Schroders

Press Release
Schroders plc

8 August 2008

Interim Results to 30 June 2008 (unaudited)

Asset Management and Private Banking profit before tax up 14 per cent.

- Asset Management and Private Banking profit before tax £159.0 million (H1 2007: £139.1 million)
- Private Equity profit before tax £7.4 million (H1 2007: £36.2 million)
- Total Group profit before tax £135.7 million (H1 2007: £185.6 million)
- Increased interim dividend of 10.0 pence per share (interim dividend 2007: 9.0 pence per share)
- Funds under management £130.2 billion (31 December 2007: £139.1 billion)

	Six months ended 30 June 2008 £mn	Six months ended 30 June 2007 £mn	Year ended 31 December 2007 £mn
Asset Management profit	136.7	123.2	266.5
Private Banking profit	22.3	15.9	41.3
Private Equity profit	7.4	36.2	58.5
Group (loss)/profit	(30.7)	10.3	26.2
Profit before tax	135.7	185.6	392.5
Funds under management (£bn)	130.2	137.6	139.1

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Management Report

Profit before tax in Asset Management and Private Banking increased 14 per cent. to £159.0 million (H1 2007: £139.1 million) despite an increasingly challenging background to our business with lower equity markets and much reduced retail investor demand. Group profit before tax was £135.7 million (H1 2007: £185.6 million) reflecting lower realisations from Private Equity and unrealised fair value write downs on investments in the first quarter, as previously announced. Funds under management at the end of June totalled £130.2 billion (31 December 2007: £139.1 billion).

Asset Management

Gross profit margins increased to 65 basis points (H1 2007: 57 basis points) as we continue to focus on high value added products in Institutional and Retail. Asset Management income increased 12 per cent. to £406.0 million (H1 2007: £363.7 million) and profit before tax increased 11 per cent. to £136.7 million (H1 2007: £123.2 million).

New business won in Institutional was up 28 per cent. on the first half of 2007 and net outflows were significantly lower at £1.1 billion (H1 2007: £4.1 billion). These flows do not include a €4.0 billion advisory mandate we won from the Fondul Proprietatea in Romania. We have seen high levels of new business in areas such as multi-asset mandates, quantitative equities, liability driven investments and alternatives. In May we completed the acquisition of Swiss Re Asset Management Funds (Switzerland) AG with £0.9 billion under management, a business which broadens our product offering to Swiss pension clients. Funds under management in Institutional were £67.6 billion at the end of June (31 December 2007: £73.2 billion).

As expected, falling equity markets and high levels of volatility have had a significant impact on retail investor demand and industry flows out of equity mutual funds continued in the second quarter. After a record year for net sales in 2007 we saw redemptions in some of our products with net outflows of £0.2 billion in the first half (H1 2007: net inflows £3.6 billion). Significant outflows in continental Europe, in line with the overall industry trend, were largely offset by continuing inflows in Asia Pacific, the UK and the Americas. Retail funds under management at the end of June were £51.2 billion (31 December 2007: £56.2 billion).

Private Banking

Private Banking income increased 18 per cent. to £55.9 million (H1 2007: £47.5 million) and profit before tax increased 40 per cent to £22.3 million (H1 2007: £15.9 million) as we continue to benefit from a more efficient operating platform. In February we completed the acquisition of a small private client business in Singapore with £0.3 billion under management which will enable us to serve high net worth individuals in the region. Net new business amounted to £0.2 billion (H1 2007: £0.2 billion) and funds under management at the end of June were £11.4 billion (31 December 2007: £9.7 billion)[1].

Private Equity and Group

Unfavourable market conditions resulted in a low level of realisations in Private Equity with profit before tax of £7.4 million (H1 2007: £36.2 million). The loss in Group in the first half was £30.7 million (H1 2007: profit £10.3 million) reflecting mark to market write downs in the first quarter on seed capital investments and fixed income securities held as part of our investment capital portfolio, offset by positive returns of £6.0 million in the second quarter.

In the first half we purchased for cancellation 8,538,230 non-voting shares at a total cost of £71.8 million. Group capital at the end of June amounted to £1,617 million (31 December 2007: £1,696 million).

