Press Release
Schroders plc

Annual Results to 31 December 2011 (audited) 8 March 2012

- Profit before tax £407.3 million (2010: £406.9 million)
- Earnings per share 115.9 pence (2010: 111.8 pence)
- Full-year dividend 39.0 pence per share (2010: 37.0 pence)
- Net inflows £3.2 billion (2010: £27.1 billion)
- Assets under management £187.3 billion (2010: £196.7 billion)

	2011 £m	2010 £m
Profit		
Asset Management	389.4	381.0
Private Banking	23.8	10.1
	413.2	**391.1**
Group segment	(5.9)	15.8
Total profit before tax	**407.3**	**406.9**
Earnings per share (pence)	**115.9**	**111.8**
Total dividend (pence per share)	**39.0**	**37.0**

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Management Statement

Concerns over the level of government debt in developed economies, the impact of deleveraging on economic growth and the instability of the Eurozone weighed heavily on equity markets throughout 2011. Interest rates were negative in real terms and yields on government bonds, other than those directly impacted by the sovereign debt crisis in Europe, were at record lows. As a result 2011 was a particularly challenging year for investors.

Against that background Schroders performed well, achieving a profit before tax of £407.3 million, slightly ahead of the record year of 2010. Net new business, whilst much reduced from the exceptionally strong result of the previous year, remained positive at £3.2 billion (2010: £27.1 billion) and assets under management ended the year at £187.3 billion (2010: £196.7 billion).

Asset Management

Asset Management net revenue increased to £1,041.5 million (2010: £996.2 million) despite a decline in performance fees to £36.6 million (2010: £72.6 million). As expected, net revenue margins excluding performance fees were lower at 56 basis points (2010: 59 basis points) reflecting the high levels of new business won in Institutional in the past two years. Asset Management profit before tax was a record £389.4 million (2010: £381.0 million).

While market volatility has impacted short-term investment performance in some asset classes, our long-term performance remains strong with 70 per cent. of funds outperforming benchmark or peer group over the three years to the end of 2011. Together with our broad product range and distribution capability, this resulted in another successful year in Institutional with £6.8 billion of net inflows (2010: £16.8 billion). We saw high levels of net new business in multi-asset strategies, and in equities despite the market environment. Assets under management in Institutional ended the year at £108.4 billion (2010: £106.4 billion).

Retail investor demand was affected by growing concerns over the macro-economic environment and equity market volatility. As a result, gross sales in our Intermediary business declined as the environment deteriorated and for the year as a whole we had net outflows of £3.8 billion (2010: net inflows £7.9 billion). Assets under management in Intermediary ended the year at £62.9 billion (2010: £74.1 billion).

Private Banking

Private Banking profit rebounded sharply on the back of record levels of new business in the previous year and the absence of doubtful debt charges. Net revenue increased to £114.3 million (2010: £103.3 million) and profit before tax more than doubled to £23.8 million (2010: £10.1 million). Net new business was £0.2 billion (2010: £2.4 billion) and assets under management ended the year at £16.0 billion (2010: £16.2 billion).

Group

The Group segment incurred a loss before tax of £5.9 million (2010: profit £15.8 million) as mark to market losses on seed capital investments, principally in the fourth quarter, outweighed the modest returns we achieved on our investment capital portfolio during the year in what was a very low return environment. After the purchase of 3.4 million ordinary shares and 5.2 million non-voting ordinary shares at a cost of £126.1 million, shareholders' equity at the end of 2011 was £1.9 billion (2010: £1.8 billion).

Dividend

The Board is recommending an unchanged final dividend of 26.0 pence per share payable on 11 May 2012 to shareholders on the Register at 30 March 2012. This brings the total dividend for the year to 39.0 pence per share (2010: 37.0 pence).

Board changes

After more than nine years as Chairman, Michael Miles will retire from the Board at the Annual General Meeting on 3 May 2012 and will be succeeded by Andrew Beeson, the Senior Independent Director. Alan Brown will also step down from the Board at the Annual General Meeting. Alan has served as Chief Investment Officer since 2005 and has made an important contribution to our success during that time. He will continue to work with some of our largest clients as a Senior Adviser to the firm. During the year we welcomed Ashley Almanza as a member of the Board.

Outlook

Since the year end, the tone in markets has improved as investors have seen signs of progress in the resolution of some of the problems of the Eurozone. Retail investor demand has recovered somewhat and we have generated positive net flows in both Institutional and Intermediary. However, financial markets are likely to remain volatile as the process of reducing government debt will be a long one and economic growth will remain subdued.

We will continue to invest in talent, developing new products and markets and strengthening our infrastructure. We believe that the higher short-term costs of this organic investment are fully justified by the long-term growth opportunities for our business in the UK and internationally.

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 results at 9 a.m. GMT on Thursday, 8 March 2012 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, 8 March 2012 at www.schroders.com/ir.

The Annual Report and Accounts will be available on the Schroders website: www.schroders.com on 23 March 2012.

Forward-looking statements

This announcement, the Annual Report and Accounts for 2011 from which it is extracted and the Schroders website may contain forward-looking statements with respect to the financial condition, results of operations, strategy and businesses of the Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but they relate to events and depend upon circumstances in the future and you should not place undue reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'believes', 'expects', 'aims' or 'anticipates' or the negative of these terms and other similar terms are intended to identify such forward-looking statements. 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 or in the Annual Report and Accounts or on the Schroders website should be construed as a forecast, estimate or projection of future financial performance.

Consolidated income statement

for the year ended 31 December 2011

	2011 £m	2010 £m
Revenue	1,501.9	1,439.3
Cost of sales	(363.3)	(352.7)
Net gains on financial instruments and other income	14.0	69.2
Net revenue[1]	**1,152.6**	1,155.8
Operating expenses	(761.8)	(774.0)
Operating profit	**390.8**	381.8
Net finance income	14.5	9.6
Share of profit of associates and joint ventures	2.0	15.5
Profit before tax	**407.3**	406.9
Tax	(91.5)	(95.7)
Profit after tax	**315.8**	311.2
Earnings per share		
Basic	115.9p	111.8p
Diluted	111.9p	108.3p
Dividends per share[2]	**39.0p**	32.0p

[1] Non-GAAP measure of performance.
[2] Interim and final dividends declared during the year.

