Press Release
Schroders plc

12 February 2009

Preliminary Results to 31 December 2008 (unaudited)

- Asset Management and Private Banking profit before tax and exceptional items **£289.5 million** (2007: £307.8 million)
- Total profit before tax and exceptional items **£290.5 million** (2007: £392.5 million)
- Total profit before tax **£123.1 million** (2007: £392.5 million)
- Final dividend **21.0 pence** per share (final dividend 2007: 21.0 pence per share) taking the full-year dividend to **31.0 pence** per share (2007: 30.0 pence per share)
- Funds under management **£110.2 billion** (31 December 2007: £139.1 billion)

	Year ended 31 December 2008 £mn	Year ended 31 December 2007 £mn
Asset Management	249.8	266.5
Private Banking	39.7	41.3
	289.5	**307.8**
Private Equity	3.2	58.5
Group segment	(2.2)	26.2
Profit before tax and exceptional items	**290.5**	**392.5**
Exceptional items	(167.4)	-
Profit before tax	**123.1**	392.5
Funds under management (£bn)	**110.2**	139.1
Total dividend (pence)	**31.0**	30.0

An analysis of exceptional items is set out on page 4. Exceptional items relate to realised losses and unrealised write downs on investment capital, redundancy costs and the impairment of intangibles associated with acquisitions.

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Management Statement

2008 was a challenging year for our business as the dislocation that began in credit markets extended in the second half to equity markets, the real economy and investor demand. Credit underwent an unprecedented reassessment with spreads on investment grade credit widening dramatically and yields on government bonds falling close to all time lows as investors sought security. Equity markets saw some of their worst falls in a century with the MSCI World Index down over 40 per cent. and most economies in the developed and developing world were firmly in recession by the fourth quarter. Against this background, institutional investors deferred investment commitments and retail investors withdrew money from equity funds in favour of money market funds and bank deposits.

Funds under management were increasingly affected during the year by falling equity markets and investor withdrawals and declined 21 per cent. to £110.2 billion (2007: £139.1 billion). Notwithstanding this, our Asset Management and Private Banking businesses delivered a resilient performance, with profit before tax and exceptional items down six per cent. to £289.5 million (2007: £307.8 million).

Total profit before tax and exceptional items fell to £290.5 million (2007: £392.5 million). The extreme dislocation of financial markets, particularly in the third and fourth quarters, led to exceptional charges of £167.4 million (2007: nil), relating principally to realised losses and unrealised write downs on Group investment capital, but also redundancy costs and impairment of intangibles associated with acquisitions in Asset Management and Private Banking. Group profit before tax and after exceptional items was £123.1 million (2007: £392.5 million).

Asset Management

Asset Management income amounted to £772.7 million (2007: £786.7 million) including performance fees of £50.7 million (2007: £39.1 million). Profit before tax and exceptional items was £249.8 million (2007: £266.5 million) and gross profit margins increased to 66 basis points (2007: 60 basis points). Exceptional charges of £18.7 million (2007: nil) primarily relate to redundancy costs. Net outflows in Institutional reduced to £3.8 billion (2007: £10.6 billion) as we saw inflows into a range of products across equities, fixed income, multi-asset and alternatives. Investment performance was competitive with 60 per cent. of Institutional funds outperforming their benchmarks over three years. Funds under management in Institutional ended the year at £59.6 billion (2007: £73.2 billion).

After record inflows in 2007 in our Intermediary business - retail investors - we saw high levels of outflows in 2008, particularly in the second half as investors worldwide retreated from equity funds. Net outflows were £6.2 billion (2007: net inflows £8.8 billion). In China our joint venture asset management company had net sales of £1.8 billion, taking funds under management to £4.9 billion at year end (not reported in funds under management). Investment performance continued to be strong with 73 per cent. of funds outperforming their peer group over three years. Funds under management in Intermediary ended the year at £38.9 billion (2007: £56.2 billion).

Private Banking

Private Banking income was £111.3 million (2007: £106.3 million) and profit before tax and exceptional items was £39.7 million (2007: £41.3 million). Exceptional charges of £1.5 million relate to the impairment of acquired intangible assets. Net new business amounted to £0.4 billion (2007: £0.2 billion) as we benefited from our clear client service proposition, breadth of investment expertise and liquid balance sheet. Funds under management ended the year at £11.7 billion (2007: £9.7 billion).

Private Equity and Group

Unfavourable market conditions resulted in a very low level of realisations and Private Equity profit before tax and exceptional items was £3.2 million (2007: £58.5 million). We took unrealised impairment charges of £22.6 million (2007: nil) in respect of the carrying value at year end of certain Private Equity investments.

The result for the Group segment was a loss before tax and exceptional items of £2.2 million (2007: profit £26.2 million), with few realised gains on investments in 2008. Valuations of our holdings of fixed income securities, hedge funds and seed capital declined sharply in the second half of the year. Exceptional charges of £124.6 million (2007: nil) relate to realised losses on the sales of investments and unrealised write downs.

Shareholders' equity

Total shareholders' equity at 31 December 2008 was broadly unchanged at £1,632 million (2007: £1,696 million), after having repurchased for cancellation 8.5 million non-voting shares at a cost of £71.8 million during the year.

