10.8	10.8
Post-employment benefits	0.5	0.6
Other long-term benefits	4.8	1.8
Termination benefits	–	1.7
Share-based payments	6.3	2.8
	22.4	17.7

The remuneration of key management personnel is determined having regard to the performance of individuals and market rates. The remuneration policy is described in more detail in the remuneration report.

38 Related party transactions continued

(c) Collective investment vehicles:

The Group manages a number of collective investment vehicles and by virtue of the investment management agreements in place between the Group and these vehicles they may be considered to be related parties.

The Group has a total net investment in collective investment vehicles of £70.9 million (2008: £109.2 million) and received distributions of £0.3 million (2008: £0.2 million) and investment management fees of £393.1 million (2008: £440.7 million). The Group paid expenses of £2.2 million (2008: £1.3 million) on behalf of collective investment vehicles.

39 Acquisitions

The Group did not complete any acquisitions during the year. At 31 December 2008, the initial accounting for two acquisitions of the Group had been determined only provisionally. The accounting for these acquisitions has now been finalised and, in respect of the 2008 acquisition of Swiss Re Asset Management Funds (Switzerland) AG, intangible assets of £12.8 million have been reclassified in the year as goodwill.

Independent Auditors' report to the members of Schroders plc

We have audited the parent company financial statements of Schroders plc for the year ended 31 December 2009 which comprise the Company balance sheet, the Company statement of changes in equity, the Company cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 62, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 6 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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 the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Group financial statements of Schroders plc for the year ended 31 December 2009.

Richard Keers, Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

3 March 2010

Schroders plc balance sheet

31 December 2009

	Notes	2009 £m	2008 £m
Non-current assets			
Investments in subsidiaries	45	2,585.0	2,585.0
Deferred tax	49	17.0	1.1
Retirement benefit scheme surplus	42	–	22.4
		2,602.0	**2,608.5**
Current assets			
Financial assets	46	–	0.2
Trade and other receivables	47	40.2	31.0
Cash and cash equivalents	48	0.1	0.1
		40.3	31.3
Total assets		**2,642.3**	**2,639.8**
Equity			
Called-up share capital	54	288.8	286.7
Share premium account	54	72.5	61.2
Other reserves	56	1,342.0	1,332.8
Retained profits	57	728.5	846.0
Equity attributable to equity holders of the Company		**2,431.8**	**2,526.7**
Non-current liabilities			
Trade and other payables	51	6.1	7.1
Retirement benefit schemes deficit	42	41.1	–
		47.2	**7.1**
Current liabilities			
Provisions	50	0.6	3.2
Trade and other payables	51	162.7	102.8
		163.3	**106.0**
Total equity and liabilities		**2,642.3**	**2,639.8**

Approved by the Board of Directors on 3 March 2010.

Kevin Parry
Bruno Schroder
} Directors

Schroders plc statement of changes in equity

for the year ended 31 December 2009

Year ended 31 December 2009	Share capital £m	Share premium £m	Other reserves £m	Retained profits £m	Total £m
At 1 January 2009	286.7	61.2	1,332.8	846.0	2,526.7
Actuarial losses on defined benefit pension schemes	–	–	–	(70.3)	(70.3)
Tax on items taken directly to equity	–	–	–	23.1	23.1
Profit for the year	–	–	–	17.4	17.4
Total comprehensive income for the year	**–**	**–**	**–**	**(29.8)**	**(29.8)**
Shares issued	2.1	11.3	–	–	13.4
Share-based payments	–	–	–	25.0	25.0
Dividends	–	–	–	(84.9)	(84.9)
Own shares purchased	–	–	(18.6)	–	(18.6)
Transfers	–	–	27.8	(27.8)	–
At 31 December 2009	**288.8**	**72.5**	**1,342.0**	**728.5**	**2,431.8**

Year ended 31 December 2008	Share capital £m	Share premium £m	Other reserves £m	Retained profits £m	Total £m
At 1 January 2008	294.5	58.1	1,350.8	855.0	2,558.4
Actuarial losses on defined benefit pension schemes	–	–	–	(30.6)	(30.6)
Tax on items taken directly to equity	–	–	–	5.1	5.1
Profit for the year	–	–	–	167.0	167.0
Total comprehensive income for the year	**–**	**–**	**–**	**141.5**	**141.5**
Shares issued	0.8	3.1	–	–	3.9
Shares cancelled	(8.6)	–	8.5	(71.8)	(71.9)
Share-based payments	–	–	–	22.4	22.4
Dividends	–	–	–	(86.7)	(86.7)
Own shares purchased	–	–	(40.5)	–	(40.5)
Transfers	–	–	14.0	(14.0)	–
Share issue costs	–	–	–	(0.4)	(0.4)
At 31 December 2008	**286.7**	**61.2**	**1,332.8**	**846.0**	**2,526.7**