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Consolidated statement of comprehensive income

for the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the year	**315.8**	311.2
Net exchange differences on translation of foreign operations after hedging	2.1	27.9
Actuarial (losses)/gains on defined benefit pension schemes	(0.5)	8.0
Net fair value movement arising from available-for-sale financial assets	(16.3)	0.8
Net fair value movement arising from available-for-sale financial assets held by joint ventures	(3.5)	(1.0)
Tax on items taken directly to other comprehensive income	(1.7)	(12.4)
Other comprehensive (losses)/gains for the year net of tax	**(19.9)**	23.3
Total comprehensive income for the year net of tax	**295.9**	334.5

Consolidated statement of financial position

31 December 2011

	2011 £m	2010 £m
Assets		
Cash and cash equivalents	2,338.7	2,004.0
Trade and other receivables	411.2	390.5
Financial assets	2,165.2	2,388.8
Associates and joint ventures	58.4	67.0
Property, plant and equipment	16.2	19.3
Goodwill and intangible assets	144.1	142.5
Deferred tax	50.1	54.0
Retirement benefit scheme surplus	55.7	34.4
	5,239.6	5,100.5
Assets backing unit-linked liabilities		
Cash and cash equivalents	673.6	707.7
Financial assets	7,971.6	7,565.7
	8,645.2	8,273.4
Total assets	**13,884.8**	13,373.9
Liabilities		
Trade and other payables	580.9	577.0
Financial liabilities	2,642.1	2,631.5
Current tax	51.8	38.0
Provisions	52.7	44.4
Deferred tax	2.6	2.7
Retirement benefit scheme deficits	7.9	7.2
	3,338.0	3,300.8
Unit-linked liabilities	**8,645.2**	8,273.4
Total liabilities	**11,983.2**	11,574.2
Net assets	**1,901.6**	1,799.7
Equity	**1,901.6**	1,799.7

Consolidated statement of changes in equity

for the year ended 31 December 2011

Year ended 31 December 2011	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2011	290.4	84.7	(199.1)	122.1	35.5	50.8	1,415.3	1,799.7
Profit for the year	**-**	**-**	**-**	**-**	**2.0**	**-**	**313.8**	**315.8**
Net exchange differences on translation of foreign operations	-	-	-	1.1	-	-	0.1	1.2
Net exchange differences on hedging of foreign operations	-	-	-	1.0	-	-	-	1.0
Transfer to the income statement of cumulative foreign exchange on derecognition of foreign operations	-	-	-	(0.1)	-	-	-	(0.1)
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(0.5)	(0.5)
Net fair value movements on available-for-sale financial assets taken to other comprehensive income	-	-	-	-	(3.5)	(10.6)	-	(14.1)
Transfer to income statement on derecognition or impairment of available-for-sale financial assets	-	-	-	-	-	(5.4)	-	(5.4)
Net exchange differences on available-for-sale financial assets	-	-	-	(0.3)	-	-	-	(0.3)
Tax on items taken directly to other comprehensive income	-	-	-	-	-	0.1	(1.8)	(1.7)
Other comprehensive income/(loss)	**-**	**-**	**-**	**1.7**	**(3.5)**	**(15.9)**	**(2.2)**	**(19.9)**
Shares issued	0.5	3.1	-	-	-	-	-	3.6
Shares cancelled	(8.4)	-	-	-	-	-	(16.0)	(24.4)
Share-based payments	-	-	-	-	-	-	42.7	42.7
Tax in respect of share schemes	-	-	-	-	-	-	(6.1)	(6.1)
Dividends attributable to owners of the parent	-	-	-	-	-	-	(104.8)	(104.8)
Dividends attributable to non-controlling interests	-	-	-	-	-	-	(3.3)	(3.3)
Own shares purchased net of disposals	-	-	(101.4)	-	-	-	(0.3)	(101.7)
Transactions with owners	**(7.9)**	**3.1**	**(101.4)**	**-**	-	-	**(87.8)**	**(194.0)**
Transfers	**-**	**-**	**128.0**	**-**	**(8.2)**	**-**	**(119.8)**	**-**
At 31 December 2011	**282.5**	**87.8**	**(172.5)**	**123.8**	**25.8**	**34.9**	**1,519.3**	**1,901.6**

Year ended 31 December 2010	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2010	288.8	72.5	(89.7)	96.0	30.7	57.9	1,192.8	1,649.0
Profit for the year	**-**	**-**	**-**	**-**	**15.5**	**-**	**295.7**	**311.2**
Net exchange differences on translation of foreign operations	-	-	-	50.5	-	-	(0.3)	50.2
Net exchange differences on hedging of foreign operations	-	-	-	(21.2)	-	-	-	(21.2)
Transfer to the income statement of cumulative foreign exchange on derecognition of foreign operations	-	-	-	(1.1)	-	-	-	(1.1)
Actuarial gains on defined benefit pension schemes	-	-	-	-	-	-	8.0	8.0
Net fair value movements on available-for-sale financial assets taken to other comprehensive income	-	-	-	-	(1.0)	14.0	-	13.0
Transfer to income statement on derecognition or impairment of available-for-sale financial assets	-	-	-	-	-	(11.1)	-	(11.1)
Transfer of cumulative foreign exchange on derecognition or impairment of available-for-sale financial assets	-	-	-	0.9	-	-	-	0.9
Net exchange differences on available-for-sale financial assets	-	-	-	(3.0)	-	-	-	(3.0)
Tax on items taken directly to other comprehensive income	-	-	-	-	-	(10.0)	(2.4)	(12.4)
Other comprehensive income/(loss)	**-**	**-**	**-**	**26.1**	**(1.0)**	**(7.1)**	**5.3**	**23.3**
Shares issued	1.6	12.2	-	-	-	-	-	13.8
Share-based payments	-	-	-	-	-	-	31.1	31.1
Tax in respect of share schemes	-	-	-	-	-	-	11.2	11.2
Dividends attributable to owners of the parent	-	-	-	-	-	-	(87.6)	(87.6)
Dividends attributable to non-controlling interests	-	-	-	-	-	-	(0.4)	(0.4)
Own shares purchased net of disposals	-	-	(151.9)	-	-	-	-	(151.9)
Transactions with owners	**1.6**	**12.2**	**(151.9)**	**-**	**-**	**-**	**(45.7)**	**(183.8)**
Transfers	**-**	**-**	**42.5**	**-**	**(9.7)**	**-**	**(32.8)**	**-**
At 31 December 2010	**290.4**	**84.7**	**(199.1)**	**122.1**	**35.5**	**50.8**	**1,415.3**	**1,799.7**

