



Dear Customer

This letter explains two important changes to your Schroders plc Dividend Reinvestment Plan (DRIP). These relate to the sale of Lloyds TSB Registrars and to changes to your DRIP which result from new legislation. Please read this letter carefully.

1. The sale of Lloyds TSB Registrars

Lloyds TSB has sold its Registrars business. It is now a separate business renamed the Equiniti group. As part of the sale, the contract we have with you to provide your DRIP is being transferred to Equiniti Financial Services Limited (Equiniti FS). Equiniti FS is authorised and regulated by the Financial Services Authority.

Equiniti FS is now administering your DRIP on Lloyds TSB's behalf. On or after 1 March 2008 your DRIP contract, together with any assets and information we hold for you for this purpose, will be transferred to Equiniti FS.

The service you currently receive will continue without interruption. **You need not take any action in response to this letter unless you wish to object to the transfer or terminate your DRIP.**

If we do not hear from you we will assume that you are happy for your DRIP to be transferred to Equiniti FS. However, you can withdraw from your DRIP at any time by advising us in writing. There will be no charge for doing this.

Equiniti FS Terms and Conditions - These will apply on or after 1 March 2008 (the transfer date).

New Equiniti FS terms and conditions will apply from the transfer date and these are enclosed. The main differences between these and Lloyds TSB's current terms and conditions are summarised on the other side of this letter. Please note in particular Clause 19 (Protecting your personal data) which explains how the Equiniti group will deal with your personal information. This should be read carefully. The Equiniti group will comply with the rules and regulations of the Data Protection Act 1998 that apply to business activities. From time to time, the Equiniti group may write to you about certain products and services. If you do not wish to receive this information please let Equiniti FS know by visiting www.shareview.co.uk/clients/optout or calling 0870 607 0636.

2. New European legislation impacting your DRIP

The Markets in Financial Instruments Directive (MiFID) is new European legislation that comes into effect from 1 November 2007. Implementation of this Directive will mean changes are made to financial services regulation in the UK.

MiFID is part of the European Union's plan to create a single market in financial services and to harmonise regulatory requirements for investment services. Its aim is to enhance the single European financial marketplace, increase market transparency and improve investor protection.

As a result of MiFID, we have made certain changes to Lloyds TSB's current terms and conditions with you as explained on the other side of this letter. These are effective from 1 November 2007.

If you would like more information about any of these changes, or anything else explained in this letter, please see the information contained on the website www.shareview.co.uk/clients/faqs or phone the helpline on 0800 169 1199.

Yours faithfully,

Operations Manager

Changes that Lloyds TSB is making from 1 November 2007 to its DRIP terms and conditions resulting from MiFID

Change	New wording
At the end of paragraph 1 (Intro), insert the following:	We will not assess the suitability of purchases made for you or other services provided under the Plan and you do not benefit from the rules of the Financial Services Authority on assessing suitability.
Replace the first sentence in paragraph 6 (Share Purchases) with the following:	The share purchases under the plan will be transmitted by us to one of our approved entities for execution. There are currently more than ten approved entities and all of them have been selected by us because they have demonstrated that they have policies and procedures that enable them to deliver the best possible result for you, given the types of order and the market conditions involved. In particular, these entities will treat price and costs (total consideration) as the most important factors when dealing with or executing share purchases, although they may also take into account other factors such as speed, likelihood of execution and settlement, size or any other relevant considerations. These approved entities will normally execute share purchases on a regulated market but may choose to use other execution venues (including off-exchange dealers) where this is advantageous. We will monitor the performance of these entities and periodically review our internal arrangements and policies for dealing with share purchases under the plan with a view to achieving the best possible result for you. Further information about these internal arrangements and policies (including a full list of our approved entities) is available on request.
Replace the last sentence in paragraph 6 with the following:	We will send you a statement with full details of the share purchase no later than the first working day after we receive written confirmation that the purchase has been made. If applicable, we will also send you a share certificate.
At the end of paragraph 11 (Charges), insert the following:	In addition to the charges outlined above, we receive fees from the company sponsoring the service. The company sponsors this service so that shareholders can benefit from the reduced charges available for bulk purchases, resulting from a number of shareholders' purchase instructions being dealt together. The fees are negotiated regularly with the company, with the actual charge made to the company reflecting the size, complexity and value of a particular scheme and our overall relationship with the company. More information about these fees is available on request.
Replace paragraph 15 (Conflicts of interest) with the following:	<ol style="list-style-type: none"> 1. We have established and implemented a Conflicts Policy (which may be revised and updated from time to time) in line with the FSA rules, which sets out how we must seek to identify and manage all material conflicts of interest. Such conflicts of interest can occur in our day to day business activities: for example, where one of our clients could make a gain at the direct expense of another client, or we might be faced with an opportunity to make a gain but this would be to the direct disadvantage of one or more of our clients. 2. Depending on the exact nature of the conflict of interest involved, we may take certain actions in accordance with the Conflicts Policy to mitigate the potential impact of the conflict. Such actions may include putting in place controls between the opposing sides of the conflict, which may control or prevent the exchange of information, and/or involve the appropriate management of staff activities and segregation of duties. Where such controls would be insufficient to eliminate the potential material risk of damage to clients from specific conflicts, then we will disclose the general nature and/or source of those conflicts of interest to you prior to us undertaking the relevant business. 3. You are welcome to contact us and ask us for a printed copy of our policy. 4. At the time of the issue of this document no material conflicts of interest were identified which could not be managed in accordance with 1 above.
Replace paragraph 17 (Classification) with the following:	You will be classified for the purposes of the FSA rules as a retail client. If, however, you would otherwise be an eligible counterparty or a professional client, you may not necessarily have the rights of a retail client under the Financial Services Compensation Scheme. For more information on complaints/compensation, please see paragraph 21 of these terms and conditions.

