Interim Report 2007

Schroders

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

We manage £137.6 billion on behalf of institutional and retail investors, financial institutions and high net worth clients from around the world, invested in a broad range of asset classes across equities, fixed income and alternatives.

We employ more than 2,700 talented people worldwide operating from 36 offices in 26 different countries across Europe, the Middle East, Asia Pacific and the Americas close to the markets in which we invest and close to our clients.

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

01 Highlights and results
02 Management statement
04 Independent review report to Schroders plc
05 Condensed consolidated income statement
06 Condensed consolidated balance sheet
07 Condensed consolidated statement of recognised income and expense
08 Condensed consolidated cash flow statement
09 Explanatory notes to interim financial report
17 Shareholder information
20 Glossary

Group profit before tax
H1 2006: £132.3m
£185.6m

Private Equity profit before tax
H1 2006: £17.7m
£36.2m

Asset Management profit before tax
H1 2006: £96.8m
£123.2m

Funds under management
31 December 2006: £128.5bn
£137.6bn

Private Banking profit before tax
H1 2006: £11.2m
£15.9m

Interim dividend per share
2006: 7.5 pence
9.0 pence

Management statement

Group profit before tax increased by 40 per cent. to £185.6 million (H1 2006: £132.3 million) reflecting significantly higher profits from Asset Management, Private Banking and Private Equity investments. Funds under management at the end of June totalled £137.6 billion (31 December 2006: £128.5 billion). Net inflows in the second quarter were £0.7 billion after net outflows of £1.0 billion in the first quarter to bring net outflows for the half year to £0.3 billion.

Asset Management

Net inflows into higher margin products in 2006, which continued during the period, contributed to an 18 per cent. increase in Asset Management gross profit to £353.3 million (H1 2006: £300.4 million) and a 27 per cent. increase in profit before tax to £123.2 million (H1 2006: £96.8 million).

Net Retail sales were £3.6 billion in the first half (H1 2006: £2.3 billion) and were broadly diversified. By region, we had a particularly strong result in Asia, with £1.7 billion of net sales, and in the UK with £1.3 billion of net sales. By product, we saw significant demand for a wide range of asset classes including emerging market equity and debt, European equities, global equities, property securities and multi-manager funds. Retail funds under management at the end of June were £48.7 billion (31 December 2006: £42.5 billion).

Institutional generated strong gross sales, up 36 per cent. on the first half of 2006, with high levels of new business across quantitative equities, multi-asset mandates for UK pension funds, fixed income and funds of hedge funds. Outflows in the UK and, to a lesser extent, Japanese equities led to net outflows of £4.1 billion: despite this, Institutional revenues were up 15 per cent. on the first half of 2006 and funds under management rose to £79.6 billion at the end of June (31 December 2006: £77.4 billion).

Alternatives accounted for £14.9 billion of funds under management (31 December 2006: £12.5 billion). Within alternatives, NewFinance Capital, our funds of hedge funds business, had strong net inflows in the first half and funds under management increased to £2.3 billion. Aareal Asset Management, the European property business acquired in February 2007, has been integrated with our existing property business and we are preparing to launch further European property funds.

More than two thirds of our revenues are generated outside the UK with well established positions in developed markets and rapidly growing businesses in emerging markets. In Latin America, funds under management reached £2.9 billion with continuing growth in Argentina, Brazil and Chile and a developing business in Mexico. In China, our joint venture asset management company had funds under management of £1.9 billion at the end of June (not reported in total funds under management) and is operating profitably.

Private Banking

Private Banking profit before tax increased by 42 per cent. to £15.9 million (H1 2006: £11.2 million). The establishment of the Private Banking service centre in Zurich was completed in April and we expect to see further efficiency gains as a result, as well as improved client service. Net new business flows in the first half were £0.2 billion (H1 2006: £0.2 billion) and funds under management at the end of June increased to £9.3 billion (31 December 2006: £8.6 billion).

Private Equity and Group

Returns on our investment capital reflected in the income statement in the first half were £56.8 million, representing an annualised return of 15 per cent. This included realised gains and carried interest participations on Private Equity investments of £38.4 million

Michael Dobson, Chief Executive

(H1 2006: £19.3 million). Unrealised profit on investment capital included within shareholders' equity totalled £103.2 million at 30 June 2007 (31 December 2006: £103.7 million).

Dividend

In the light of these results the Board has declared an increased interim dividend of 9.0 pence per share (H1 2006: 7.5 pence per share). The dividend will be paid on 21 September 2007 to shareholders on the register at the close of business on 17 August 2007.