Consolidated cash flow statement

for the year ended 31 December 2011

	2011 £m	2010 £m
Net cash from operating activities	**426.8**	1,066.8
Cash flows from investing activities		
Aggregate cash flows arising from the disposal of subsidiaries	-	10.4
Acquisition of joint ventures and associates	-	(14.3)
Net purchase of property, plant and equipment and intangible assets	(12.7)	(10.0)
Net disposal/(acquisition) of financial assets	114.6	(15.8)
Non-banking interest received	15.0	7.3
Distributions received from associates and joint ventures	9.0	9.7
Other flows	-	(2.1)
Net cash from/(used in) investing activities	**125.9**	(14.8)
Cash flows from financing activities		
Proceeds from issue of non-voting ordinary shares	3.6	13.8
Purchase of non-voting ordinary shares for cancellation	(24.4)	-
Net acquisition of own shares	(101.7)	(151.9)
Net (repayments)/proceeds of borrowings	(18.6)	18.6
Dividends paid	(104.8)	(87.6)
Other flows	(4.8)	(2.8)
Net cash used in financing activities	**(250.7)**	(209.9)
Net increase in cash and cash equivalents	**302.0**	842.1
Opening cash and cash equivalents	2,711.7	1,769.3
Net increase in cash and cash equivalents	302.0	842.1
Effect of exchange rate changes	(1.4)	100.3
Closing cash and cash equivalents	**3,012.3**	2,711.7
Closing cash and cash equivalents consists of:		
Cash backing unit-linked liabilities	673.6	707.7
Other cash and cash equivalents held by the Group:		
Cash	1,396.9	1,446.2
Cash equivalents	941.8	557.8
	2,338.7	2,004.0
	3,012.3	2,711.7

The cash backing unit-linked liabilities cannot be used by the Group as it is not legally entitled to draw on the assets of the life company for its own corporate purposes.

Basis of preparation

The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2010 have been delivered to the Registrar of Companies and the auditors' opinion on those accounts was unqualified and did not contain a statement made under Section 498(2) or Section 498(3) of the Companies Act 2006. An unqualified auditors' opinion has also been issued on the statutory accounts for the year ended 31 December 2011 which will be delivered to the Registrar of Companies in due course.

The presentation of the financial statements has been reformatted in 2011 to enable greater understanding of the financial results and position of the Group. Where appropriate, the comparative information has also been reformatted for better comparison.

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

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Segmental reporting

Operating segments

The Group has three business segments: Asset Management, Private Banking, and Group. Asset Management principally comprises investment management including advisory services, equity products, fixed income securities, multi-asset 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 charities. Group principally comprises the Group's investment capital and treasury management activities and the management of costs associated with governance and corporate management.

Segment information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker. The chief operating decision maker is the Chief Executive. One of the key measures used in respect of performance measurement is net revenue. The allocation of costs to individual business segments is undertaken in order to provide management information on the business performance 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 in a particular area of the business.

Year ended 31 December 2011	Asset Management £m	Private Banking £m	Group £m	Total £m
Fee income	1,359.3	106.3	0.4	1,466.0
Banking interest receivable	-	35.9	-	35.9
Revenue	**1,359.3**	**142.2**	**0.4**	**1,501.9**
Fee expense	(335.4)	(6.4)	-	(341.8)
Banking interest payable	-	(21.5)	-	(21.5)
Cost of sales	**(335.4)**	**(27.9)**	**-**	**(363.3)**
Net gains/(losses) on financial instruments and other income	17.6	-	(3.6)	14.0
Net revenue	**1,041.5**	**114.3**	**(3.2)**	**1,152.6**
Operating expenses	(658.5)	(90.5)	(12.8)	(761.8)
Operating profit/(loss)	**383.0**	**23.8**	**(16.0)**	**390.8**
Net finance (charge)/income	(0.3)	-	14.8	14.5
Share of profit/(loss) of associates and joint ventures	6.7	-	(4.7)	2.0
Profit/(loss) before tax	**389.4**	**23.8**	**(5.9)**	**407.3**

Segmental reporting continued

Year ended 31 December 2010	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
Fee income	1,298.6	93.7	2.5	-	1,394.8
Banking interest receivable	-	44.5	-	-	44.5
Revenue	1,298.6	138.2	2.5		1,439.3
Fee expense	(318.0)	(5.5)	-	-	(323.5)
Banking interest payable	-	(29.4)	-	0.2	(29.2)
Cost of sales	(318.0)	(34.9)	-	0.2	(352.7)
Net gains on financial instruments and other income	15.6	-	49.3	4.3	69.2
Net revenue	996.2	103.3	51.8	4.5	1,155.8
Operating expenses	(629.8)	(93.2)	(46.7)	(4.3)	(774.0)
Operating profit	366.4	10.1	5.1	0.2	381.8
Net finance income/(charge)	3.4	-	6.4	(0.2)	9.6
Share of profit of associates and joint ventures	11.2	-	4.3	-	15.5
Profit before tax	381.0	10.1	15.8	-	406.9

