Schroders

Press Release
Schroders plc

10 March 2011

Annual Results to 31 December 2010 (audited)

- Net inflows £27.1 billion (2009: £15.0 billion)
- Funds under management £196.7 billion (2009: £148.4 billion)
- Profit before tax £406.9 million (2009: £137.5 million[1])
- Earnings per share 111.8 pence (2009: 34.3 pence)
- Full-year dividend 37.0 pence per share (2009: 31.0 pence)

	2010 £m	2009 £m
Profit		
Asset Management	381.0	174.7
Private Banking	10.1	20.1
	391.1	**194.8**
Group segment	15.8	(57.3)
Total profit before tax	**406.9**	**137.5**[1]
Earnings per share (pence)	**111.8**	**34.3**
Total dividend (pence per share)	**37.0**	**31.0**

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[1] After exceptional losses of £62.7 million.

Management Statement

2010 was a volatile year for investors. Equity markets initially continued the strong performance of 2009 before falling back as concerns developed over the stability of the Eurozone. Meanwhile, the continued search for yield in a very low interest rate environment provided good support for fixed income markets. Later, with further quantitative easing in the US, investors' risk appetite returned and equity markets resumed their upward trend to the end of the year. 2010 also saw a reappraisal of sovereign risk and the prospects for economic growth in developed economies which led investors to rebalance their portfolios towards emerging markets.

Schroders was well positioned to benefit from these trends with a broad product range that meets the changing priorities of investors, strong investment performance across asset classes and a significant international presence in Europe, Asia Pacific and the Americas, with two thirds of our revenues arising from clients outside the UK.

2010 was a record year on most measures. Net new business inflows were £27.1 billion (2009: £15.0 billion) taking funds under management at the year end to an all time high of £196.7 billion (2009: £148.4 billion). Net revenue was £1.16 billion (2009: £749.8 million) and profit before tax was £406.9 million (2009: £137.5 million).

Asset Management

Asset Management net revenue increased to £996.2 million (2009: £679.2 million) including performance fees of £72.6 million (2009: £34.5 million). Although we saw net inflows in traditionally lower margin products such as fixed income and liability driven investment, net revenue margins were slightly ahead at 63 basis points (2009: 62 basis points). Asset Management profit before tax was £381.0 million (2009: £174.7 million).

Investment performance has been good with 81 per cent. of funds outperforming their benchmark or peer group over the three years to the end of 2010. As a result, net inflows were generated across equities, fixed income, multi-asset and alternatives. Net inflows into fixed income were particularly noteworthy at £9.8 billion taking fixed income assets under management to £33.8 billion, almost double the level of two years ago. We also had £5.0 billion of net inflows in multi-asset with major new mandates from UK and international clients. This represents a turnaround from recent years when we were seeing net outflows in multi-asset as a result of the run off of UK balanced mandates.

Our Institutional business had a strong year reflecting good investment performance and a range of innovative products. Gross inflows totalled £31.4 billion for the year (2009: £18.6 billion) and net new business amounted to £16.8 billion (2009: £4.9 billion). All regions had net inflows. Funds under management in Institutional ended the year up 39 per cent. at £106.4 billion (2009: £76.7 billion).

Gross inflows in our global Intermediary business increased to £39.2 billion (2009: £29.0 billion), and net inflows were at a high level at £7.9 billion, although down slightly on the previous year (2009: £9.6 billion). This reflected higher levels of redemptions in Asia although we still had positive net flows in that region. In addition, our joint venture asset management company in China ended the year with funds under management of £5.2 billion (not included in overall funds under management) and contributed £10.1 million of profit. We generated significant net inflows in continental Europe, in the UK and in our growing Intermediary business in the US. Funds under management in Intermediary ended the year up 25 per cent. at £74.1 billion (2009: £59.1 billion).

Private Banking

Private Banking net new business reached a high of £2.4 billion (2009: £0.5 billion) and funds under management ended the year up 29 per cent. at £16.2 billion (2009: £12.6 billion). This reflects the strength of our proposition for private clients as well as additional client facing private bankers. However, net revenue was only slightly ahead at £103.3 million (2009: £97.7 million) as higher management fee income was offset by lower interest income. Higher costs, principally staff costs as we added headcount as well as a small increase in doubtful debt provisions, resulted in a decline in profit before tax to £10.1 million (2009: £20.1 million).

With record levels of funds under management and one off costs incurred in 2010 falling away, we expect increasing profitability in Private Banking in 2011.

Group

Profit before tax in the Group segment was £15.8 million (2009: loss £57.3 million) with satisfactory returns achieved on our diversified investment capital portfolio. After the purchase of 7.4 million ordinary shares and a net 4.6 million non-voting ordinary shares during the year at a cost of £151.9 million, shareholders' equity at the end of 2010 was £1.80 billion (2009: £1.65 billion).

Dividend

The Board is recommending an increased final dividend of 26.0 pence per share, payable on 12 May 2011 to shareholders on the Register at 25 March 2011. This brings the total dividend for the year to 37.0 pence per share (2009: 31.0 pence), an increase of 19 per cent.

Outlook

We expect the economic recovery to continue in 2011 which should support asset prices over the year. However, markets will continue to be volatile in the face of increasing inflationary pressures, interest rates trending upwards in many countries and heightened political risk in developing markets.

There are further good growth opportunities across the full range of our businesses and, to ensure Schroders is well positioned to take advantage of them, we will continue to invest in talent, upgrading our information technology and operational infrastructure and in meeting the requirements of a more stringent regulatory environment.

We believe our strategy of building a broadly diversified business, investing in organic growth opportunities and maintaining a strong financial position will continue to create substantial value for clients and shareholders over the long term.

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, 10 March 2011 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, 10 March 2011 on www.schroders.com/ir.

The Annual Report and Accounts will be available on the Schroders website: www.schroders.com on 24 March 2011.

Forward-looking statements

This announcement, the Annual Report and Accounts for 2010 from which it is extracted and the Schroders website may contain forward-looking statements with respect to the financial condition, results of operations 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. 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 should be construed as a profit forecast.

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Consolidated income statement

for the year ended 31 December 2010

	2010	2009*		
	Total £m	Before exceptionals £m	Exceptional Items** £m	Total £m
Fee income	1,394.8	958.7	-	958.7
Fee expense	(323.5)	(209.6)	-	(209.6)
Net fee income	1,071.3	749.1	-	749.1
Banking interest receivable	44.5	60.8	-	60.8
Banking interest payable	(29.2)	(41.5)	-	(41.5)
Net banking interest income	15.3	19.3	-	19.3
Net gains/(losses) on financial instruments and other income	69.2	20.5	(39.1)	(18.6)
Net revenue* **	**1,155.8**	788.9	(39.1)	749.8
Operating expenses	(774.0)	(615.1)	(23.6)	(638.7)
Operating profit/(loss)	**381.8**	173.8	(62.7)	111.1
Finance income	10.1	12.5	-	12.5
Finance charges	(0.5)	(1.7)	-	(1.7)
Net finance income	9.6	10.8	-	10.8
Share of profit of associates and joint ventures	15.5	15.6	-	15.6
Profit/(loss) before tax	**406.9**	200.2	(62.7)	137.5
Tax	(95.7)			(41.8)
Profit after tax	**311.2**			95.7
Attributable to:				
Non-controlling interests	3.3			0.3
Owners of the parent	307.9			95.4
	311.2			95.7
Memo – dividends	**(87.6)**			(84.9)
Earnings per share: **Basic**	**111.8p**			34.3p
Diluted	**108.3p**			34.2p

* 2009 has been reformatted for consistency with the 2010 presentation.
**See note on exceptional items on page 13.
***Non-GAAP measure of performance.