Summary

The first half of 2007 has been another strong period for the Group with a significant increase in profit before tax and substantial inflows of higher margin business. Our diversified product set and broad geographical representation position us well for more challenging conditions in equity and fixed income markets. We continue to see a wide range of future growth opportunities for the Group.

Michael Dobson
Chief Executive

9 August 2007

Independent review report to Schroders plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the condensed consolidated interim balance sheet as at 30 June 2007 and the related condensed consolidated interim statements of income, cash flows and the statement of recognised income and expense for the six months then ended, the comparative figures and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

This interim report, including the financial information contained herein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

This interim report has been prepared in accordance with the International Accounting Standard 34, 'Interim financial reporting'.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

PricewaterhouseCoopers LLP
Chartered Accountants
London

9 August 2007

Notes:

(a) The maintenance and integrity of the Schroders plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Condensed consolidated income statement

	Notes	**Six months ended 30 June 2007 (unaudited) £mn**	Six months ended 30 June 2006 (unaudited) £mn	Year ended 31 December 2006 £mn
Revenue		558.6	451.3	967.2
Cost of sales		(109.1)	(77.9)	(169.0)
Gross profit		**449.5**	**373.4**	**798.2**
Administrative expenses		(285.9)	(259.3)	(542.3)
Operating profit		**163.6**	**114.1**	**255.9**
Share of profit of associates		9.0	9.1	15.6
Share of profit/(loss) of joint ventures		3.0	0.1	(0.2)
		12.0	9.2	15.4
Interest receivable and similar income		10.4	9.8	20.1
Interest payable and similar charges		(0.4)	(0.8)	(1.4)
Profit before tax		**185.6**	**132.3**	**290.0**
UK tax		(18.4)	(11.6)	(23.5)
Foreign tax		(27.2)	(22.4)	(44.6)
Tax	4	(45.6)	(34.0)	(68.1)
Profit after tax		**140.0**	**98.3**	**221.9**
Attributable to:				
Minority interests		0.3	0.3	0.6
Equity holders of the parent		139.7	98.0	221.3
		140.0	**98.3**	**221.9**
Memo – dividends	5	(49.5)	(42.0)	(63.4)
Basic earnings per share	6	**49.0p**	**33.7p**	**76.9p**
Diluted earnings per share	6	**48.2p**	**33.2p**	**75.7p**

Condensed consolidated balance sheet

	Notes	**30 June 2007 (unaudited) £mn**	30 June 2006 (unaudited) £mn	31 December 2006 £mn
Non-current assets				
Goodwill	13	75.3	67.2	65.3
Intangible assets	7, 13	21.0	14.2	15.0
Property, plant and equipment	8	19.3	9.9	12.7
Associates		16.1	30.2	21.7
Joint ventures		10.5	4.0	3.6
Financial assets		248.0	144.7	198.6
Deferred tax		35.1	56.0	44.4
Retirement benefit scheme asset	3	68.3	8.7	16.8
Trade and other receivables		397.8	343.5	404.0
		891.4	**678.4**	**782.1**
Current assets				
Financial assets		1,681.8	1,568.4	1,664.0
Current tax		7.0	13.8	16.5
Trade and other receivables		641.0	795.3	617.0
Cash and cash equivalents		415.8	504.8	439.2
		2,745.6	**2,882.3**	**2,736.7**
Non-current assets held for sale		65.3	31.8	60.1
Assets backing insurance unit-linked liabilities				
Investments in authorised unit trusts		1,624.7	40.9	1,307.4
Other financial assets		592.5	–	211.7
Cash and cash equivalents		13.6	41.5	12.9
		2,230.8	82.4	1,532.0
Total assets		**5,933.1**	**3,674.9**	**5,110.9**
Equity				
Called up share capital	10	294.0	296.6	293.9
Share premium account	10	48.0	34.2	36.4
Other reserves	11	10.1	15.1	15.1
Capital reserves	11	160.5	150.2	156.3
Own shares held	11, 14	(75.9)	(90.6)	(90.9)
Net exchange differences	11	(65.3)	(17.9)	(53.7)
Retained profits	11	1,204.2	955.5	1,086.3
Equity attributable to equity holders of the parent		**1,575.6**	**1,343.1**	**1,443.4**
Minority interests		0.4	0.1	0.2
Total equity		**1,576.0**	**1,343.2**	**1,443.6**
Non-current liabilities				
Financial liabilities		–	15.2	–
Deferred tax		2.4	2.8	2.4
Provisions		10.7	9.4	10.8
Trade and other payables		316.5	378.7	325.2
		329.6	**406.1**	**338.4**
Current liabilities				
Financial liabilities		0.3	0.4	0.3
Provisions		9.3	12.4	13.9
Current tax		45.7	43.7	31.9
Trade and other payables		1,741.4	1,786.7	1,750.8
		1,796.7	**1,843.2**	**1,796.9**
Insurance unit-linked liabilities				
Liability linked to life company investments		2,230.8	82.4	1,532.0
Total equity and liabilities		**5,933.1**	**3,674.9**	**5,110.9**

