

21st February 2006

Annual Results 2005



Schroders

Forward-looking Statements

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition, results of the businesses of Schroders plc and its subsidiaries

These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that may occur 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 those forward-looking statements and forecasts. Nothing in this announcement should be construed as a profit forecast

Overview

Profit before tax £250.7 million

(2004: £211.6 million)

Asset Management profit before tax £193.9 million

(2004: £120.9 million)

Private Banking profit before tax £6.3 million

(2004: £3.5 million)

Private Equity profit before tax £40.3 million

(2004: £83.8 million)

Funds under management £122.5 billion

(31st December 2004: £105.6 billion)

Total dividend for the year of 21.5 pence per share

(2004: 20.0 pence per share)

Profit Before Tax

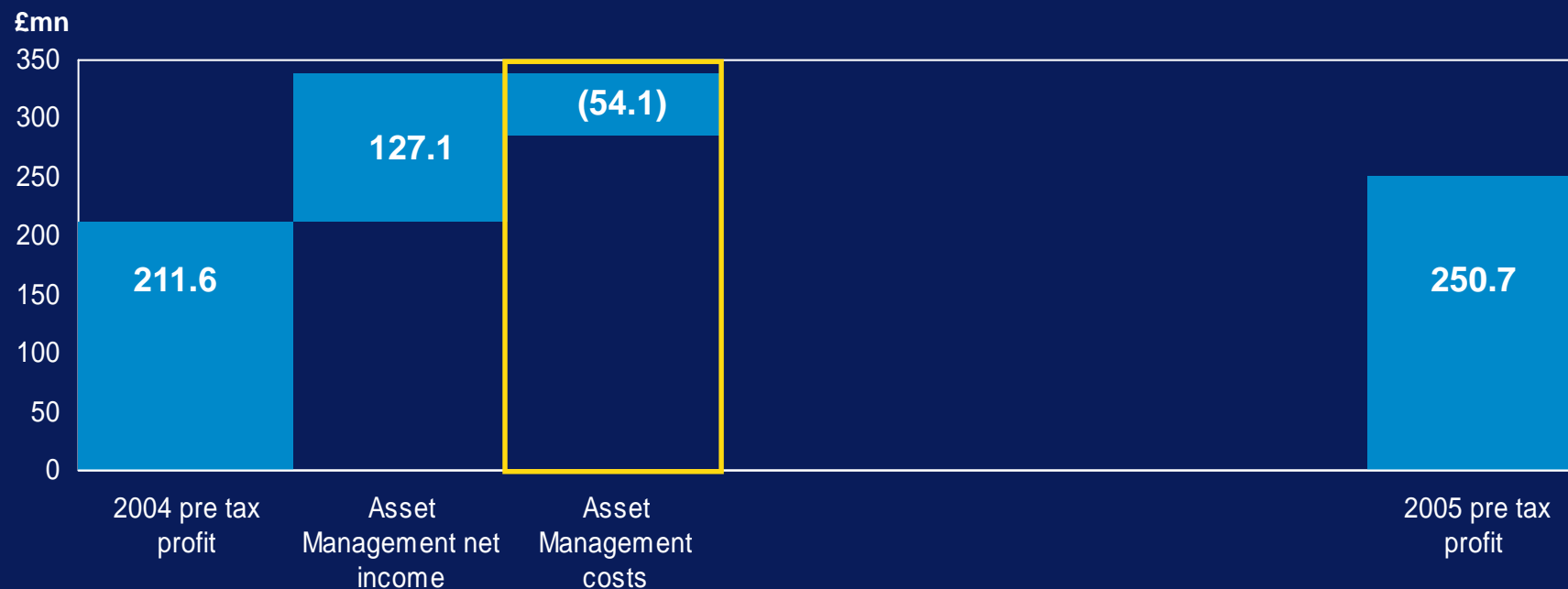
Reconciliation – 2004 to 2005



Asset Management net income (£mn)	2004	2005	Difference
Revenue	520.8	667.8	147.0
External cost of sales	(86.2)	(128.8)	(42.6)
Asset Management gross profit	434.6	539.0	104.4
Gain on discontinued outsourcing contract	0.0	20.1	20.1
Net interest and other income	6.2	8.8	2.6
Net income	440.8	567.9	127.1