We continue to maintain a significant level of investment capital amounting to £899 million at year end. We use this capital to seed new investment strategies, co-invest selectively alongside our clients and finance organic and inorganic growth opportunities. This is invested across cash, fixed income and equity securities, hedge funds, property and private equity.

Cash holdings were materially increased during the year; over £500 million is available above our regulatory and operating requirements.

Dividend

The Board is recommending a final dividend of 21.0 pence per share payable on 30 April 2009 to shareholders on the register at 20 February 2009. This brings the total dividend for the year to 31.0 pence per share (2007: 30.0 pence per share).

Outlook

We expect this very challenging environment to persist throughout 2009. The impact on revenues of lower levels of assets under management will be partially offset by lower compensation and other costs. However, whilst we are actively managing our cost base, we will not take actions which could damage our franchise or limit growth opportunities when markets recover. We have a broad range of equity and fixed income products with competitive performance, a proven distribution capability, a geographically diversified business and a strong financial position, all of which we see as competitive advantages in the long term growth of the business.

Copies of this announcement are available on the Schroders website: www.schroders.com. Michael Dobson, Chief Executive, and Kevin Parry, Chief Financial Officer, will host a presentation and webcast for the investment community, to discuss the Group's preliminary results at 9 a.m. GMT on Thursday, 12 February 2009 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.StreetEvents.com. For individuals unable to attend the presentation or participate in the live webcast, a replay will be available from midday on Thursday 12 February on www.schroders.com/ir.

Analysis of exceptional items

	2008 £mn	2007 £mn
Profit before tax and exceptionals	**290.5**	**392.5**
Redundancy costs	(13.6)	-
Impairments of intangible assets	(6.6)	-
Losses on financial assets	(147.2)	-
Exceptional items	**(167.4)**	**-**
Profit before tax	**123.1**	**392.5**

Forward-looking statements

This preliminary announcement may contain certain forward-looking statements with respect to the financial condition, results of operations and businesses of Schroders plc. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts. The forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this announcement. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.

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Consolidated Income Statement

for the year ended 31 December 2008

	2008			2007
	Before exceptionals £mn	Exceptional items £mn	Total £mn	£mn
Revenue	**1,083.0**	**(147.2)**	**935.8**	1,191.8
Cost of sales	**(210.1)**	**-**	**(210.1)**	(230.7)
Gross profit	**872.9**	**(147.2)**	**725.7**	961.1
Administrative expenses	**(627.4)**	**(20.2)**	**(647.6)**	(613.5)
Operating profit	**245.5**	**(167.4)**	**78.1**	347.6
Interest receivable and similar income	**39.0**	**-**	**39.0**	23.1
Interest payable and similar charges	**(0.2)**	**-**	**(0.2)**	(0.5)
Net finance income	**38.8**	**-**	**38.8**	22.6
Share of profit of associates and joint ventures	**6.2**	**-**	**6.2**	22.3
Profit before tax	**290.5**	**(167.4)**	**123.1**	392.5
UK tax			**(8.2)**	(34.7)
Foreign tax			**(43.6)**	(54.1)
Tax			**(51.8)**	(88.8)
Profit after tax			**71.3**	303.7
Attributable to:				
Minority interests			**(5.4)**	4.0
Equity holders of the parent			**76.7**	299.7
			71.3	303.7
Memo – dividends			**(86.7)**	(74.9)
Basic earnings per share before exceptional items			**75.5p**	104.8p
Basic earnings per share			**27.5p**	104.8p
Diluted earnings per share			**27.3p**	103.2p

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Consolidated Balance Sheet

31 December 2008

	2008 £mn	2007 £mn
Non-current assets		
Goodwill	**112.8**	95.2
Intangible assets	**50.7**	25.1
Property, plant and equipment	**27.7**	25.6
Associates and joint ventures	**32.7**	32.2
Financial assets	**154.8**	220.8
Loans and advances to customers	**417.0**	356.1
Deferred tax	**43.1**	42.8
Retirement benefit scheme assets	**22.4**	42.5
Trade and other receivables	**6.8**	7.3
	868.0	847.6
Current assets		
Financial assets	**1,661.7**	1,968.6
Loans and advances to customers	**385.4**	266.9
Current tax	**15.5**	7.6
Trade and other receivables	**358.9**	305.2
Cash and cash equivalents	**1,067.6**	715.5
	3,489.1	3,263.8
Non-current assets held for sale	**2.0**	37.5
Assets backing unit-linked liabilities	**3,234.7**	2,727.8
Total assets	**7,593.8**	6,876.7
Equity		
Called-up share capital	**286.7**	294.5
Share premium account	**61.2**	58.1
Other reserves	**228.6**	64.0
Retained profits	**1,055.4**	1,279.1
Equity attributable to equity holders of the parent	**1,631.9**	1,695.7
Minority interests	**0.3**	0.5
Total equity	**1,632.2**	1,696.2
Non-current liabilities		
Financial liabilities	**26.4**	20.3
Deposits by customers and banks	**198.8**	207.2
Deferred tax	**4.1**	2.7
Provisions	**10.2**	8.5
Trade and other payables	**77.4**	93.5
	316.9	332.2
Current liabilities		
Financial liabilities	**109.0**	59.5
Deposits by customers and banks	**1,858.2**	1,525.5
Provisions	**8.7**	4.4
Current tax	**22.8**	57.0
Trade and other payables	**411.3**	474.1
	2,410.0	2,120.5
Unit-linked liabilities	**3,234.7**	2,727.8
Total equity and liabilities	**7,593.8**	6,876.7

