

2 August 2012

Press Release

Schroders plc

Half-year results to 30 June 2012 (unaudited)

- Profit before tax £177.4 million (H1 2011: £215.7 million)
- Earnings per share 50.7 pence per share (H1 2011: 60.7 pence per share)
- Interim dividend 13.0 pence per share (interim dividend 2011: 13.0 pence per share)
- Net inflows £2.7 billion
- Assets under management £194.6 billion (31 December 2011: £187.3 billion)

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Profit/(loss) before tax			
Asset Management	175.2	203.1	389.4
Private Banking	10.4	12.3	23.8
Group	(8.2)	0.3	(5.9)
Total profit before tax	177.4	215.7	407.3
Earnings per share (pence)	50.7	60.7	115.9
Dividend (pence)	13.0	13.0	39.0
Assets under management (£bn)	194.6	204.8	187.3

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Management report

Financial markets remained volatile in the first half of 2012 with most of the gains made earlier in the year given back in the second quarter as concerns increased over the stability of the Eurozone and faltering economic growth. Consequently, there were no clear trends in investor sentiment beyond a natural reluctance amongst institutional, retail and high net worth clients to commit to long term investment strategies in the face of so much macro economic uncertainty.

In this challenging environment we were able to generate net new business of £2.7 billion in the first half of 2012 because of the diversification of our business across a broad range of asset classes, client segments and geographies. These new business wins, together with modest but positive investment returns for clients overall, took assets under management at the end of June to £194.6 billion (31 December 2011: £187.3 billion). Profit before tax in the first half of the year, reflecting the lower level of markets and assets under management compared to a year earlier, was £177.4 million (H1 2011: £215.7 million).

Shareholders' equity at the end of June was £1.9 billion (31 December 2011: £1.9 billion).

We are taking advantage of our financial strength to invest in the business across a number of areas. In the first quarter we announced the purchase of a 25 per cent. stake in Axis Asset Management in India. We are engaged in a major information technology upgrade in support of our investment teams and we are taking advantage of the dislocation in markets to add to our pool of talent. While these investments add to our cost base, we believe they will position the firm well for the long term.

Asset Management

Asset Management net revenue was £491.0 million (H1 2011: £534.6 million) including performance fees of £10.1 million (H1 2011: £13.8 million). Net revenue margins, excluding performance fees, were 54 basis points (2011: 56 basis points) as a result of continued progress in winning new business in Institutional and in Multi-asset rather than any underlying pressure on fees. Profit before tax was £175.2 million (H1 2011: £203.1 million).

Investment performance continues to be competitive with 66 per cent. of assets under management outperforming their benchmark or peer group over three years.

Net inflows in Institutional were £1.9 billion across Multi-asset, Equities and Alternatives, partially offset by net outflows in Fixed Income. Regionally, these new business wins were broadly spread across continental Europe, Asia and the Americas. We also have a good pipeline of new business we have won but which has not yet been funded, although we are seeing institutional clients delay funding decisions as a result of the volatile market environment. Assets under management in Institutional at the end of June were £113.3 billion (31 December 2011: £108.4 billion).

Unsurprisingly, retail investor demand continued to be affected by the very uncertain economic and market outlook. This was particularly true in continental Europe and to a lesser extent in Asia Pacific. We nevertheless generated net inflows in Intermediary of £1.0 billion with a strong performance in our US Intermediary business. Assets under management in Intermediary at the end of June were £65.3 billion (31 December 2011: £62.9 billion).

Private Banking

Net revenues in Private Banking were down nearly 10 per cent. at £52.6 million (H1 2011: £58.0 million) reflecting a reduction in assets under management compared to levels a year ago but, more importantly, a decline in net revenue margins as clients moved towards more defensive strategies and transaction volumes fell. This also affected new business flows and net outflows in the first half were £0.2 billion. Costs

were down 8 per cent. after £1.8 million of additional provisions against previously impaired commercial property loans, and profit before tax was £10.4 million (H1 2011: £12.3 million). Assets under management in Private Banking at the end of June were £16.0 billion (31 December 2011: £16.0 billion).

Group

The Group segment comprises central costs and returns on investment capital, including seed capital in new products.