Profit Before Tax

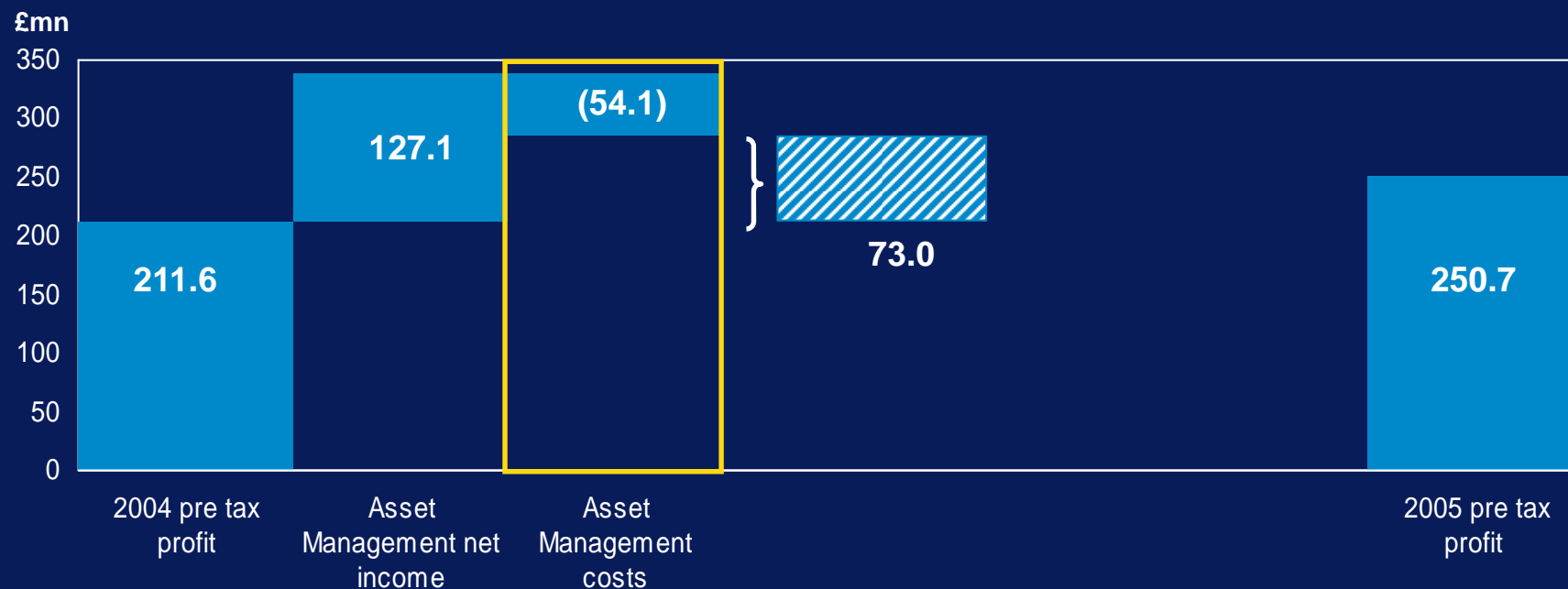
Reconciliation – 2004 to 2005



Asset Management costs (£mn)	2004	2005	Difference
Asset Management staff costs	(215.7)	(264.5)	(48.8)
Asset Management other costs	(104.2)	(109.5)	(5.3)
Asset Management total costs	(319.9)	(374.0)	(54.1)

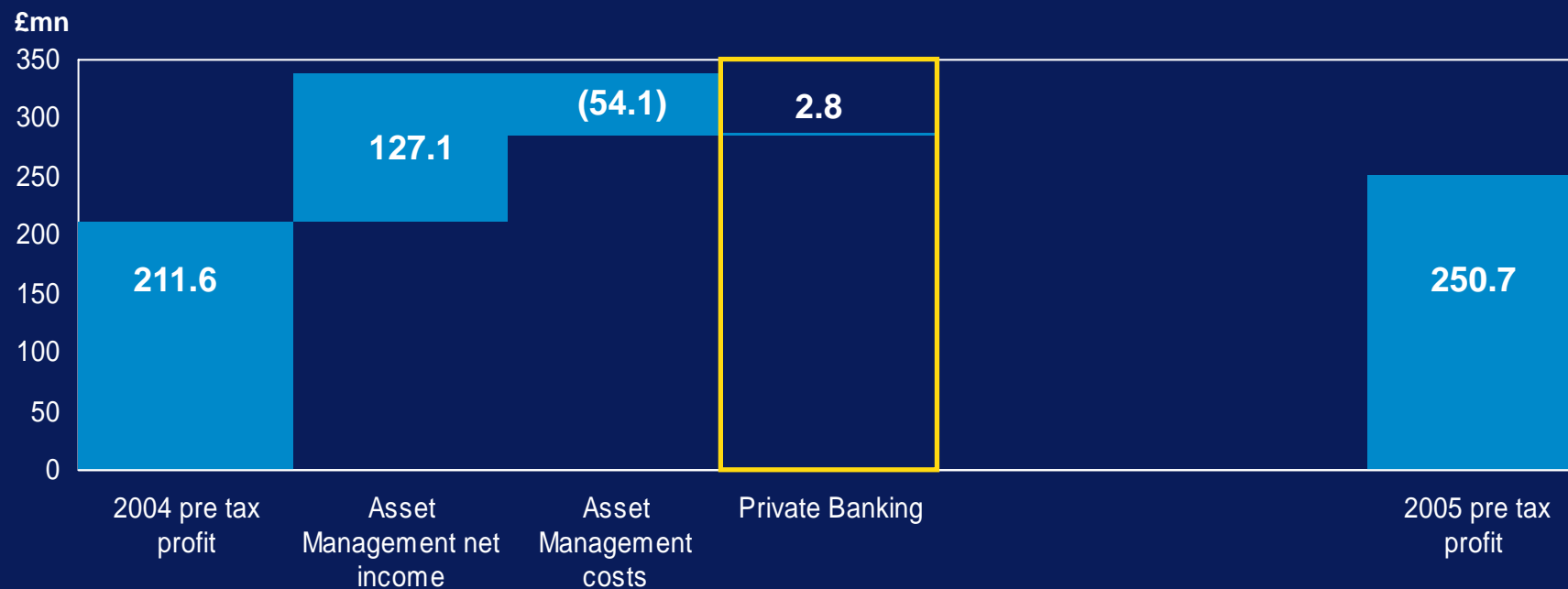
Profit Before Tax

Reconciliation – 2004 to 2005



Asset Management profit (£mn)	2004	2005	Difference
Asset Management profit before tax	120.9	193.9	73.0

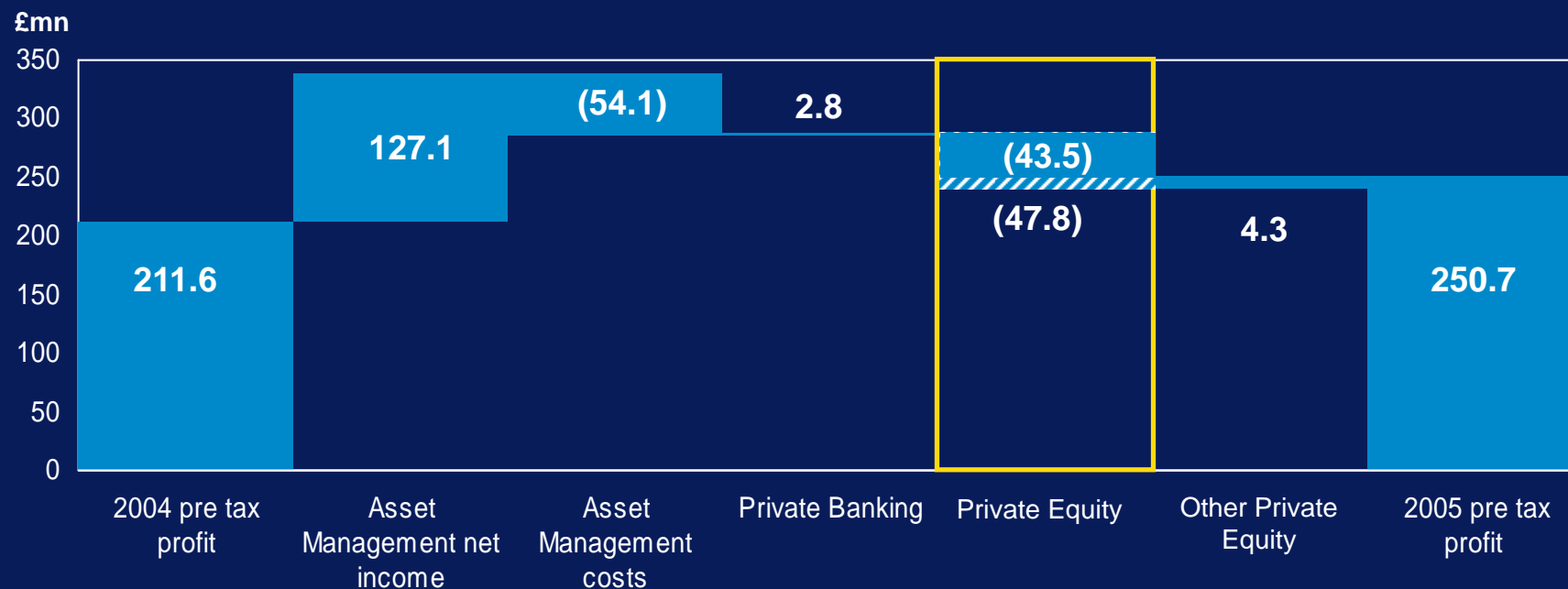
Profit Before Tax Reconciliation – 2004 to 2005