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2008

	2008 £mn	2007 £mn
Exchange differences on translation of foreign operations	**322.7**	25.4
Net losses on hedges recognised directly in equity	**(169.3)**	(9.4)
Actuarial (losses)/gains on defined benefit pension schemes	**(29.6)**	5.5
Net (losses)/gains on available-for-sale financial assets	**(198.8)**	18.3
Amounts recycled through the income statement	**107.4**	(40.2)
Transfer of net losses to non-equity minority interests	**4.5**	-
Tax on items taken directly to equity	**(1.0)**	2.6
Net income and expense recognised directly in equity	**35.9**	2.2
Profit for the year	**71.3**	303.7
Total recognised income and expense for the year	**107.2**	305.9
Attributable to:		
Minority interests	**(5.4)**	4.0
Equity holders of the parent	**112.6**	301.9
	107.2	305.9

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Consolidated Cash Flow Statement

for the year ended 31 December 2008

	2008 £mn	2007 £mn
Net cash from operating activities	**125.6**	505.4
Investing activities		
Acquisition of subsidiaries	**(41.2)**	(27.7)
Cash acquired with acquisitions	**7.6**	6.2
Purchase of intangible assets	**(9.3)**	(11.9)
Purchase of property, plant and equipment	**(6.9)**	(18.0)
Purchase of joint ventures	**-**	(1.5)
Net (purchase)/disposal of non-current financial assets	**(11.4)**	9.7
Net disposal/(purchase) of current financial assets	**452.5**	(141.0)
Net purchase of non-current assets held for sale	**(3.3)**	(30.3)
Interest received	**39.0**	25.6
Dividends/capital distributions received from associates and joint ventures	**9.5**	20.1
Net cash from/(used in) investing activities	**436.5**	(168.8)
Financing activities		
Redemption of non-voting ordinary shares	**(71.8)**	(34.1)
Proceeds from issue of non-voting ordinary shares	**3.9**	28.7
Acquisition of own shares	**(45.5)**	(21.5)
Disposal of own shares	**-**	19.2
Distributions made to minority interests	**(0.7)**	(0.2)
Dividends paid	**(86.7)**	(74.9)
Net cash used in financing activities	**(200.8)**	(82.8)
Net increase in cash and cash equivalents	**361.3**	253.8
Opening cash and cash equivalents	**716.9**	452.1
Net increase in cash and cash equivalents	**361.3**	253.8
Effect of exchange rate changes	**111.0**	11.0
Closing cash and cash equivalents	**1,189.2**	716.9
Closing cash and cash equivalents consists of:		
Cash and cash equivalents backing unit-linked liabilities	**121.6**	1.4
Other cash and cash equivalents held by the Group	**1,067.6**	715.5
	1,189.2	716.9

Basis of preparation

The preliminary results for the year ended 31 December 2008, which were approved by the Board on 11 February 2009, are unaudited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2008 will be delivered to the Registrar of Companies in due course.

The statutory accounts for 2007, which were prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union ('IFRS'), and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

As at 31 December 2008, the Group had adopted all Standards and Interpretations that were either issued or which had become effective during the year, with the exception of the following Standards which were issued during the year, but were not effective at the balance sheet date:

IAS 1 (Amended)	Presentation of Financial Statements
IAS 27 (Amended)	Consolidation and Separate Financial Statements
IFRS 3 (Amended)	Business Combinations
IFRS 8	Operating Segments

In addition, a number of other existing Standards and Interpretations have also been revised to ensure consistency with the amended Standards listed above. The Directors do not anticipate that the adoption of any of these new or revised Standards and Interpretations in future periods will have a material impact on the financial statements of the Group.

Apart from the adoption of the amendment to IAS 39 Financial Instruments: Recognition and Measurement detailed below, none of the Standards and Interpretations adopted had any impact on the Group's financial statements.

During the year, the Group adopted the amendments to IAS 39 Financial Instruments: Recognition and Measurement and reclassified all financial assets, previously classified as held for trading, as available-for-sale where such assets were eligible for reclassification. The application of the amendments to the Standard was made in accordance with its transitional provisions. Where financial assets and economic conditions met the criteria specified within the Standard, these provisions allowed an entity to reclassify a financial asset retrospectively to 1 July 2008 if the reclassification took place before 1 November 2008. The Group did reclassify before this date and opted to apply the reclassification retrospectively to 1 July 2008.

These preliminary results have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority.

The annual report is expected to be posted to shareholders on 10 March and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 23 April 2009 at 11.30 a.m. at 31 Gresham Street, London, EC2V 7QA.

Accounting Policies

In preparing the financial information included in this statement the Group has applied policies which are in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union at 31 December 2008, and in accordance with the IFRS accounting policies that were applied as at 31 December 2007, except for the additional policy set out below in respect of exceptional items.

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.