Condensed consolidated statement of recognised income and expense

	Six months ended 30 June 2007 (unaudited) £mn	Six months ended 30 June 2006 (unaudited) £mn	Year ended 31 December 2006 £mn
Exchange differences on translation of foreign operations	(11.6)	(30.1)	(65.9)
Net gains on hedges recognised directly in equity	8.2	18.0	32.2
Actuarial gains/(losses) on defined benefit pension schemes	40.5	(1.2)	5.5
Net gains on available-for-sale financial assets	26.3	17.7	65.2
Amounts recycled through the income statement	(21.0)	(12.9)	(26.8)
Tax on items taken directly to equity	(9.8)	6.4	6.6
Net income and expense recognised directly in equity	**32.6**	**(2.1)**	**16.8**
Profit for the period	**140.0**	**98.3**	**221.9**
Total recognised income and expense for the period	**172.6**	**96.2**	**238.7**
Attributable to:			
Minority interests	0.3	0.3	0.6
Equity holders of the parent	172.3	95.9	238.1
	172.6	**96.2**	**238.7**

Condensed consolidated cash flow statement

	Notes	**Six months ended 30 June 2007 (unaudited) £mn**	Six months ended 30 June 2006 (unaudited) £mn	Year ended 31 December 2006 £mn
Net cash from operating activities	12	196.0	210.8	209.2
Investing activities				
Acquisition of subsidiaries		(27.7)	(19.3)	(19.8)
Cash acquired with acquisitions		6.2	6.8	6.8
Purchase of joint ventures		(1.4)	–	–
Purchase of intangible assets		(6.1)	(0.9)	(4.6)
Purchase of property, plant and equipment		(8.6)	(2.6)	(7.1)
Purchase of non-current financial assets		(70.1)	(13.8)	(62.9)
Purchase of non-current assets held for sale		(28.1)	(38.8)	(90.1)
Disposal of non-current assets held for sale		9.6	26.6	50.8
Proceeds from sale of non-current financial assets		22.2	18.3	64.1
Proceeds from sale of property, plant and equipment		–	0.3	0.4
Net proceeds from (purchase)/sale of current financial assets		(81.5)	72.0	58.6
Interest received		9.6	6.6	9.0
Dividends/capital distributions received from associates and joint ventures		14.7	8.4	23.6
Net cash (used in)/from investing activities		**(161.2)**	**63.6**	**28.8**
Financing activities				
Proceeds from issue of share capital		16.7	24.7	27.8
Acquisition of own shares		(17.7)	(86.8)	(90.8)
Disposal of own shares		19.0	34.5	37.3
Redemption of ordinary share capital		(21.8)	(56.3)	(84.3)
Dividends paid		(49.5)	(42.0)	(63.4)
Net cash used in financing		**(53.3)**	**(125.9)**	**(173.4)**
Net (decrease)/increase in cash and cash equivalents		**(18.5)**	**148.5**	**64.6**
Opening cash and cash equivalents		452.1	402.4	402.4
Net (decrease)/increase in cash and cash equivalents		(18.5)	148.5	64.6
Effect of exchange rate changes		(4.2)	(4.6)	(14.9)
Closing cash and cash equivalents		**429.4**	**546.3**	**452.1**
Closing cash and cash equivalents consists of:				
Cash and cash equivalents backing insurance-unit linked liabilities		13.6	41.5	12.9
Other cash and cash equivalents held by the Group		415.8	504.8	439.2
		429.4	**546.3**	**452.1**

1. Basis of preparation
The interim report is unaudited and does not constitute statutory accounts within the meaning of s240 of the Companies Act 1985. The statutory accounts for 2006, 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'.

The accounting polices applied in these interim financial statements are consistent with those applied in the Group's statutory accounts for 2006.