Summary of the key differences between Lloyds TSB's current terms and conditions (as varied above) and Equiniti FS's

General	<p>Although Equiniti FS's terms and conditions are based on your current ones with Lloyds TSB Registrars, they have been rewritten to try to put them into more plain English and make them more understandable. This means that some of the wording has changed and some new paragraphs have been included.</p> <p>You should therefore read the new terms and conditions carefully.</p> <p>All references to Lloyds TSB Registrars have been replaced with new ones for Equiniti FS, including its FSA registration details.</p>
Paragraph 6 (Share purchases)	New paragraph 6.2 explains that, very occasionally due to market conditions following a particular dividend, Equiniti FS may not be able to purchase shares for you under the Plan. If this happens, it will have the discretion of sending the amount of the relevant dividend to you in cash or using more time to try to purchase shares.
Paragraph 7 (Cash balances)	<p>Equiniti FS will hold your money in accordance with the FSA's "client money" rules. This is different from the position with Lloyds TSB Registrars, which was part of a bank and therefore held money as banker.</p> <p>This paragraph therefore explains how Equiniti FS will hold your money. For example, it will deposit it in a reputable bank, keeping it completely separate from its own money. It also confirms that if cash is held, this may be withdrawn and used to pay fees, charges and other sums if these are payable. As is the case with the current terms and conditions of Lloyds TSB Registrars, you will not be paid interest on cash balances. Equiniti FS's new terms and conditions confirm that it may keep any interest earned or any equivalent fee that the bank in question pays it.</p>
Paragraph 14 (Assigning the agreement)	Equiniti FS will be able to assign its rights and obligations under the agreement to a third party (assuming certain conditions are met), and to provide any assets or information it holds to the third party for that purpose. Under paragraph 20, the terms and conditions may be amended following this sort of an assignment, to align with the new provider's own standard terms and conditions or its computer systems.
Paragraph 18 (Communications between you and us)	This will give Equiniti FS the new option of using email, which will offer a faster and more efficient means of communication. If you have given an email address, it may also use a website to send you and other clients general information about the Plan from time to time, such as updates to the terms and conditions or information on costs and charges. This will save you the irritation of receiving unwanted letters, keep costs down, and be environmentally sensible.
Paragraph 19 (Protecting your personal data)	This explains how the Equiniti group will hold and use your personal data and when it may be disclosed to third parties. This paragraph should be read carefully. The Equiniti group will be able to send you details of other products. If you do not want to receive this information you can call 0870 607 0636 or visit www.shareview.co.uk/clients/optout . You'll need your shareholder reference, which you will find on any recent DRIP correspondence. Equiniti FS will be able to send your data outside Europe in some circumstances (for instance to India or the USA). To comply with UK money laundering requirements, Equiniti FS may conduct a search with a credit reference agency, and this may sometimes lead to a delay. Equiniti FS will not be responsible for any losses which arise as a result.
Paragraph 20 (Changing the Plan and/or these terms and conditions)	Equiniti FS's terms and conditions will impose new limits as to what changes can be made to them from time to time, without coming to you first. However, it will now only need to tell you about changes that have been made when they are material. Treating the changes in this way saves you the irritation of receiving unwanted letters, keeps costs down, and is environmentally sensible.
Paragraph 22 (Our liability)	<p>This paragraph imposes a limit on Equiniti FS's liability for any claim you may have against it, other than for fraud or a breach of certain FSA Rules. This limit is the amount or total amount of the dividend or dividends relevant to your claim plus interest at 2% above the Bank of England's base rate. The current terms and conditions have a limit by reference to the value of your shares in the plan as at the relevant time. They also refer to the base rate of Lloyds TSB Bank instead of the Bank of England. The paragraph explains that Equiniti FS will not be liable to you for any indirect, special or consequential loss (including direct or indirect loss of profit), except where this results from fraud or a breach of certain FSA Rules on its part. The current terms and conditions only exclude indirect or consequential loss, but do not have an exception for fraud or a breach of certain FSA Rules.</p> <p>The paragraph explains that Equiniti FS will not be liable for any losses you suffer that result from causes beyond Equiniti FS's reasonable control. However, this is subject to it having relevantly complied with the FSA Rules on business continuity, and Equiniti FS must remedy any situation that arises as soon as possible. These requirements are new.</p>