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Segmental Reporting

Business Segments

The Group has four business segments: Asset Management, Private Banking, Private Equity and Group. Asset Management principally comprises investment management including advisory services, property, life company business and alternative assets; Private Banking principally comprises investment management and banking services provided to high net worth individuals and certain smaller institutions; Private Equity principally comprises the Group's investments in private equity, venture and buy-out funds and related vehicles; and Group consists of income on the Group's investment capital less Group costs and provisions.

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 2008	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment Elimination £mn	Total £mn
External revenue	957.9	88.8	(14.0)	(125.5)	-	**907.2**
External net interest	-	28.6	-	-	-	**28.6**
Inter-segment interest payable	-	(1.2)	-	-	1.2	**-**
Total revenue	957.9	116.2	(14.0)	(125.5)	1.2	**935.8**
Cost of sales	(204.9)	(4.9)	-	(0.3)	-	**(210.1)**
Gross profit/(loss)	753.0	111.3	(14.0)	(125.8)	1.2	**725.7**
Administrative expenses	(541.6)	(73.1)	(5.0)	(27.9)	-	**(647.6)**
Operating profit/(loss)	211.4	38.2	(19.0)	(153.7)	1.2	**78.1**
External interest receivable and similar income	6.7	-	-	32.3	-	**39.0**
Inter-segment interest receivable	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	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	(19.4)	(126.8)	-	**123.1**

Exceptional items included in the analysis above are:	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment Elimination £mn	Total £mn
Revenues	-	-	(22.6)	(124.6)	-	**(147.2)**
Administrative expenses	(18.7)	(1.5)	-	-	-	**(20.2)**
	(18.7)	(1.5)	(22.6)	(124.6)	-	**(167.4)**
Profit/(loss) before tax and exceptional items	249.8	39.7	3.2	(2.2)	-	**290.5**
Profit/(loss) before tax	231.1	38.2	(19.4)	(126.8)	-	**123.1**

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

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Segmental Reporting (continued)

Year ended 31 December 2007	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment Elimination £mn	Total £mn
External revenue	991.4	87.6	48.1	41.0	-	**1,168.1**
External net interest	-	23.7	-	-	-	**23.7**
Inter-segment interest payable	-	(1.7)	-	-	1.7	**-**
Total revenue	991.4	109.6	48.1	41.0	1.7	**1,191.8**
Cost of sales	(227.3)	(3.3)	-	(0.1)	-	**(230.7)**
Gross profit	764.1	106.3	48.1	40.9	1.7	**961.1**
Administrative expenses	(520.2)	(65.0)	(4.7)	(23.6)	-	**(613.5)**
Operating profit	243.9	41.3	43.4	17.3	1.7	**347.6**
External interest receivable and similar income	7.6	-	-	15.5	-	**23.1**
Inter-segment interest receivable	8.0	-	-	(6.3)	(1.7)	**-**
Interest receivable and similar income	15.6	-	-	9.2	(1.7)	**23.1**
Interest payable and similar charges	(0.2)	-	-	(0.3)	-	**(0.5)**
Net finance income	15.4	-	-	8.9	(1.7)	**22.6**
Share of profit of associates and joint ventures	7.2	-	15.1	-	-	**22.3**
Profit before tax	266.5	41.3	58.5	26.2	-	**392.5**

Exceptional items

Exceptional items comprise:	**2008 £mn**	2007 £mn
Within revenues:		
Net losses on financial assets	**(147.2)**	-
Within administrative expenses:		
Redundancy costs	**(13.6)**	-
Impairment of intangible assets	**(6.6)**	-
	(20.2)	-
Total exceptional items	**(167.4)**	-

The Group believes that the deterioration of the world's financial markets that occurred during 2008 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 made as a direct consequence of market conditions.

Retirement benefit obligations

The charge for retirement benefit costs is as follows:

	2008 £mn	2007 £mn
Pension costs – defined contribution plans	**15.9**	10.3
Pension costs – defined benefit plans	**3.4**	0.9
Other post-employment benefits	**0.1**	0.2
	19.4	11.4
The defined benefit scheme charge/(credit) in respect of the UK scheme consists of:		
Current service cost	**8.5**	9.5
Expected return on scheme assets	**(34.9)**	(35.3)
Curtailment	**(0.5)**	-
Interest on scheme liabilities	**28.8**	25.6
Total charge/(credit) in respect of the UK scheme	**1.9**	(0.2)
Charges in respect of other defined benefit schemes	**1.5**	1.1
Total defined benefit scheme charges	**3.4**	0.9

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 299 active members in the defined benefit section and 878 active members in the defined contribution section at 31 December 2008 (2007: 313 and 871 respectively). The most recent triennial valuation of the Scheme was carried out as at 1 January 2006 and disclosed that the market value of the assets of the Scheme represented 98 per cent. of the liability, calculated on the funding ratio 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 Company paid effective contributions to the defined benefit section in 2008 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 1 January 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.

Over the year, the contributions to the defined benefits section of the Scheme totalled £12.4 million (2007: £18.9 million). The balance sheet asset at 31 December 2008 was £22.4 million (2007: £42.5 million). This asset is included within the consolidated balance sheet as the Group, via the employing companies of the Scheme, has an unconditional right to a refund of surplus assets once all members have left the Scheme.