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[1] The prior year comparative excludes custody related assets of £0.8bn (see note 18).

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Dividend

The Board has declared an increased interim dividend of 10.0 pence per share (H1 2007: 9.0 pence per share) payable on 19 September 2008 to shareholders on the register at 22 August 2008.

Outlook

We expect retail investor demand for mutual funds to be increasingly affected by the volatility of financial markets. This will have a negative impact on revenues in our Retail business. Longer term, this business is well positioned as a result of its broad diversification by region and by product. In Institutional, we are seeing good progress as a result of repositioning the business towards a range of new products which are attracting increasing demand in the UK and internationally. Overall, the diversification of our business continues to offer good growth prospects and our financial strength means we are well placed to take advantage of opportunities as they arise in a more challenging industry environment.

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

Michael Dobson, Chief Executive, and Stephen Brooks, Chief Financial Officer, will host a webcast and conference call for the investment community, to discuss the Group's interim results at 9am BST on Friday, 8 August 2008. The conference call telephone number is 0800 694 1515 (International: +44 (0) 1452 584 053), conference ID 58687062. The webcast can be viewed live at www.schroders.com/ir and www.StreetEvents.com. For individuals unable to participate in the live webcast, a replay will be available from midday on Friday 8 August on www.schroders.com/ir. Alternatively, a telephone replay will be available until Thursday 14 August. Please telephone 0800 953 1533 (International: +44 (0) 1452 550 000), conference ID 58687062#.

Forward-looking statements

This interim results announcement may contain forward-looking statements with respect to the financial condition, results, operations and businesses of Schroders plc. Such statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will 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 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 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.

Condensed Consolidated Income Statement

	Notes	**Six months ended 30 June 2008 (unaudited) £mn**	Six months ended 30 June 2007 (unaudited) £mn	Year ended 31 December 2007 £mn
Revenue		542.2	558.6	1,191.8
Cost of sales		(118.2)	(109.1)	(232.4)
Gross profit		424.0	449.5	959.4
Administrative expenses		(318.9)	(285.9)	(611.8)
Operating profit		105.1	163.6	347.6
Interest receivable and similar income		19.5	10.4	23.1
Interest payable and similar charges		(0.1)	(0.4)	(0.5)
Net finance income		19.4	10.0	22.6
Share of profit of associates and joint venture		11.2	12.0	22.3
Profit before tax		135.7	185.6	392.5
UK tax		(5.5)	(18.4)	(34.7)
Foreign tax		(30.0)	(27.2)	(54.1)
Tax	4	(35.5)	(45.6)	(88.8)
Profit after tax		100.2	140.0	303.7
Attributable to:				
Minority interests		(0.5)	0.3	4.0
Equity holders of the parent		100.7	139.7	299.7
		100.2	140.0	303.7
Memo – dividends	5	(59.4)	(49.5)	(74.9)
Basic earnings per share	6	35.8p	49.0p	104.8p
Diluted earnings per share	6	35.5p	48.2p	103.2p