During the period, the following Standards and Interpretations have been adopted, none of which have had a material impact on the financial statements of the Group:

IFRS 7	Financial Instruments: Disclosures
IFRIC 7	Applying the Restatement Approach under IAS 29
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

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

IFRS 8	Operating Segments
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Explanatory notes to interim financial report

2. Segmental reporting

Primary reporting format – business segments
The Group has four continuing classes of business: 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 buyout funds and related vehicles; and Group consists of income on the Group's liquid and seed capital less Group costs and provisions, and the results of the leasing business.

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 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
Share of profit of associates	–	–	9.0	–	–	9.0
Share of profit of joint ventures	3.0	–	–	–	–	3.0
	3.0	–	9.0	–	–	12.0
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)
Profit before tax	123.2	15.9	36.2	10.3	–	185.6

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

2. Segmental reporting (continued)

Six months ended 30 June 2006	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	377.3	37.7	10.2	14.3	–	439.5
External net interest	–	11.8	–	–	–	11.8
Inter-segment interest payable	–	(3.3)	–	–	3.3	–
Total revenue	377.3	46.2	10.2	14.3	3.3	451.3
Cost of sales	(76.9)	(1.0)	–	–	–	(77.9)
Gross profit	300.4	45.2	10.2	14.3	3.3	373.4
Administrative expenses	(208.4)	(34.0)	(1.6)	(15.3)	–	(259.3)
Operating profit	92.0	11.2	8.6	(1.0)	3.3	114.1
Share of profit of associates	–	–	9.1	–	–	9.1
Share of profit of joint ventures	0.1	–	–	–	–	0.1
	0.1	–	9.1	–	–	9.2
External interest receivable and similar income	2.8	–	–	7.0	–	9.8
Inter-segment interest receivable	2.4	–	–	0.9	(3.3)	–
Interest receivable and similar income	5.2	–	–	7.9	(3.3)	9.8
Interest payable and similar charges	(0.5)	–	–	(0.3)	–	(0.8)
Profit before tax	96.8	11.2	17.7	6.6	–	132.3

Year ended 31 December 2006	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	811.1	80.1	22.2	31.0	–	944.4
External net interest	–	22.8	–	–	–	22.8
Inter-segment interest payable	–	(4.4)	–	–	4.4	–
Total revenue	811.1	98.5	22.2	31.0	4.4	967.2
Cost of sales	(166.2)	(2.8)	–	–	–	(169.0)
Gross profit	644.9	95.7	22.2	31.0	4.4	798.2
Administrative expenses	(436.6)	(68.8)	(3.2)	(33.7)	–	(542.3)
Operating profit	208.3	26.9	19.0	(2.7)	4.4	255.9
Share of profit of associates	–	–	15.6	–	–	15.6
Share of loss of joint ventures	(0.2)	–	–	–	–	(0.2)
	(0.2)	–	15.6	–	–	15.4
External interest receivable and similar income	6.3	–	–	13.8	–	20.1
Inter-segment interest receivable	5.2	–	–	(0.8)	(4.4)	–
Interest receivable and similar income	11.5	–	–	13.0	(4.4)	20.1
Interest payable and similar charges	(0.6)	–	–	(0.8)	–	(1.4)
Profit before tax	219.0	26.9	34.6	9.5	–	290.0

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

Explanatory notes to interim financial report

3. Retirement benefit obligations

The charge for retirement benefit costs is as follows:

	Six months ended 30 June 2007 £mn	Six months ended 30 June 2006 £mn	Year ended 31 December 2006 £mn
Pension costs – defined contribution plans	5.0	4.2	8.7
Pension costs – defined benefit plans	0.7	3.2	6.6
Other post-employment benefits	–	0.1	0.2
	5.7	7.5	15.5
The defined benefit section charge in respect of the UK scheme consists of:			
Current service cost	4.9	6.5	12.9
Expected return on scheme assets	(17.7)	(14.6)	(29.2)
Interest on scheme liabilities	12.9	11.1	22.3
Total charge in respect of the UK scheme	0.1	3.0	6.0
Charges in respect of other defined benefit schemes	0.6	0.2	0.6
Total defined benefit schemes charges	0.7	3.2	6.6