Administration expenses and the levy payable to the Pensions Protection Fund are met directly by the Group. The actual return on Scheme assets was £(5.1) million (2007: £33.9 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.

Figures shown below are for the defined benefits section of the Scheme only.

(a) Balance sheet assets:	2008 £mn	2007 £mn
Surplus in the Scheme	**22.4**	42.5

(b) Income statement charge/(credit):	2008 £mn	2007 £mn
Pension benefits	**1.9**	(0.2)

Pension benefits The amounts recognised in the balance sheet are determined as follows:	**2008 £mn**	2007 £mn
Present value of funded obligations	**(525.2)**	(512.8)
Fair value of plan assets	**547.6**	555.3
Net asset recognised in the balance sheet	**22.4**	42.5

Scheme assets do not include any of the Company's shares (2007: nil) or buildings occupied by the Group (2007: nil).

The cumulative amount of actuarial gains and losses recognised in the statement of recognised income and expense is a £21.3 million loss (2007: £9.3 million gain).

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

	2008 £mn	2007 £mn
At 1 January	**512.8**	500.8
Current service cost	**8.5**	9.5
Interest cost	**28.8**	25.6
Curtailment	**(0.5)**	-
Actuarial gains	**(9.4)**	(8.0)
Benefits paid	**(15.0)**	(15.1)
At 31 December	**525.2**	512.8

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

	2008 £mn	2007 £mn
At 1 January	**555.3**	517.6
Expected return	**34.9**	35.3
Actuarial losses	**(40.0)**	(1.4)
Contributions by employer	**12.4**	18.9
Benefits paid	**(15.0)**	(15.1)
At 31 December	**547.6**	555.3

The principal financial assumptions used were as follows:

	2008 %	2007 %
Discount rate	**5.7**	5.7
Inflation rate	**3.0**	3.1
Future salary increases	**4.5**	4.6
Future pension increases (for benefits earned before 13 August 2007)	**3.0**	3.1
Future pension increases (for benefits earned after 13 August 2007)	**2.1**	2.3
Expected return on Scheme assets analysed as:		
Equities	**7.8**	7.8
Bonds	**4.5**	4.6
Liability-matching assets	**5.7**	4.9
Other assets	**4.4**	5.3
Number of years a current pensioner is expected to live beyond age 60:		
Men	**28**	28
Women	**30**	30
Number of years future pensioners currently aged 45 are expected to live beyond age 60:		
Men	**30**	30
Women	**31**	31

The amounts under IAS 19 that have been recognised in the statement of recognised income and expense ('SORIE') are set out below:

	2008		2007	
	£mn	**%**	£mn	%
Actual return less expected return on Scheme assets	(40.0)		(1.4)	
% of year-end market value of Scheme assets		(7.3)		(0.3)
Experience gains and losses arising on Scheme liabilities	2.0		(0.6)	
% of year-end present value of Scheme liabilities		0.4		(0.1)
Change in assumptions underlying the present value of the Scheme liabilities	7.4		8.6	
% of year-end present value of Scheme liabilities		1.4		1.7
Actuarial (losses)/gains recognised in SORIE	(30.6)		6.6	
% of year-end present value of Scheme liabilities		(5.8)		1.3

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Tax Expense

	2008 £mn	2007 £mn
Profit before tax	**123.1**	392.5
Profit before tax multiplied by corporation tax at the UK blended rate of 28.5%* (2007: 30%)	**35.1**	117.8
Effects of:		
Impact of profits/losses arising in jurisdictions with higher tax rates	**2.7**	1.4
Impact of profits/losses arising in jurisdictions with lower tax rates	**(7.5)**	(36.2)
Non-taxable income net of disallowable expenses	**(0.3)**	(1.6)
Movement in unrecognised deferred tax - current year	**12.3**	(2.4)
Effect of share price movements on deferred tax assets relating to share schemes	**2.8**	-
Foreign exchange movements on tax balances	**(0.7)**	-
UK tax on profits of overseas entities after double tax relief	**4.9**	6.0
Overseas tax on profits of UK entities after double tax relief	**0.6**	0.7
Deferred tax adjustments in respect of changes in corporation tax rates	**-**	2.8
Prior year adjustments:		
UK prior year – current	**2.9**	0.4
Foreign tax prior year – current	**1.0**	0.4
Deferred tax prior year	**(2.0)**	(0.5)
Total tax charge for the year	**51.8**	88.8

* On 1 April 2008, the standard rate of corporation tax in the UK was reduced from 30 per cent. to 28 per cent.

Dividends

	2008		2007	
	£mn	**Pence per share**	£mn	Pence per share
Declared and paid in year:				
Final dividend paid	**59.4**	**21.0**	49.5	17.5
Interim dividend paid	**27.3**	**10.0**	25.4	9.0
	86.7	**31.0**	74.9	26.5
Proposed dividend for approval at AGM:				
Final dividend for 2008	**57.6**	**21.0**		

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 £76.7 million (2007: £299.7 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 £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.