Private Banking (£mn)	2004	2005	Difference
Revenue	65.0	74.1	9.1
External cost of sales	(1.7)	(2.0)	(0.3)
Gross profit	63.3	72.1	8.8
Gain on discontinued outsourcing contract	0.0	0.3	0.3
Costs	(59.8)	(66.1)	(6.3)
Profit before tax	3.5	6.3	2.8

Profit Before Tax

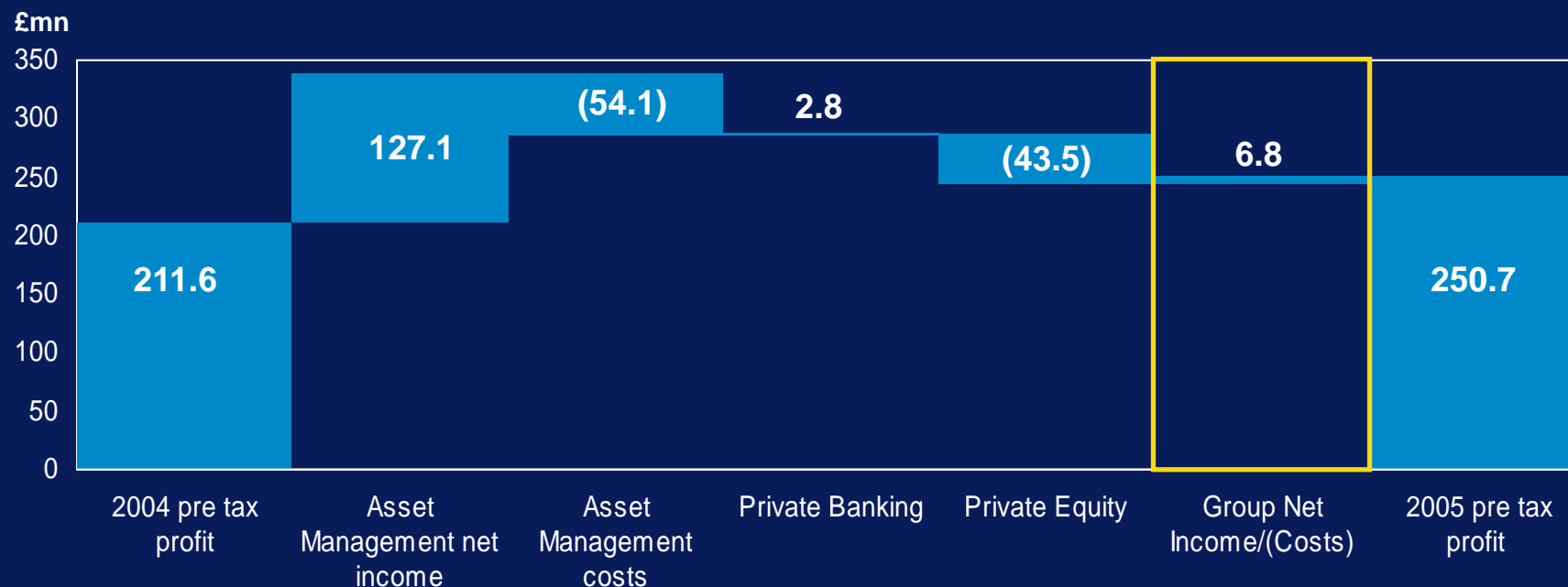
Reconciliation – 2004 to 2005



Private Equity (£mn)	2004	2005	Difference
IFP Disposal	47.8	0.0	(47.8)
Other Private Equity	36.0	40.3	4.3
Total	83.8	40.3	(43.5)

Profit Before Tax

Reconciliation – 2004 to 2005



Group Net Income/(Costs) (£mn)	2004	2005	Difference
Gross profit	9.1	30.8	21.7
Surplus space	(2.7)	(9.2)	(6.5)
Administrative expenses	(23.4)	(32.0)	(8.6)
Net interest and other income	20.4	20.6	0.2
Group Net Income/(Costs)	3.4	10.2	6.8

Capital Allocation

£mn	31 December 2004	1 January 2005	31 December 2005
Regulatory	209.4	209.4	230.0
Other operating	116.9	118.7	208.2
Goodwill	24.5	24.5	24.6
Liquid funds	369.2	369.2	411.9
Third party hedge funds	122.7	122.7	134.3
Other Schroders funds	103.3	103.3	165.9
Private Equity	164.4	210.4	160.9
Leasing	8.8	8.8	7.0
Total	1,119.2	1,167.0	1,342.8

Dividends and Earnings per share

	2003 (UK GAAP)		2004		2005	
	Pence per share	£mn	Pence per share	£mn	Pence per share	£mn
Interim	5.5	16.1	6.5	18.8	7.0	20.3
Final	13.0	37.6	13.5	39.2	14.5	42.2
	18.5	53.7	20.0	58.0	21.5	62.5
Basic earnings per share		16.5p		53.5p		65.7p
Diluted earnings per share		16.4p		53.1p		65.1p