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. Since the publication of the Group's last Annual Report and Accounts, the Group has agreed to meet the future administrative expenses of the Scheme directly and has changed the cap on pension increases for pensions earned after 1 May 2007. Pensions earned in respect of service after that date will increase in line with price inflation capped at 2.5 per cent. per annum. The cap was previously set at 5.0 per cent. per annum. The effect of these changes on the Group's defined benefit section charge for the period is to reduce it by £0.5 million. 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 2007		Six months ended 30 June 2006		Year ended 31 December 2006	
	£mn	**%**	£mn	%	£mn	%
Actual return less expected return on Scheme assets	1.2		(6.4)		14.4	
% of period end market value of Scheme assets		0.2		(1.3)		2.8
Experience gains and losses arising on Scheme liabilities	–[1]		–[1]		(1.0)	
% of period end present value of Scheme liabilities		–[1]		–[1]		(0.2)
Changes in assumptions underlying the present value of the Scheme liabilities	39.3		5.2		(7.8)	
% of period end present value of Scheme liabilities		8.3		1.1		(1.6)
Actuarial gains/(losses) recognised in SORIE	40.5		(1.2)		5.6	
% of period end present value of Scheme liabilities		8.6		(0.3)		1.1

[1] 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 2007 £mn	30 June 2006 £mn	31 December 2006 £mn
Present value of funded obligations	(472.5)	(478.0)	(500.8)
Fair value of plan assets	540.8	486.7	517.6
Net asset recognised in the balance sheet	68.3	8.7	16.8

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

	Six months ended 30 June 2007 £mn	Six months ended 30 June 2006 £mn	Year ended 31 December 2006 £mn
As at 1 January	16.8	8.8	8.8
Pension cost	(0.1)	(3.0)	(6.0)
Contributions	11.1	4.1	8.4
Actuarial gains/(losses) recognised in SORIE	40.5	(1.2)	5.6
Surplus in the Scheme	68.3	8.7	16.8

4. Tax expense

	Six months ended 30 June 2007 £mn	Six months ended 30 June 2006 £mn	Year ended 31 December 2006 £mn
Current tax:			
UK corporation tax on profits of the period	55.2	28.3	38.7
Double taxation relief	(36.1)	(15.1)	(20.8)
	19.1	13.2	17.9
Adjustments in respect of prior periods	0.2	0.1	(6.2)
	19.3	13.3	11.7
Foreign tax – current	27.2	22.0	47.1
Foreign tax – adjustments in respect of prior periods	–	(0.8)	(0.8)
Total current tax	46.5	34.5	58.0
Deferred tax – origination and reversal of temporary differences	(0.5)	(4.2)	6.5
Adjustments in respect of prior periods	(0.4)	3.7	3.6
Total tax charge for the period	45.6	34.0	68.1

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 25 per cent. (interim 2006: 26 per cent.). In total, a charge of £9.8 million has been included in respect of tax within the SORIE. This consists of an £11.3 million deferred tax charge on the actuarial gains within the UK defined benefit scheme, a £1.1 million charge to allow for changes in tax rates that are expected to apply in future periods in respect of deferred tax assets and liabilities and a £2.6 million credit for the Equity Compensation Plan and share options issued to employees of UK Group companies.

5. Dividends

	Six months ended 30 June 2007		Six months ended 30 June 2006		Year ended 31 December 2006	
	£mn	**Pence per share**	£mn	Pence per share	£mn	Pence per share
Declared and paid in period:						
Final dividend paid	49.5	17.5	42.0	14.5	42.0	14.5
Interim dividend paid	–	–	–	–	21.4	7.5
	49.5	17.5	42.0	14.5	63.4	22.0
Interim dividend for 2007	25.8	9.0				

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 £139.7 million (interim 2006: £98.0 million) by the weighted average number of shares in issue during the period, less the weighted average number of own shares.

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

There is no difference between the profit for the financial period attributable to 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 2007 Number	Six months ended 30 June 2006 Number	Year ended 31 December 2006 Number
Weighted average number of ordinary shares used in calculation of basic earnings per share	285,083,059	290,179,088	287,844,376
Effect of dilutive potential ordinary shares – share options	3,523,987	4,088,332	3,251,161
Effect of dilutive potential ordinary shares – contingently issuable shares	1,265,005	462,615	944,844
Weighted average number of shares used in calculation of diluted earnings per share	289,872,051	294,730,035	292,040,381

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

Explanatory notes to interim financial report

7. Intangible assets

In the six months to 30 June 2007, the Group acquired software with a value of £6.4 million (interim 2006: £0.9 million), of which £0.3 million arose from the acquisition of Aareal Asset Management GmbH ('AAM'), and made disposals of £0.1 million (interim 2006: £nil).

The Group has no future commitments to purchase software (31 December 2006: £nil).

On the acquisition of AAM, the Group acquired intangible assets of £2.6 million, consisting of contractual arrangements between AAM and the funds it manages (see note 13). These contractual arrangements are being amortised over their expected lives of seven years and ten months.