Against a difficult investment environment, particularly in the second quarter, returns on our investment capital portfolio in the first half totalled £13.8 million (H1 2011: £8.1 million), of which £7.3 million (H1 2011: £1.7 million) was recognised in reserves. Excluding the profit in reserves, the result for the Group segment was a loss before tax of £8.2 million (H1 2011 profit: £0.3 million). In 2011, there was a non-recurring pension credit of £12.1 million in the first half.

Dividend

The Board has declared an unchanged interim dividend of 13.0 pence per share (interim dividend 2011: 13.0 pence) payable on 27 September 2012 to shareholders on the register at 17 August 2012.

Outlook

Investor demand across our business will be affected by the high level of macro economic and market uncertainty which we expect to persist for the remainder of the year. In this challenging environment our broad product range and global client base is resulting in a resilient performance.

Copies of today's 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 half-year results at 9.00am BST on Thursday, 2 August 2012 at 31 Gresham Street, London, EC2V 7QA. The webcast can be viewed live at www.schroders.com/ir and www.cantos.com. For individuals unable to participate in the live webcast, a replay will be available from midday on Thursday 2 August on www.schroders.com/ir.

Forward-looking statements

These half-year results may contain certain forward-looking statements with respect to the financial condition, results of operations, strategy and businesses of the Schroders Group. Such statements and forecasts involve risk and uncertainty because they are based on current expectations and assumptions but they relate to events and depend upon circumstances in the future and you should not place undue reliance on them. Without limitation, any statements preceded or followed by or that include the words 'targets', 'plans', 'believes', 'expects', 'aims', 'estimates' 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 these half-year results. 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 these half-year results should be construed as a forecast, estimate or projection of future financial performance.

Consolidated income statement

	Notes	Six months ended 30 June 2012 (unaudited) £m	Six months ended 30 June 2011 (unaudited) £m	Year ended 31 December 2011 (audited) £m
Revenue	3	698.8	771.1	1,501.9
Cost of sales		(165.6)	(187.6)	(363.3)
Net gains on financial instruments and other income		10.8	9.7	14.0
Net revenue*		544.0	593.2	1,152.6
Operating expenses		(375.6)	(388.4)	(761.8)
Operating profit		168.4	204.8	390.8
Net finance income		6.2	8.5	14.5
Share of profit of associates and joint ventures		2.8	2.4	2.0
Profit before tax		177.4	215.7	407.3
Tax	4	(40.3)	(50.0)	(91.5)
Profit after tax		137.1	165.7	315.8
Earnings per share				
Basic	5	50.7p	60.7p	115.9p
Diluted	5	49.2p	58.7p	111.9p

* Non-GAAP measure of performance.

Consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2012 (unaudited) £m	Six months ended 30 June 2011 (unaudited) £m	Year ended 31 December 2011 (audited) £m
Profit for the period		137.1	165.7	315.8
Net exchange differences on translation of foreign operations after hedging		(8.9)	14.9	2.1
Actuarial (losses)/gains on defined benefit pension schemes	10	(12.9)	9.3	(0.5)
Net fair value movement arising from available-for-sale financial assets		6.5	2.1	(16.3)
Net fair value movement arising from available-for-sale financial assets held by joint ventures		1.1	(1.1)	(3.5)
Tax on items taken directly to other comprehensive income		0.3	(1.9)	(1.7)
Other comprehensive (losses)/gains for the period		(13.9)	23.3	(19.9)
Total comprehensive income for the period net of tax		123.2	189.0	295.9