Asset Management

Further increase in revenues, profit, gross margins

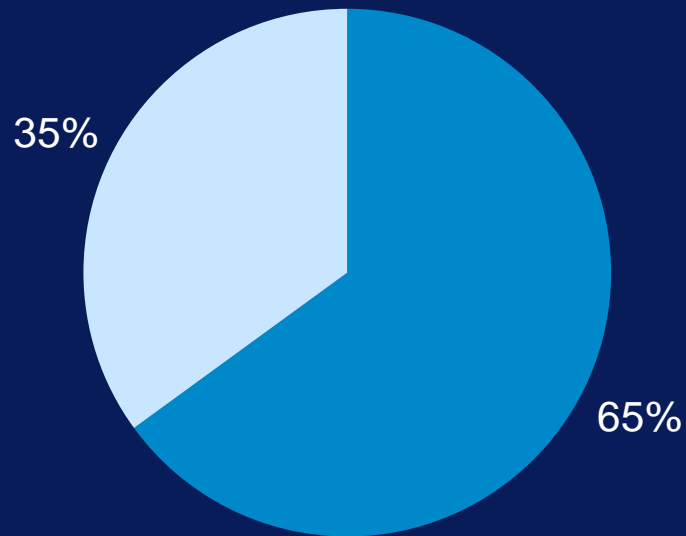
Managing performance

Investment Performance

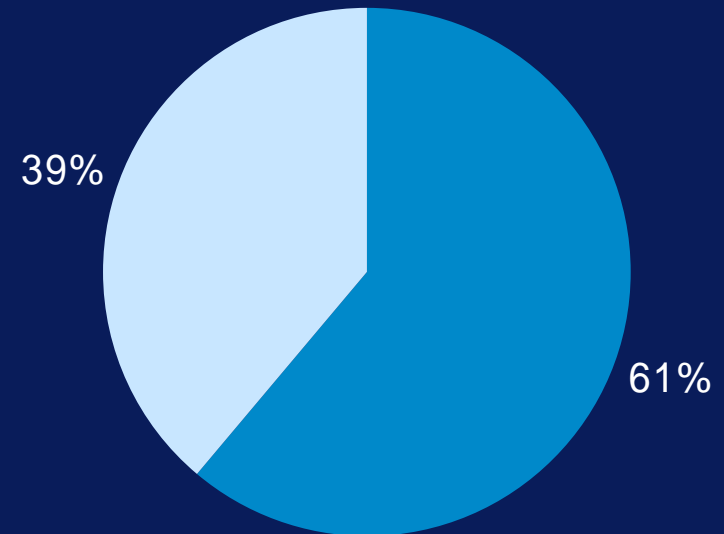
% of Institutional and Retail assets above and below benchmark

3 years to 31 December 2005

Retail



Institutional



■ Quartile 1 and 2 performance
■ Quartile 3 and 4 performance

■ Above benchmark
■ Below benchmark

Asset Management

Further increase in revenues, profit, gross margins

Managing performance

Investing in talent

Developing new products:

Strategic bond

LDI

Global equity yield

Global property securities

BRIC

Commodities

Private Banking

Further progress in business flows and financials

FUM, revenues, profit up in 2005

Good growth in Switzerland

Momentum in UK and Channel Islands

Profit growth - net new business
- common operating platform

Business Flows

Net outflows £5.0bn

Institutional outflows down

**Retail sales flat - soft closing funds
- manager changes**

Steady growth in Private Banking

	2005		
	In	Out	Net
Institutional	9.1	(14.7)	(5.6)
Retail	20.3	(20.3)	0.0
Private Banking	2.1	(1.5)	0.6
Total	31.5	(36.5)	(5.0)

Business Flows

Gross sales up 22% to £31.5bn

New Business 2005

£31.5 billion

Clients	2004 £bn	2005 £bn	Products	2004 £bn	2005 £bn
Institutional	8.5	9.1	Equities	14.7	18.4
Retail	15.3	20.3	Fixed income	9.0	10.5
Private banking	2.1	2.1	Alternative investments	2.2	2.6

Business Flows

Gross sales up 22% to £31.5bn

Improving margins: business mix, specialist products, re-pricing

Gross Profit Margins

Asset Management

	2004	2005
Gross profit on average AM FUM	46bp	51bp
Costs on average AM FUM	34bp	35bp
Net	12bp	16bp
Average AM FUM	£94.7bn	£106.2bn

Business Flows

Gross sales up 22% to £31.5bn

Improving margins: business mix, specialist products, re-pricing

Focus on client longevity

Growth initiatives

NewFinance Capital Overview

\$2.5bn in funds of hedge funds

Experienced management team

Institutional quality investment process

London-based

Focused product range

Strengths in multi-strategy, fixed income, commodities

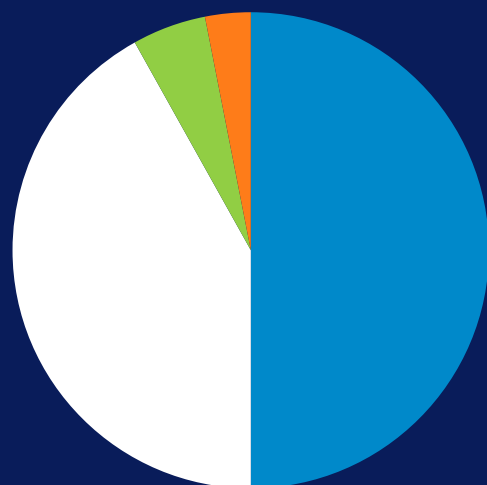
Diversified client list

Strong growth in AUM

NewFinance Capital

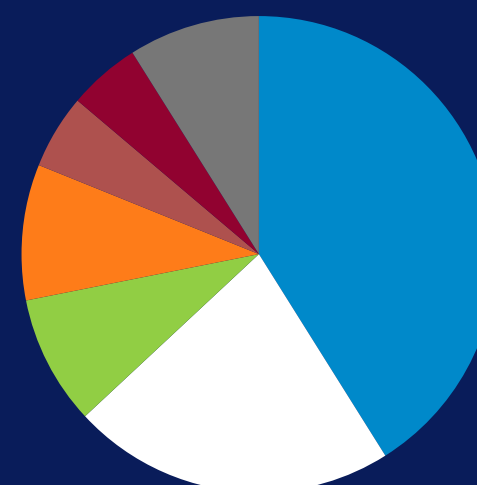
Product and client mix

Products



- Fixed income 50%
- Multi-strategy 42%
- Commodities 5%
- Equities 3%

Clients



- Private Banks 41%
- Pension Funds 22%
- Commercial Banks 9%
- HNWI 9%
- Family Offices 5%
- Insurance Companies 5%
- Other 9%