Schroders

Consolidated statement of comprehensive income

for the year ended 31 December 2010

	2010 £m	2009* £m
Profit for the year	**311.2**	95.7
Net foreign exchange gains/(losses) on translation of foreign operations**	**50.2**	(113.7)
Net (losses)/gains on hedges of foreign operations recognised directly in equity	**(21.2)**	65.8
Transfers of cumulative foreign exchange on foreign operations to income statement on disposal or liquidation	**(1.1)**	-
Net foreign exchange gains/(losses) on translation of foreign operations after hedging	**27.9**	(47.9)
Actuarial gains/(losses) on defined benefit pension schemes	**8.0**	(69.6)
Transfers to income statement on available-for-sale investments on disposal or impairment excluding foreign exchange	**(11.1)**	35.0
Transfers of cumulative foreign exchange on available-for-sale investments to income statement on disposal or impairment	**0.9**	7.4
Total transfers to income statement on disposal or impairment	**(10.2)**	42.4
Net foreign exchange (losses)/gains on available-for-sale investments	**(3.0)**	0.9
Net fair value gains taken to equity	**13.0**	15.8
Net fair value movement arising from available-for-sale financial assets	**(0.2)**	59.1
Tax on items taken directly to equity	**(1.2)**	43.1
Other comprehensive income/(loss) for the year	**34.5**	(15.3)
Total comprehensive income for the year net of tax	**345.7**	80.4
Attributable to:		
Non-controlling interests	**3.0**	0.3
Owners of the parent	**342.7**	80.1
	345.7	80.4

* 2009 has been reformatted for consistency with the 2010 presentation.
** Includes a foreign exchange loss of £0.3 million (2009: £nil) in respect of non-controlling interests.

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Consolidated balance sheet 31 December 2010

	2010 £m	2009* £m
Non-current assets		
Goodwill	**120.4**	115.6
Intangible assets	**22.1**	26.3
Property, plant and equipment	**19.3**	21.3
Associates and joint ventures	**67.0**	46.5
Financial assets	**92.3**	129.7
Loans and advances to customers	**554.7**	495.1
Deferred tax	**54.0**	71.1
Retirement benefit scheme surplus	**34.4**	-
Trade and other receivables	**6.7**	4.9
	970.9	910.5
Current assets		
Financial assets	**1,454.9**	1,339.2
Loans and advances to customers	**286.9**	469.1
Current tax	**9.8**	20.5
Trade and other receivables	**374.0**	338.7
Cash and cash equivalents	**2,004.0**	1,502.6
	4,129.6	3,670.1
Assets backing unit-linked liabilities		
Investments in authorised unit trusts	**998.8**	1,905.4
Other financial assets	**6,566.9**	3,535.9
Cash and cash equivalents	**707.7**	266.7
	8,273.4	5,708.0
Total assets	**13,373.9**	10,288.6
Non-current liabilities		
Financial liabilities	**20.2**	37.6
Deposits by customers and banks	**421.4**	383.1
Deferred tax	**2.7**	2.5
Provisions	**21.0**	12.8
Retirement benefit scheme deficits	**7.2**	46.5
Trade and other payables	**81.4**	84.1
	553.9	566.6
Current liabilities		
Financial liabilities	**106.4**	43.6
Deposits by customers and banks	**2,083.5**	1,904.5
Provisions	**23.4**	4.8
Current tax	**38.0**	16.5
Trade and other payables	**495.6**	395.6
	2,746.9	2,365.0
Unit-linked liabilities	**8,273.4**	5,708.0
Total liabilities	**11,574.2**	8,639.6
Net assets	**1,799.7**	1,649.0
Equity		
Called-up share capital	**290.4**	288.8
Share premium	**84.7**	72.5
Own shares	**(199.1)**	(89.7)
Other reserves	**298.3**	270.2
Retained profits	**1,322.2**	1,106.6
Equity attributable to owners of the parent	**1,796.5**	1,648.4
Non-controlling interests	**3.2**	0.6
Total equity	**1,799.7**	1,649.0

*2009 has been reformatted for consistency with the 2010 presentation.

Approved by the Board of Directors on 9 March 2011 Kevin Parry Bruno Schroder (Directors)

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Consolidated statement of changes in equity

for the year ended 31 December 2010

Year ended 31 December 2010	Share capital £m	Share premium £m	Own shares £m	Other reserves £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2010	288.8	72.5	(89.7)	270.2	1,106.6	0.6	1,649.0
Profit for the year	-	-	-	-	307.9	3.3	311.2
Net foreign exchange gains/(losses) on translation of foreign operations after hedging	-	-	-	28.2	-	(0.3)	27.9
Actuarial gains on defined benefit pension schemes	-	-	-	-	8.0	-	8.0
Net fair value movement arising from available-for-sale financial assets	-	-	-	(2.1)	1.9	-	(0.2)
Tax on items taken directly to equity	-	-	-	-	(1.2)	-	(1.2)
Other comprehensive income/(loss)	**-**	**-**	**-**	**26.1**	**8.7**	**(0.3)**	**34.5**
Shares issued	1.6	12.2	-	-	-	-	13.8
Share-based payments	-	-	-	-	31.1	-	31.1
Dividends	-	-	-	-	(87.6)	(0.4)	(88.0)
Own shares purchased	-	-	(161.2)	-	-	-	(161.2)
Own shares disposed	-	-	9.3	-	-	-	9.3
Transactions with owners	**1.6**	**12.2**	**(151.9)**	**-**	**(56.5)**	**(0.4)**	**(195.0)**
Transfers	**-**	**-**	**42.5**	**2.0**	**(44.5)**	**-**	**-**
At 31 December 2010	**290.4**	**84.7**	**(199.1)**	**298.3**	**1,322.2**	**3.2**	**1,799.7**

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Year ended 31 December 2009	Share capital £m	Share premium £m	Own shares £m	Other reserves £m	Retained profits £m	Non-controlling interests £m	Total £m
At 1 January 2009	286.7	61.2	(100.8)	329.4	1,055.4	0.3	1,632.2
Profit for the year	-	-	-	-	95.4	0.3	95.7
Net foreign exchange losses on translation of foreign operations after hedging	-	-	-	(47.9)	-	-	(47.9)
Actuarial losses on defined benefit pension schemes	-	-	-	-	(69.6)	-	(69.6)
Net fair value movement arising from available-for-sale financial assets	-	-	-	8.3	50.8	-	59.1
Tax on items taken directly to equity	-	-	-	-	43.1	-	43.1
Other comprehensive (loss)/income	**-**	**-**	**-**	**(39.6)**	**24.3**	**-**	**(15.3)**
Shares issued	2.1	11.3	-	-	-	-	13.4
Share-based payments	-	-	-	-	27.6	-	27.6
Dividends	-	-	-	-	(84.9)	-	(84.9)
Net loss on consideration paid in the form of shares	-	-	4.9	(5.0)	-	-	(0.1)
Own shares purchased	-	-	(19.6)	-	-	-	(19.6)
Transactions with owners	**2.1**	**11.3**	**(14.7)**	**(5.0)**	**(57.3)**	**-**	**(63.6)**
Transfers	**-**	**-**	**25.8**	**(14.6)**	**(11.2)**	**-**	**-**
At 31 December 2009	288.8	72.5	(89.7)	270.2	1,106.6	0.6	1,649.0