Condensed Consolidated Balance Sheet

	Notes	**30 June 2008 (unaudited) £mn**	30 June 2007 (unaudited) £mn	31 December 2007 £mn
Non-current assets				
Goodwill	14	106.8	75.3	95.2
Intangible assets	7,14	48.3	21.0	25.1
Property, plant and equipment	8	25.6	19.3	25.6
Associates and joint ventures		37.3	26.6	32.2
Financial assets		234.4	267.0	220.8
Loans and advances to customers		390.4	370.9	356.1
Deferred tax		47.9	35.1	42.8
Retirement benefit scheme assets	3	12.4	68.3	42.5
Trade and other receivables		7.3	7.9	7.3
		910.4	891.4	847.6
Current assets				
Financial assets		1,815.8	1,699.2	1,968.6
Loans and advances to customers		310.7	228.7	266.9
Current tax		3.5	7.0	7.6
Trade and other receivables		577.0	394.9	305.2
Cash and cash equivalents		787.0	415.8	715.5
		3,494.0	2,745.6	3,263.8
Non-current assets held for sale		17.4	65.3	37.5
Assets backing insurance unit-linked liabilities		3,063.8	2,230.8	2,727.8
Total assets		7,485.6	5,933.1	6,876.7
Equity				
Called-up share capital	10	286.3	294.0	294.5
Share premium account	10	59.5	48.0	58.1
Other reserves	11	112.0	29.4	68.1
Retained profits	12	1,159.5	1,204.2	1,275.0
Equity attributable to equity holders of the parent		1,617.3	1,575.6	1,695.7
Minority interests		2.1	0.4	0.5
Total equity		1,619.4	1,576.0	1,696.2
Non-current liabilities				
Financial liabilities		13.2	22.2	20.3
Deposits by customers and banks		207.2	231.7	207.2
Deferred tax		2.7	2.4	2.7
Provisions		8.0	10.7	8.5
Trade and other payables		98.9	62.6	93.5
		330.0	329.6	332.2
Current liabilities				
Financial liabilities		63.3	7.0	59.5
Deposits by customers and banks		1,775.9	1,323.4	1,525.5
Provisions		4.0	9.3	4.4
Current tax		37.9	45.7	57.0
Trade and other payables		591.3	411.3	474.1
		2,472.4	1,796.7	2,120.5
Insurance unit-linked liabilities		3,063.8	2,230.8	2,727.8
Total equity and liabilities		7,485.6	5,933.1	6,876.7

Condensed Consolidated Statement of Recognised Income and Expense

	Notes	**Six months ended 30 June 2008 (unaudited) £mn**	Six months ended 30 June 2007 (unaudited) £mn	Year ended 31 December 2007 £mn
Exchange differences on translation of foreign operations	11	36.0	(11.6)	25.4
Net (losses)/gains on hedges recognised directly in equity	12	(9.0)	8.2	(9.4)
Actuarial (losses)/gains on defined benefit pension schemes	12	(32.9)	40.5	5.5
Net (losses)/gains on available-for-sale financial assets	12	(27.9)	26.3	18.3
Amounts recycled through the income statement	12	(0.9)	(21.0)	(40.2)
Tax on items taken directly to equity	12	4.9	(9.8)	2.6
Net income and expense recognised directly in equity		(29.8)	32.6	2.2
Profit for the period		100.2	140.0	303.7
Total recognised income and expense for the period		70.4	172.6	305.9
Attributable to:				
Minority interests		(0.5)	0.3	4.0
Equity holders of the parent		70.9	172.3	301.9
		70.4	172.6	305.9

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Condensed Consolidated Cash Flow Statement

	Notes	**Six months ended 30 June 2008 (unaudited) £mn**	Six months ended 30 June 2007 (unaudited) £mn	Year ended 31 December 2007 £mn
Net cash from operating activities	13	193.1	201.3	636.6
Investing activities				
Acquisition of subsidiaries		(32.1)	(27.7)	(27.7)
Cash acquired with acquisitions		2.3	6.2	6.2
Purchase of intangible assets		(6.6)	(6.1)	(11.9)
Purchase of property, plant and equipment		(3.3)	(8.6)	(18.0)
Purchase of joint ventures		-	(1.4)	(1.5)
Purchase of non-current financial assets		(47.6)	(70.1)	(76.1)
Disposal of non-current financial assets		10.1	22.2	85.8
Net disposal/(purchase) of current financial assets		373.4	(81.5)	(255.9)
Purchase of non-current assets held for sale		(3.9)	(28.1)	(36.1)
Disposal of non-current assets held for sale		-	9.6	5.8
Interest received		11.1	4.3	9.3
Dividends/capital distributions received from associates and joint ventures		5.6	14.7	20.1
Net cash from/(used in) investing activities		309.0	(166.5)	(300.0)
Financing activities				
Redemption of non-voting ordinary shares		(71.8)	(21.8)	(34.1)
Proceeds from issue of non-voting ordinary shares		1.3	16.7	28.7
Acquisition of own shares		(36.8)	(17.7)	(21.5)
Disposal of own shares		-	19.0	19.2
Distributions made to minority interests		-	-	(0.2)
Dividends paid		(59.4)	(49.5)	(74.9)
Net cash used in financing activities		(166.7)	(53.3)	(82.8)
Net increase/(decrease) in cash and cash equivalents		335.4	(18.5)	253.8
Opening cash and cash equivalents		716.9	452.1	452.1
Net increase/(decrease) in cash and cash equivalents		335.4	(18.5)	253.8
Effect of exchange rate changes		19.4	(4.2)	11.0
Closing cash and cash equivalents		1,071.7	429.4	716.9
Closing cash and cash equivalents consists of:				
Cash and cash equivalents backing insurance unit-linked liabilities		284.7	13.6	1.4
Other cash and cash equivalents held by the Group		787.0	415.8	715.5
		1,071.7	429.4	716.9