NewFinance Capital

Strategic fit

Growth business

Institutional demand

Convergence between alternatives and mainstream

Critical mass: merged business \$3.2bn

Complementary fund range

Leverages Schroders distribution

Diversifies revenues

NewFinance Capital

Acquisition metrics

100% acquisition for initial \$101mn

4% of AUM, 5x 2005 revenues

Deferred payments in Opus fund units, Schroders shares

Additional \$41mn contingent on revenue growth over four years

Earnings neutral 2006

Merged business operates under NewFinance Capital brand

Summary

Profitability restored to peak levels

Strengthened investment team, improving performance

Innovative new products

Lag effect on business flows

Investment in talent, marketing spend, infrastructure

Leveraging NewFinance Capital

Other acquisition opportunities

21st February 2006

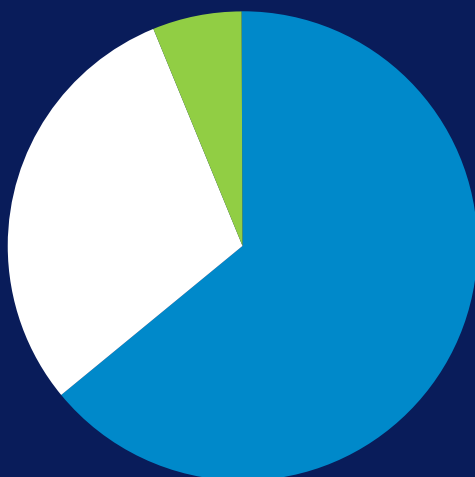
Appendices



Schroders

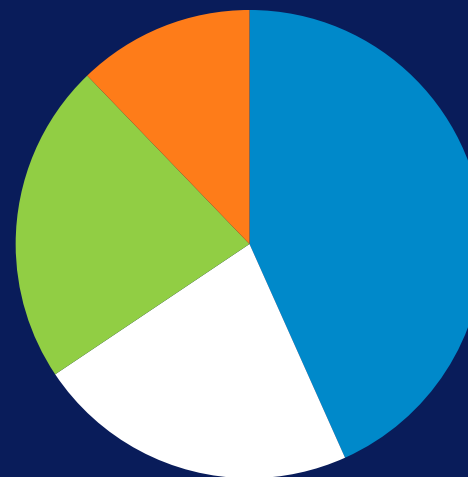
Funds Under Management

By client type



- Institutional 64% (65%)
- Retail 30% (29%)
- Private Banking 6% (6%)

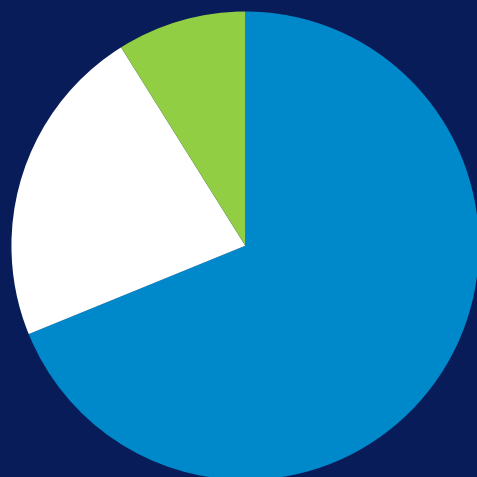
By client domicile



- UK 43% (46%)
- Continental Europe 23% (22%)
- Asia Pacific 22% (21%)
- Americas 12% (11%)

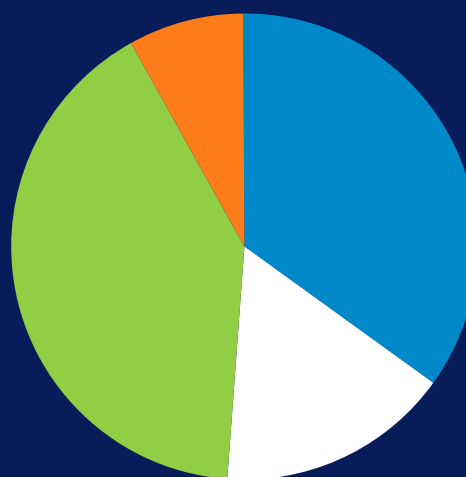
Funds Under Management

By asset type



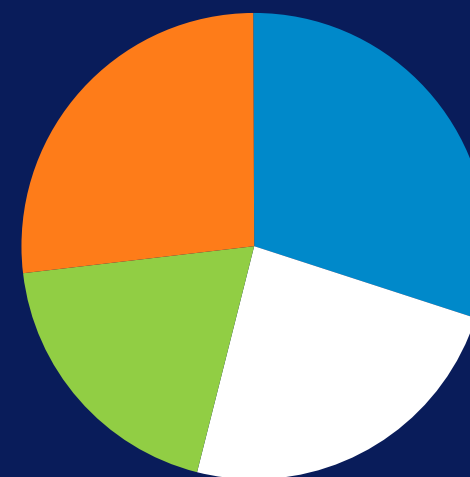
- Equities 69% (69%)
- Fixed income 22% (22%)
- Alternative investments 9% (9%)

Equities



- UK 35% (38%)
- Continental Europe 16% (18%)
- Asia Pacific 41% (38%)
- Americas 8% (6%)

Fixed Income



- UK 30 (31%)
- Continental Europe 24% (28%)
- Asia Pacific 19% (19%)
- Americas 27% (22%)

Income and cost metrics for the Group

	2004	2005
Group cost : income ratio	66%	66%
Group cost : gross profits	69%	72%
Return on average capital (pre-tax)	20%	20%
Return on average capital (post-tax)	16%	16%

Movements in Funds Under Management

£bn	Institutional	Retail	Private Banking	Total
31 December 2004	69.1	30.2	6.3	105.6
Clients gained	3.3	10.3	0.5	14.1
Clients lost	(6.7)	(8.6)	(0.1)	(15.4)
Existing client movements in	5.8	10.0	1.6	17.4
Existing client movements out	(8.0)	(11.7)	(1.4)	(21.1)
Net asset gains/(losses)	(5.6)	0.0	0.6	(5.0)
Market movement	15.2	5.8	0.9	21.9
31 December 2005	78.7	36.0	7.8	122.5

Net Change in Business

£bn	2004			2005		
	In	Out	Net	In	Out	Net
Institutional	8.5	(16.9)	(8.4)	9.1	(14.7)	(5.6)
Retail	15.3	(9.4)	5.9	20.3	(20.3)	0.0
Private Banking	2.1	(1.4)	0.7	2.1	(1.5)	0.6
Total	25.9	(27.7)	(1.8)	31.5	(36.5)	(5.0)

