

Press Release Schroders plc

Preliminary Results to 31 December 2007 (unaudited)

Profit before tax up 35 per cent.

- Continued growth in higher margin business across Retail and Institutional
- Profit before tax **up 35 per cent.** to **£392.5 million** (2006: £290.0 million)
- Asset Management profit before tax **£266.5 million** (2006: £219.0 million)
- Private Banking profit before tax **£41.3 million** (2006: £26.9 million)
- Private Equity and Group profit before tax **£84.7 million** (2006: £44.1 million)
- Basic earnings per share **up 36 per cent.** to **104.8 pence** (2006: 76.9 pence)
- Final dividend increased to **21.0 pence** per share (final dividend 2006: 17.5 pence per share) taking the full-year dividend to **30.0 pence** per share (2006: 25.0 pence per share)
- Funds under management **£139.1 billion** (31 December 2006: £128.5 billion)

	Year ended 31 December 2007 £mn	Year ended 31 December 2006 £mn
Asset Management profit	266.5	219.0
Private Banking profit	41.3	26.9
Private Equity profit	58.5	34.6
Group profit	26.2	9.5
Profit before tax	392.5	290.0
Funds under management (£bn)	139.1	128.5
Basic earnings per share (pence)	104.8	76.9
Total dividend (pence)	30.0	25.0

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Management Statement

2007 was a year of continued progress for Schroders in spite of the recent turbulence in financial markets. This reflected the diversity of our business by region, by client channel and by product.

Income* increased 21 per cent. to £1,004.3 million (2006: £832.3 million) and Group profit before tax increased 35 per cent. to £392.5 million (2006: £290.0 million). Funds under management at the year end were 8 per cent. higher at £139.1 billion (2006: £128.5 million).

Asset Management

We continued to see the benefits of a strategy focused on higher value added, higher margin products in both Institutional and Retail channels and the development of our already extensive international business. Gross profit margins increased to 60 basis points (2006: 55 basis points) and more than two thirds of income was earned outside the UK. Asset Management income increased 20 per cent. to £785.4 million (2006: £655.6 million) and profit before tax increased 22 per cent. to £266.5 million (2006: £219.0 million).

We had a record year in our Retail business with net sales of £8.8 billion. Retail net inflows were exceptionally strong in Asia Pacific and the UK, and heavily outweighed net outflows in Continental Europe which to a large extent reflected the experience of the European fund industry as a whole. In Asia Pacific a well established presence on the ground in eight countries across the region coupled with a competitive product range led to a very significant increase in net sales. In the UK net sales doubled compared to 2006, as did our market share of flows from the independent intermediary sector. In the US, the second year of our initiative in the intermediary channel, we saw a satisfactory increase in flows and an expanding number of distribution relationships. 67 per cent. of funds under management outperformed their peer group in the three years to the end of 2007 and funds under management in Retail ended the year at £56.2 billion (2006: £42.5 billion). In China our joint venture asset management company had net sales of £0.8 billion bringing funds under management to £3.8 billion at the year end (not reported in total funds under management).

Our Institutional business also made progress in 2007. We won more than 100 new institutional mandates in the UK alone and our business continues to evolve towards new, higher margin asset classes: fees on business won in 2007 were on average more than 40 per cent. higher than the fees on business lost. Income in Institutional increased despite net outflows of £10.6 billion, which included continued outflows from UK balanced and UK equities and, to a lesser extent, Japanese and Asian equities, the latter in part driven by client asset allocation decisions. Overall investment performance improved with 69 per cent. of institutional funds under management outperforming their benchmarks in the three years to the end of 2007. Funds under management in Institutional ended the year at £73.2 billion (2006: £77.4 billion).

We have a growing and widely diversified alternatives business encompassing property, funds of hedge funds, private equity funds of funds, emerging market debt, commodities and agriculture funds. Alternative funds under management now amount to £15.9 billion, more than 25 per cent. up on the year.

We have an extensive network of overseas offices across Asia, Continental Europe and North and South America, with strong representation in developing markets. During the year we added to our presence on the ground with new offices in Mumbai and Dubai, and we expect continued high levels of growth in our international business which is well placed to benefit from the demographic and savings trends in developing markets.