Notes to the Accounts

1. Basis of preparation

The half-yearly financial report is unaudited and does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. 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 these accounts was unqualified and did not contain a statement made under s237 (2) or s237 (3) of the Companies Act 1985.

The financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Services Authority.

The accounting policies applied in these financial statements are consistent with those applied in the Group's statutory accounts for 2007.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Group were in issue but not yet effective:

IFRS 3 (Amended)	Business Combinations
IFRS 8	Operating Segments
IAS 1 (Amended)	Presentation of Financial Statements
IAS 27 (Amended)	Consolidation and Separate Financial Statements
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

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.

2. Segmental reporting

Primary reporting format - business segments

The Group has four continuing business segments: Asset Management, Private Banking, Private Equity and Group. Asset Management principally comprises investment management including 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; Private Equity principally comprises the Group's investments in private equity, venture and buyout funds and related vehicles; Group consists of income on the Group's 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.

Six months ended 30 June 2008	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	511.1	45.4	2.0	(30.2)	-	528.3
External net interest	-	13.9	-	-	-	13.9
Inter-segment interest payable	-	(0.9)	-	-	0.9	-
Total revenue	511.1	58.4	2.0	(30.2)	0.9	542.2
Cost of sales	(115.6)	(2.5)	-	(0.1)	-	(118.2)
Gross profit	395.5	55.9	2.0	(30.3)	0.9	424.0
Administrative expenses	(269.3)	(33.6)	(2.2)	(13.8)	-	(318.9)
Operating profit	126.2	22.3	(0.2)	(44.1)	0.9	105.1
External interest receivable and similar income	3.1	-	-	16.4	-	19.5
Inter-segment interest receivable	3.8	-	-	(2.9)	(0.9)	-
Interest receivable and similar income	6.9	-	-	13.5	(0.9)	19.5
Interest payable and similar charges	-	-	-	(0.1)	-	(0.1)
Net finance income	6.9	-	-	13.4	(0.9)	19.4
Share of profit of associates and joint ventures	3.6	-	7.6	-	-	11.2
Profit before tax	136.7	22.3	7.4	(30.7)	-	135.7

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

Segmental reporting (continued)

Six months ended 30 June 2007	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	460.9	38.6	29.4	18.4	-	547.3
External net interest	-	11.3	-	-	-	11.3
Inter-segment interest payable	-	(0.9)	-	-	0.9	-
Total revenue	460.9	49.0	29.4	18.4	0.9	558.6
Cost of sales	(107.6)	(1.5)	-	-	-	(109.1)
Gross profit	353.3	47.5	29.4	18.4	0.9	449.5
Administrative expenses	(240.5)	(31.6)	(2.2)	(11.6)	-	(285.9)
Operating profit	112.8	15.9	27.2	6.8	0.9	163.6
External interest receivable and similar income	3.5	-	-	6.9	-	10.4
Inter-segment interest receivable	4.1	-	-	(3.2)	(0.9)	-
Interest receivable and similar income	7.6	-	-	3.7	(0.9)	10.4
Interest payable and similar charges	(0.2)	-	-	(0.2)	-	(0.4)
Net finance income	7.4	-	-	3.5	(0.9)	10.0
Share of profit of associates and joint ventures	3.0	-	9.0	-	-	12.0
Profit before tax	123.2	15.9	36.2	10.3	-	185.6