Gross Profits

£mn	2004	%	2005	%
Retail	215.0	49	284.9	53
Institutional	219.6	51	254.1	47
Total Asset Management	434.6		539.0	
Private Banking	63.3		72.1	

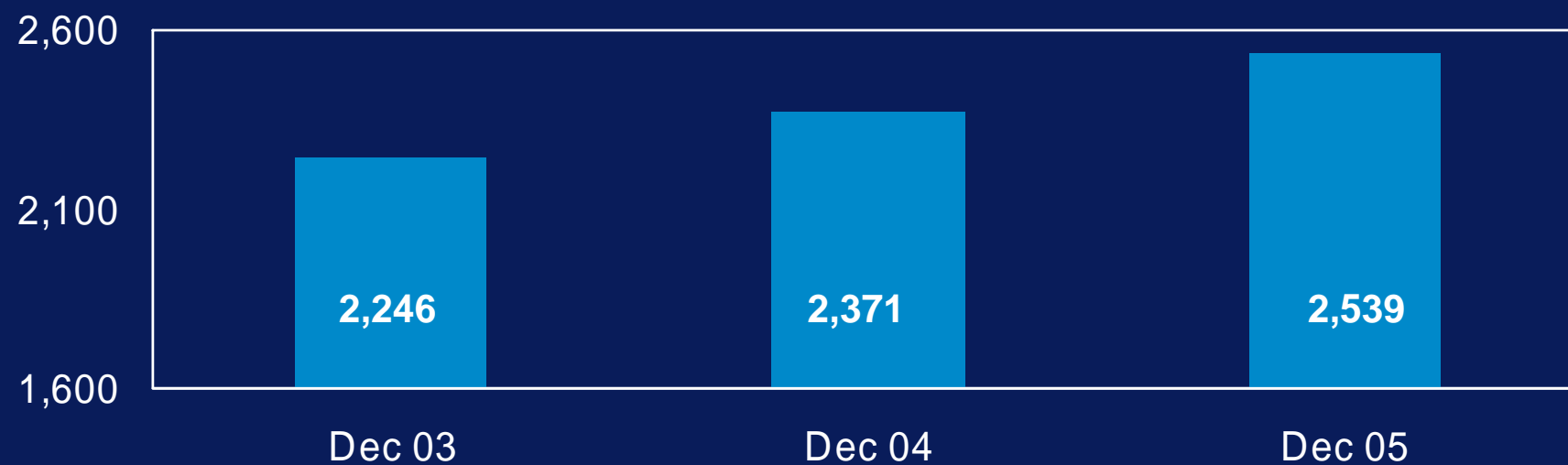
Income Statement Progression

Profit before tax

£mn	Q3 2004*	Q4 2004*	Q1 2005	Q2 2005	Q3 2005	Q4 2005
Asset Management income	103.9	130.1	123.5	130.2	141.2	152.9
Gain on discontinued contract	0.0	0.0	0.0	20.1	0.0	0.0
Asset Management cost	(76.1)	(92.8)	(89.2)	(84.8)	(95.1)	(104.9)
Asset Management profit	27.8	37.3	34.3	65.5	46.1	48.0
Private Banking profit	2.2	(0.2)	1.7	0.5	1.5	2.6
Private Equity	57.8	12.1	10.5	7.5	5.5	16.8
Group Net Income/(Costs)	(1.3)	3.3	3.9	(0.4)	10.5	(3.8)
Profit before tax	86.5	52.5	50.4	73.1	63.6	63.6

* 2004 Comparatives adjusted for the reclassification of £1.1 million of costs from Asset Management to Private Banking

Headcount



Comparison of Costs

Total Group

£mn	2004	2005
Staff costs*	255.2	
Other costs*	138.3	
Surplus space provisions	2.7	
Total administrative expenses	396.2	
Depreciation and amortisation	12.4	
Total	408.6	

* Restated for medical benefit

Comparison of Costs

Asset Management

£mn	2004	2005
Staff costs*	215.7	
Other costs*	96.1	
Total administrative expenses	311.8	
Depreciation and amortisation	8.1	
Total	319.9	

* Restated for medical benefit

Comparison of Costs

Private Banking

£mn	2004	2005
Staff costs*	30.6	
Other costs*	25.4	
Total administrative expenses	56.0	
Depreciation and amortisation	3.8	
Total	59.8	