Consolidated statement of financial position

	Notes	30 June 2012 (unaudited) £m	30 June 2011 (unaudited) £m	31 December 2011 (audited) £m
Assets				
Cash and cash equivalents		2,329.3	2,033.9	2,338.7
Trade and other receivables		455.2	458.2	411.2
Financial assets		2,225.5	2,400.4	2,165.2
Associates and joint ventures		57.6	59.5	58.4
Property, plant and equipment		14.0	17.9	16.2
Goodwill and intangible assets		141.9	143.7	144.1
Deferred tax		49.4	48.9	50.1
Retirement benefit scheme surplus	10	43.0	59.9	55.7
		5,315.9	5,222.4	5,239.6
Assets backing unit-linked liabilities				
Cash and cash equivalents		827.8	1,139.3	673.6
Financial assets		8,365.9	7,752.4	7,971.6
		9,193.7	8,891.7	8,645.2
Total assets		14,509.6	14,114.1	13,884.8
Liabilities				
Trade and other payables		494.8	554.1	580.9
Financial liabilities		2,743.5	2,703.3	2,642.1
Current tax		71.1	57.2	51.8
Provisions		57.4	52.1	52.7
Deferred tax		2.5	3.2	2.6
Retirement benefit scheme deficits	10	8.1	7.1	7.9
		3,377.4	3,377.0	3,338.0
Unit-linked liabilities		9,193.7	8,891.7	8,645.2
Total liabilities		12,571.1	12,268.7	11,983.2
Net assets		1,938.5	1,845.4	1,901.6
Equity		1,938.5	1,845.4	1,901.6

Consolidated statement of changes in equity

Six months ended 30 June 2012 (unaudited)	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2012	282.5	87.8	(172.5)	123.8	25.8	34.9	1,519.3	1,901.6
Profit for the period	-	-	-	-	2.8	-	134.3	137.1
Net exchange differences on translation of foreign operations	-	-	-	(11.7)	-	-	-	(11.7)
Net exchange differences on hedging of foreign operations	-	-	-	2.8	-	-	-	2.8
Actuarial losses on defined benefit pension schemes	-	-	-	-	-	-	(12.9)	(12.9)
Net fair value movements on available-for-sale financial assets taken to other comprehensive income	-	-	-	-	1.1	9.8	-	10.9
Transfer to income statement on derecognition or impairment of available-for-sale financial assets	-	-	-	-	-	(2.5)	-	(2.5)
Net exchange differences on available-for-sale financial assets	-	-	-	-	-	(0.8)	-	(0.8)
Tax on items taken directly to other comprehensive income	-	-	-	-	-	-	0.3	0.3
Other comprehensive (loss)/income	-	-	-	(8.9)	1.1	6.5	(12.6)	(13.9)
Shares issued	0.2	1.4	-	-	-	-	-	1.6
Shares cancelled	(0.2)	-	-	-	-	-	0.2	-
Share-based payments	-	-	-	-	-	-	21.4	21.4
Tax in respect of share schemes	-	-	-	-	-	-	1.4	1.4
Dividends attributable to owners of the parent	-	-	-	-	-	-	(69.4)	(69.4)
Own shares purchased net of disposals	-	-	(41.3)	-	-	-	-	(41.3)
Transactions with owners	-	1.4	(41.3)	-	-	-	(46.4)	(86.3)
Transfers	-	-	44.9	-	(4.1)	-	(40.8)	-
At 30 June 2012	282.5	89.2	(168.9)	114.9	25.6	41.4	1,553.8	1,938.5

Six months ended 30 June 2011 (unaudited)	Share capital £m	Share premium £m	Own shares £m	Net exchange differences £m	Associates and joint ventures reserve £m	Fair value reserve £m	Profit and loss reserve £m	Total £m
At 1 January 2011	290.4	84.7	(199.1)	122.1	35.5	50.8	1,415.3	1,799.7
Profit for the period	-	-	-	-	3.1	-	162.6	165.7
Net exchange differences on translation of foreign operations	-	-	-	17.7	-	-	0.2	17.9
Net exchange differences on hedging of foreign operations	-	-	-	(2.9)	-	-	-	(2.9)
Transfer to the income statement of cumulative foreign exchange on derecognition of foreign operations	-	-	-	(0.1)	-	-	-	(0.1)
Actuarial gains on defined benefit pension schemes*	-	-	-	-	-	-	9.3	9.3
Net fair value movements on available-for-sale financial assets taken to other comprehensive income	-	-	-	-	(1.1)	3.8	-	2.7
Transfer to income statement on derecognition or impairment of available-for-sale financial assets	-	-	-	-	-	(2.1)	-	(2.1)
Net exchange differences on available-for-sale financial assets	-	-	-	0.4	-	-	-	0.4
Tax on items taken directly to other comprehensive income	-	-	-	-	-	-	(1.9)	(1.9)
Other comprehensive income/(loss)	-	-	-	15.1	(1.1)	1.7	7.6	23.3
Shares issued	0.3	1.6	-	-	-	-	-	1.9
Share-based payments	-	-	-	-	-	-	28.8	28.8
Tax in respect of share schemes	-	-	-	-	-	-	(0.1)	(0.1)
Dividends attributable to owners of the parent	-	-	-	-	-	-	(70.1)	(70.1)
Dividends attributable to non-controlling interests	-	-	-	-	-	-	(3.3)	(3.3)
Own shares purchased net of disposals	-	-	(100.5)	-	-	-	-	(100.5)
Transactions with owners	0.3	1.6	(100.5)	-	-	-	(44.7)	(143.3)
Transfers	-	-	51.3	-	(8.6)	-	(42.7)	-
At 30 June 2011	290.7	86.3	(248.3)	137.2	28.9	52.5	1,498.1	1,845.4