Revenue

	2011 £m	2010 £m
Management fees	1,267.0	1,161.9
Performance fees	37.8	73.4
Other fees	161.2	159.5
Interest income receivable by Private Banking subsidiaries	35.9	44.5
	1,501.9	1,439.3

Operating expenses

Operating expenses include:	**2011 £m**	2010 £m
Salaries and other remuneration	455.3	444.4
Social security costs	39.4	48.0
Pension costs	5.1	13.1
Employee benefits expense	**499.8**	505.5

Tax expense

Analysis of charge in the year:

	2011 £m	2010 £m
UK corporation tax on profits for the year	31.6	23.1
Adjustments in respect of prior years	-	(5.3)
Foreign tax – current	67.1	59.9
Foreign tax – adjustments in respect of prior years	0.8	(1.6)
Total current tax	**99.5**	76.1
Origination and reversal of temporary differences	(7.9)	9.4
Adjustments in respect of prior years	(1.7)	9.2
Effect of changes in corporation tax rates	1.6	1.0
Total deferred tax	**(8.0)**	19.6
Total tax charge for the year	**91.5**	95.7

The UK standard rate of corporation tax reduced from 28 per cent. to 26 per cent. on 1 April 2011 resulting in a UK effective tax rate for the year of 26.5 per cent. (2010: standard and effective rate of 28 per cent.). The tax charge is lower (2010: lower) than a charge based on the UK effective rate. The reconciliation of the income statement tax charge to the UK rate on profits before tax including the impact of taxes incurred in overseas operations and differences in accounting versus tax profit is set out below:

	2011 £m	2010 £m
Profit before tax	407.3	406.9
Less post-tax profits of joint ventures and associates	(2.0)	(15.5)
Profit before tax of consolidated Group entities	**405.3**	391.4
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK effective rate of 26.5 per cent. (2010: 28 per cent.)	107.4	109.6
Effects of:		
Different statutory tax rates of overseas jurisdictions	(1.9)	(5.5)
Permanent differences including non-taxable income and non-deductible expenses	(10.5)	(3.0)
Net utilisation of tax losses for which no deferred tax asset was recognised	(3.8)	(7.8)
Foreign exchange movements on tax balances	(0.9)	(0.9)
Deferred tax adjustments in respect of changes in corporation tax rates	1.6	1.0
Adjustments to prior year estimates	(0.4)	2.3
Total tax charge for the year	**91.5**	95.7

Earnings per share

Basic earnings per share is calculated by dividing the profit for the financial year attributable to owners of the parent by the weighted average number of shares in issue during the year, 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.

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

	2011 Millions	2010 Millions
Weighted average number of shares used in calculation of basic earnings per share	272.3	275.4
Effect of dilutive potential shares – share options	9.2	8.8
Effect of dilutive potential shares – contingently issuable shares	0.5	0.2
Weighted average number of shares used in calculation of diluted earnings per share	**282.0**	284.4

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

Dividends

	2012		**2011**		2010	
	£m	**Pence per share**	**£m**	**Pence per share**	£m	Pence per share
Declared and paid in year:						
Final dividend	69.3	26.0	70.1	26.0	-	-
Interim dividend			34.7	13.0	29.8	11.0
Second interim dividend			-	-	57.8	21.0
			104.8	**39.0**	87.6	32.0

Dividends of £6.2 million (2010: £4.4 million) on shares held by the employee trusts have been waived; dividends may not be paid on treasury shares. The 2011 final dividend is payable on 11 May 2012 and will be accounted for in 2012.

Share capital and share premium

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2011	290.4	226.0	64.4	290.4	84.7
Shares issued	0.5	-	0.5	0.5	3.1
Shares cancelled	(8.4)	-	(8.4)	(8.4)	-
At 31 December 2011	**282.5**	**226.0**	**56.5**	**282.5**	**87.8**

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2010	288.8	226.0	62.8	288.8	72.5
Shares issued	1.6	-	1.6	1.6	12.2
At 31 December 2010	290.4	226.0	64.4	290.4	84.7

	2011 Millions	2010 Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	64.4
	282.5	290.4

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.

Shares acquired and held in treasury are included in own shares.

During the year, 8.4 million non-voting ordinary shares were cancelled. 6.4 million of these shares were first acquired into treasury and a further 2.0 million were acquired and immediately cancelled.

Own shares

Own shares include the Group's shares (both ordinary and non-voting ordinary) that are held by employee trusts or in treasury.

Movements during the year were as follows:

	2011 £m	2010 £m
At 1 January	**(199.1)**	(89.7)
Own shares purchased	**(101.4)**	(161.2)
Own shares disposed	**-**	9.3
Cancellation of own shares held in treasury	**75.3**	-
Awards vested	**52.7**	42.5
At 31 December	**(172.5)**	(199.1)

	2011			2010		
	Vested shares Number Millions	**Unvested shares Number Millions**	**Total Number Millions**	Vested shares Number Millions	Unvested shares Number Millions	Total Number Millions
Ordinary shares held within trusts	2.4	12.3	14.7	1.3	12.9	14.2
Non-voting ordinary shares held within trusts	0.6	0.1	0.7	0.8	0.1	0.9
Non-voting ordinary shares held as treasury shares*	-	0.6	0.6	-	3.8	3.8
	3.0	**13.0**	**16.0**	2.1	16.8	18.9

* Non-voting ordinary shares held as treasury shares do not vest but are included in unvested shares for presentational purposes only.

During the year 6.4 million non-voting ordinary shares held within treasury were cancelled.