Schroders plc cash flow statement

for the year ended 31 December 2009

	Notes	2009 £m	2008 £m
Operating profit		16.7	177.0
Adjustments for:			
(Increase)/decrease in trade and other receivables		(3.9)	9.1
Increase/(decrease) in trade and other payables		60.8	(12.9)
Decrease/(increase) in financial assets		0.2	(0.1)
Payments made to defined benefit scheme		(6.8)	(10.5)
Share-based payments expensed		25.0	22.4
Amounts received in respect of Group tax relief		5.9	9.2
Interest paid		(7.9)	(9.1)
Interest received		0.1	1.8
Net cash from operating activities		**90.1**	**186.9**
Financing activities			
Redemption of non-voting ordinary shares		–	(71.8)
Proceeds from issue of non-voting ordinary shares		13.4	3.9
Acquisition of own shares		(18.6)	(40.5)
Dividends paid		(84.9)	(86.7)
Share issue costs		–	(0.4)
Net cash from financing activities		**(90.1)**	**(195.5)**
Net decrease in cash and cash equivalents		**–**	**(8.6)**
Opening cash and cash equivalents		0.1	8.7
Net decrease in cash and cash equivalents		–	(8.6)
Closing cash and cash equivalents	48	**0.1**	**0.1**

40 Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards which comprise standards and interpretations approved by either the International Accounting Standards Board or the International Financial Reporting Interpretations Committee or their predecessors, which had been approved by the European Commission as at 31 December 2009.

The financial statements have been prepared on the historical cost basis. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement. The principal accounting policies adopted are the same as those set out in note 1 'Summary of accounting policies' except as noted below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

41 Revenues and expenses – other disclosures

	2009 £m	2008 £m
Included in revenues:		
Net gains on financial assets held at fair value through profit or loss	0.3	0.9
Net losses on foreign exchange[1]	(0.4)	(0.9)
Included in administrative expenses:		
Salaries and other remuneration	8.9	7.5
Social security costs/(credits)	2.0	(0.7)
Other pension costs (see note 42)	1.8	1.9
Employee benefits expense	12.7	8.7

[1] Excludes foreign exchange on forward exchange contracts. Such gains and losses are included in net gains on financial assets and liabilities held at fair value through profit or loss.

The average number of employees employed by the Company during the year was:

	Average	
	2009 Number	2008 Number
Full-time employees	5	4

The auditors' remuneration for audit services to the Company was £0.6 million (2008: £0.6 million). Fees relating to further assurance services were £nil in the year (2008: £nil).

	2009 £m	2008 £m
Included in net finance income:		
Bank interest receivable	–	1.4
Interest receivable on loans to subsidiaries not at fair value through profit or loss	0.1	0.3
Other interest receivable on financial assets not at fair value through profit or loss	–	0.1
Interest receivable on similar income	0.1	1.8
Interest payable on loans from subsidiaries not at fair value through profit or loss	(3.4)	(11.6)
Interest payable and similar charges	(3.4)	(11.6)

42 Retirement benefit obligations

The expense borne for pension costs represents the charge for the year in respect of the Schroders Retirement Benefits Scheme. Full details of the Scheme can be found in note 5.

43 Tax (income)/expense

Major components of the income tax (credit)/charge for the years ended 31 December 2009 and 31 December 2008:

(a) Analysis of tax (credit)/charge in the year

	2009 £m	2008 £m
Current tax:		
UK Corporation tax on profits of the year	3.1	–
Current tax credit – group relief	(11.3)	(5.3)
Adjustments in respect of prior years – group relief	0.1	2.4
Total current tax credit for the year	(8.1)	(2.9)
Deferred tax charge		
Origination and reversal of temporary differences	4.1	2.9
Adjustments in respect of prior years	–	0.3
Effect of changes in UK corporation tax rate	–	(0.1)
Total tax (credit)/charge for the year	(4.0)	0.2

(b) Analysis of credit to equity

	2009 £m	2008 £m
Current income tax on Equity Compensation Plan and share option awards	(3.1)	(0.6)
Deferred income tax on actuarial gains and losses on defined benefit pension schemes	(19.6)	(8.5)
Deferred income tax on Equity Compensation Plan and share option awards – current year	(0.4)	3.8
Deferred income tax on Equity Compensation Plan and share option awards – prior year	–	0.2
Tax credit reported in equity	(23.1)	(5.1)