* Includes £0.1 million actuarial loss in respect of a non-UK defined benefit pension scheme

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

Consolidated cash flow statement

	Notes	Six months ended 30 June 2012 (unaudited) £m	Six months ended 30 June 2011 (unaudited) £m	Year ended 31 December 2011 (audited) £m
Net cash from operating activities	9	369.6	596.4	426.8
Cash flows from investing activities				
Net purchase of property, plant and equipment and intangible assets		(3.4)	(5.5)	(12.7)
Net (acquisition)/disposal of financial assets		(97.4)	(21.9)	114.6
Non-banking interest received		5.9	8.3	15.0
Distributions received from associates and joint ventures		1.0	8.6	9.0
Net cash (used in)/from investing activities		(93.9)	(10.5)	125.9
Cash flows from financing activities				
Proceeds from issue of non-voting ordinary shares		1.6	1.9	3.6
Purchase of non-voting ordinary shares for cancellation		-	-	(24.4)
Net acquisition of own shares		(41.3)	(100.5)	(101.7)
Net repayments of borrowings		-	(18.6)	(18.6)
Dividends paid		(69.4)	(70.1)	(104.8)
Other flows		(0.8)	(4.0)	(4.8)
Net cash used in financing activities		(109.9)	(191.3)	(250.7)
Net increase in cash and cash equivalents		165.8	394.6	302.0
Opening cash and cash equivalents		3,012.3	2,711.7	2,711.7
Net increase in cash and cash equivalents		165.8	394.6	302.0
Effect of exchange rate changes		(21.0)	66.9	(1.4)
Closing cash and cash equivalents		3,157.1	3,173.2	3,012.3
Closing cash and cash equivalents consists of:				
Cash backing unit-linked liabilities		827.8	1,139.3	673.6
Other cash and cash equivalents held by the Group:				
Cash		1,471.9	1,453.2	1,396.9
Cash equivalents		857.4	580.7	941.8
		2,329.3	2,033.9	2,338.7
		3,157.1	3,173.2	3,012.3

The Group is not legally entitled to draw on the cash backing unit-linked liabilities for its own corporate purposes.

Explanatory notes to the half-year results

Within the notes to the half-year results, all current and comparative data covering periods to (or as at) 30 June are unaudited. Data given in respect of the comparative year ended (or as at) 31 December 2011 is audited.

1. Basis of preparation

The half-year results are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2011, which were prepared in accordance with International Financial Reporting Standards (IFRS), which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, have been delivered to the Registrar of Companies. The auditors' opinion on these accounts was unqualified and did not contain a statement made under Section 498 of the Companies Act 2006.

The half-year results have been prepared in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the Financial Services Authority.

The Group has considerable financial resources, a broad range of products and a geographically diversified business. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis in preparing these half-year results.

The accounting policies applied in these half-year results are consistent with those applied in the Group's statutory accounts for 2011.

The presentation of the financial statements was reformatted at 31 December 2011 to enable greater understanding of the financial results and position of the Group. Where appropriate the comparative information at 30 June 2011 has consequently been reformatted.