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Consolidated cash flow statement

for the year ended 31 December 2010

	2010 £m	2009 £m
Net cash from operating activities	**1,066.8**	370.9
Cash flows from investing activities		
Aggregate cash flows arising from the disposal of subsidiaries	**10.4**	-
Cash disposed as part of the disposal of subsidiaries	**(2.1)**	-
Acquisition of joint ventures and associates	**(14.3)**	(1.2)
Purchase of software	**(3.1)**	(1.2)
Purchase of property, plant and equipment	**(8.1)**	(4.9)
Disposal of property, plant and equipment	**1.2**	-
Net disposal of non-current financial assets	**4.6**	0.5
Net (purchase)/disposal of current financial assets	**(20.4)**	324.1
Net disposal of non-current assets held for sale	**-**	0.8
Interest received	**7.3**	12.5
Distributions received from associates and joint ventures	**9.7**	2.7
Net cash (used in)/from investing activities	**(14.8)**	333.3
Cash flows from financing activities		
Proceeds from issue of non-voting ordinary shares	**13.8**	13.4
Acquisition of own shares	**(161.2)**	(19.6)
Disposal of own shares	**9.3**	-
Net proceeds of borrowings	**18.6**	-
Dividends paid to non-controlling interests	**(0.4)**	-
Dividends paid	**(87.6)**	(84.9)
Financing costs	**(2.4)**	-
Net cash used in financing activities	**(209.9)**	(91.1)
Net increase in cash and cash equivalents	**842.1**	613.1
Opening cash and cash equivalents	**1,769.3**	1,197.1
Net increase in cash and cash equivalents	**842.1**	613.1
Effect of exchange rate changes	**100.3**	(40.9)
Closing cash and cash equivalents	**2,711.7**	1,769.3
Closing cash and cash equivalents consists of:		
Cash and cash equivalents backing unit-linked liabilities	**707.7**	266.7
Other cash and cash equivalents held by the Group	**2,004.0**	1,502.6
	2,711.7	1,769.3

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 2009 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 2010 which will be delivered to the Registrar of Companies in due course.

The presentation of the financial statements has been reformatted in 2010 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.

Basis of preparation

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, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

With the exception of IAS 24 (see below), the Group did not adopt any Standards which were issued during the year, but which were not effective at the balance sheet date. The Group adopted all Standards and Interpretations that became effective during the year. Relevant Standards and Interpretations not yet adopted at the balance sheet date were:

IFRS 9	Financial Instruments

IFRS 9 has not yet been endorsed by the European Union. As it currently stands, the Standard replaces the classification and measurement models for financial instruments in IAS 39 with two classification categories: amortised cost and fair value. Equity instruments will be recorded at fair value, with gains or losses reported either in the income statement or through equity. However, for fair value assets held through equity there will no longer be a requirement to transfer gains or losses to the income statement on impairment or disposal. Debt instruments that meet a new definition in IFRS 9 will be recorded at amortised cost unless this results in an accounting mismatch. A combination of the Standard's requirements and the Group's decision as to how it wishes to treat each instrument on adoption will determine the impact of the new Standard.

The Standards and Interpretations adopted in the year required the Group to amend its accounting policies, but had no numerical impact on the Group's financial statements. Relevant Standards and Interpretations adopted were:

IFRS 3 (Revised)	Business Combinations
IAS 24 (Amendment early adopted)	Related Party Disclosures
IAS 27 (Revised)	Consolidation of Separate Financial Statements
IAS 39 (Amended)	Financial Instruments: Recognition and Measurement
IFRIC 16 (New)	Hedges of Net Investment in a Foreign Operation

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Segmental reporting

Operating segments

The Group has three continuing 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 certain smaller institutions. Group principally comprises returns on the Group's investments less Group expenses.

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 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.

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**
Fee expense	(318.0)	(5.5)	-	-	**(323.5)**
Net fee income	980.6	88.2	2.5	-	**1,071.3**
Banking interest receivable from external parties	-	44.5	-	-	**44.5**
Banking interest payable to external parties	-	(29.2)	-	-	**(29.2)**
Inter-segment interest	-	(0.2)	-	0.2	**-**
Net banking interest income	-	15.1	-	0.2	**15.3**
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**
External finance income	3.1	-	7.0	-	**10.1**
Inter-segment interest receivable/(payable)	0.5	-	(0.3)	(0.2)	**-**
Finance income	3.6	-	6.7	(0.2)	**10.1**
Finance charges	(0.2)	-	(0.3)	-	**(0.5)**
Net finance income/(charges)	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**

Segmental reporting continued

Year ended 31 December 2009	Asset Management £m	Private Banking £m	Group £m	Inter-segment eliminations and adjustments £m	Total £m
Fee income	870.4	83.0	5.3	-	**958.7**
Fee expense	(205.2)	(4.4)	-	-	**(209.6)**
Net fee income	665.2	78.6	5.3	-	**749.1**
Banking interest receivable from external parties	-	60.8	-	-	**60.8**
Banking interest payable to external parties	-	(41.5)	-	-	**(41.5)**
Inter-segment interest	-	(0.2)	-	0.2	**-**
Net banking interest income	-	19.1	-	0.2	**19.3**
Net gains/(losses) on financial instruments and other income	14.0	-	(37.7)	5.1	**(18.6)**
Net revenue	679.2	97.7	(32.4)	5.3	**749.8**
Operating expenses	(517.6)	(77.6)	(38.4)	(5.1)	**(638.7)**
Operating profit/(loss)	161.6	20.1	(70.8)	0.2	**111.1**
External finance income	2.7	-	9.8	-	**12.5**
Inter-segment interest receivable/(payable)	0.6	-	(0.4)	(0.2)	**-**
Finance income	3.3	-	9.4	(0.2)	**12.5**
Finance charges	(0.1)	-	(1.6)	-	**(1.7)**
Net finance income/(charges)	3.2	-	7.8	(0.2)	**10.8**
Share of profit of associates and joint ventures	9.9	-	5.7	-	**15.6**
Profit/(loss) before tax	174.7	20.1	(57.3)	-	**137.5**

Exceptional items

The Group believes that the deterioration of the world's financial markets that occurred during 2008 and which continued to affect markets in 2009 constituted rare events that had a material impact on the value of the Group's investment capital and intangible assets arising from business combinations. As such, losses on such assets during those years were classified as exceptional items, together with the cost of redundancies and actions related to the cost reduction programme that arose as a direct consequence of market conditions. There are no similar or other circumstances that have resulted in exceptional items in 2010.

Year ended December 2009	**Asset Management £m**	**Private Banking £m**	**Group £m**	**Total £m**
Within net revenue:				
Net losses on financial instruments and other income	-	-	(39.1)	(39.1)
Within operating expenses:				
Redundancy costs	(7.8)	-	-	(7.8)
Surplus space provision and office rationalisation arising from the cost reduction programme	(1.9)	-	(4.9)	(6.8)
Other rationalisation costs	(3.9)	-	-	(3.9)
Impairment of joint ventures and intangible assets	(3.7)	-	-	(3.7)
Provision for bad and doubtful debts	-	-	(1.4)	(1.4)
	(17.3)	-	(6.3)	(23.6)
Total exceptional items	**(17.3)**	**-**	**(45.4)**	**(62.7)**
Profit/(loss) before tax and exceptional items	**192.0**	**20.1**	**(11.9)**	**200.2**
Profit/(loss) before tax	**174.7**	**20.1**	**(57.3)**	**137.5**

Operating expenses

Operating expenses include:	**2010 £m**	2009 £m
Salaries and other remuneration	**444.4**	343.6
Social security costs	**48.0**	36.7
Other pension costs	**13.1**	18.2
Employee benefits expense	**505.5**	398.5
Operating lease payments	**31.4**	31.8

The average number of employees employed by the Company and its subsidiary undertakings during the year was:

	2010 Number	2009 Number
Full-time employees	**2,530**	**2,540**
Contract and temporary staff	**138**	**118**
	2,668	**2,658**
They were employed as follows (all continuing operations):		
Asset Management	**2,326**	**2,326**
Private Banking	**331**	**322**
Group	**11**	**10**
	2,668	**2,658**

Retirement benefit obligations

The disclosures are provided mainly in respect of the principal defined benefit scheme in the UK, the Schroders Retirement Benefits Scheme (the Scheme). The income statement charge for retirement benefit is as follows:

	2010 £m	2009 £m
Pension costs – defined contribution plans	**16.5**	15.0
Pension costs – defined benefit plans	**(3.7)**	2.8
Other post-employment benefits	**0.3**	0.4
	13.1	18.2
The defined benefit scheme income statement (credit)/charge in respect of the Scheme consists of:		
Current service cost	**8.0**	7.5
Past service cost	**(3.5)**	0.2
Expected return on scheme assets	**(42.8)**	(35.0)
Curtailment	**-**	(0.5)
Interest on scheme liabilities	**33.3**	29.6
Total income statement (credit)/charge in respect of the Scheme	**(5.0)**	1.8
Income statement charges in respect of other defined benefit schemes	**1.3**	1.0
Total defined benefit scheme income statement (credit)/charges	**(3.7)**	2.8

The amounts that have been recognised in the statement of comprehensive income ('SOCI') are set out below:

	2010 £m	2009 £m
Actual return less expected return on Scheme assets	**37.1**	0.1
Experience gains and losses arising on Scheme liabilities	**(1.4)**	16.6
Changes in assumptions underlying the present value of the Scheme liabilities	**(27.4)**	(87.0)
Total other comprehensive income gains/(losses) in respect of the Scheme	**8.3**	(70.3)
Other comprehensive income (losses)/gains in respect of other defined benefit schemes	**(0.3)**	0.7
Total other comprehensive income gains/(losses) in respect of defined benefit schemes	**8.0**	(69.6)

The Scheme is non-contributory and administered by the Trustee. It is a funded scheme comprising a defined benefit section and a defined contribution section. During the year, it was open to new entrants and had 284 active members in the defined benefit section and 849 active members in the defined contribution section at 31 December 2010 (2009: 305 and 813 respectively). The most recent 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 liability 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.

In the year, the contributions to the defined benefit section of the Scheme totalled £62.2 million (2009: £8.6 million).

On 30 November 2010, the Group announced a proposal to close the defined benefit section of the Scheme to future accrual on 30 April 2011, with affected employee members being offered membership of the defined contribution section from this date. At 31 December 2010, the Group was consulting with active members over this proposed change. On 8 March 2011 the Board determined that, following the employee consultation exercise, the defined benefit section of the Scheme would close to future accrual with effect from 30 April 2011. The current active members of the defined benefit section of the Scheme will generally be eligible to join the

Schroders

existing defined contribution section. With future accrual to cease, the Group expects to make contributions to the defined benefit section totalling approximately £2.8 million during 2011 to cover the accrual of ongoing benefits.

The Group paid effective contributions to the defined benefit section of the Scheme in 2010 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 pension cost for the defined benefit section of 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 2010.

The principal financial assumptions used for the Scheme were as follows:

	2010 **%**	2009 %
Discount rate	**5.2**	5.5
RPI inflation rate	**3.7**	3.9
CPI inflation rate	**3.2**	-*
Future salary increases	**4.5**	4.7
Future pension increases (for benefits earned before 13 August 2007)	**3.6**	3.6
Future pension increases (for benefits earned after 13 August 2007)	**2.4**	2.3
Expected return on Scheme assets analysed as:		
Equities	**8.2**	8.6
Bonds	**4.6**	4.9
Liability-matching assets	**5.2**	5.5
Other assets	**4.9**	5.2
Number of years a current pensioner is expected to live beyond age 60:	**Years**	Years
Men	**29**	28
Women	**32**	31
Number of years future pensioners currently aged 45 are expected to live beyond age 60:	**Years**	Years
Men	**31**	30
Women	**33**	32

* CPI inflation rate was not applicable to the Group in 2009.

The Group operates a number of smaller pension schemes around the world, some of which are funded defined benefit schemes with valuations performed regularly by qualified actuaries. Actuarial assumptions vary according to the economic conditions of the countries in which the funds are situated.

Following the UK Government's announcements about the method of increasing pensions in line with inflation, the Group has identified some elements of pension which are now assumed to increase in line with inflation as measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). In July 2010, the Scheme's early retirement factors were changed for all future retirements from active service. The effect of this has been recognised in the income statement as a past service credit of £3.5 million. The Group has not materially changed any of the other 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.

Administration expenses and the levy payable to the Pensions Protection Fund are met directly by the Group.

Schroders

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

	2010 £m	2009 £m
At 1 January	**573.0**	547.6
Expected return	**42.8**	35.0
Actuarial gains	**37.1**	0.1
Contributions by employer	**62.2**	8.6
Benefits paid	**(22.2)**	(18.3)
Fair value of plan assets at 31 December	**692.9**	573.0
At 1 January	**(614.1)**	(525.2)
Current service cost	**(8.0)**	(7.5)
Past service cost	**3.5**	(0.2)
Interest cost	**(33.3)**	(29.6)
Curtailment	**-**	0.5
Actuarial losses	**(28.8)**	(70.4)
Benefits paid	**22.2**	18.3
Present value of funded obligations at 31 December	**(658.5)**	(614.1)
Net surplus/(deficit) in respect of the Scheme	**34.4**	(41.1)

Other net deficits from other defined benefit schemes total £7.2 million (2009: £5.4 million). Pension scheme assets do not include any of the Company's shares (2009: nil) or buildings occupied by the Group (2009: nil).

The cumulative amount of actuarial gains and losses recognised in respect of the Scheme through the statement of comprehensive income is a £83.3 million (2009: £91.6 million) loss.

The expected rates of return on individual categories of Scheme assets (net of investment expenses only) are determined by reference to the following:

Bonds – based on an outperformance of 0.4 per cent. (2009: 0.4 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

Equities – based on an outperformance of 4.0 per cent. (2009: 4.1 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

Liability-matching - based on an outperformance of 1.0 per cent. (2009: 1.0 per cent.) per annum above the yield on long-dated government bonds at the balance sheet date.

Other - based on the long-term expected return on cash implied by swaps yields, together with an expected return on hedge funds based on outperformance of 1.0 per cent. per annum above the yield on long-dated government bonds at the balance sheet date (2009: 1.0 per cent.).

The fair value of the Scheme assets at the balance sheet date is analysed as follows:

	2010 £m	2009 £m
Equity instruments	**328.9**	289.2
Debt instruments	**92.0**	78.3
Liability-matching assets	**248.7**	190.6
Other assets*	**23.3**	14.9
	692.9	573.0

*Includes hedge funds

Approximately 36 per cent. (2009: 33 per cent.) of the Scheme's assets are held in liability-driven investments (including government and corporate bonds, derivatives such as interest rate and inflation swaps and cash) so as to match the profile of the Scheme's liabilities. The remaining 64 per cent. is invested in a diversified portfolio of growth assets with an allocation of approximately 47 per cent. to equities (including property) and 17 per cent. to a range of other asset classes, including debt, private equity, hedge funds and currency. The combination and the spread across the different asset classes has been designed to reduce risk while still generating an expected return, over the long term, in excess of the cost of meeting the Scheme's liabilities.