8. Property, plant and equipment

In the six months to 30 June 2007, the Group acquired property, plant and equipment with a value of £8.9 million (interim 2006: £2.6 million), including £0.3 million on the acquisition of AAM (see note 13) and made disposals of £0.1 million (interim 2006: £0.1 million).

The Group has future commitments to purchase property, plant and equipment with a value of £5.1 million (31 December 2006: £11.9 million).

9. Commitments and contingent liabilities

During the period, the Group entered into additional investment call commitments in respect of Private Equity investments. As a result, at the balance sheet date, such commitments had increased to £70.0 million (31 December 2006: £55.6 million).

10. Share capital

	Six months ended 30 June 2007 Number	Six months ended 30 June 2006 Number	Year ended 31 December 2006 Number	**Six months ended 30 June 2007 £mn**	Six months ended 30 June 2006 £mn	Year ended 31 December 2006 £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
Subscriber shares of 1p each	200	200	200	–	–	–
	340,000,198	340,000,198	340,000,198	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	68,000,853	70,566,501	67,853,473	68.0	70.6	67.9
Subscriber shares of 1p each	–	–	–	–	–	–
	294,023,253	296,588,901	293,875,873	294.0	296.6	293.9

	Number of shares Units	**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	2,287,970	–	2.3	2.3	14.4
Shares cancelled	(2,140,590)	–	(2.2)	(2.2)	(2.8)
At 30 June 2007	294,023,253	226.0	68.0	294.0	48.0

11. Reconciliation of other changes in equity

	Other reserves £mn	Capital reserves £mn	Own shares held £mn	Net exchange differences £mn	Retained profits £mn	Total £mn
At 1 January	15.1	156.3	(90.9)	(53.7)	1,086.3	1,113.1
Exchange differences on translation of foreign operations	–	–	–	(11.6)	–	(11.6)
Net gains on hedges recognised directly in equity	–	–	–	–	8.2	8.2
Actuarial gains on defined benefit pension schemes	–	–	–	–	40.5	40.5
Net gains on available-for-sale financial assets	–	–	–	–	26.3	26.3
Amounts recycled through the income statement	–	–	–	–	(21.0)	(21.0)
Tax on items taken directly to equity	–	–	–	–	(9.8)	(9.8)
Net income and expense recognised directly in equity	–	–	–	(11.6)	44.2	32.6
Profit for the period	–	–	–	–	139.7	139.7
Total recognised income and expense for the period	–	–	–	(11.6)	183.9	172.3
Shares cancelled	–	1.6	–	–	(18.4)	(16.8)
Consideration paid in the form of shares	(5.0)	–	–	–	–	(5.0)
Own shares purchased	–	–	(17.7)	–	–	(17.7)
Own shares disposed	–	–	24.0	–	–	24.0
Share-based payments	–	–	–	–	13.0	13.0
Dividends	–	–	–	–	(49.5)	(49.5)
Other movements	–	–	–	–	0.2	0.2
Transfers	–	2.6	8.7	–	(11.3)	–
At 30 June	10.1	160.5	(75.9)	(65.3)	1,204.2	1,233.6

12. Reconciliation of net cash from operating activities

	Six months ended 30 June 2007 £mn	Six months ended 30 June 2006 £mn	Year ended 31 December 2006 £mn
Operating profit	163.6	114.1	255.9
Adjustments for:			
Depreciation and amortisation of software	3.7	4.2	7.5
Amortisation of fund management contracts	0.8	–	1.0
Impairment of available-for-sale financial assets recycled through the income statement	–	6.4	1.4
Other amounts recycled through the income statement in respect of financial assets	(21.0)	(16.5)	(24.7)
Increase in trade and other receivables	(38.0)	(277.5)	(238.5)
(Decrease)/increase in trade and other payables and provisions	(17.8)	214.7	195.1
Increase in insurance unit-linked liabilities	698.8	82.4	1,532.0
Net decrease in financial liabilities	–	(0.5)	(15.9)
Profit on disposal of business	–	(2.7)	(2.7)
(Credit)/charge for provisions	(0.8)	1.0	5.8
Impairment of non-current assets held for sale	0.2	2.2	–
Net gains on financial assets at fair value through profit or loss	(28.1)	(19.5)	(30.3)
Share-based payments expensed	13.0	15.2	27.5
Other non-cash movements	21.4	13.5	42.7
United Kingdom corporation tax (paid)/recovered	(1.4)	4.2	5.1
Overseas tax paid	(34.2)	(18.2)	(36.2)
Interest received	0.4	4.0	10.6
Interest paid	(0.4)	(0.8)	(1.4)
Net purchase of assets backing insurance unit-linked liabilities	(698.1)	(40.9)	(1,519.1)
Net disposal/(purchase) of current financial assets	133.9	125.5	(6.6)
Net cash from operating activities	196.0	210.8	209.2

13. Acquisitions

On 28 February 2007, the Group acquired 99.7 per cent. of the issued share capital of Aareal Asset Management GmbH ('AAM') for consideration of £27.7 million. This transaction has been accounted for using the purchase method of accounting. As allowable under IFRS 3 'Business Combinations', the initial accounting for the acquisition has only been determined provisionally due to the timing of the acquisition relative to the reporting date.