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

	2008 Number	2007 Number
Weighted average number of shares used in calculation of basic earnings per share	279,534,683	285,824,617
Effect of dilutive potential shares – share options	1,128,445	3,318,475
Effect of dilutive potential shares – contingently issuable shares	632,053	1,104,262
Weighted average number of shares used in calculation of diluted earnings per share	281,295,181	290,247,354

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

Intangible assets

	2008			2007		
	Intangible assets arising from business combinations £mn	**Software £mn**	**Total £mn**	Intangible assets arising from business combinations £mn	Software £mn	Total £mn
Cost						
At 1 January	**12.5**	**36.4**	**48.9**	9.9	23.8	33.7
Exchange translation adjustments	**11.5**	**3.4**	**14.9**	-	0.5	0.5
Additions	**20.5**	**9.3**	**29.8**	2.6	12.2	14.8
Disposals	**-**	**(0.1)**	**(0.1)**	-	(0.1)	(0.1)
At 31 December	**44.5**	**49.0**	**93.5**	12.5	36.4	48.9
Amortisation						
At 1 January	**(2.7)**	**(21.1)**	**(23.8)**	(1.0)	(17.7)	(18.7)
Exchange translation adjustments	**(1.8)**	**(2.9)**	**(4.7)**	-	(0.4)	(0.4)
Amortisation and impairment for the year	**(9.8)**	**(4.5)**	**(14.3)**	(1.7)	(3.1)	(4.8)
Disposals	**-**	**-**	**-**	-	0.1	0.1
At 31 December	**(14.3)**	**(28.5)**	**(42.8)**	(2.7)	(21.1)	(23.8)
Carrying amount at 31 December	**30.2**	**20.5**	**50.7**	9.8	15.3	25.1

Additions to intangible assets arising from business combinations during the year comprise the client relationships acquired by the Group on the purchase of Swiss Re Asset Management Funds (Switzerland) AG ('Swiss Re AM') (£17.0 million), the net assets of the Singapore-based private client advisory unit of the Commonwealth Bank of Australia ('Singapore private client advisory business') (£2.2 million) and the Taiwanese Securities Investment Trust Enterprise licence (£1.3 million) acquired on the purchase of E.Sun Securities Investment Trust Co. Ltd. ('E.Sun SITE').

Fund management contracts are amortised over five to ten years. The amortisation charge for the year was £3.2 million (2007: £1.7 million). In addition, a charge for impairment of £6.6 million (2007: £nil) was taken in respect of reduced expected future cash inflows from entities acquired by the Group.

The software assets included above are amortised over their useful lives.

The Group has no future commitments to purchase software (31 December 2007: £0.3 million). None of the Group's intangible assets are internally generated.

Property, plant and equipment

	2008			2007		
	Office equipment, computers and cars £mn	**Long leasehold premises and leasehold improvements* £mn**	**Total £mn**	Office equipment, computers and cars £mn	Long leasehold premises and leasehold improvements* £mn	Total £mn
Cost						
At 1 January	**21.3**	**44.6**	**65.9**	17.5	31.7	49.2
Exchange translation adjustments	**2.7**	**5.7**	**8.4**	0.9	0.5	1.4
Additions	**3.6**	**3.3**	**6.9**	4.0	14.3	18.3
Disposals	**(0.8)**	**(0.6)**	**(1.4)**	(1.1)	(1.9)	(3.0)
At 31 December	**26.8**	**53.0**	**79.8**	21.3	44.6	65.9
Depreciation						
At 1 January	**(15.4)**	**(24.9)**	**(40.3)**	(13.6)	(22.9)	(36.5)
Exchange translation adjustments	**(2.2)**	**(3.6)**	**(5.8)**	(0.7)	(0.5)	(1.2)
Depreciation charge for the year	**(2.5)**	**(4.9)**	**(7.4)**	(2.2)	(3.4)	(5.6)
Disposals	**0.8**	**0.6**	**1.4**	1.1	1.9	3.0
At 31 December	**(19.3)**	**(32.8)**	**(52.1)**	(15.4)	(24.9)	(40.3)
Carrying amount at 31 December	**7.5**	**20.2**	**27.7**	5.9	19.7	25.6

* includes lease deposits of £1.8 million (2007: £1.0 million)

Property, plant and equipment are depreciated over their useful lives.

At 31 December 2008 and 2007, none of the above assets were held under finance leases. The Group has no future commitments to purchase property, plant and equipment (31 December 2007: £0.1 million).

Financial assets

Non current financial assets	Held to maturity £mn	Fair value through profit or loss £mn	Available-for-sale £mn	Total £mn
Equities	-	-	60.9	60.9
Debt securities	69.0	-	0.7	69.7
Investments	**69.0**	**-**	**61.6**	**130.6**
Derivative contracts	-	24.2	-	24.2
	69.0	**24.2**	**61.6**	**154.8**

Current financial assets	Held to maturity £mn	Fair value through profit or loss £mn	Available-for-sale £mn	Total £mn
Equities	-	88.0	178.3	266.3
Debt securities	776.7	373.8	188.2	1,338.7
Investments	**776.7**	**461.8**	**366.5**	**1,605.0**
Derivative contracts	-	56.7	-	56.7
	776.7	**518.5**	**366.5**	**1,661.7**

Following the adoption of the amendment to IAS 39 'Financial Instruments: Recognition and Disclosure', with effect from 1 July 2008, £49.9 million of unrealised losses which would otherwise have been recognised at fair value through the Income Statement were taken to the fair value reserve in the third quarter. Of this amount, £32.8 million has been recycled to the Income Statement (reflecting impairments and disposals) and £17.1 million remains within reserves.