(c) Factors affecting the tax (credit)/charge for the year

The current tax (credit)/charge for the year is lower (2008: lower) than the rate of corporation tax of 28 per cent. (2008: 28.5 per cent.). The differences are explained below:

	2009 £m	2008 £m
Profit before tax	13.4	167.2
Profit before tax multiplied by corporation tax at the UK standard rate of 28 per cent. (2008: 28.5 per cent.)	3.8	47.7
Effects of:		
Non-taxable income net of disallowable expenses	(7.2)	(50.3)
Adjustments to tax in respect of prior periods	0.1	2.7
Movements in unrecognised deferred tax	–	0.4
UK tax on profits of overseas entities after double tax relief	(0.7)	(0.2)
Deferred tax adjustments in respect of changes in UK tax rates	–	(0.1)
Total tax (credit)/charge for the year	(4.0)	0.2

44 Dividends

Details of the Company's dividends paid and proposed for approval at the Annual General Meeting can be found in note 8.

45 Investments in subsidiaries

	£m
At 1 January and December 2009	2,585.0

46 Current financial assets

	2009 £m	2008 £m
Forward foreign exchange contracts maturing in less than 1 year (see note 52)	–	0.2

47 Trade and other receivables

	2009 £m	2008 £m
Trade and other receivables held at amortised cost:		
Amounts owed from subsidiaries (see note 59)	39.7	31.0
Other debtors	0.5	–
	40.2	31.0

The carrying amount of the trade and other receivables approximates their fair value.

As part of the Group's process to manage surplus cash effectively and earn maximum investment returns, surplus cash of £1.8 million (2008: £2.9 million) was swept to a central bank account held by Schroder Financial Services Limited, a related party. These balances are shown in trade and other receivables within amounts owed from subsidiaries.

48 Cash and cash equivalents

	2009 £m	2008 £m
Cash at bank and in hand	0.1	0.1

The book value of cash and cash equivalents approximates to their fair value.

49 Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28 per cent. (2008: 28 per cent.) reflecting the rate expected to be applicable at the time the net deferred tax asset is realised.

The movement on the net deferred tax asset account is as shown below:

	2009 £m	2008 £m
At 1 January	1.1	(0.2)
Income statement expense	(4.1)	(3.1)
Credit taken to equity	20.0	4.5
Effect of changes in UK tax rates – income statement expense	–	(0.1)
At 31 December 2009	17.0	1.1

(a) Deferred tax assets

	Tax losses carried forward £m	Temporary differences including bonuses and pension costs £m	Total £m
At 1 January 2009	–	1.1	1.1
Income statement expense	–	(4.1)	(4.1)
Transfer from deferred tax liabilities	–	20.0	20.0
At 31 December 2009	–	17.0	17.0
At 1 January 2008	1.5	–	1.5
Income statement expense	(1.5)	–	(1.5)
Transfer from deferred tax liabilities	–	1.1	1.1
At 31 December 2008	–	1.1	1.1

(b) Deferred tax liabilities

	2009 £m	2008 £m
At 1 January 2009	–	(1.7)
Income statement expense	–	(1.7)
Credited to equity	–	4.5
Transfer to deferred tax assets	–	(1.1)
At 31 December 2009	–	–

All of the deferred tax assets were available for offset against deferred tax liabilities. The net deferred tax provision at 31 December 2009 was an asset of £17.0 million (2008: £1.1 million).

50 Provisions

	Total £m
At 1 January 2009	3.2
Provisions utilised	(2.2)
Exchange translation adjustments	(0.4)
At 31 December 2009	0.6

The amount predominantly represents the balance of a provision in respect of matters covered by indemnification obligations under the terms of the sale of the investment banking business in 2000. Details are not given as the Directors feel that to do so may prejudice the Company. The timing of resolution of legal claims is subject to uncertainty, but it is possible that those matters will have been resolved by 31 December 2010.

51 Trade and other payables

	2009			2008		
	Current £m	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Financial liabilities at amortised cost:						
Social security	0.5	1.8	2.3	0.6	3.5	4.1
Accruals	10.1	4.3	14.4	9.0	3.6	12.6
Amounts owed to subsidiaries (see note 59)	152.1	–	152.1	93.2	–	93.2
	162.7	6.1	168.8	102.8	7.1	109.9

The carrying amount of the financial liabilities at amortised cost approximates to their fair value.