2. Segmental reporting

The Group has three business segments: Asset Management, Private Banking, and Group. Asset Management principally comprises investment management including advisory services, equity products, fixed income securities, multi-asset and alternative asset classes such as property, commodities, private equity and funds of hedge funds. Private Banking principally comprises investment management and banking services provided to high net worth individuals and charities. Group principally comprises the Group's investment capital and treasury management activities and the management costs associated with governance and corporate management.

Segment information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker. The chief operating decision maker is the Chief Executive. One of the key measures used in respect of performance measurement is net revenue. The allocation of costs to individual business segments is undertaken in order to provide management information on the business performance and to provide managers with a tool to manage and control expenditure. Costs are allocated on a basis that aligns the charge with the resources employed in a particular area of the business.

Six months ended 30 June 2012	Asset Management £m	Private Banking £m	Group £m	Total £m
Fee income	631.9	49.1	0.2	681.2
Banking interest receivable	-	17.6	-	17.6
Revenue	631.9	66.7	0.2	698.8
Fee expense	(151.5)	(3.6)	-	(155.1)
Banking interest payable	-	(10.5)	-	(10.5)
Cost of sales	(151.5)	(14.1)	-	(165.6)
Net gains on financial instruments and other income	10.6	-	0.2	10.8
Net revenue	491.0	52.6	0.4	544.0
Operating expenses	(319.0)	(42.2)*	(14.4)	(375.6)
Operating profit/(loss)	172.0	10.4	(14.0)	168.4
Net finance (charge)/income	(0.1)	-	6.3	6.2
Share of profit/(loss) of associates and joint ventures	3.3	-	(0.5)	2.8
Profit/(loss) before tax	175.2	10.4	(8.2)	177.4

*Includes £1.8 million in respect of loan loss provisions

Six months ended 30 June 2011	Asset Management £m	Private Banking £m	Group £m	Total £m
Fee income	699.3	54.1	0.2	753.6
Banking interest receivable	-	17.5	-	17.5
Revenue	699.3	71.6	0.2	771.1
Fee expense	(173.9)	(3.4)	-	(177.3)
Banking interest payable	-	(10.3)	-	(10.3)
Cost of sales	(173.9)	(13.7)	-	(187.6)
Net gains on financial instruments and other income	9.2	0.1	0.4	9.7
Net revenue	534.6	58.0	0.6	593.2
Operating expenses	(335.2)	(45.7)	(7.5)	(388.4)
Operating profit/(loss)	199.4	12.3	(6.9)	204.8
Net finance (charge)/income	(0.5)	-	9.0	8.5
Share of profit/(loss) of associates and joint ventures	4.2	-	(1.8)	2.4
Profit before tax	203.1	12.3	0.3	215.7

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

3. Revenue

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Management fees	600.6	653.8	1,267.0
Performance fees	10.1	14.6	37.8
Other fees	70.5	85.2	161.2
Interest income receivable by Private Banking subsidiaries	17.6	17.5	35.9
	698.8	771.1	1,501.9

4. Tax expense

(a) Analysis of charge in the period

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
UK corporation tax on profits for the period	11.5	19.1	31.6
Adjustments in respect of prior periods	1.6	(0.2)	-
Foreign tax – current	28.5	31.0	67.1
Foreign tax – adjustments in respect of prior periods	(0.4)	0.1	0.8
Total current tax	41.2	50.0	99.5
Origination and reversal of temporary differences	1.1	(3.0)	(7.9)
Adjustments in respect of prior periods	(1.8)	0.4	(1.7)
Effect of changes in corporation tax rates	(0.2)	2.6	1.6
Total deferred tax	(0.9)	-	(8.0)
Total tax charge for the period	40.3	50.0	91.5

(b) Analysis of (credit)/charge taken to other comprehensive income

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Current income tax on movements on available-for-sale financial assets	-	-	(0.1)
Deferred tax on actuarial (losses)/gains on defined benefit pension schemes	(3.2)	2.5	(0.1)
Deferred tax – effect of changes in corporation tax rates	2.9	(0.6)	1.9
Tax (credit)/charge taken to other comprehensive income	(0.3)	1.9	1.7

(c) Analysis of (credit)/charge reported in equity

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Current income tax on Equity Compensation Plan and share option awards	(3.3)	(3.5)	(3.9)
Deferred tax on Equity Compensation Plan and share option awards – current year	1.7	2.5	9.2
Deferred tax – effect of changes in corporation tax rates	0.2	1.1	0.8
Tax (credit)/charge reported in equity	(1.4)	0.1	6.1

The tax charge for the period has been arrived at by estimating an effective annual tax rate for each tax jurisdiction and applying that rate individually to the pre-tax income of that jurisdiction.