Private Banking

Private Banking had another strong year with income up 11 per cent to £105.9 million (2006: £95.7 million) and profit before tax up 54 per cent. to £41.3 million (2006: £26.9 million). We completed the transfer of our back office operations to Zurich during the year which enabled us both to improve our client reporting and reduce costs. We recently completed the acquisition of a small private client business in Singapore which will give us a platform from which to serve high net worth individuals in the region. Net new business in 2007

amounted to £0.2 billion (2006: £0.4 billion) and funds under management ended the year at £9.7 billion (2006: £8.6 billion).

Group and Private Equity

In 2007 we achieved realised gains of £101.6 million (2006: £75.7 million) on our investment capital which totalled £979.6 million (2006: £789.0 million) at the year end. A high level of realisations during the year resulted in profit before tax from our private equity portfolio of £58.5 million (2006: £34.6 million). Profit before tax from Group was £26.2 million (2006: £9.5 million). Given more challenging markets, we anticipate a reduced level of private equity realisations in 2008 and lower returns on seed capital investments.

Dividend

The Board is recommending an increased final dividend of 21.0 pence per share, payable on 30 April 2008 to shareholders on the register at 14 March 2008. This brings the total dividend for the year to 30.0 pence per share (2006: 25.0 pence per share), an increase of 20 per cent.

Outlook

Recent months have seen a setback in equity markets and high levels of volatility as the impact of the sub-prime crisis in America has spread to world financial markets and the real economy. This in turn has affected investors' risk appetite and retail flows across the industry have fallen back sharply. We expect these volatile market conditions to persist through much of 2008 and as a result we envisage a less favourable environment for our business. Our cost base has a significant variable component linked to revenues which offsets in part the impact of declining markets. However, we do not intend to scale back our strategic investment plans as we see this more challenging period as an opportunity to position Schroders for further growth in the longer term, taking advantage of our strong financial position and highly diversified business.

* Income comprises gross profit plus net finance income plus share of profit of associates and joint ventures

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

Michael Dobson, Chief Executive, and Stephen Brooks, Chief Financial Officer, will host a presentation and webcast for the investment community, to discuss the Group's preliminary results at 9am GMT on Tuesday, 4 March 2008 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 Tuesday 4 March on www.schroders.com/ir.

Forward-looking statements

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

Consolidated Income Statement

for the year ended 31 December 2007

	2007 £mn	2006 £mn
Revenue	1,191.8	967.2
Cost of sales	(232.4)	(169.0)
Gross profit	959.4	798.2
Administrative expenses	(611.8)	(542.3)
Operating profit	347.6	255.9
Interest receivable and similar income	23.1	20.1
Interest payable and similar charges	(0.5)	(1.4)
Net finance income	22.6	18.7
Share of profit of associates and joint ventures	22.3	15.4
Profit before tax	392.5	290.0
UK tax	(34.7)	(23.5)
Foreign tax	(54.1)	(44.6)
Tax	(88.8)	(68.1)
Profit after tax	303.7	221.9
Attributable to:		
Minority interests	4.0	0.6
Equity holders of the parent	299.7	221.3
	303.7	221.9
Memo – dividends	(74.9)	(63.4)
Basic earnings per share	104.8p	76.9p
Diluted earnings per share	103.2p	75.7p