The Group's financial liabilities at amortised cost are expected to mature in the following time periods:

	2009 £m	2008 £m
Less than one year	162.7	102.8
1 – 2 years	2.8	3.3
2 – 3 years	2.7	3.8
3 – 4 years	0.6	–
	6.1	7.1
	168.8	109.9

52 Derivative contracts

	2009			2008		
	Notional amount £m	**Assets £m**	**Liabilities £m**	Notional amount £m	Assets £m	Liabilities £m
Forward foreign exchange contracts maturing in less than 1 year	1.9	–	–	3.1	0.2	–
	1.9	–	–	3.1	0.2	–

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The Company holds derivatives for risk management purposes only. The Company does not hold derivatives for trading or other speculative purposes.The contracts are used to hedge provisions that are held both at a Group level and within the Company. These provisions are denominated in US dollars. The carrying amounts of the Company's derivative contracts are denominated in US dollars.

The Company holds currency forwards which represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. The maximum exposure to credit risk is represented by the fair value of the contracts.

53 Financial instrument risk management
The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in 'Risk management and internal control' within the Governance section of the Annual Report and Accounts and in note 27. The Company's specific risk exposures are explained below.

Credit risk
The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The company's counterparties are predominantly its subsidiaries and therefore there is minimal external credit risk exposure.

The Company's cash and cash equivalents is invested in accounts with well-rated UK banks.

Liquidity risk
Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain the solvency. The Company holds sufficient liquid funds to cover their normal course of business. Outside the normal course of business the Company can request to borrow investment capital through intergroup loans to maintain sufficient liquidity. The Group has investment capital which includes investments in fixed income and money market portfolios. Liquidity in these portfolios is monitored on a regular basis.

Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market interest rates.

The Company's interest rate risk is limited. Assets and liabilities attracting interest rates are cash balances and intercompany loans, both of which are at floating rate, therefore outright interest rate risk arises mainly from the decision to allow mismatch between cash flows.

The Company estimates that, as at the 31 December 2009, if the Bank of England interest rates had been 250 basis points higher/nil basis points lower (2008: 200 basis points higher/lower) with all other variables held constant, post-tax profit for the year would have been £3 million lower/£nil higher (2008: £1 million lower/£1 million higher), mainly as a result of higher/lower interest on intercompany loans and cash balances; other components of equity would be unaffected.

The following assumption was made in the model used to calculate the effect on post-tax profits:

- the fair value of assets and liabilities will not be affected by a change in interest rates.

Foreign exchange risk
Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign exchange risk has been hedged using currency forwards at detailed in note 52.

Pricing risk
Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company has no exposure in this area.

Capital management
The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have sufficient capital to maintain sufficient liquid funds to meet peak working capital requirements. Any surplus capital is loaned back to the Group's investment capital management entities.

54 Share capital
Details of the Company's share capital can be found in note 29 to the accounts.

55 Own shares

Employee trusts have been established for the purposes of satisfying certain share-based awards. At 31 December 2009, the trusts held 8,126,679 (2008: 8,573,898) voting ordinary shares costing £80.6 million (2008: £85.1 million), with a market value of £108.1 million (2008: £73.6 million). The trusts also held 1,212,663 (2008: 3,658,422) non-voting ordinary shares costing £10.5 million (2008: £34.1 million), with a market value of £13.0 million (2008: £25.0 million). Dividends on shares held by the trusts are waived. In addition, the Company holds a further 600,000 non-voting ordinary shares within treasury. The shares cost £5.9 million and have a market value of £6.4 million.

Movements during the year were as follows:

	2009 £m	2008 £m
At 1 January	(84.9)	(58.4)
Own shares purchased	(18.6)	(40.5)
Own shares disposed through vesting[1]	27.8	14.0
At 31 December	(75.7)	(84.9)

[1] On vesting, own shares balances are transferred to profit and loss reserve insofar as they relate to share-based payments and to the shares to be issued reserve insofar as they relate to certain contractual obligations to issue shares (for example, as part of the consideration for an acquisition).