The net assets acquired in the transaction, and the goodwill arising, are as follows:

	Carrying value immediately prior to acquisition £mn	Fair value adjustments £mn	Provisional fair value £mn
Net assets acquired:			
Goodwill	4.9	(4.9)	–
Intangible assets	0.3	–	0.3
Property, plant and equipment	0.3	–	0.3
Deferred tax	0.1	1.6	1.7
Current financial assets	16.1	–	16.1
Cash at bank	6.2	–	6.2
Trade and other receivables	4.5	–	4.5
Current financial liabilities	(12.4)	–	(12.4)
Trade and other payables	(2.1)	–	(2.1)
Taxation	(0.4)	–	(0.4)
Less: Minority interests	(0.1)	–	(0.1)
	17.4	(3.3)	14.1
Goodwill			11.0
Intangible assets			2.6
			27.7
Satisfied by:			
Cash			27.7[1]
Total consideration			27.7

[1] Includes acquisition costs of £0.9 million.

The goodwill arising on the acquisition of AAM is attributable to the anticipated profitability of the property fund business acquired. The intangible assets represent values attributed to contractual arrangements between AAM and the funds it manages (see note 7).

The result contributed by AAM and its subsidiaries in the period between the date of acquisition and the balance sheet date was a loss of £0.8 million before tax.

If the acquisition had been completed on 1 January 2007, an aggregation of the Group's gross profit for the period and that of the acquiree would have been £450.7 million, and the profit before tax for the period on the same basis would have been £185.6 million. These figures include a deduction for the additional amortisation charge of £0.1 million that would have arisen had the acquisition taken place at that date.

14. 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 decreased from 9.9 million to 7.6 million. Of the 7.6 million own shares held, 4.7 million were ordinary shares (interim 2006: 3.2 million) and 2.9 million non-voting ordinary shares (interim 2006: 6.8 million).

Shareholder information

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Company No. 3909886

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Fax: +44 (0)20 7658 6965
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Company Secretary
Graham Staples
Schroders plc
31 Gresham Street
London EC2V 7QA
Tel: +44 (0)20 7658 6000
Fax: +44 (0)20 7658 6965
Email: company.secretary@schroders.com

Financial calendar

Ex-dividend date	15 August 2007
Record date	17 August 2007
Interim dividend payment date	21 September 2007
Third quarter trading update	October 2007*

* Date to be confirmed

Investor information
Enquiries and notifications concerning dividends, share certificates or transfers and address changes should be sent to the Registrar; other shareholder enquiries should be addressed to the Company Secretary at the registered office.

The Company's governance reports, corporate governance guidelines, the terms of reference of the Board Committees and our results presentations can be found at www.schroders.com

Registrar
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA
UK shareholder helpline:
Freephone 0800 169 1199
International shareholder helpline:
+44 121 415 7192
Fax: +44 (0)870 600 3980

Shareholder services and electronic communication
Lloyds TSB Registrars provides a range of shareholder information online. Shareholders can access their shareholdings, including balance movements, information on recent dividends, indicative share prices and portfolio valuation and update their details at www.shareview.co.uk.

Shareholder documents such as the annual and interim reports are available electronically on our website or by email. Accessing these documents in this way rather than receiving hard copies reduces the environmental cost of printing and enables shareholders to access such documents more quickly. If you would like to receive a notification by email that such documents are available on the website, you should register your email address at www.shareview.co.uk. If you wish to receive hard copies of shareholder documents, please write to the Registrar.

Duplicate shareholder accounts
If you receive more than one copy of Company mailings this may indicate that more than one account is held in your name on the Register. If you believe more than one account exists in your name and you want them amalgamated, please contact the Registrar.

Dealing services
Shareview Dealing is a shareholder service offered by the Registrar. It is a simple way to buy or sell shares via the internet or telephone with quick settlement. For further information visit www.shareview.co.uk/dealing or call 0870 850 0852.