Reconciliation of net cash from operating activities

	2011 £m	2010 £m
Operating profit	**390.8**	381.8
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation and impairment of intangible assets	14.1	17.5
Net losses/(gains) and impairments taken through the income statement on financial instruments	3.2	(42.5)
Share-based payments	42.7	34.2
Net charge for provisions	11.3	27.2
Other non-cash movements	(7.6)	(13.7)
	63.7	22.7
Adjustments for other income statement cash movements:		
Payments made to the defined benefit section of the UK pension scheme	(3.1)	(62.2)
Cash paid on settlement of share-based payments	-	(3.1)
Tax paid	(78.5)	(48.2)
Interest paid	(0.2)	(0.5)
	(81.8)	(114.0)
Adjustments for statement of financial position movements:		
Decrease in trade and other receivables	61.9	121.9
Increase in trade and other payables and provisions	26.3	213.4
	88.2	335.3
Adjustments for life company movements:		
Net purchase of assets backing unit-linked liabilities	(405.9)	(2,124.4)
Net increase in unit-linked liabilities	371.8	2,565.4
	(34.1)	441.0
Net cash from operating activities	**426.8**	1,066.8

Schroders

Retirement benefit obligations

The disclosures are provided mainly in respect of the principal defined benefit scheme in the UK, the defined benefit section of the Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2011 £m	2010 £m
Pension costs – defined contribution plans	(22.2)	(16.5)
Pension costs – defined benefit plans	17.3	3.7
Other post-employment benefits	(0.2)	(0.3)
	(5.1)	(13.1)

The income statement credit in respect of defined benefit plans consists of:

Current service cost	(2.8)	(8.0)
Past service credit	-	3.5
Expected return on scheme assets	44.7	42.8
Curtailment	10.2	-
Interest on scheme liabilities	(33.4)	(33.3)
Total income statement credit in respect of the Scheme	**18.7**	5.0
Income statement charges in respect of other defined benefit schemes	(1.4)	(1.3)
Total defined benefit schemes income statement credit	**17.3**	3.7

The amounts recognised in the statement of comprehensive income are set out below:

Other comprehensive (loss)/income consists of:	**2011 £m**	2010 £m
Actual return less expected return on Scheme assets	42.6	37.1
Experience losses arising on Scheme liabilities	(4.1)	(1.4)
Changes in assumptions underlying the present value of the Scheme liabilities	(39.0)	(27.4)
Total other comprehensive (loss)/income in respect of the Scheme	**(0.5)**	8.3
Other comprehensive loss in respect of other defined benefit schemes	-	(0.3)
Total other comprehensive (loss)/income in respect of defined benefit schemes	**(0.5)**	8.0

The Scheme is non-contributory and administered by the Scheme's trustee. The Scheme was closed to new entrants and future accrual on 30 April 2011. At 31 December 2011 there were no active members in the Scheme and 1,238 active members in the defined contribution section of the Schroders Retirement Benefits Scheme (2010: 284 and 849 respectively). The last completed triennial valuation of the Scheme was carried out as at 31 December 2008. It disclosed that the market value of the assets of the Scheme represented 92 per cent. of the liabilities at that date, calculated on the funding basis applicable to the Scheme, for the benefits that had accrued to members at that date allowing for future increases in earnings and pensions. The triennial valuation as at 31 December 2011 is currently in progress.

In the year, the contributions to the Scheme totalled £3.1 million (2010: £62.2 million). The Group paid effective contributions to 30 April 2011 of 37.5 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 income statement credit for the Scheme has been determined by independent qualified actuaries, Aon Hewitt Limited, and is based on an assessment of the Scheme as at 31 December 2011.

The amounts recognised in the statement of financial position in respect of the Scheme are:

Fair value of plan assets	**2011 £m**	2010 £m
At 1 January	692.9	573.0
Expected return	44.7	42.8
Actuarial gains	42.6	37.1
Contributions by employer	3.1	62.2
Benefits paid	(19.5)	(22.2)
At 31 December	**763.8**	692.9
Present value of funded obligations		
At 1 January	(658.5)	(614.1)
Current service cost	(2.8)	(8.0)
Past service credit	-	3.5
Interest cost	(33.4)	(33.3)
Curtailment	10.2	-
Actuarial losses	(43.1)	(28.8)
Benefits paid	19.5	22.2
At 31 December	**(708.1)**	(658.5)
Net asset in respect of the Scheme	**55.7**	34.4

The history of the Group's defined benefit schemes, including the Scheme, is as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of Scheme assets	763.8	692.9	573.0	547.6	555.3
Present value of defined benefit obligation of the Scheme	(708.1)	(658.5)	(614.1)	(525.2)	(512.8)
Surplus/(deficit) in the Scheme	**55.7**	34.4	(41.1)	22.4	42.5
Deficit of other defined benefit schemes	(7.9)	(7.2)	(5.4)	(7.4)	(4.5)
Total surplus/(deficit) of defined benefit schemes	**47.8**	27.2	(46.5)	15.0	38.0
Experience adjustments on Scheme liabilities	(4.1)	(1.4)	16.6	2.0	(0.6)
Experience adjustments on Scheme assets	42.6	37.1	0.1	(40.0)	(1.4)
Net experience adjustments	**38.5**	35.7	16.7	(38.0)	(2.0)

The sensitivity of the Scheme pension liabilities to changes in assumptions is as follows:

		2011		2010	
Assumption	**Assumption change**	**Estimated reduction in pension liabilities £m**	**Estimated reduction in pension liabilities %**	Estimated reduction in pension liabilities £m	Estimated reduction in pension liabilities %
Discount rate	Increase by 0.5% per annum	68.1	9.6	61.8	9.4
Expected rate of salary increases	Reduce by 0.5% per annum	N/A	N/A	2.2	0.3
Expected rate of pension increases in payment	Reduce by 0.5% per annum	45.4	6.4	42.4	6.4
Life expectancy	Reduce by one year	18.9	2.7	18.2	2.8

Key risks and mitigations

This section provides a summary of our control of risk. It sets out how we manage the risks in our business and how we have developed risk management during 2011, including a summary of the work of the Group Risk Committee. It then provides a summary of the key continuing risks, how we mitigate them and our assessment of their potential impact on our business in the context of the current economic and geopolitical environment. Finally, it provides an overview of the impact and indicative timescales of emerging risks.

Managing risk

It is the responsibility of all employees to maintain the control culture of Schroders and, consequently, we embed risk management within the business.

The Board retains accountability for risk management. It regularly considers the most significant risks facing the Group, and uses quantitative exposure measures, such as stress tests, where appropriate. The non-executive oversight of the risk management process lies with the Audit and Risk Committee.