Consolidated Balance Sheet

31 December 2007

	2007 £mn	2006 £mn
Non-current assets		
Goodwill	95.2	65.3
Intangible assets	25.1	15.0
Property, plant and equipment	25.6	12.7
Associates and joint ventures	32.2	25.3
Financial assets	220.8	215.6
Loans and advances to customers	356.1	372.1
Deferred tax	42.8	44.4
Retirement benefit scheme assets	42.5	16.8
Trade and other receivables	7.3	14.9
	847.6	782.1
Current assets		
Financial assets	1,968.6	1,681.7
Loans and advances to customers	266.9	316.2
Current tax	7.6	16.5
Trade and other receivables	305.2	283.1
Cash and cash equivalents	715.5	439.2
	3,263.8	2,736.7
Non-current assets held for sale	37.5	60.1
Assets backing insurance unit-linked liabilities	2,727.8	1,532.0
	6,876.7	5,110.9
Total assets		
Equity		
Called up share capital	294.5	293.9
Share premium account	58.1	36.4
Other reserves	68.1	26.8
Retained profits	1,275.0	1,086.3
Equity attributable to equity holders of the parent	1,695.7	1,443.4
Minority interests	0.5	0.2
Total equity	1,696.2	1,443.6
Non-current liabilities		
Financial liabilities	20.3	30.7
Deposits by customers and banks	207.2	218.3
Deferred tax	2.7	2.4
Provisions	8.5	10.8
Trade and other payables	93.5	76.2
	332.2	338.4
Current liabilities		
Financial liabilities	59.5	17.9
Deposits by customers and banks	1,525.5	1,410.4
Provisions	4.4	13.9
Current tax	57.0	31.9
Trade and other payables	474.1	322.8
	2,120.5	1,796.9
Insurance unit-linked liabilities	2,727.8	1,532.0
Total equity and liabilities	6,876.7	5,110.9

Consolidated Statement of Recognised Income and Expense

for the year ended 31 December 2007

	2007 £mn	2006 £mn
Exchange differences on translation of foreign operations	25.4	(65.9)
Net (losses)/gains on hedges recognised directly in equity	(9.4)	32.2
Actuarial gains on defined benefit pension schemes	5.5	5.5
Net gains on available-for-sale financial assets	18.3	65.2
Amounts recycled through the income statement	(40.2)	(26.8)
Tax on items taken directly to equity	2.6	6.6
Net income and expense recognised directly in equity	2.2	16.8
Profit for the year	303.7	221.9
Total recognised income and expense for the year	305.9	238.7
Attributable to:		
Minority interests	4.0	0.6
Equity holders of the parent	301.9	238.1
	305.9	238.7

Consolidated Cash Flow Statement

for the year ended 31 December 2007

	2007 £mn	2006 £mn
Net cash from operating activities	620.8	209.2
Investing activities		
Acquisition of subsidiaries	(27.7)	(19.8)
Cash acquired with acquisitions	6.2	6.8
Purchase of joint ventures	(1.5)	-
Purchase of intangible assets	(11.9)	(4.6)
Purchase of property, plant and equipment	(18.0)	(7.1)
Purchase of non-current financial assets	(76.1)	(62.9)
Purchase of non-current assets held for sale	(36.1)	(90.1)
Disposal of non-current assets held for sale	5.8	50.8
Proceeds from sale of non-current financial assets	85.8	64.1
Proceeds from sale of property, plant and equipment	-	0.4
Net (outflow)/proceeds from current financial assets	(255.9)	58.6
Interest received	25.1	9.0
Dividends/capital distributions received from associates and joint ventures	20.1	23.6
Net cash (used in)/from investing activities	(284.2)	28.8
Financing activities		
Proceeds from issue of share capital	28.7	27.8
Acquisition of own shares	(21.5)	(90.8)
Disposal of own shares	19.2	37.3
Redemption of ordinary share capital	(34.1)	(84.3)
Distributions made to minority interests	(0.2)	-
Dividends paid	(74.9)	(63.4)
Net cash used in financing	(82.8)	(173.4)
Net increase in cash and cash equivalents	253.8	64.6
Opening cash and cash equivalents	452.1	402.4
Net increase in cash and cash equivalents	253.8	64.6
Effect of exchange rate changes	11.0	(14.9)
Closing cash and cash equivalents	716.9	452.1
Closing cash and cash equivalents consists of:		
Cash and cash equivalents backing insurance unit-linked liabilities	1.4	12.9
Other cash and cash equivalents held by the Group	715.5	439.2
	716.9	452.1

Notes to the Accounts

Basis of Preparation

The preliminary results for the year ended 31 December 2007 are unaudited. The financial information included in this statement does not constitute the Group's statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 will be delivered to the Registrar of Companies in due course.

The annual report will be posted to shareholders on 18 March and further copies will be available from the Company Secretary at the Company's registered office. The Company's Annual General Meeting will be held on 24 April 2008 at 11.30 a.m. at 31 Gresham Street, London, EC2V 7QA.