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

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	(228.6)	(3.7)	-	(0.1)	-	(232.4)
Gross profit	762.8	105.9	48.1	40.9	1.7	959.4
Administrative expenses	(518.9)	(64.6)	(4.7)	(23.6)	-	(611.8)
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

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

3. Retirement benefit obligations

The charge for retirement benefit costs is as follows:

	Six months ended 30 June 2008 £mn	Six months ended 30 June 2007 £mn	Year ended 31 December 2007 £mn
Pension costs – defined contribution plans	7.2	5.0	10.3
Pension costs – defined benefit plans	2.1	0.7	0.9
Other post-employment benefits	0.1	-	0.2
	9.4	5.7	11.4
The defined benefit scheme charge/(credit) in respect of the UK scheme consists of:			
Current service costs	4.2	4.9	9.5
Expected return on scheme assets	(17.4)	(17.7)	(35.3)
Interest on scheme liabilities	14.5	12.9	25.6
Total charge/(credit) in respect of the UK scheme	1.3	0.1	(0.2)
Charges in respect of other defined benefit schemes	0.8	0.6	1.1
Total defined benefit charges	2.1	0.7	0.9

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

	Six months ended 30 June 2008		Six months ended 30 June 2007		Year ended 31 December 2007	
	£mn	**%**	£mn	%	£mn	%
Actual return less expected return on Scheme assets	(43.3)		1.2		(1.4)	
% of period-end market value of Scheme assets		(8.2)		0.2		(0.3)
Experience gains and losses arising on Scheme liabilities *	-		-		(0.6)	
% of period-end present value of Scheme liabilities *		-		-		(0.1)
Change in assumptions underlying the present value of the Scheme liabilities	10.4		39.3		8.6	
% of period-end present value of Scheme liabilities		2.0		8.3		1.7
Actuarial (losses)/gains recognised in SORIE	(32.9)		40.5		6.6	
% of period-end present value of Scheme liabilities		(6.4)		8.6		1.3

* Calculation is only done as part of the year-end valuation of the Scheme.

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

	30 June 2008 £mn	30 June 2007 £mn	31 December 2007 £mn
Present value of funded obligations	(513.4)	(472.5)	(512.8)
Fair value of plan assets	525.8	540.8	555.3
Net asset recognised in balance sheet	12.4	68.3	42.5

The movement in the Scheme's surplus during the period is as follows:

	Six months ended 30 June 2008 £mn	Six months ended 30 June 2007 £mn	Year ended 31 December 2007 £mn
As at 1 January	42.5	16.8	16.8
Pension cost	(1.3)	(0.1)	0.2
Contributions by employer	4.1	11.1	18.9
Actuarial (losses) / gains recognised in SORIE	(32.9)	40.5	6.6
Surplus in the Scheme	12.4	68.3	42.5

4. Tax expense

	Six months ended 30 June 2008 £mn	Six months ended 30 June 2007 £mn	Year ended 31 December 2007 £mn
Current tax			
UK corporation tax on profits of the period	30.6	55.2	69.4
Double tax relief	(23.7)	(36.1)	(41.3)
	6.9	19.1	28.1
Adjustments in respect of prior periods	0.4	0.2	0.4
	7.3	19.3	28.5
Foreign tax – current	28.9	27.2	57.1
Foreign tax - adjustments in respect of prior periods	0.7	-	0.4
Total current tax	36.9	46.5	86.0
Deferred tax - origination and reversal of temporary differences	(1.3)	(0.5)	0.5
Adjustments in respect of prior periods	(0.1)	(0.4)	(0.5)
Effect of changes in corporate tax rates	-	-	2.8
Total tax charge for the period	35.5	45.6	88.8

The tax charge for the period has been arrived at by forecasting an effective annual tax rate for each tax jurisdiction and applying that rate individually to the pre-tax income of that jurisdiction. Inclusion of prior year adjustments brings the overall effective tax rate for the period to 26 per cent. (interim 2007: 25 per cent.). In total, a credit of £4.9 million has been included in respect of tax within the SORIE. This consists primarily of an £8.6 million deferred tax credit on the actuarial losses within the UK defined benefit scheme and a £4.8 million charge for the Equity Compensation Plan and share options issued to employees of UK Group companies.