The Chief Executive and Group Management Committee review the key corporate risks facing the Group. Individual risks are managed in different ways depending on the nature of the risks and their potential impacts so as to mitigate adverse consequences. We group the risks we face into market, investment performance and liquidity risks; credit risks; operational risks; and emerging risks. We continually upgrade our risk control processes and technological support tools to increase their effectiveness.

The Chief Executive has delegated the executive oversight of risk to the Chief Financial Officer. The Chief Financial Officer has responsibility for the risk and control framework of the Group and the independent monitoring and reporting of risks and controls.

The Chief Financial Officer is supported by the Group Head of Risk and chairs the Group Risk Committee, which includes, as well as the control functions, senior representatives from each business segment and division, including the Chief Investment Officer, Chief Operating Officer and the Group Head of Private Banking. As the principal management committee for the monitoring and reporting of risks and controls, the Group Risk Committee reviews and monitors the adequacy and effectiveness of the Group's risk management framework, including relevant policies and limits. It also reviews trends and exceptions in the most significant risk exposures.

Three lines of defence

The first line of defence against unexpected outcomes lies with line managers whether they are in Investment, Distribution, Private Banking or Infrastructure. Members of the Group Management Committee have risk management responsibility within their respective business areas. The senior management team takes the lead role with respect to appropriate controls across the business to maintain the quality standards expected by clients and regulators.

Line management is supplemented by oversight functions that provide a second line of defence.

Group Internal Audit provides retrospective independent assurance over the operation of controls and is the third line of defence against unexpected outcomes. The internal audit programme includes reviews of the risk management process and advice and recommendations to improve the control environment.

2011 developments

During the year, we worked to increase the awareness of individuals' responsibility for the control of risk. For example, we prepared a bespoke film for the 2011 global management meeting focusing on external risks faced by the Group. We drew not only on internal views but included perspectives from other leading financial institutions and regulators.

We have also worked to increase the sophistication of our risk controls. There have been three notable automations: the installation of a global treasury system; the development of transparent look-through reporting of Group capital holdings providing detailed analyses of combined exposures; and a consolidated daily report of counterparty exposures.

The Group Risk Committee's work in 2011 included emerging risk identification; complex product development reviews; preparations for the implementation of the UK Bribery Act; the approval of client take-on procedures; preparations for regulatory developments such as Dodd-Frank, FATCA, UCITS IV and RDR; the Japanese earthquake business continuity plan; and policy reviews such as brand protection, information assurance, procurement and corporate residence.

We devoted resources to the management of risks associated with Eurozone instability and the weak economic environment, establishing a team to monitor, pre-empt and react to developments. Its work continues.

We have increased the sophistication of statistical modelling of risk outcomes which has resulted in improved quantification of Pillar 2 regulatory capital. The Financial review in the Annual Report covers this in more detail.

We have extended the Group Risk Committee's attendees to include all members of the Group Management Committee on a quarterly basis.

Key risks

The following tables summarise key business risks. The list is not exhaustive but aims to provide information on the risks that are currently considered to be most relevant to our business.

Market, investment performance and liquidity risks

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

Description of key risk	How we manage this risk
Market risk Market risk arises from market movements, which can cause a fall in the value of principal investments and a decline in the value of assets under management. Shareholders' funds, net fee income and expenses of the Group's overseas subsidiaries are denominated in local currencies and are therefore subject to exchange rate risk.	Our geographically diversified, broad product range enables us to provide clients with solutions tailored to a variety of market conditions and serves to diversify individual market dependencies. Group management regularly reviews all holdings within Group capital. All principal investments are managed within approved limits. The Group's seed capital investments may be hedged in respect of market risk and currency risk. These decisions are taken by the Group Capital Committee, chaired by the Chief Financial Officer. Income and expenses are, where possible, matched in the currency of individual subsidiaries. We also use forward foreign exchange contracts to mitigate transactional and investment exposure to currency movements. In Private Banking, market risk is monitored and managed at a local level and by the Private Banking Risk Committee.
Investment performance risk The management of investment risk is a core skill of the Group. This is the risk that portfolios will not meet their investment objectives. This can adversely affect levels of net new business.	The Schroder Investment Risk Framework provides review and challenge of investment risks across each of the asset classes managed by the Group. A team reporting directly to the Group Head of Risk provides further independent oversight and challenge to this process. We adhere to a clearly defined investment process which seeks to meet investment targets within stated risk parameters. Individual portfolio performance, valuations and risk profiles are monitored by fund managers and management on a regular basis, allowing issues to be identified and mitigated. Recognising that not all products will outperform all the time, we offer a diversified product set which reduces the concentration of risk on the performance of any one fund or asset class. Investment performance is monitored as part of our investment performance risk management process.

Liquidity risk Liquidity risk is the risk that cash flows cannot be generated to meet redemptions or other obligations as they arise. Liquidity issues can arise as a result of market conditions or through inherently illiquid investments.	To mitigate this risk within client portfolios, we seek to match, where possible, the liquidity of a portfolio's underlying investments with its anticipated liquidity requirements. We actively monitor markets for indicators of declines in liquidity. We also review products and portfolios to identify capacity constraints. Each of our regulated subsidiaries and the Group as a whole meet regulatory capital requirements. In addition, we maintain sufficient liquidity in our assets for our anticipated needs, taking account of the risks we face. We monitor Private Banking liquidity against the regulatory requirements in the jurisdictions concerned. In the UK, this includes the maintenance of an Individual Liquidity Adequacy Assessment that monitors liquidity against a range of stress scenarios.

Credit risk

We face risks from the default of counterparties to our principal financial transactions. Our clients also face counterparty risk in relation to the financial transactions in their portfolios and funds. Private Banking additionally faces principal credit risk on its lending activities.