Share capital

	Number of shares	Ordinary shares £mn	Non-voting ordinary shares £mn	Total shares £mn	Share premium £mn
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**

	Number of shares	Ordinary shares £mn	Non-voting ordinary shares £mn	Total shares £mn	Share premium £mn
At 1 January 2007	293,875,873	226.0	67.9	293.9	36.4
Shares issued	3,866,560	-	3.9	3.9	24.8
Shares cancelled	(3,243,590)	-	(3.3)	(3.3)	(3.1)
At 31 December 2007	294,498,843	226.0	68.5	294.5	58.1

	2008 Number	2007 Number	**2008 £mn**	2007 £mn
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	60,690,960	68,476,443	60.7	68.5
	286,713,360	294,498,843	286.7	294.5

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.

Own shares

'Own shares' are shares held by employee trusts for the purposes of satisfying certain equity-based awards where such shares have not yet vested unconditionally. During the year, the number of own shares held increased from 7.5 million to 9.7 million. Of the 9.7 million own shares held, 9.1 million were ordinary shares (2007: 4.9 million) and 0.6 million non-voting ordinary shares (2007: 2.6 million).

Other reserves

	Shares to be issued* £mn	Capital reserves £mn	Own shares held £mn	Net exchange differences £mn	Hedging reserve £mn	**Total £mn**
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)**
Transfers	-	33.1**	15.3	-	-	**48.4**
At 31 December 2008	5.0	203.4	(100.8)	294.4	(173.4)	**228.6**

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

** 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.

Retained profits reserve

	Associates reserve £mn	Fair value reserve £mn	Profit and loss reserve £mn	Retained profits £mn
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)	(195.7)	-	(198.8)
Amounts recycled through the income statement	-	107.4	-	107.4
Transfer of net losses to non-equity minority interests	-	4.5	-	4.5
Tax on items taken directly to equity	-	1.3	(2.3)	(1.0)
Net income and expense recognised directly in equity	(3.1)	(82.5)	(31.9)	(117.5)
Profit for the year	6.2	-	70.5	76.7
Total recognised income and expense 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	(9.3)	-	(39.1)	(48.4)
Share issue costs	-	-	(0.4)	(0.4)
At 31 December 2008	14.6	16.9	1,023.9	1,055.4

Schroders

Reconciliation of Net Cash from Operating Activities

	2008 £mn	2007 £mn
Operating profit	**78.1**	347.6
Adjustments for:		
Depreciation and amortisation of property, plant and equipment and software	**11.9**	8.7
Impairment and amortisation of intangible assets acquired in business combinations	**9.8**	1.7
Impairment of financial assets	**81.3**	-
Other amounts recycled through the income statement in respect of financial assets	**26.1**	(40.2)
(Increase)/decrease in trade and other receivables	**(134.1)**	72.6
Increase in trade and other payables and provisions	**112.9**	231.5
Increase in unit-linked liabilities	**506.9**	1,195.8
Net charge for/(release of) provisions	**6.2**	(5.4)
Net losses/(gains) on financial assets and liabilities held at fair value through profit or loss*	**48.2**	(46.2)
Share-based payments expensed	**24.4**	32.9
Other non-cash movements**	**(134.2)**	0.6
Payments made to defined benefit scheme	**(12.4)**	(18.9)
UK corporation tax paid	**(21.7)**	(9.3)
Overseas tax paid	**(90.8)**	(58.2)
Interest paid	**(0.2)**	(0.5)
Net purchase of assets backing unit-linked liabilities	**(386.8)**	(1,207.3)
Net cash from operating activities	**125.6**	505.4

* Excludes gains and losses on all derivative assets and liabilities.

** Principally foreign exchange movements.

Acquisitions

During the year, the Group completed three acquisitions: on 29 February 2008, the acquisition from the Commonwealth Bank of Australia of the Singapore private client advisory business for consideration of £5.2 million; on 31 May 2008, 100 per cent. of the issued share capital of Swiss Re AM for consideration of £28.3 million; and, on 30 September 2008, 100 per cent. of the issued share capital of E.Sun SITE for consideration of £9.1 million. These transactions have been accounted for using the purchase method of accounting. As allowable under IFRS 3 'Business Combinations', the initial accounting for the E.Sun SITE acquisition has been determined only provisionally due to the timing of the acquisition relative to the reporting date.

The carrying values of the net assets acquired in the transactions, which were not subject to fair value adjustments on acquisition, and the goodwill and intangible assets arising, are as follows:

	Swiss Re AM	Singapore private client advisory business	E.Sun SITE	Total
	£mn	£mn	£mn	£mn
Net assets acquired:				
Non-current financial assets	1.9	-	-	1.9
Cash at bank	2.3	-	5.3	7.6
Trade and other receivables	1.4	-	1.1	2.5
Trade and other payables	(1.3)	-	(0.2)	(1.5)
Taxation	(0.5)	-	-	(0.5)
	3.8	-	6.2	10.0
Goodwill	7.5	3.0	1.6	12.1
Intangible assets	17.0	2.2	1.3	20.5
	28.3	5.2	9.1	42.6
Satisfied by:				
Cash	26.9	5.2	9.1	41.2*
Current liability	1.4	-	-	1.4
Total consideration	28.3	5.2	9.1	42.6

* Includes acquisition costs of £0.7 million.