	2009			2008		
	Number of shares units	**Cost £m**	**Market value £m**	Number of shares units	Cost £m	Market value £m
Shares funded by employing companies	2,312,308	21.3	27.6	3,984,409	34.3	27.8
Own shares	7,627,034	75.7	99.9	8,247,911	84.9	70.8
	9,939,342	97.0	127.5	12,232,320	119.2	98.6

56 Other reserves

	Own shares held £m	**Capital reserves £m**	**Total £m**
At 1 January 2009	(84.9)	1,417.7	1,332.8
Own shares purchased	(18.6)	–	(18.6)
Transfers to/from retained profits reserve	27.8	–	27.8
At 31 December 2009	(75.7)	1,417.7	1,342.0

	Own shares held £m	Capital reserves £m	Total £m
At 1 January 2008	(58.4)	1,409.2	1,350.8
Shares cancelled	–	8.5	8.5
Own shares purchased	(40.5)	–	(40.5)
Transfers to/from retained profits reserve	14.0	–	14.0
At 31 December 2008	(84.9)	1,417.7	1,332.8

57 Retained profits reserve

	2009 £m	2008 £m
At 1 January	846.0	855.0
Actuarial losses on defined benefit pension scheme	(70.3)	(30.6)
Tax on items taken directly to equity	23.1	5.1
Other comprehensive income	(47.2)	(25.5)
Profit for the year	17.4	167.0
Total comprehensive income for the year	(29.8)	141.5
Share-based payments	25.0	22.4
Dividends	(84.9)	(86.7)
Cancellation of non-voting ordinary shares	–	(71.8)
Share issue costs	–	(0.4)
Transfers to other reserves	(27.8)	(14.0)
At 31 December	728.5	846.0

58 Awards to employees of rights to share-based payments

Details of the Company's awards to employees of rights to share-based payments can be found in note 36.

59 Related party transactions

(a) Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation, are disclosed below.

	2009					
	Revenues	**Interest receivable £m**	**Interest payable £m**	**Expenses £m**	**Amounts owed by related parties £m**	**Amounts owed to related parties £m**
Subsidiaries of the Company	27.2	0.1	(3.4)	–	39.7	(152.1)
Key management personnel	0.0	–	–	(0.1)	1.2	(2.4)

	2008					
	Revenues	Interest receivable £m	Interest payable £m	Expenses £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	177.8	0.3	(11.6)	–	31.0	(93.2)
Key management personnel	0.1	–	–	(0.1)	–	(4.4)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad or doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

(b) Key management personnel compensation

The remuneration of key management personnel during the year was as follows:

	2009 £m	2008 £m
Short-term employee benefits	6.7	5.7
Post-employment benefits	0.1	0.1
Other long-term benefits	3.0	1.0
Termination benefits	–	1.0
Share-based payments	4.0	1.3
	13.8	9.1

The remuneration policy is described in more detail in the remuneration report.

60 Post balance sheet event

Following the Company's balance sheet date it received dividends of £458.0 million from its immediate subsidiary. This represented the payment up through the Group of retained profits held in a number of the Group's intermediate holding companies.

61 Subsidiary undertakings

The following information is given in respect of those subsidiary undertakings which, in the opinion of the Directors, principally affect the consolidated profits or assets of the Company. They are all wholly-owned subsidiary undertakings of the Company.

All undertakings operate in the countries where they are registered or incorporated except where shown. All companies are engaged in the business of asset management, private banking or private equity.

England
Leadenhall Securities Corporation Limited
New Finance Capital LLP
Schroder & Co. Limited
Schroder Administration Limited*
Schroder Financial Services Limited
Schroder International Holdings Limited
Schroder Investment Company Limited
Schroder Investment Management Limited
Schroder Investment Management North America Limited
Schroder Investments Limited
Schroder Middle East Limited
Schroder Pension Management Limited
Schroder Property Investment Management Limited
Schroder Unit Trusts Limited

Argentina
Schroder Investment Management S.A.

Australia
Schroders Australia Holdings Pty Limited
Preference shares

Brazil
Schroder Investment Management Brazil DTVM S.A.

Bermuda
Schroder Finance (Bermuda) Limited
Schroder International Holdings (Bermuda) Limited
Schroders (Bermuda) Limited

Cayman Islands
New Finance (Cayman) Limited

Channel Islands
Burnaby Insurance (Guernsey) Limited
Gresham Manager (CIP) Limited
Schroder Investments (Guernsey) Limited
Preference shares
Schroder Venture Managers (Guernsey) Limited
Preference shares
Schroders (C.I.) Limited

Denmark
Schroder Investment Management Fondsmaeglerselskab A/S

Germany
Schroder Investment Management GmbH
Schroder Property Investment Management GmbH
Schroder Property Kapitalanlagegesellschaft GmbH
Real 19TE Verwaltungs GmbH

Hong Kong SAR
Schroder Investment Management (Hong Kong) Limited
Preference shares

Indonesia
PT Schroder Investment Management Indonesia – 99.0 per cent.