* Restated for medical benefit

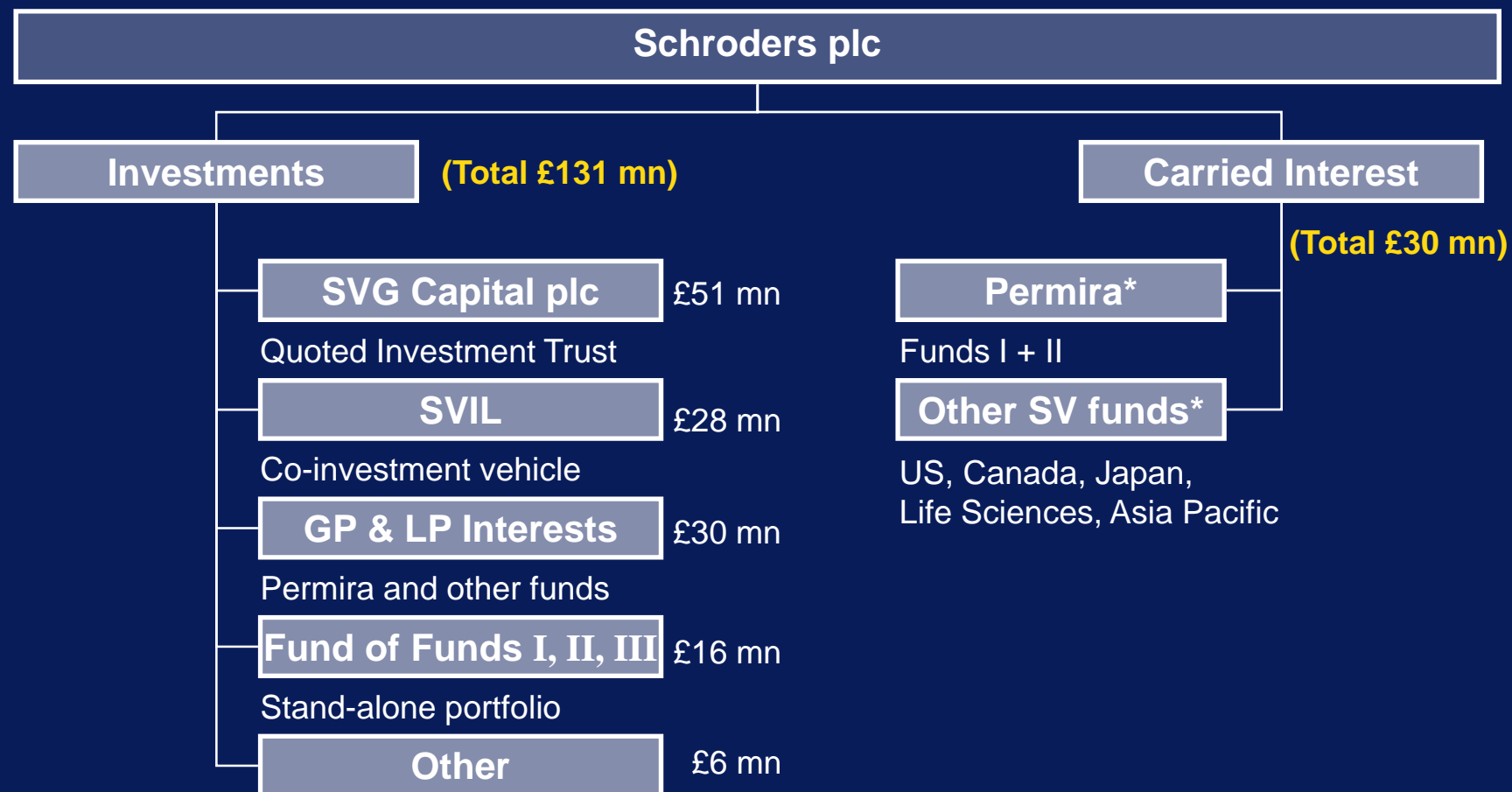
Balance Sheet

£mn	31 Dec 2004	31 Dec 2005
Non-current assets	429.3	557.1
Current assets	2,269.8	2,760.9
Non-current assets held for sale	31.2	23.4
	2,730.3	3,341.4
Total equity	1,130.6	1,343.1
Non-current liabilities	243.2	210.2
Current liabilities	1,356.5	1,788.1
Total equity and liabilities	2,730.3	3,341.4

Asset Management Balance Sheet

£mn	31 Dec 2004	31 Dec 2005
Non-current assets	90.5	132.9
Current assets	404.9	514.9
	495.4	647.8
Total equity	200.9	278.6
Non-current liabilities	69.2	59.6
Current liabilities	225.3	309.6
Total equity and liabilities	495.4	647.8