The history of the Scheme is as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of Scheme assets	**692.9**	573.0	547.6	555.3	517.6
Present value of defined benefit obligation of the Scheme	**(658.5)**	(614.1)	(525.2)	(512.8)	(500.8)
Surplus/(deficit) in the Scheme	**34.4**	(41.1)	22.4	42.5	16.8
Deficit of other defined benefit schemes	**(7.2)**	(5.4)	(7.4)	(4.5)	(3.1)
Total surplus/(deficit) of defined benefit schemes	**27.2**	(46.5)	15.0	38.0	13.7
Experience adjustments on Scheme liabilities	**(1.4)**	16.6	2.0	(0.6)	(1.0)
Experience adjustments on Scheme assets	**37.1**	0.1	(40.0)	(1.4)	14.4

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

		2010		**2009**	
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	**61.8**	**9.4**	57.8	9.4
Expected rate of salary increases	Reduce by 0.5% per annum	**2.2**	**0.3**	2.3	0.4
Expected rate of pension increases in payment	Reduce by 0.5% per annum	**42.4**	**6.4**	38.7	6.3
Life expectancy	Reduce by one year	**18.2**	**2.8**	14.2	2.3

Membership details of the defined benefit section of the Scheme as at 31 December are as follows:

	2010	2009
Active members	**284**	305
Total pensionable salary roll	**£22.7 million per annum**	£23.2 million per annum
Average age (active)	**47**	46
Average service in plan	**10.8 years**	10.5 years
Number of deferred members	**1,454**	1,466
Total deferred pensions (at date of leaving Scheme)	**£9.9 million per annum**	£9.9 million per annum
Average age (deferred)	**48**	48
Number of pensioners	**662**	645
Average age (pensioners)	**69**	68
Total pensions in payment	**£14.6 million per annum**	£14.0 million per annum

Tax expense

The UK standard rate of corporation tax for the year was 28 per cent. (2009: effective rate of 28 per cent.).

The tax charge for the year is lower (2009: higher) than the UK standard rate of corporation tax of 28 per cent. The differences are explained below:

	2010 £m	2009 £m
Profit before tax	**406.9**	137.5
Less post-tax profits of joint ventures and associates	**(15.5)**	(15.6)
Profit before tax of consolidated Group entities	**391.4**	121.9
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK rate of 28 per cent. (2009: 28 per cent.)	**109.6**	34.1
Effects of:		
Impact of profits/losses arising in jurisdictions with higher tax rates	**1.6**	4.3
Impact of profits/losses arising in jurisdictions with lower tax rates	**(10.1)**	(2.7)
Non-taxable income net of disallowable expenses	**(3.1)**	2.0
Movement in unrecognised deferred tax	**(7.8)**	9.0
Effect of share price movements and forfeits on deferred tax assets relating to share schemes	**0.1**	(1.1)
Foreign exchange movements on tax balances	**(0.9)**	(0.6)
UK tax on profits of overseas entities after double tax relief	**0.8**	1.6
Overseas tax on profits of UK entities after double tax relief	**2.2**	1.6
Deferred tax adjustments in respect of changes in corporation tax rates	**1.0**	-
Prior year adjustments:		
UK tax	**(5.3)**	(4.6)
Foreign tax	**(1.6)**	(3.5)
Deferred tax	**9.2**	1.7
Total tax charge for the year	**95.7**	41.8

Analysis of charge/(credit) to equity	**2010 £m**	2009 £m
Current income tax on Equity Compensation Plan and share option awards	**(6.5)**	(5.3)
Current income tax on movements on available -for-sale financial assets	**10.0**	(8.0)
Deferred tax on Equity Compensation Plan and share option awards	**(5.3)**	(10.2)
Deferred tax on actuarial gains and losses on defined benefit pension schemes	**2.0**	(19.6)
Deferred tax – effect of changes in corporation tax rates	**1.0**	-
Tax charge/(credit) reported in equity	**1.2**	(43.1)

Dividends

Dividends payable are recognised when the dividend is paid or approved by shareholders, whichever is earlier.

	2011		2010		2009	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Declared or recommended in year:						
Final dividend	70.7	26.0	-	-	57.4	21.0
Interim dividend			29.8	11.0	27.5	10.0
Second interim dividend			57.8	21.0	-	-
			87.6	32.0	84.9	31.0

Dividends of £5.0 million (2009: £4.0 million) on shares held by the employee trusts have been waived. The 2010 final dividend is payable on 12 May 2011 and will be accounted for in 2011.

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:

	2010 Number	2009 Number
Weighted average number of shares used in calculation of basic earnings per share	**275,421,749**	278,180,961
Effect of dilutive potential shares – share options	**8,776,349**	680,378
Effect of dilutive potential shares – contingently issuable shares	**164,363**	158,122
Weighted average number of shares used in calculation of diluted earnings per share	**284,362,461**	279,019,461

There is no difference between the profit for the financial year attributable to owners of the parent used in the basic and diluted earnings per share calculations.

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

Schroders

Intangible assets

	2010			2009		
	Intangible assets arising from business combinations £m	**Software £m**	**Total £m**	Intangible assets arising from business combinations £m	Software £m	Total £m
Cost						
At 1 January	**29.1**	**47.9**	**77.0**	44.5	49.0	93.5
Exchange translation adjustments	**1.9**	**1.2**	**3.1**	(2.6)	(1.3)	(3.9)
Additions	**-**	**3.1**	**3.1**	-	1.2	1.2
Transfers to goodwill	**-**	**-**	**-**	(12.8)	-	(12.8)
Disposals	**-**	**(1.1)**	**(1.1)**	-	(1.0)	(1.0)
At 31 December	**31.0**	**51.1**	**82.1**	29.1	47.9	77.0
Amortisation						
At 1 January	**(18.7)**	**(32.0)**	**(50.7)**	(14.3)	(28.5)	(42.8)
Exchange translation adjustments	**(1.1)**	**(0.7)**	**(1.8)**	0.9	0.9	1.8
Amortisation and impairment for the year	**(4.2)**	**(3.9)**	**(8.1)**	(5.3)	(5.4)	(10.7)
Disposals	**-**	**0.6**	**0.6**	-	1.0	1.0
At 31 December	**(24.0)**	**(36.0)**	**(60.0)**	(18.7)	(32.0)	(50.7)
Carrying amount at 31 December	**7.0**	**15.1**	**22.1**	10.4	15.9	26.3

In 2010, a charge for impairment of £2.1 million (2009: £2.7 million) was taken in respect of reduced expected future cash inflows from entities acquired by the Group. A discount rate of between 13.1 per cent. and 15.1 per cent. (2009: between 12.4 per cent and 14.3 per cent.) were used in calculating the estimated levels of impairment.

The Group has future commitments to purchase software with a value of £0.3 million (2009: £0.4 million).

Schroders

Property, plant and equipment

	2010			2009		
	Office equipment, computers and cars £m	**Long leasehold premises and leasehold improvements £m**	**Total £m**	Office equipment, computers and cars £m	Long leasehold premises and leasehold improvements £m	Total £m
Cost						
At 1 January	**24.1**	**50.3**	**74.4**	26.8	53.0	79.8
Exchange translation adjustments	**0.7**	**1.2**	**1.9**	(1.4)	(2.1)	(3.5)
Additions	**6.8**	**1.3**	**8.1**	2.2	2.7	4.9
Disposals	**(1.6)**	**(4.1)**	**(5.7)**	(3.5)	(3.3)	(6.8)
At 31 December	**30.0**	**48.7**	**78.7**	24.1	50.3	74.4
Depreciation						
At 1 January	**(18.0)**	**(35.1)**	**(53.1)**	(19.3)	(32.8)	(52.1)
Exchange translation adjustments	**(0.5)**	**(0.4)**	**(0.9)**	1.0	1.1	2.1
Depreciation charge for the year	**(3.5)**	**(5.9)**	**(9.4)**	(2.8)	(6.2)	(9.0)
Disposals	**1.5**	**2.5**	**4.0**	3.1	2.8	5.9
At 31 December	**(20.5)**	**(38.9)**	**(59.4)**	(18.0)	(35.1)	(53.1)
Net book value at 31 December	**9.5**	**9.8**	**19.3**	6.1	15.2	21.3

At 31 December 2010 and 2009, none of the above assets were held under finance leases. The Group has future commitments to purchase property, plant and equipment with a value of £0.1 million (2009: £0.7 million).