5. Earnings per share

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

	Six months ended 30 June 2012 Millions	Six months ended 30 June 2011 Millions	Year ended 31 December 2011 Millions
Weighted average number of shares used in calculation of basic earnings per share	270.1	272.5	272.3
Effect of dilutive potential shares – share options	7.5	9.1	9.2
Effect of dilutive potential shares – contingently issuable shares	0.5	0.5	0.5
Weighted average number of shares used in calculation of diluted earnings per share	278.1	282.1	282.0

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

6. Dividends

	Six months ended 30 June 2012		Six months ended 30 June 2011		Year Ended 31 December 2011	
	£m	Pence per share	£m	Pence per share	£m	Pence per share
Declared and paid in period:						
Final dividend	69.4	26.0	70.1	26.0	70.1	26.0
Interim dividend	-	-	-	-	34.7	13.0
	69.4	26.0	70.1	26.0	104.8	39.0
Interim dividend for 2012	34.6	13.0				

7. Share capital and share premium

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2012	282.5	226.0	56.5	282.5	87.8
Shares issued	0.2	-	0.2	0.2	1.4
Shares cancelled	(0.2)	-	(0.2)	(0.2)	-
At 30 June 2012	282.5	226.0	56.5	282.5	89.2

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2011	290.4	226.0	64.4	290.4	84.7
Shares issued	0.3	-	0.3	0.3	1.6
At 30 June 2011	290.7	226.0	64.7	290.7	86.3

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

During the period, 0.2 million non-voting ordinary shares previously held in treasury were cancelled (six months to 30 June 2011: nil, year to 31 December 2011: 8.4 million). Shares held in treasury are included in own shares.

8. Own shares

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

Movements during the period were as follows:

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
At 1 January	(172.5)	(199.1)	(199.1)
Own shares purchased	(41.3)	(100.5)	(101.4)
Cancellation of own shares held in treasury *	2.7	-	75.3
Awards vested*	42.2	51.3	52.7
At 30 June/31 December	(168.9)	(248.3)	(172.5)

* Own shares balances are transferred to the profit and loss reserve insofar as they relate to treasury shares that have been cancelled or share-based payments that have vested.

9. Reconciliation of net cash from operating activities

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
Operating profit	168.4	204.8	390.8
Adjustments for income statement non-cash movements:			
Depreciation of property, plant and equipment and amortisation of software and amortisation and impairment of intangible assets	6.3	7.1	14.1
Net losses and impairment taken through the income statement on financial instruments	0.8	1.9	3.2
Share-based payments	21.4	28.8	42.7
Net charge for provisions	1.9	10.0	11.3
Other non-cash movements	7.7	(16.8)	(7.6)
	38.1	31.0	63.7
Adjustments for other income statement cash movements:			
Payments made to the defined benefit section of the UK pension scheme	-	(3.1)	(3.1)
Tax paid	(45.9)	(32.7)	(78.5)
Interest paid	(0.2)	(0.1)	(0.2)
	(46.1)	(35.9)	(81.8)
Adjustments for balance sheet movements:			
Decrease/(increase) in trade and other receivables	35.4	(14.2)	61.9
Increase/(decrease) in trade and other payables and provisions	19.6	(20.9)	26.3
	55.0	(35.1)	88.2
Adjustments for life company movements:			
Net purchase of assets backing unit-linked liabilities	(394.3)	(186.7)	(405.9)
Net increase in unit-linked liabilities	548.5	618.3	371.8
	154.2	431.6	(34.1)
Net cash from operating activities	369.6	596.4	426.8

10. Retirement benefit obligations

The amounts recognised in the consolidated statement of financial position are:

	Six months ended 30 June 2012 £m	Six months ended 30 June 2011 £m	Year ended 31 December 2011 £m
At 1 January	763.8	692.9	692.9
Expected return	16.1	22.0	44.7
Actuarial (losses)/gains	(11.9)	(0.1)	42.6
Contributions by employer	-	3.1	3.1
Benefits paid	(10.7)	(9.8)	(19.5)
Fair value of plan assets	757.3	708.1	763.8
At 1 January	(708.1)	(658.5)	(658.5)
Current service cost	-	(2.8)	(2.8)
Interest cost	(15.9)	(16.4)	(33.4)
Curtailment	-	10.2	10.2
Actuarial (losses)/gains	(1.0)	9.5	(43.1)
Benefits paid	10.7	9.8	19.5
Present value of funded obligation	(714.3)	(648.2)	(708.1)
Net surplus in respect of the UK defined benefit Scheme	43.0	59.9	55.7
Net deficits in respect of other defined benefit schemes	8.1	7.1	7.9

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

	Six months ended 30 June 2012 %	Six months ended 30 June 2011 %	Year ended 31 December 2011 %
Discount rate	4.4	5.4	4.6
RPI inflation rate	3.2	3.8	3.4
CPI inflation rate	2.4	3.3	2.6
Future pension increases (for benefits earned before 13 August 2007)	3.1	3.7	3.3
Future pension increases (for benefits earned after 13 August 2007)	2.1	2.4	2.3

Additional information

Assets under management

Six months to 30 June 2012	Institutional £bn	Intermediary £bn	Private Banking £bn	Total £bn
31 December 2011	108.4	62.9	16.0	187.3
Net flows	1.9	1.0	(0.2)	2.7
Investment returns	3.0	1.4	0.2	4.6
30 June 2012	113.3	65.3	16.0	194.6

Three months to 30 June 2012	Institutional £bn	Intermediary £bn	Private Banking £bn	Total £bn
31 March 2012	116.2	67.0	16.4	199.6
Net flows	0.5	0.7	(0.1)	1.1
Investment returns	(3.4)	(2.4)	(0.3)	(6.1)
30 June 2012	113.3	65.3	16.0	194.6

Income and cost metrics for the Group

	Six months ended 30 June 2012	Six months ended 30 June 2011	Year ended 31 December 2011
Costs: net revenue ratio	69%	65%	66%
Compensation costs: operating revenue ratio	47%	44%	44%
Bonus: pre-bonus operating profit	38%	40%	39%
Return on average capital (pre-tax)	18%	24%	22%
Return on average capital (post-tax)	14%	18%	17%

Key risks

Like any other asset management business, we are exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Group not being able to meet its objectives. Some of them, like the risks inherent in taking active investment decisions on behalf of clients, are the risks we are in business to take.

The key risks to which the Group will be exposed in the second half of 2012 are expected to be substantially the same as those described in the 2011 Annual Report, being market, investment performance and liquidity risk, credit risk, operational risk and emerging risks, including the Eurozone crisis.

Directors' responsibility statement

On behalf of the Directors, I confirm to the best of my knowledge that the half-year results:

- have been prepared in accordance with International Accounting Standard 34 as adopted by the European Union;
- include a fair review of the information required by Disclosure and Transparency Rule 4.2.7, namely important events that have occurred during the first six months of the financial period and their impact on the half-year results, as well as a description of the principal risks and uncertainties faced by the Group and the undertakings included in the consolidation taken as a whole for the remaining six months of the financial year; and
- include, as required by Disclosure and Transparency Rule 4.2.8, a fair review of material related party transactions that have taken place in the first six months of the financial period and any material changes to the related party transactions described in the last Annual Report.

A list of current Directors is maintained on the Schroders plc website: www.schroders.com

On behalf of the Board

Kevin Parry
Chief Financial Officer

1 August 2012

Independent review report to Schroders plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements on pages 4 to 17 of the half-year results for the six months ended 30 June 2012, which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the half-year results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-year results are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the half-year results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in these half-year results has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-year results for the six months ended 30 June 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
1 August 2012
London

Notes:

- (a) The maintenance and integrity of the Schroders plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.