5. Dividends

	Six months ended 30 June 2008		Six months ended 30 June 2007		Year ended 31 December 2007	
	£mn	**Pence per share**	£mn	Pence per share	£mn	Pence per share
Declared and paid in period:						
Final dividend paid	59.4	21.0	49.5	17.5	49.5	17.5
Interim dividend paid	-	-	-	-	25.4	9.0
	59.4	21.0	49.5	17.5	74.9	26.5

6. Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial period attributable to equity holders of the parent of £100.7 million (interim 2007: £139.7 million) by the weighted average number of ordinary shares in issue during the period, less the weighted average number of own shares.

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

There is no difference between the profit for the financial period 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:

	Six months ended 30 June 2008 Number	Six months ended 30 June 2007 Number	Year ended 31 December 2007 Number
Weighted average number of ordinary shares used in calculation of basic earnings per share	281,691,221	285,083,059	285,824,617
Effect of dilutive potential ordinary shares – share options	1,578,264	3,523,987	3,318,475
Effect of dilutive potential ordinary shares – contingently issuable shares	792,782	1,265,005	1,104,262
Weighted average number of ordinary shares used in calculation of diluted earnings per share	284,062,267	289,872,051	290,247,354

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

7. Intangible assets

In the six months to 30 June 2008, the Group acquired software with a value of £6.6 million (interim 2007: £6.4 million), none of which arose from business combinations during the period. No disposals of software were made during the period (interim 2007: £0.1 million).

The Group has no future commitments to purchase software (31 December 2007: £0.3 million).

The Group acquired intangible assets of £19.2 million through business combinations in the period, principally consisting of existing client relationships acquired in Swiss Re Asset Management Funds (Switzerland) AG ('Swiss Re AM') (see note 14). The client relationships are being amortised over 10 years.

8. Property, plant and equipment

In the six months to 30 June 2008, the Group acquired property, plant and equipment with a value of £3.3 million (interim 2007: £8.9 million), none of which arose from business combinations during the period, and made disposals of £0.1 million (interim 2007: £0.1 million).

The Group has future commitments to purchase property, plant and equipment with a value of £0.1 million (31 December 2007: £0.1 million).

9. Contingent liabilities

There have been material reductions in undrawn loan facilities offered by the Group's Private Banking business as agreements to provide such facilities expired in the period. Undrawn loan facilities totalled £107.5 million at 31 December 2007, but had decreased to £42.8 million at 30 June 2008.

10. Share capital

	Number of shares Units	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	369,539	-	0.3	0.3	1.4
Shares cancelled	(8,538,230)	-	(8.5)	(8.5)	-
At 30 June 2008	286,330,152	226.0	60.3	286.3	59.5

	30 June 2008 Number	30 June 2007 Number	31 December 2007 Number	**30 June 2008 £mn**	30 June 2007 £mn	31 December 2007 £mn
Authorised:						
Ordinary shares of £1 each	226,022,400	226,022,400	226,022,400	226.0	226.0	226.0
Non-voting ordinary shares of £1 each	113,977,598	113,977,598	113,977,598	114.0	114.0	114.0
	339,999,998	339,999,998	339,999,998	340.0	340.0	340.0
Allotted, called up and fully paid:						
Ordinary shares of £1 each	226,022,400	226,022,400	226,022,400	226.0	226.0	226.0
Non-voting ordinary shares of £1 each	60,307,752	68,000,853	68,476,443	60.3	68.0	68.5
	286,330,152	294,023,253	294,498,843	286.3	294.0	294.5