The goodwill arising on the acquisitions is attributable to the anticipated profitability of the businesses acquired. In respect of the Swiss Re AM acquisition, the intangible assets represent values attributed to existing contractual arrangements between Swiss Re AM and the funds it manages.

The result contributed by the acquired companies in the period between the dates of acquisition and the balance sheet date was a loss of £1.8 million before tax.

If the acquisitions had been completed on 1 January 2008, an aggregation of the Group's revenue for the year and those of the acquirees would have been £944.9 million, and the profit before tax for the period on the same basis would have been £124.6 million. These figures include a deduction for the additional amortisation charge of £0.9 million that would have arisen had the acquisitions taken place at that date.

Schroders

Five-year Financial Summary

	2008 £mn	2007 £mn	2006 £mn	2005 £mn	2004 £mn
Profit before tax	**123.1**	392.5	290.0	250.7	211.6
Tax	**(51.8)**	(88.8)	(68.1)	(57.4)	(40.3)
Profit after tax before minority interests	**71.3**	303.7	221.9	193.3	171.3
Minority interests	**5.4**	(4.0)	(0.6)	(2.0)	(15.6)
Profit for the year	**76.7**	299.7	221.3	191.3	155.7
Earnings per share:					
Basic earnings per share (pence)	**27.5**	104.8	76.9	65.7	53.5
Diluted earnings per share (pence)	**27.3**	103.2	75.7	65.1	53.1
Dividends:					
Cost (£mn)	**86.7**	74.9	63.4	59.5	56.4
Pence per share	**31.0**	26.5	22.0	20.5	19.5
Total equity (£mn)	**1,632.2**	1,696.2	1,443.6	1,343.1	1,130.6
Net assets per share (pence)	**569**	576	491	450	381

Funds under Management – 2008 Flows

	Total £bn	**Institutional £bn**	**Intermediary £bn**	**Private Banking £bn**
31 December 2007	**139.1**	73.2	56.2	9.7*
Net flows	**(9.6)**	(3.8)	(6.2)	0.4
Market movements, foreign exchange impact and other	**(20.6)**	(10.7)	(11.2)	1.3
Acquisition adjustments	**1.3**	0.9	0.1	0.3
31 December 2008	**110.2**	59.6	38.9	11.7

* Private Banking FUM at 31 December 2007 excluded custody related assets of £0.8bn. In line with industry best practice, these are now included in reported FUM for 2008 (within market movements and other).

Group capital

	31 December 2008 £mn	30 June 2008 £mn	31 December 2007 £mn
Investment Capital:			
Cash and cash equivalents	310	172	73
Liquid debt securities	118	-	43
Fixed income: mortgage and asset backed securities	105	151	273
Third party hedge funds	53	173	208
Seed capital	214	248	191
Private Equity	58	126	138
Property and other investments	41	46	54
Total Investment Capital	**899**	**916**	**980**
Private Banking:			
Cash and cash equivalents	662	311	406
Other net liabilities	(395)	(90)	(193)
Total Private Banking	**267**	**221**	**213**
Other Operational Capital:			
Cash and cash equivalents	95	304	237
Liquid debt securities	235	28	229
Other net assets	136	148	37
Total other Operational Capital	**466**	**480**	**503**
Total Group Capital	**1,632**	**1,617**	**1,696**

Liquid debt securities includes bank CDs and deposits.

Income and Cost Metrics for the Group

Before exceptional items, except for *	**2008**	2007
Group cost: income ratio	**68%**	**61%**
Group cost: gross profits	**72%**	**64%**
Compensation costs: operating revenues	**45%**	**46%**
Return on average capital (pre-tax)*	**7%**	**25%**
Return on average capital (post-tax)*	**4%**	**19%**
Asset Management costs: gross profits	**70%**	**68%**
Asset Management gross margin on average funds under management	**66bps**	**60bps**
Asset Management costs on average funds under management	**46bps**	**41bps**
Asset Management costs on closing funds under management	**53bps**	**40bps**

Income is defined as the sum of gross profit, net finance income and share of profit of associates and joint ventures.

Operating revenues is defined as gross profit for the Asset Management and Private Banking business segments.

Exchange rates

	31 December				
	2008	2007	2006	2005	2004
Sterling:					
Euro	**1.03**	1.36	1.48	1.45	1.42
US dollar	**1.44**	1.99	1.96	1.72	1.93
Swiss franc	**1.53**	2.25	2.39	2.26	2.19
Australian dollar	**2.06**	2.27	2.48	2.35	2.48
Hong Kong dollar	**11.14**	15.52	15.22	13.36	15.01
Japanese yen	**130.33**	222.38	233.20	202.39	197.87
Singaporean dollar	**2.07**	2.87	3.00	2.86	3.15