Private Equity Interests

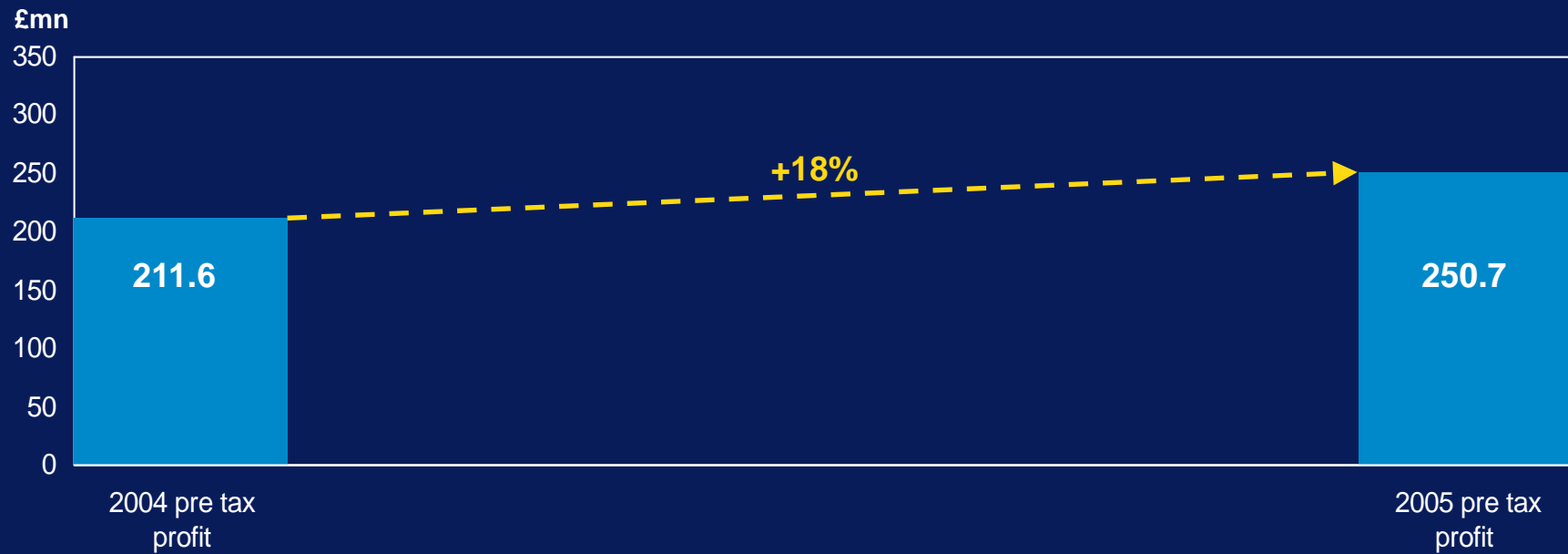


*Share of carry between 7½% and 36%

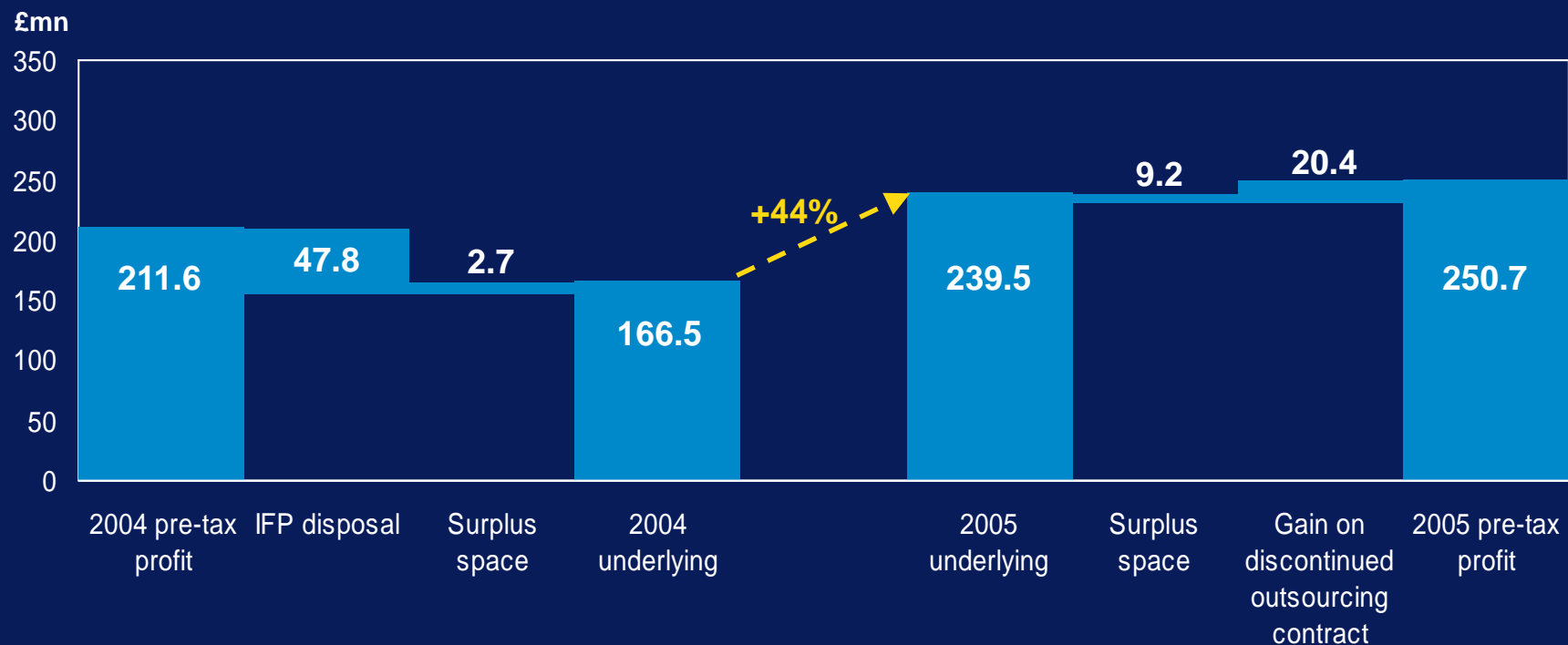
Capital Allocation

£mn	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Total £mn
December 2005					
Regulatory	122.5	107.5	0.0		23000
Other operating	90.1	59.9	0.0		28822
Goodwill	21.0	3.6	0.0		2406
Liquid funds	45.0	0.0	0.0		366199
Third party hedge funds	0.0	0.0	0.0		132433
Other Schroders funds	0.0	0.0	0.0		165599
Private equity	0.0	0.0	160.9		16009
Leasing	0.0	0.0	0.0		7700
	278.6	171.0	160.9		1,322,238
December 2004					
Regulatory	103.5	105.9	0.0		20904
Other operating	63.9	51.6	0.0		11649
Goodwill	20.8	3.7	0.0		2405
Liquid funds	12.7	0.0	0.0		336952
Third party hedge funds	0.0	0.0	0.0		122277
Other Schroders funds	0.0	0.0	0.0		103333
Private equity	0.0	0.0	164.4		16404
Leasing	0.0	0.0	0.0		8888
	200.9	161.2	164.4		1,592,972

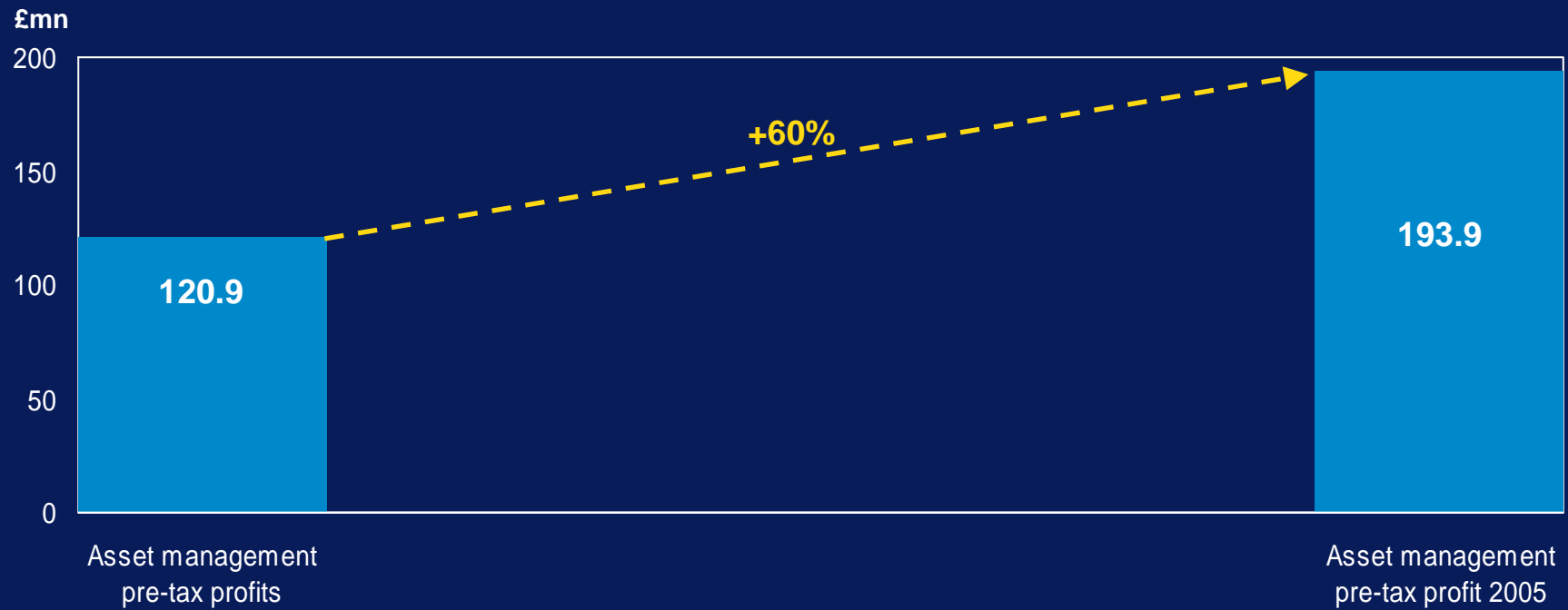
Profits Growth 2004 to 2005



Underlying Profits Growth 2004 to 2005



Asset Management Profits Growth 2004 to 2005



Underlying Asset Management Profits Growth 2004 to 2005