Italy
Schroders Italy SIM S.p.A.

Japan
Schroder Investment Management (Japan) Limited

Korea
Schroders Korea Limited

Luxembourg
Schroder Investment Management (Luxembourg) S.A.
Schroder Property Investment (Luxembourg) s.a.r.l.

Mexico
Schroder Investment Management, S.A.
de c.v Sociedad Operadora de Sociedadas de Inversion

Netherlands
Schroder International Finance B.V.
Schroder Investment Management Benelux N.V.
Schroder Nederland Finance B.V.

Singapore
Schroder & Co. (Asia) Limited
Schroder Investment Management (Singapore) Limited
Schroder Investments (Singapore) Pte Limited
Schroder Capital Investments (Singapore) Limited

Switzerland
Schroder & Co Bank AG
Schroder Investment Management (Switzerland) AG

Taiwan
Schroder Investment Consulting Co. Limited
Schroder Investment Management (Taiwan) Limited

United States of America
Schroder Investment Management North America Inc.
Schroder US Holdings Inc

The following joint ventures are held within the Group:

Nissay Schroders Asset Management (Europe) Limited (33 per cent.)
Nissay Schroders Asset Management Asia Limited (33 per cent.)
Bank of Communications Schroder Fund Management Company Limited (30 per cent.)

A full list of subsidiary undertakings, joint ventures and associates will be annexed to the next annual return of Schroders plc to be filed with the Registrar of Companies.

* Held directly by the Company.

Five-year consolidated financial summary

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Profit before tax	137.5	123.1	392.5	290.0	250.7
Tax	(41.8)	(51.8)	(88.8)	(68.1)	(57.4)
Profit after tax before minority interests	95.7	71.3	303.7	221.9	193.3
Minority interests	(0.3)	5.4	(4.0)	(0.6)	(2.0)
Profit for the year	95.4	76.7	299.7	221.3	191.3

Earnings per share:	**2009 Pence**	2008 Pence	2007 Pence	2006 Pence	2005 Pence
Basic earnings per share[1]	34.3	27.5	104.8	76.9	65.7
Diluted earnings per share[1]	34.2	27.3	103.2	75.7	65.1

Dividends:	**2009**	2008	2007	2006	2005
Cost (£m)	84.9	86.7	74.9	63.4	59.5
Pence per share[2]	31.0	31.0	26.5	22.0	20.5
Total equity (£m)	1,649.0	1,632.2	1,696.2	1,443.6	1,343.1
Net assets per share (pence)[3]	571	569	576	491	450

Group employees at year end 31 December	**2009 Number**	2008 Number	2007 Number	2006 Number	2005 Number
Europe	1,725	1,858	2,000	1,865	1,796
Americas	240	264	257	225	205
Asia Pacific	644	712	634	585	538
	2,609	2,834	2,891	2,675	2,539

[1] See note 9 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 balance sheet date (see note 29).

Exchange rates – closing 31 December	**2009**	2008	2007	2006	2005
Sterling:					
Euro	1.13	1.03	1.36	1.48	1.45
US dollar	1.61	1.44	1.99	1.96	1.72
Swiss franc	1.67	1.53	2.25	2.39	2.26
Australian dollar	1.80	2.06	2.27	2.48	2.35
Hong Kong dollar	12.52	11.14	15.52	15.22	13.36
Japanese yen	150.33	130.33	222.38	233.20	202.39
Singaporean dollar	2.27	2.07	2.87	3.00	2.86

Exchange rates – average	**2009**	2008	2007	2006	2005
Sterling:					
Euro	1.12	1.26	1.46	1.47	1.46
US dollar	1.56	1.85	2.00	1.84	1.82
Swiss franc	1.68	2.00	2.40	2.31	2.26
Australian dollar	1.99	2.18	2.39	2.44	2.39
Hong Kong dollar	12.09	14.42	15.62	14.33	14.16
Japanese yen	145.58	192.45	235.50	214.39	200.17
Singaporean dollar	2.26	2.61	3.01	2.93	3.03

Shareholder information

Schroders plc
Registered in England and Wales
Company No. 3909886

Registered office
Schroders plc
31 Gresham Street
London EC2V 7QA
Tel: +44 (0)20 7658 6000
Fax: +44 (0)20 7658 3977
www.schroders.com

Company Secretary
Graham Staples
Schroders plc
31 Gresham Street
London EC2V 7QA
Tel: +44 (0)20 7658 6000
Fax: +44 (0)20 7658 6965
Email: company.secretary@schroders.com

Financial calendar

Ex-dividend date	10 March 2010
Record date	12 March 2010
Second interim dividend payment date	29 March 2010
Annual General Meeting	6 May 2010
Interim Management Statement	6 May 2010
Interim results announcement	5 Aug 2010
Interim dividend paid	Sept 2010*
Interim Management Statement	Oct 2010*

* Dates to be confirmed

Investor information
Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar; other shareholder enquiries should be addressed to the Company Secretary at the registered office.