11. Other reserves

	Shares to be issued* £mn	Capital reserves £mn	Own shares held £mn	Net exchange differences £mn	**Total £mn**
At 1 January 2008	10.1	161.8	(75.5)	(28.3)	**68.1**
Exchange differences on translation of foreign operations	-	-	-	36.0	**36.0**
Net income and expense recognised directly in equity	-	-	-	36.0	**36.0**
Shares cancelled	-	8.5	-	-	**8.5**
Consideration paid in the form of shares	(5.1)	-	4.9	-	**(0.2)**
Own shares purchased	-	-	(36.8)	-	**(36.8)**
Transfers	-	22.2**	14.2	-	**36.4**
At 30 June 2008	5.0	192.5	(93.2)	7.7	**112.0**

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

** Includes a non-distributable credit of £19.7 million from retained profits in respect of a bonus issue made by a subsidiary of Schroders plc.

12. Retained profits reserve

	Associate reserve £mn	Fair value reserve £mn	Hedging reserve £mn	Profit and loss reserve £mn	Retained profits £mn
At 1 January 2008	20.8	99.4	(4.1)	1,158.9	1,275.0
Net losses on hedges recognised directly in equity	-	-	(9.0)	-	(9.0)
Actuarial losses on defined benefit pension schemes	-	-	-	(32.9)	(32.9)
Net losses on available-for-sale financial assets	(1.4)	(26.5)	-	-	(27.9)
Amounts recycled through the income statement	-	(0.9)	-	-	(0.9)
Tax on items taken directly to equity	-	1.1	-	3.8	4.9
Net income and expense recognised directly in equity	(1.4)	(26.3)	(9.0)	(29.1)	(65.8)
Profit for the period	11.2	-	-	89.5	100.7
Total recognised income and expense for the period	9.8	(26.3)	(9.0)	60.4	34.9
Shares cancelled	-	-	-	(71.8)	(71.8)
Net losses on disposal of own shares	-	-	-	(0.2)	(0.2)
Share-based payments	-	-	-	17.9	17.9
Dividends	-	-	-	(59.4)	(59.4)
Transfers	(5.4)	-	-	(31.0)	(36.4)
Share issue costs	-	-	-	(0.5)	(0.5)
At 30 June 2008	25.2	73.1	(13.1)	1,074.3	1,159.5

13. Reconciliation of net cash from operating activities

	Six months ended 30 June 2008 £mn	Six months ended 30 June 2007 £mn	Year ended 31 December 2007 £mn
Operating profit	105.1	163.6	347.6
Adjustments for:			
Depreciation and amortisation of software	5.7	3.7	8.7
Amortisation of intangible assets acquired in business combinations	1.1	0.8	1.7
Amounts recycled through the income statement in respect of financial assets	(0.9)	(21.0)	(40.2)
(Increase)/decrease in trade and other receivables	(342.6)	(38.0)	72.6
Increase/(decrease) in trade and other payables and provisions	322.7	(17.8)	231.5
Increase in insurance unit-linked liabilities	336.0	698.8	1,195.8
Net charge for/(release of) provisions	0.1	(0.8)	(5.4)
Net losses/(gains) on financial assets and liabilities held at fair value through profit or loss	29.8	(28.1)	(46.2)
Share-based payments expensed	17.9	13.0	32.9
Other non-cash movements	10.8	21.6	(18.3)
UK corporation tax paid	(12.4)	(1.4)	(9.3)
Overseas tax paid	(41.2)	(34.2)	(58.2)
Interest received	8.4	5.7	16.3
Interest paid	(0.1)	(0.4)	(0.5)
Net purchase of assets backing insurance unit-linked liabilities	(52.7)	(698.1)	(1,207.3)
Net (purchase)/disposal of current financial assets	(194.6)	133.9	114.9
Net cash from operating activities	193.1	201.3	636.6