JPMorgan Cazenove Ltd also operates a postal dealing service in the Company's shares. Further information is available from:
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA
Tel: +44 (0)20 7588 2828
Fax: +44 (0)20 7155 9000

Share information

Both the ordinary shares and the non-voting ordinary shares are listed on the London Stock Exchange.

	ISIN Number	SEDOL Number	EPIC Code
Ordinary shares	GB0002405495	0240549	SDR
Non-voting ordinary shares	GB0002395811	0239581	SDRC

Sharegift

If you only have a small number of shares whose value makes them uneconomic to sell, you may wish to consider donating to charity through Sharegift, an independent charity share donation scheme. For further information, please contact either the Registrar or Sharegift on +44 (0)20 7337 0501, or see the website at www.sharegift.org.

Share price information

Share price information can be found on the website at www.schroders.com, in newspapers such as The Financial Times and The Times or through your broker. The Financial Times Cityline service (telephone 0906 003 000) also provides FTSE updates and share price information with calls charged at 60p per minute. When you dial this number you will be asked to input a four-digit code for the relevant share class:

Ordinary shares	3939
Non-voting ordinary shares	3941

Dividend mandates

We recommend that all dividend payments are made directly into a bank or building society account. This provides tighter security and access to funds more quickly. To apply for a dividend mandate visit http://ir.schroders.com/schrodersplc/irhome/shareholder and click on dividend mandate. Here you will find a dividend mandate form to download, complete and return to the Registrar. Alternatively you can call the shareholder helpline on 0800 169 1199.

Dividend reinvestment plan

The Company operates a Dividend ReInvestment Plan ('DRIP') which provides shareholders with a cost efficient way of increasing their shareholding in the Company by reinvesting their dividends. If you have not already signed up for this service and wish to do so in respect of the September 2007 dividend, you should send your DRIP application to the Registrar, to be received by 31 August 2007. For a copy of the DRIP information pack and application form visit http://ir.schroders.com/schrodersplc/irhome/shareholder and click on dividend reinvestment plan, or contact the Registrar on the shareholder helpline number.

Overseas branch register

An overseas branch register is operated in Bermuda for the benefit of shareholders with registered addresses in Bermuda. Enquiries should be directed to Lloyds TSB Registrars.

Overseas dividend mandates

Schroders offers a service to our overseas shareholders in participating countries which enables shareholders to receive their dividends in local currencies. If you are eligible, and have not yet taken advantage of this mandating process, you should already have received a letter informing you of this and a mandate form. You can check your eligibility and/or request a mandate form if applicable via the shareholder helpline.

Identity theft – protecting your investments
There is a growing trend for criminals to target personal information which may put your shareholding at risk. In order to protect yourself, you should consider the following precautions:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee company;
- Keep any correspondence from the Registrar containing your shareholder reference number in a safe place, or destroy this information by shredding it. Shareholders who have their dividends mandated to their bank accounts should take particular care with the tax vouchers as these contain details of their bank account number and sort code;
- If you move house, please inform the Registrar. If you receive a letter from the Registrar regarding a change of address and you have not moved house, please contact the Registrar immediately. You may be a victim of identity theft; and
- Ensure that you know when your dividends are being paid. You should consider having your dividends paid directly into your bank account to reduce the risk of your dividend cheque being intercepted or lost in the post.

Capital Gains Tax
Capital gains tax values at 31 March 1982 and values relating to the disposal of the investment banking business in 2000 can be found at www.schroders.com or can be obtained from the Company Secretary at the registered office.

Forward-looking statements
This interim report contains certain forward-looking statements with respect to the financial condition, and results of, operations and businesses of the Group. These statements and forecasts involve risk and uncertainty because they relate to events and depend on 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 these forward-looking statements and forecasts. Forward-looking statements and forecasts are based on the Directors' current view and information known to them at the date of this report. The Directors do not make any undertaking to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast.

Glossary

Term	Definition
Carried interest	The Group's share of the profits of private equity funds once the investors have achieved a specified rate of return
Funds under management ("FUM")	The aggregate value of funds managed on behalf of clients. In Private Banking this also includes assets held in custody where execution-only services are provided
Gross profit	Defined under IFRS as external revenues less cost of sales
IAS	International Accounting Standard(s)
IFRS	International Financial Reporting Standard(s)
Mutual funds	Collective investments where a group of investors pool their money (buying shares or a portion of the mutual fund) with a predetermined investment objective
Total Group income	The sum of: • gross profit; • interest receivable and similar income; • interest payable and similar charges; • share of profit of associates and joint ventures.

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