The Company's governance reports, corporate governance guidelines, the terms of reference of the Board Committees and our results presentations can be found at www.schroders.com.

Registrar
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 6ZY

UK shareholder helpline:
Freephone 0800 923 1530
International shareholder helpline:
Tel: +44 117 378 8170
Fax: +44 870 703 6101
Website: www.investorcentre.co.uk

Shareholders can access their shareholdings, including balance movements, indicative share prices, information on recent dividends and portfolio valuation, and update their details at www.investorcentre.co.uk.

Electronic communications
Shareholder documents such as the annual report are available electronically on the Company's website www.schroders.com or by email. This has the advantage of reducing the cost to the environment of printing and enables shareholders to access such documents more quickly. If you would like to receive a notification by email that such documents are available on the website, you should register your email address at www.investorcentre.co.uk. If you wish to receive hard copies of shareholder documents, please write to the Registrar.

In addition, shareholders can register the appointment of their proxy electronically via the internet at www.eproxyappointment.com where full instructions are given. The Control Number, Shareholder Reference Number and PIN printed on the proxy form will be required when registering online.

Dealing services
There is a share dealing service offered by the Registrar. It is a simple way to buy or sell shares via the internet or telephone with quick settlement. For further information visit www.computershare.com/dealing/uk or for telephone purchases call 0870 703 0084 (UK only) between 8.00 a.m. and 4.30 p.m., Monday to Friday.

JPMorgan Cazenove Ltd, the Company's broker, also operates a postal dealing service in the Company's shares. Further information is available from:

JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA
Tel: +44 (0)20 7588 2828
Fax: +44 (0)20 7155 9000

ShareGift
If you only have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating them to charity through ShareGift. ShareGift is a registered charity (no. 1052686) which collects and sells unwanted shares and uses the proceeds to support a wide range of UK charities. For further information, please contact either the Registrar or ShareGift on +44 (0)20 7930 3737, or see the website at www.sharegift.org.

Share information
The Company's ordinary shares and non-voting ordinary shares are listed on the London Stock Exchange.

	ISIN Number	SEDOL Number	EPIC Code
Ordinary shares	GB0002405495	0240549	SDR
Non-voting ordinary shares	GB0002395811	0239581	SDRC

Share price information can be found on the website at www.schroders.com, in newspapers such as The Financial Times and The Times or through your broker. The Financial Times Cityline service (telephone 0905 817 1690) also provides FTSE updates and share price information with calls charged at 60p per minute. When you dial this number a voice activated system will ask which company you are calling about and you will need to say Schroders. You will then be given the ordinary share details. The service will not provide details of the non-voting ordinary shares.

Dividend mandates
We recommend that all dividend payments are made directly into a bank or building society account. This will help reduce the risk of fraud and will provide you with immediate access to your funds without the inconvenience of waiting for a postal delivery or having to visit your bank. To apply for a dividend mandate contact the Registrar or call the shareholder helpline on 0800 923 1530.

If your dividend is paid directly into your bank or building society account, you will receive one consolidated tax voucher each year which will be sent to you in September each year at the time the interim dividend is paid. If you would prefer to receive a tax voucher with each dividend, please contact the Registrars on 0800 923 1530.

Dividend tax vouchers are also available electronically on www.investorcentre.co.uk to those shareholders who have both their dividends mandated to their bank or building society accounts and who have expressed a preference for e-communications. If you do need a tax voucher with each dividend, you may elect to obtain future tax vouchers online by registering at www.investorcentre.co.uk. To continue to receive paper tax vouchers, you should contact the Registrars on 0800 923 1530.

Dividend reinvestment plan
The Company operates a Dividend ReInvestment Plan ('DRIP') which provides shareholders with a cost efficient way of increasing their shareholding in the Company by reinvesting their dividends. If you have not already signed up for this service and wish to do so you should send your DRIP application to the Registrar. For a copy of the DRIP information pack and application form please contact the Registrars on 0800 923 1530.