14. Acquisitions

During the period, the Group completed two acquisitions: on 29 February 2008, the Group completed the acquisition of the Singapore-based private client advisory unit of the Commonwealth Bank of Australia ('Singapore private client advisory') for consideration of £5.2 million. On 31 May 2008, the Group acquired 100 per cent. of the issued share capital of Swiss Re AM for consideration of £28.3 million. These transactions have been accounted for using the purchase method of accounting. As permitted under IFRS 3 'Business Combinations', the initial accounting for the Swiss Re AM 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 £mn	Singapore private client advisory £mn	Total £mn
Net assets acquired:			
Non-current financial assets	1.9	-	1.9
Cash at bank	2.3	-	2.3
Trade and other receivables	1.4	-	1.4
Trade and other payables	(1.3)	-	(1.3)
Taxation	(0.5)	-	(0.5)
	3.8	-	3.8
Goodwill	7.5	3.0	10.5
Intangible assets	17.0	2.2	19.2
	28.3	5.2	33.5
Satisfied by:			
Cash	26.9	5.2	32.1*
Current liability	1.4	-	1.4
Total consideration	28.3	5.2	33.5

* Includes acquisition costs of £0.4 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 the acquisition of existing client relationships.

The result contributed by the acquired companies in the period between the dates of acquisition and the balance sheet date was a loss of £0.6 million before tax.

If the acquisitions had been completed on 1 January 2008, an aggregation of the Group's revenue for the period and those of the acquirees would have been £550.8 million, and the profit before tax for the period on the same basis would have been £137.4 million. The profit before tax figure includes a deduction for the additional amortisation charge of £0.7 million that would have arisen had the acquisitions taken place at that date.

15. Own shares

'Own shares' are shares held by employee trusts for the purposes of satisfying certain equity-based awards where such shares have not vested unconditionally in employees of the Group. During the period, the number of own shares held increased from 7.5 million to 9.2 million. Of the 9.2 million own shares held, 8.6 million were ordinary shares (31 December 2007: 4.9 million) and 0.6 million non-voting ordinary shares (31 December 2007: 2.6 million).

Additional Information

Funds under Management (FUM) – 2008 Flows

	Institutional £bn	Retail £bn	Private Banking £bn	Total £bn
31 December 2007	73.2	56.2	9.7*	139.1
Net flows	(1.1)	(0.2)	0.2	(1.1)
Market movements & other	(5.4)	(4.8)	1.2	(9.0)
Acquisition adjustments	0.9	-	0.3	1.2
30 June 2008	67.6	51.2	11.4	130.2

* 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 & other).

Income and Cost Metrics for the Group

	Six months ended 30 June 2008	Six months ended 30 June 2007
Group cost: income ratio	70%	61%
Group cost: gross profit	75%	64%
Return on average capital (pre-tax)	16%	25%
Return on average capital (post-tax)	12%	19%
Asset Management cost: gross profit	68%	68%
Asset Management gross profit on average funds under management	65bps	57bps
Asset Management costs on average funds under management	44bps	39bps
Asset Management costs on closing funds under management	45bps	38bps

Group Capital

	30 June 2008	31 December 2007
Cash and cash equivalents	504	582
Fixed income: mortgage and asset backed securities	151	249
Third party hedge funds	173	208
Seed capital	248	191
Private Banking net assets	221	213
Private Equity	126	138
Pension fund surplus	12	43
Other net assets	182	72
Total Group capital	**1,617**	1,696

Key Risks

Like any successful business we are exposed to a range of risks. These risks, if not managed properly, could lead to the Group failing to achieve its objectives. Some risks, like those inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take. Others, like regulatory and compliance risk, are risks that we seek actively to avoid. The key risks to which the Group will be exposed in the second half of 2008 are substantially the same as those described on page 7 of the 2007 Annual Report, being market risk, investment performance risk, product risk, human resource risk, business continuity risk and project risk. We monitor more than twenty Group wide risk categories.

Responsibility Statement

I confirm to the best of my knowledge that:

- this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules, being:

  - an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining six months of the year; and

  - related party transactions that have taken place in the first six months of the financial year and any changes in the related party transactions described in the annual report that have materially affected or could have a material effect on the financial position or performance of the Group.

Michael Dobson
Chief Executive

Independent review report to Schroders plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008, which comprises the condensed consolidated income statement, condensed consolidated balance sheet, condensed consolidated statement of recognised income and expense, condensed consolidated cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the basis of preparation, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 August 2008