Presentation of the Preliminary Results

Financial information for the year ended 31 December 2007 is presented in accordance with IAS 1 Presentation of Financial Statements. IAS 1 allows an entity to present some of its assets and liabilities using a current/non-current classification and others in order of liquidity when this provides information that is reliable and more relevant. The Group has adopted this mixed basis of presentation within its consolidated balance sheet as the current/non-current allocation is the more relevant presentation for the Group generally, whilst the assets and liabilities of the Group's life company business are more relevantly presented based on liquidity.

Accounting Policies

In preparing the financial information included in this statement the Group has applied policies which are in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union at 31 December 2007, and in accordance with the IFRS accounting policies that were applied as at 31 December 2006.

Segmental Reporting

Primary Reporting Format - Business Segments

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

The allocation of costs to individual business segments is undertaken in order to provide management information on the cost of providing services and to provide managers with a tool to manage and control expenditure. Costs are allocated on a basis that aligns the charge with the resources employed by the Group in a particular area of its business. Typical dynamic allocation bases are square footage occupied and number of staff employed by particular business segments.

Non-current assets held for sale are included within the Group segment.

Year ended 31 December 2007	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	991.4	87.6	48.1	41.0	-	1,168.1
External net interest	-	23.7	-	-	-	23.7
Inter-segment interest payable	-	(1.7)	-	-	1.7	-
Total revenue	991.4	109.6	48.1	41.0	1.7	1,191.8
Cost of sales	(228.6)	(3.7)	-	(0.1)	-	(232.4)
Gross profit	762.8	105.9	48.1	40.9	1.7	959.4
Administrative expenses	(518.9)	(64.6)	(4.7)	(23.6)	-	(611.8)
Operating profit	243.9	41.3	43.4	17.3	1.7	347.6
External interest receivable and similar income	7.6	-	-	15.5	-	23.1
Inter-segment interest receivable	8.0	-	-	(6.3)	(1.7)	-
Interest receivable and similar income	15.6	-	-	9.2	(1.7)	23.1
Interest payable and similar charges	(0.2)	-	-	(0.3)	-	(0.5)
Net finance income	15.4	-	-	8.9	(1.7)	22.6
Share of profit of associates and joint ventures	7.2	-	15.1	-	-	22.3
Profit before tax	266.5	41.3	58.5	26.2	-	392.5

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

Segmental Reporting (continued)

Year ended 31 December 2006	Asset Management £mn	Private Banking £mn	Private Equity £mn	Group £mn	Inter-segment elimination £mn	Total £mn
External revenue	811.1	80.1	22.2	31.0	-	944.4
External net interest	-	22.8	-	-	-	22.8
Inter-segment interest payable	-	(4.4)	-	-	4.4	-
Total revenue	811.1	98.5	22.2	31.0	4.4	967.2
Cost of sales	(166.2)	(2.8)	-	-	-	(169.0)
Gross profit	644.9	95.7	22.2	31.0	4.4	798.2
Administrative expenses	(436.6)	(68.8)	(3.2)	(33.7)	-	(542.3)
Operating profit	208.3	26.9	19.0	(2.7)	4.4	255.9
External interest receivable and similar income	6.3	-	-	13.8	-	20.1
Inter-segment interest receivable	5.2	-	-	(0.8)	(4.4)	-
Interest receivable and similar income	11.5	-	-	13.0	(4.4)	20.1
Interest payable and similar charges	(0.6)	-	-	(0.8)	-	(1.4)
Net finance income	10.9	-	-	12.2	(4.4)	18.7
Share of profit of associates and joint ventures	(0.2)	-	15.6	-	-	15.4
Profit before tax	219.0	26.9	34.6	9.5	-	290.0

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

Tax Expense

	2007 £mn	2006 £mn
Profit before tax	392.5	290.0
Profit before tax multiplied by corporation tax at the UK standard rate of 30% (2006: 30%)	117.8	87.0
Effects of:		
Impact of profits/losses arising in jurisdictions with higher tax rates	1.4	7.0
Impact of profits/losses arising in jurisdictions with lower tax rates	(36.2)	(24.6)
Non-taxable income net of disallowable expenses	(1.6)	(4.7)
Movement in unrecognised deferred tax - current year	(2.4)	2.9
UK tax on profits of overseas entities after double tax relief	6.0	4.0
Overseas tax on profits of UK entities after double tax relief	0.7	-
Deferred tax adjustments in respect of changes in corporation tax rates	2.8	-
Prior year adjustments:		
UK prior year – current	0.4	(6.3)
Foreign tax prior year – current	0.4	(0.8)
Deferred tax prior year	(0.5)	3.6
Total tax charge for the year	88.8	68.1