Associates

The interest in associates comprised:

	Equity £m	Group's share of post-acquisition reserves £m	Total £m
At 1 January 2010	**5.5**	**11.0**	**16.5**
Additions	**14.3**	**-**	**14.3**
Profit for the year after tax	**-**	**4.8**	**4.8**
Capital redemptions	**(0.4)**	**(5.7)**	**(6.1)**
At 31 December 2010	**19.4**	**10.1**	**29.5**

On 21 June 2010, the Group acquired a 49 per cent. shareholding in RWC Partners Limited.

Joint ventures

The Group's principal joint venture is a 30 per cent. interest in the ordinary share capital of Bank of Communications Schroder Fund Management Co. Ltd., which manages funds in China.

The Group's share of the assets, liabilities, revenue and expenses of the joint ventures is as follows:

	2010			2009		
	China joint venture £m	**Other joint ventures £m**	**Total £m**	China joint venture £m	Other joint ventures £m	Total £m
Non-current assets	**2.7**	**0.7***	**3.4**	3.4	0.7*	4.1
Current assets	**39.9**	**2.3**	**42.2**	32.8	1.5	34.3
Non-current liabilities	**(1.0)**	**-**	**(1.0)**	(1.1)	-	(1.1)
Current liabilities	**(6.5)**	**(0.6)**	**(7.1)**	(7.0)	(0.3)	(7.3)
Total equity	**35.1**	**2.4**	**37.5**	**28.1**	**1.9**	**30.0**
Revenue	**23.9**	**2.1**	**26.0**	26.5	0.5	27.0
Expenses	**(10.4)**	**(1.3)**	**(11.7)**	(13.2)	(0.5)	(13.7)
Tax	**(3.4)**	**(0.2)**	**(3.6)**	(3.4)	-	(3.4)
Group's share of joint ventures' profit for the year	**10.1**	**0.6**	**10.7**	9.9	-	9.9

* Balance consists of goodwill.

Schroders

Unit-linked liabilities and assets backing unit-linked liabilities

The life company's assets are regarded as current assets as they represent amounts available to unit-linked policyholders (or third party investors in authorised unit trusts) who are able to withdraw their funds on call, subject to certain restrictions in the case of illiquidity.

Unit-linked liabilities comprise:

	2010 **£m**	2009 £m
Financial liabilities due to life company investors	**7,439.3**	5,062.9
Financial liabilities due to third party investors*	**834.1**	645.1
	8,273.4	5,708.0

* Such liabilities arise in respect of assets controlled by the Group that are beneficially owned by third parties.

Financial assets

	2010			
	Loans and receivables and held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Non-current				
Equities – listed	-	-	27.7	27.7
Equities – unlisted	-	-	36.5	36.5
Debt securities – listed	8.6	-	0.2	8.8
Debt securities – unlisted	-	-	2.2	2.2
Investments	8.6	-	66.6	75.2
Derivative contracts	-	17.1	-	17.1
Total non-current	**8.6**	**17.1**	**66.6**	**92.3**
Current				
Equities – listed	-	2.4	63.4	65.8
Equities – unlisted	-	378.2	24.9	403.1
Debt securities – listed	91.5	341.2	69.1	501.8
Debt securities – unlisted	390.7	5.5	4.1	400.3
Other listed investments	-	52.3	-	52.3
Investments	482.2	779.6	161.5	1,423.3
Derivative contracts	-	31.6	-	31.6
Total current	**482.2**	**811.2**	**161.5**	**1,454.9**
Total financial assets	**490.8**	**828.3**	**228.1**	**1,547.2**

	2009			
	Loans and receivables and held to maturity £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Non-current				
Equities – listed	-	-	32.9	32.9
Equities – unlisted	-	-	30.6	30.6
Debt securities – listed	27.3	-	0.3	27.6
Other – unlisted	-	-	2.5	2.5
Investments	27.3	-	66.3	93.6
Derivative contracts	-	36.1	-	36.1
Total non-current	27.3	36.1	66.3	129.7
Current				
Equities – listed	-	71.1	86.8	157.9
Equities – unlisted	-	11.2	20.9	32.1
Debt securities – listed	196.6	393.8	59.5	649.9
Debt securities – unlisted	280.9	0.6	192.1	473.6
Investments	477.5	476.7	359.3	1,313.5
Derivative contracts	-	25.7	-	25.7
Total current	477.5	502.4	359.3	1,339.2
Total financial assets	**504.8**	**538.5**	**425.6**	**1,468.9**

Share capital

	Number of shares	**Ordinary shares £m**	**Non-voting ordinary shares £m**	**Total shares £m**	**Share premium £m**
At 1 January 2010	288,777,897	226.0	62.8	288.8	72.5
Shares issued	1,670,234	-	1.6	1.6	12.2
At 31 December 2010	**290,448,131**	**226.0**	**64.4**	**290.4**	**84.7**

	Number of shares	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2009	286,713,360	226.0	60.7	286.7	61.2
Shares issued	2,064,537	-	2.1	2.1	11.3
At 31 December 2009	288,777,897	226.0	62.8	288.8	72.5

	2010 Number	2009 Number	**2010 £m**	2009 £m
Issued and fully paid:				
Ordinary shares of £1 each	**226,022,400**	226,022,400	**226.0**	226.0
Non-voting ordinary shares of £1 each	**64,425,731**	62,755,497	**64.4**	62.8
	290,448,131	288,777,897	**290.4**	288.8

The difference between the share classes

The non-voting ordinary shares carry the same rights as ordinary shares except that they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares.

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

Schroders

Own shares

Own shares include the Group's shares (both ordinary and non-voting ordinary) that are held by employee trusts which have been established for the purposes of satisfying certain equity-based awards and shares acquired and held in treasury to meet future award requirements and other general corporate purposes. Own shares held by the Group comprise:

	2010			2009		
	Vested shares Number	**Unvested shares Number**	**Total Number**	Vested shares Number	Unvested shares Number	Total Number
Ordinary shares held within trusts	**1,286,796**	**12,892,457**	**14,179,253**	1,106,215	7,982,373	9,088,588
Non-voting ordinary shares held within trusts	**790,325**	**127,829**	**918,154**	1,212,663	225,472	1,438,135
Non-voting ordinary shares held as treasury shares*	**-**	**3,770,277**	**3,770,277**	-	600,000	600,000
	2,077,121	**16,790,563**	**18,867,684**	2,318,878	8,807,845	11,126,723

	2010			2009		
	Vested shares £m	**Unvested shares £m**	**Total £m**	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares held within trusts:						
Cost	**11.3**	**158.5**	**169.8**	10.7	82.0	92.7
Fair value	**23.9**	**239.2**	**263.1**	14.7	106.2	120.9
Non-voting ordinary shares held within trusts:						
Cost	**7.9**	**1.4**	**9.3**	10.6	1.8	12.4
Fair value	**11.5**	**1.9**	**13.4**	13.0	2.4	15.4
Non-voting ordinary shares held as treasury shares*:						
Cost	**-**	**39.2**	**39.2**	-	5.9	5.9
Fair value	**-**	**55.0**	**55.0**	-	6.4	6.4
Total:						
Cost	**19.2**	**199.1**	**218.3**	21.3	89.7	111.0
Fair value	**35.4**	**296.1**	**331.5**	27.7	115.0	142.7