Overseas branch register
An overseas branch register is operated in Bermuda for the benefit of shareholders with registered addresses in Bermuda. Enquiries should be directed to our Registrar.

Overseas dividend mandates
Schroders offers a service to our overseas shareholders in participating countries which enables shareholders to receive their dividends in local currencies. If you are eligible, and have not yet taken advantage of this mandating process, you should already have received a letter informing you of this together with a mandate form. You can check your eligibility and/or request a mandate form if applicable via the shareholder helpline on 0800 923 1530 if calling from the UK or +44 117 378 8170 if calling from overseas.

Identity theft – protecting your investments
There is a growing trend for criminals to target personal information which may put your shareholding at risk. In order to protect yourself, you should consider the following precautions:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee company;
- Keep any correspondence from the Registrar containing your shareholder reference number in a safe place, or destroy this information by shredding it. Shareholders who have their dividends mandated to their bank accounts should take particular care with the tax vouchers as these contain details of their bank account number and sort code;
- If you move house, please inform the Registrar. If you receive a letter from the Registrar regarding a change of address and you have not moved house, please contact the Registrar immediately. You may be a victim of identity theft; and
- Ensure that you know when your dividends are being paid. If you have not already arranged to do this, you should consider having your dividends paid directly into your bank account to reduce the risk of your dividend cheque being intercepted or lost in the post.

Unsolicited mail
The Company is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment firms. If you would like to limit the amount of unsolicited mail that you receive, please contact:

The Mailing Preference Service
DMA House
70 Margaret Street
London W1W 8SS
Tel: +44 (0)845 703 4599
www.mpsonline.org.uk

Warning to shareholders
In recent years, many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority ('FSA') has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way, many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- Make sure you get the correct name of the person and organisation
- Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register
- Report the matter to the FSA by either calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk
- If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk.

Capital gains tax
Capital gains tax values at 31 March 1982 and values relating to the disposal of the investment banking business in 2000 can be found at www.schroders.com or can be obtained from the Company Secretary at the registered office.

Glossary

Term

Active asset management
The management of assets based on active decision making as opposed to the direct replication of an index

Asset Management cost: net revenue
Total Asset Management costs divided by Asset Management net revenue

Asset Management costs on average funds under management
Asset Management costs divided by Asset Management average funds under management

Assets under management ('AUM')/Funds under management ('FUM')
The aggregate value of funds managed on behalf of clients. In Private Banking this also includes assets held in custody where execution-only services are provided

Basis points ('bps')
One one-hundredth of a percentage point (0.01%)

Compensation costs
Total employee benefits expense

ECP
Equity Compensation Plan 2000

Net revenue
Revenue less cost of sales

High-yield instruments
Instruments such as bonds with yields in excess of investment grade securities

IAS
International Accounting Standard(s)

IFRS
International Financial Reporting Standard(s)

Instividual
Individual investors who, collectively, seek or are offered products and terms of business traditionally associated with institutions

Institutional sales channel
Institutional clients, such as pension funds, insurance companies and government funds, who come to Schroders through their own advisor or consultant. Assignments are typically highly specific and dovetail with their other investments in a range of asset classes and with other managers they employ

Investment performance
This is calculated by Schroders, using published benchmarks for products, where available. If no benchmark is published but it is listed in competitor rankings, the relative position of the fund to its peer group is used. As at 31 December 2009, comparator data existed for 61 per cent. of FUM over three years and 76 per cent. over one year

Investment returns
The increase in FUM attributable to investment performance, market movements and foreign exchange

Intermediary sales channel
Schroders works with intermediaries such as banks, insurance companies and independent financial advisors, who advise the end retail client

Mutual funds
Collective investments where a group of investors pool their money (buying shares or a portion of the mutual fund)

Net new business
Funds from clients less funds withdrawn by clients excluding market and currency changes

Net revenue margins
Asset Management plus Private Banking net revenue excluding exceptional items divided by total average funds under management

Operating revenue
Net revenue for the Asset Management and Private Banking business segments

Pillar 1
The minimum capital requirements in relation to credit risk, operational risk and market risk taken by the Group

Profit share ratio
Bonus charge divided by pre-bonus Asset Management and Private Banking profit before tax and exceptional items

Rights to shares
The entitlements of employees, including executive Directors, to Company shares until vesting conditions have been satisfied and the awards exercised

Total costs to operating revenue ratio
Total Group costs divided by operating revenues

Total compensation cost to operating revenue ratio
Compensation costs divided by operating revenues

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