Reconciliation of Net Cash from Operating Activities

	2007 £mn	2006 £mn
Operating profit	347.6	255.9
Adjustments for:		
Depreciation and amortisation of software	8.7	7.5
Amortisation of fund management contracts	1.7	1.0
Impairment of available-for-sale financial assets recycled through the income statement	-	1.4
Other amounts recycled through the income statement in respect of financial assets	(40.2)	(24.7)
Decrease/(increase) in trade and other receivables	72.6	(241.2)
Increase in trade and other payables and provisions	231.5	195.1
Increase in insurance unit-linked liabilities	1,195.8	1,532.0
Net decrease in financial liabilities	-	(15.9)
Net (release of)/charge for provisions	(5.4)	5.8
Net gains on financial assets and liabilities held at fair value through profit or loss*	(46.2)	(30.3)
Share-based payments expensed	32.9	27.5
Other non-cash movements	1.6	52.0
Payments made to defined benefit schemes	(19.9)	(9.3)
UK corporation tax (paid)/recovered	(9.3)	5.1
Overseas tax paid	(58.2)	(36.2)
Interest received	0.5	10.6
Interest paid	(0.5)	(1.4)
Net purchase of assets backing insurance unit-linked liabilities	(1,207.3)	(1,519.1)
Net proceeds/(outflow) from current financial assets	114.9	(6.6)
Net cash from operating activities	620.8	209.2

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

Five-year Financial Summary

	Prepared under IFRS				Prepared under UK GAAP*	
	2007 £mn	2006 £mn	2005 £mn	2004 £mn	2004 £mn	2003 £mn
Profit before tax	392.5	290.0	250.7	211.6	191.0	65.0
Tax	(88.8)	(68.1)	(57.4)	(40.3)	(41.4)	(16.4)
Profit after tax before minority interests	303.7	221.9	193.3	171.3	149.6	48.6
Minority interests	(4.0)	(0.6)	(2.0)	(15.6)	(15.6)	-
Profit for the year	299.7	221.3	191.3	155.7	134.0	48.6
Earnings per share:						
Basic earnings per share (pence)	104.8	76.9	65.7	53.5	46.0	16.5
Diluted earnings per share (pence)	103.2	75.7	65.1	53.1	45.7	16.4
Dividends:						
Cost (£mn)	74.9	63.4	59.5	56.4	57.8	53.7
Pence per share	26.5	22.0	20.5	19.5	20.0	18.5
Total equity (£mn)	1,696.2	1,443.6	1,343.1	1,130.6	1,114.1	1,029.2
Net assets per share (pence)	576	491	450	381	375	350

* The main adjustments necessary that would make this information comply with IFRS are those concerned with the measurement of share-based payments, dividends, leases, employee benefits, intangible assets (including goodwill), revenue, and non-current assets classified as being held for sale.

Funds under Management – 2007 Flows

	Total £bn	Institutional £bn	Retail £bn	Private Banking £bn
31 December 2006	128.5	77.4	42.5	8.6
Adjustment on purchase of Aareal	1.3	1.3	-	-
Net flows	(1.6)	(10.6)	8.8	0.2
Market movement	10.9	5.1	4.9	0.9
31 December 2007	139.1	73.2	56.2	9.7

Income and Cost Metrics for the Group

	2007	2006
Group cost: income ratio	61%	65%
Group cost: gross profits	64%	68%
Compensation costs: operating revenues	46%	47%
Return on average capital (pre-tax)	25%	21%
Return on average capital (post-tax)	19%	16%
Asset Management cost: gross profits	68%	68%
Asset Management gross margin on average funds under management	60bps	55bps
Asset Management costs on average funds under management	41bps	37bps
Asset Management costs on closing funds under management	40bps	36bps