Description of key risk	How we manage this risk
Credit risk We face credit risk as a result of counterparty exposure.	In order to manage this risk we actively monitor counterparty creditworthiness with limits expressed in terms of value and term to maturity. The Group sets overall limits in respect of both principal and agency counterparty risk. Where possible, we seek to diversify our exposure across different counterparties. All counterparties are reviewed on a regular basis and limits are amended following changes to their financial metrics. We actively monitor market data and rating agency outputs in assessing counterparties. Collateral is taken in some cases.
We also face credit risk through lending by Private Banking.	In Private Banking, we mitigate credit risk where possible through collateralisation in the form of cash, portfolio investments or property. Credit risk is monitored and managed against the performance of the collateral.

Operational risk

Operational risk arises in our investment management activities, distribution channels, product development and the operation of our infrastructure and as a consequence of our diversified business model. Local management is responsible for operational risk controls.

Description of key risk	How we manage this risk
Operational risk Operational risk could arise from the failure of significant business processes undertaken by Schroders.	All new business processes are subject to review in order to identify a suitable suite of operational controls to mitigate potential risks.
We have a number of outsourced supplier relationships that are an important part of our business model, particularly in respect of fund administration services.	Prior to entering outsourcing arrangements, the Group undertakes due diligence and, prior to engagements, maintains a programme of assessment against agreed service levels.

Distribution risk Distribution risk arises from relationship management and concentration across different distribution channels and products. We access clients through three channels: institutional clients, often advised by consultants; retail clients, intermediated through banks, brokers and independent advisers; and private clients.	The broad range of distribution channels mitigates against a key dependency on any sales channel. No single client accounts for more than one per cent. of total revenue.
Product risk Product risk arises from complexity and the development of new products to meet changes in client demand. Product risk can also arise from capacity constraints where the size of assets under management in a particular asset class makes it more difficult to trade efficiently in the market.	We have a dedicated product development team and a product approval and review procedure. We actively monitor potential capacity constraints and may mitigate them by closing products to new investment in certain circumstances.
Technology risk We rely on technology and qualified professionals to maintain our infrastructure.	Our technology is partly outsourced and our platform utilises well established, tested technology from outsource partners assessed to be financially stable and able to provide the required level of service. Outsource partners are an important part of our business model and we work with them to maintain the quality and continuity of service. Due diligence is undertaken before entering into new arrangements, and performance is reviewed on an ongoing basis. Continuity and business resumption planning is in place across the business.

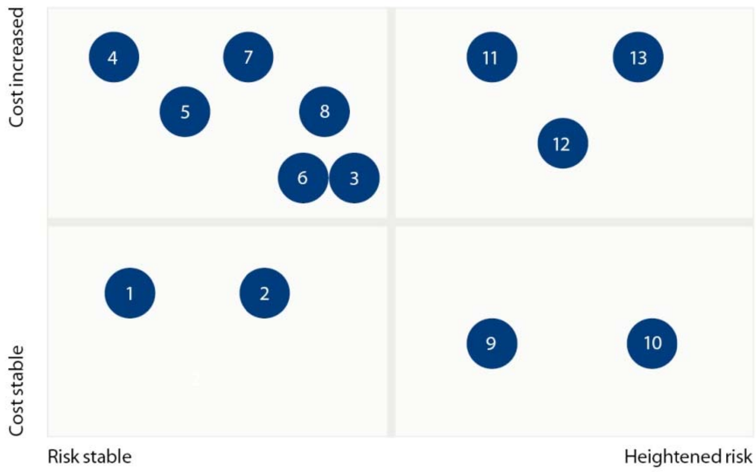
People risk Our business depends on people. We ensure we employ people with skill sets appropriate to our changing business needs.	We recruit and develop specialist skills as the range of our product offerings deepens and our investment and distribution strategies develop into new areas. To mitigate people risks, we have competitive remuneration plans, with appropriate deferred benefits, targeted at key employees. We also operate from many international centres, which reduces reliance on single pools of talent and individual country stability. Clear objectives are set for employees and we measure success in the annual review process. This allows us to identify employee development initiatives which can be motivational and increase the retention of talented people.
We expect our employees to behave with integrity, which is a core value.	We actively promote ethical standards and train our employees accordingly.
Geographical diversity risk Our business is broadly diversified by region which, whilst mitigating aggregate risk, introduces local risks as a result of local laws, regulations, business customs and traditions.	We employ local people with local expertise and also move employees internationally around the Group. The Group Risk Committee receives reports from line management regarding matters giving cause for concern and recommendations for appropriate remedial action. We keep our employees up to date on international regulation relevant to them, particularly extra-territorial legislation which typically emanates from the UK, Europe and the US. An independent team, reporting to the Group Head of Risk, is responsible for assessing the impact of material issues and implementing appropriate and timely risk mitigation.
Legal risk The risk that Schroders or counterparties fail to meet their legal obligations and the risk of legal proceedings.	We rely on our employees, with support from our legal team, to consider carefully the obligations we assume and our compliance with them. Semi-annual confirmations are obtained from representatives around the Group that any dispute or potential claim has been brought promptly to the attention of the General Counsel.
Regulatory and compliance risk The risk of loss arising from failure to meet regulatory requirements in those jurisdictions in which the Group operates.	We maintain compliance arrangements across our global offices, through which our Compliance function supports business management in meeting its obligations. Compliance with relevant regulatory requirements is monitored.

Current assessment of key continuing risks

The key continuing risks outlined above have been assessed in the light of the current economic and geopolitical environment as summarised in the diagram below.

The horizontal axis considers if the probability of each key risk is heightened due to current market conditions. The vertical axis considers whether the potential cost of the key risk has increased due to current market conditions. The Group undertakes additional work to address those risks that it considers to be potentially heightened and/or more costly.