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

Other reserves

	Net exchange differences* £m	Hedging reserve* £m	Net foreign exchange after hedging £m	Shares to be issued** £m	Capital reserve £m	Total £m
At 1 January 2010	203.6	(107.6)	96.0	-	174.2	270.2
Net foreign exchange losses on translation of foreign operations	50.5	-	50.5	-	-	50.5
Net losses on hedges of foreign operations recognised directly in equity	-	(21.2)	(21.2)	-	-	(21.2)
Net foreign exchange losses on available-for-sale investments	(3.0)	-	(3.0)	-	-	(3.0)
Foreign exchange gains/(losses)	**47.5**	**(21.2)**	**26.3**	**-**	**-**	**26.3**
Transfers of cumulative foreign exchange on foreign operations to income statement on disposal or liquidation	(1.1)	-	(1.1)	-	-	(1.1)
Transfers of cumulative foreign exchange on available-for-sale investments to income statement on disposal or impairment	0.9	-	0.9	-	-	0.9
Transfers to income statement on disposal, liquidation or impairment	**(0.2)**	**-**	**(0.2)**	**-**	**-**	**(0.2)**
Net income/(expense) recognised directly in other comprehensive income	**47.3**	**(21.2)**	**26.1**	**-**	**-**	**26.1**
Retained profits transfers***	-	-	-	-	2.0	2.0
At 31 December 2010	**250.9**	**(128.8)**	**122.1**	**-**	**176.2**	**298.3**

*Net exchange differences arise on the translation of the net assets of the Group's non-sterling operations into sterling. The hedging reserve offsets such differences, recording the changes in fair value of financial instruments used to hedge these exposures.

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

*** Transfers to/from the capital reserve comprise transfers of profit to the capital reserves in certain jurisdictions.

Schroders

Other reserves continued

	Net exchange differences* £m	Hedging reserve* £m	Net foreign exchange after hedging £m	Shares to be issued** £m	Capital reserve £m	Total £m
At 1 January 2009	294.4	(173.4)	121.0	5.0	203.4	329.4
Net foreign exchange losses on translation of foreign operations	(113.7)	-	(113.7)	-	-	(113.7)
Net gains on hedges of foreign operations recognised directly in equity	-	65.8	65.8	-	-	65.8
Net foreign exchange gains on available-for-sale investments	0.9	-	0.9	-	-	0.9
Foreign exchange (losses)/gains	(112.8)	65.8	(47.0)	-	-	(47.0)
Transfers of cumulative foreign exchange on available-for-sale investments to income statement on disposal or impairment	7.4	-	7.4	-	-	7.4
Net (expense)/income recognised directly in other comprehensive income	(105.4)	65.8	(39.6)	-	-	(39.6)
Consideration paid in the form of shares	-	-	-	(5.0)	-	(5.0)
Retained profits transfers***	14.6	-	14.6	-	(29.2)	(14.6)
At 31 December 2009	203.6	(107.6)	96.0	-	174.2	270.2

*Net exchange differences arise on the translation of the net assets of the Group's non-sterling operations into sterling. The hedging reserve offsets such differences, recording the changes in fair value of financial instruments used to hedge these exposures.

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

*** Transfers to/from the capital reserve comprise transfers of profit to the capital reserves in certain jurisdictions. 27

Schroders

Retained profits reserve

	Associates and joint ventures reserve £m	Fair value reserve* £m	Profit and loss reserve £m	Total £m
At 1 January 2010	**30.7**	**57.9**	**1,018.0**	**1,106.6**
Actuarial gains on defined benefit pension schemes	**-**	**-**	**8.0**	**8.0**
Net fair value (losses)/gains taken to other comprehensive income	**(1.0)**	**14.0**	**-**	**13.0**
Transfers to income statement on disposal or impairment **	**-**	**(11.1)**	**-**	**(11.1)**
Tax on items taken directly to other comprehensive income	**-**	**(10.0)**	**8.8**	**(1.2)**
Other comprehensive (expense)/income	**(1.0)**	**(7.1)**	**16.8**	**8.7**
Profit for the year	**15.5**	**-**	**292.4**	**307.9**
Total comprehensive income/(expense) for the year	**14.5**	**(7.1)**	**309.2**	**316.6**
Share-based payments	**-**	**-**	**31.1**	**31.1**
Dividends	**-**	**-**	**(87.6)**	**(87.6)**
Transfers within retained profits reserve***	**(9.7)**	**-**	**9.7**	**-**
Transfers to/from other reserves****	**-**	**-**	**(44.5)**	**(44.5)**
At 31 December 2010	**35.5**	**50.8**	**1,235.9**	**1,322.2**

	Associates and joint ventures reserve £m	Fair value reserve* £m	Profit and loss reserve £m	Total £m
At 1 January 2009	14.6	16.9	1,023.9	1,055.4
Actuarial losses on defined benefit pension schemes	-	-	(69.6)	(69.6)
Net fair value gains taken to other comprehensive income	3.2	12.6	-	15.8
Transfers to income statement on disposal or impairment **	-	35.0	-	35.0
Tax on items taken directly to other comprehensive income	-	8.0	35.1	43.1
Other comprehensive income/(expense)	3.2	55.6	(34.5)	24.3
Profit for the year	15.6	-	79.8	95.4
Total comprehensive income for the year	18.8	55.6	45.3	119.7
Share-based payments	-	-	27.6	27.6
Dividends	-	-	(84.9)	(84.9)
Transfers within retained profits reserve***	(2.7)	-	2.7	-
Transfers to/from other reserves****	-	(14.6)	3.4	(11.2)
At 31 December 2009	30.7	57.9	1,018.0	1,106.6

*The fair value reserve represents the difference between the cost (or, if an asset has been reclassified, fair value at the date of reclassification) and the fair value of unimpaired financial assets classified as available-for-sale.

** Transfers to income statement on disposal or impairment exclude any foreign exchange gain or loss which is included in the net exchange differences reserve.

*** Transfers between associates and joint ventures reserve and profit and loss reserve represent distributions paid to the Group.

**** Transfers to/from the profit and loss reserve comprise the transfer of own shares on vesting of undrawn share awards together with transfers of profit to the capital reserves in certain jurisdictions.

Reconciliation of net cash from operating activities

	2010 £m	2009 £m
Operating profit	**381.8**	111.1
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of software	**13.3**	14.4
Amortisation and impairment of intangible assets acquired in business combinations	**4.2**	5.3
Impairment of associates and joint ventures	**-**	1.0
Impairment of financial assets	**2.7**	41.8
Other transfers to the income statement in respect of financial assets	**(12.9)**	0.6
Net (gains)/losses on financial assets and liabilities held at fair value through profit or loss	**(32.3)**	0.3
Share-based payments	**34.2**	27.6
Net charge for provisions	**27.2**	2.5
Other non-cash movements*	**(13.7)**	12.4
	22.7	105.9
Adjustments for other income statement cash movements:		
Payments made to UK defined benefit pension scheme	**(62.2)**	(8.6)
Cash paid on settlement of share-based payments	**(3.1)**	-
UK corporation tax (paid)/recovered	**(8.4)**	4.8
Overseas tax paid	**(39.8)**	(43.9)
Interest paid	**(0.5)**	(1.7)
	(114.0)	(49.4)
Adjustments for balance sheet movements:		
Decrease/(increase) in trade and other receivables	**121.9**	(148.3)
Increase in trade and other payables and provisions	**213.4**	214.4
	335.3	66.1
Adjustments for life company movements:		
Net purchase of assets backing unit-linked liabilities	**(2,124.4)**	(1,856.5)
Net increase in unit-linked liabilities	**2,565.4**	1,993.7
	441.0	137.2
Net cash from operating activities	**1,066.8**	370.9

* Principally foreign exchange movements.