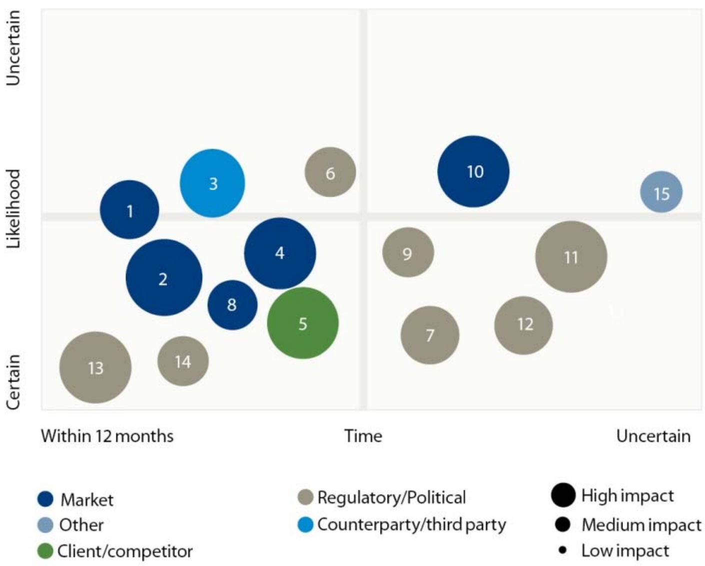
1. People risk: Employment practices and workplace safety
2. Geographical diversity: Disasters and public safety
3. Regulatory and compliance risk
4. Operational risk: Distribution risk
5. Operational risk: Clients, products and business practices
6. Legal risk
7. Operational risk: Technology and infrastructure failures
8. Operational risk: Execution, delivery and process management
9. Counterparty credit risk
10. Credit lending risk
11. Liquidity risk
12. Investment performance risk
13. Market risk



Emerging risks

Emerging risks are those with uncertain impact, probability and timeframe that could cause risk to the Group. These are the hardest to define and change regularly. We analyse each risk and, if needed, develop and apply mitigation and management plans. The external emerging risks and key regulatory changes that are currently our focus of attention are set out below. The diagram indicates our assessment of the likelihood, timeframe and impact on our business. The estimated impact and likelihood may change as circumstances change and mitigation plans are developed.

1. Double dip recession
2. Eurozone crisis
3. Major bank failure
4. Market liquidity crisis
5. Investment performance
6. Financial Services Compensation Scheme review
7. Vickers report impact
8. Capital controls in the Eurozone
9. AIFMD impact
10. Financial transaction tax
11. Basel III impact
12. MiFID II/PRIPS/UCITS V impact
13. RDR impact
14. Dodd-Frank, EMIR (OTC market reform)
15. Terrorism



Schroders

Directors' responsibility statement

To the best of their knowledge and belief, each of the Directors listed below confirms that:

– The consolidated financial statements of Schroders plc, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of Schroders plc and the undertakings included in the consolidation taken as a whole;

– The announcement includes a fair summary of the development and performance of the business and the position of Schroders plc and the undertakings included in the consolidation taken as a whole and a description of the principal risks and uncertainties that they face;

– So far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

– They have each taken all the steps that ought to have been taken by them as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors:

Michael Miles	Chairman
Michael Dobson	Chief Executive
Alan Brown	Chief Investment Officer
Philip Mallinckrodt	Head of Private Banking
Kevin Parry	Chief Financial Officer
Massimo Tosato	Executive Vice Chairman and Global Head of Distribution
Andrew Beeson	Senior Independent Director
Ashley Almanza	Independent non-executive Director
Luc Bertrand	Independent non-executive Director
Robin Buchanan	Independent non-executive Director
Lord Howard of Penrith	Independent non-executive Director
Merlyn Lowther	Independent non-executive Director
Bruno Schroder	Non-executive Director

7 March 2012

Five-year consolidated financial summary

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Profit before tax	**407.3**	406.9	137.5	123.1	392.5
Tax	**(91.5)**	(95.7)	(41.8)	(51.8)	(88.8)
Profit after tax	**315.8**	311.2	95.7	71.3	303.7

Earnings per share:	**2011 Pence**	2010 Pence	2009 Pence	2008 Pence	2007 Pence
Basic earnings per share	**115.9**	111.8	34.3	27.5	104.8
Diluted earnings per share	**111.9**	108.3	34.2	27.3	103.2

Dividends (IFRS):	**2011**	2010	2009	2008	2007
Cost (£m)	**104.8**	87.6	84.9	86.7	74.9
Pence per share*	**39.0**	32.0	31.0	31.0	26.5
Total equity (£m)	**1,901.6**	1,799.7	1,649.0	1,632.2	1,696.2
Net assets per share (pence)**	**673**	620	571	569	576

*Dividends per share are those amounts approved by the shareholders to be paid within the year on a per share basis to the shareholders on the register at the specified dates.
**Net assets per share are calculated by using the actual number of shares at the year-end date.

Assets under management – 2011 flows

£ billion	**Total**	**Institutional**	**Intermediary**	**Private Banking**
31 December 2010	**196.7**	**106.4**	**74.1**	**16.2**
Gross inflows	59.3	23.9	31.1	4.3
Gross outflows	(56.1)	(17.1)	(34.9)	(4.1)
Net flows	**3.2**	**6.8**	**(3.8)**	**0.2**
Investment returns	(12.6)	(4.8)	(7.4)	(0.4)
31 December 2011	**187.3**	**108.4**	**62.9**	**16.0**

Schroders

Income and cost metrics for the Group

	2011	2010
Cost: net revenue ratio	**66%**	67%
Compensation cost: operating revenue ratio	**44%**	45%
Bonus: pre-bonus operating profit	**39%**	40%
Return on average capital (pre-tax)	**22%**	24%
Return on average capital (post-tax)	**17%**	18%

Exchange rates - closing

	2011	2010	2009	2008	2007
Sterling:					
Euro	**1.20**	1.17	1.13	1.03	1.36
US dollar	**1.55**	1.57	1.61	1.44	1.99
Swiss franc	**1.45**	1.46	1.67	1.53	2.25
Australian dollar	**1.52**	1.53	1.80	2.06	2.27
Hong Kong dollar	**12.07**	12.17	12.52	11.14	15.52
Japanese yen	**119.57**	126.98	150.33	130.33	222.38
Singaporean dollar	**2.02**	2.01	2.27	2.07	2.87