Events after the balance sheet date

On 8 March 2011 the Directors determined that the defined benefit section of the Schroders Retirement Benefit Scheme would close to future accrual with effect from 30 April 2011.

Key risks and mitigations

Managing risk

Like any asset management business we are exposed to a range of risks. 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 and is responsible for the oversight of the risk management process. It regularly considers the most significant risks facing the Group, including the use of quantitative exposure measures, such as stress tests, where appropriate. The non-executive oversight of risk 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 a variety of 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 in risk control.

The first line of defence against unexpected outcomes lies with line managers whether they are in Investment, Distribution, Private Banking or Infrastructure. As a result, a designated senior member of management who sits on the Group Management Committee has risk management responsibility within each business area. 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 independent oversight functions which provide a second line of defence.

Group Internal Audit provides retrospective 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.

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. He is supported by the Group Head of Risk and chairs the Group Risk Committee which includes senior representatives from each business segment and division, as well as the control functions, 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.

Set out below is a summary of the key business risks. The summary is not intended to provide an exhaustive list of all the risks faced by our business or a complete list of all the controls in operation.

Description of key risk	How we manage this risk
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 our Private Banking business, where we hold bank paper and government securities, and 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.	
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 funds under management. The 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. The decision is taken by the Group Capital Committee, chaired by the Chief Financial Officer. Forward foreign exchange contracts are used to mitigate 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 performance 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 of the time, we offer a diversified product set which reduces the concentration of risk on the performance of any one fund or asset class. Fund performance is monitored as part of our investment performance risk management process.

Liquidity risk Liquidity risk is the risk that cashflows 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 liquidity requirements. We actively monitor the market 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 on our balance sheet 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.

Credit risk We face credit risk as a result of counterparty exposure. We also face credit risk through lending by Private Banking.	In order to manage this risk we actively monitor counterparty creditworthiness and operate within 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. 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 through the investment process, 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.

Operational risk Operational risk could arise from the failure of significant business processes undertaken by Schroders. This includes potential risks arising from the failure of third party suppliers and outsourcing partners. We have a number of outsourced supplier relationships that are an important part of our business model, particularly in respect of fund administration services.	All new business processes are subject to review in order to identify a suitable suite of operational controls to mitigate potential risks. Where outsourcing arrangements are entered into, the Group undertakes due diligence prior to commencement, as well as an ongoing programme of assessment against the agreed service levels.
Distribution risk Distribution risk arises from relationship management and concentration across different distribution channels and products. We distribute 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 our revenues.
Product risk Product risk arises from complexity and the development of new, sophisticated 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 new product approval and review procedure. We actively monitor potential capacity constraints and mitigate by closing products to new investment in certain circumstances.

Technology risk We are reliant 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 judged 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 is heavily dependent on people. We ensure we employ people with skill sets appropriate to our changing business needs. We expect our employees to behave with integrity, which is one of our core values.	This requires the recruitment and development of specialist skills as the range of our product offerings deepens and our investment and distribution strategies develop into more complex areas. To mitigate people risks, we have competitive remuneration plans, with appropriate deferred benefits, targeted at key employees. We also operate from several international centres to reduce the 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 are a motivational force in retaining talented people. 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 custom and tradition.	We employ local staff with local expertise and also move employees internationally around the Group. Depending on the size and complexity of the business unit, risk and control maps have been prepared which are part of our worldwide risk management system. The Group Risk Committee receives reports from line management regarding matters giving cause for concern and recommendations for appropriate remedial action. 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 fails to meet legal requirements and the risk of legal proceedings.	We rely on our employees to consider carefully the obligations we assume and to comply with them and relevant policies. 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 Group 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 functions support business management in meeting their obligations. Compliance with relevant regulatory requirements is monitored.

Emerging risks

Emerging risks are associated with situations outside Schroders that could cause risk to the Group. These are the hardest to define.

Emerging risks The regulatory environment is becoming more demanding and complex and is subject to extensive change. Many of these changes can affect our business model or product range, such as the review in the UK, in Europe and in other jurisdictions globally of the regulation of retail fund distribution. The changing political and financial positions of countries may affect their financial stability.	To address risks arising from regulatory change, we engage closely with regulators and trade associations on key proposals, and prepare for their likely commercial and compliance impact on our business. We seek to maintain positive relationships with our global regulators and to fulfil our regulatory obligations prudently. With regard to country risk, we allocate our capital within constraints to spread our concentration risk.

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 the 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
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

9 March 2011

Five-year consolidated financial summary

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Profit before tax	**406.9**	137.5	123.1	392.5	290.0
Tax	**(95.7)**	(41.8)	(51.8)	(88.8)	(68.1)
Profit after tax before non-controlling interests	**311.2**	95.7	71.3	303.7	221.9
Non-controlling interests	**(3.3)**	(0.3)	5.4	(4.0)	(0.6)
Profit for the year	**307.9**	95.4	76.7	299.7	221.3

Earnings per share:	**2010 Pence**	2009 Pence	2008 Pence	2007 Pence	2006 Pence
Basic earnings per share	**111.8**	34.3	27.5	104.8	76.9
Diluted earnings per share	**108.3**	34.2	27.3	103.2	75.7

Dividends (IFRS):	**2010**	2009	2008	2007	2006
Cost (£m)	**87.6**	84.9	86.7	74.9	63.4
Pence per share*	**32.0**	31.0	31.0	26.5	22.0
Total equity (£m)	**1,799.7**	1,649.0	1,632.2	1,696.2	1,443.6
Net assets per share (pence)**	**620**	571	569	576	491

*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 balance sheet date.

Funds under management – 2010 flows

	Total £bn	**Institutional £bn**	**Intermediary £bn**	**Private Banking £bn**
31 December 2009	**148.4**	**76.7**	**59.1**	**12.6**
Gross inflows	77.9	31.4	39.2	7.3
Gross outflows	(50.8)	(14.6)	(31.3)	(4.9)
Net flows	**27.1**	**16.8**	**7.9**	**2.4**
Investment returns	21.2	12.9	7.1	1.2
31 December 2010	**196.7**	**106.4**	**74.1**	**16.2**

Schroders

Income and Cost Metrics for the Group

Before exceptional items, except for *	**2010**	2009
Total costs: net revenue ratio	**67%**	78%
Total compensation costs: operating revenue ratio	**45%**	49%
Bonus: pre-bonus operating profit	**40%**	45%
Return on average capital (pre-tax)*	**24%**	8%
Return on average capital (post-tax)*	**18%**	6%

Exchange rates - closing

	2010	2009	2008	2007	2006
Sterling:					
Euro	**1.17**	1.13	1.03	1.36	1.48
US dollar	**1.57**	1.61	1.44	1.99	1.96
Swiss franc	**1.46**	1.67	1.53	2.25	2.39
Australian dollar	**1.53**	1.80	2.06	2.27	2.48
Hong Kong dollar	**12.17**	12.52	11.14	15.52	15.22
Japanese yen	**126.98**	150.33	130.33	222.38	233.20
Singaporean dollar	**2.01**	2.27	2.07	2.87	3.00