



# **Annual Report and Accounts 2020**

**Schroder Financial Holdings  
Limited**

**Year Ended 31 December 2020**

**Registered Number: 09698807**

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# Officers and professional advisers

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## Directors

James Grant  
Tim McCann  
Graham Staples  
Nicholas Taylor

## Company Secretary

Schroder Corporate Services Limited

## Registered Office

1 London Wall Place  
London  
EC2Y 5AU

## Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

# Strategic report

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The Directors present their Strategic report on Schroder Financial Holdings Limited (the 'Company') for the year ended 31 December 2020.

## Results and Review of the business

The loss for the year, after tax, was £0.3 million (2019: £11.3 million profit after tax).

The Company's business is as a holding company, which holds the equity capital of a number of UK and overseas registered companies in the Schroders plc Group (the 'Group'). During the year, the Company's net assets have decreased by £0.3 million to £253.0 million (2019: £253.3 million).

The Company's investment and operational principles are expected to remain unchanged in 2021.

The Directors consider the results and the Company's financial position at 31 December 2020 to be satisfactory.

The Covid-19 pandemic had an effect on nearly every aspect of people's lives, impacting investor sentiment and leading to market volatility. The response of the Group demonstrated the resilience of its employees, the strength of the infrastructure supporting its business processes and its business model. There was no significant impact on business operations despite 99% of staff working remotely. The effects of the pandemic are likely to be felt for a number of years and the Company, as part of the Schroders Group, is well placed to weather those challenges.

The UK left the European Union (EU) on 31 January 2020 and entered a 'transition period' while the UK Government negotiated its future relationship with the EU. On 24 December 2020, both parties announced that they had reached agreement on a free trade agreement, the UK-EU Trade and Cooperation Agreement, with its terms taking effect immediately after the transition period concluded on 31 December 2020. As widely anticipated, the trade agreement does not make provision for financial services firms in the UK to continue to access the EU single market and, as a result, those firms lost their passporting rights.

The Group was well positioned for such a no deal scenario for financial services. The Group's diversified business model and significant presence in the EU means that it is well placed to respond to any challenges arising without making significant changes to its operating models. The Group continues to closely monitor future negotiations and regulatory developments with respect of financial services including any frameworks for regulatory cooperation between the UK and the EU that might affect its business or clients. The Company is well placed to weather these challenges and adapt to ongoing changes in the political, economic and regulatory environment.

## Strategic report (continued)

### Directors' duties – compliance with section 172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the Company.

To discharge their section 172 duties the directors had regard to the factors set out above in making the principal decisions taken by the Company.

The Board's principal decision during the year was to approve a short term loan to NEOS Finance Group B.V. ('NEOS') in order for NEOS to continue to meet its liabilities in challenging market conditions caused by the Covid-19 pandemic. When considering the loan, the Directors took into account the interests of NEOS's other investors, employees and clients in supporting that business and concluded that providing the loan was in the best interest of its stakeholders as a whole. The Company's investment in NEOS was considered to be impaired as at 31 December 2020 and written down to nil.

The Board elected for the Company not to approve the payment of an interim dividend to its parent during the year, which was in line with previous years. The Directors considered the long-term interests of the Company and its stakeholders and felt that this decision, bearing in mind the financial results of the Company, was in the best interests of its stakeholders.

Due to the structure of the Schrodgers Group, stakeholder engagement also took place using Group resources, in line with agreed delegations. For details of the engagement that takes place with the Company's stakeholders at Group level, please refer to the Schrodgers plc annual report and accounts for the year ended 31 December 2020 ('the Schrodgers Report').

### Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Schrodgers plc's other subsidiary undertakings which, with Schrodgers plc, form the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the 'Key risk and mitigations' section of the Strategic report and 'Risk and internal controls' within the Governance section of the Schrodgers Report. The Schrodgers Report does not form part of this report.

### Key performance indicators

The Group's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, is discussed in the Strategic report in the Schrodgers Report. The Schrodgers Report does not form part of this report.

Approved by the Board of Directors and signed on its behalf by:

Rowenna Harris, Authorised signatory  
For and on behalf of  
Schroder Corporate Services Limited  
Company Secretary  
31 March 2021

## Directors' report

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The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020. The information contained in the Strategic report and the Statement of Directors' responsibilities forms part of this Directors' report.

### General information

The Company is a private limited company, limited by shares incorporated and domiciled in England and Wales. The Company's ultimate parent undertaking and controlling entity is Schroders plc, which together with the Company and Schroders plc's other subsidiary undertakings, form the Group.

### Future developments

The future developments of the Company are disclosed within the Strategic report.

### Dividends

During the year no dividends were paid or proposed.

### Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risks and mitigations' in the Strategic Report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 11 to the financial statements. The Schroders Report does not form part of this report.

### Going concern

Taking all the above factors into consideration, including the nature of the Company and its business, the Directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the Annual Report and Accounts is signed. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

### Directors

The Directors of the Company who have served throughout the year are set out on page one.

### Directors' and Officers' liability insurance

Directors' and Officers' liability insurance is taken out by Schroders plc, the Company's ultimate parent undertaking, for the benefit of the Directors of the Company.

### Employment policy

The Company had no employees during the year.

## Directors' report (continued)

### Independent Auditors and disclosure of information to independent Auditors

In accordance with section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, the current auditors, Ernst & Young LLP ('EY'), are deemed to be reappointed for the next financial year.

To the best of the Directors' knowledge there is no relevant audit information of which EY is unaware. Each of the Directors has taken all reasonable steps that ought to have been taken by him or her as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

### Statement of corporate governance arrangements

As a subsidiary undertaking, the Company applies the UK Corporate Governance Code where applicable to support the overall compliance of Schroders plc with that code.

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board of Directors and signed on its behalf by:

Rowenna Harris, Authorised signatory  
For and on behalf of  
Schroder Corporate Services Limited  
Company Secretary  
31 March 2021

Registered Office:  
1 London Wall Place  
London EC2Y 5AU

Registered in England and Wales No. 09698807

# Independent auditor's report to the members of Schroder Financial Holdings Limited

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## Opinion

We have audited the financial statements of Schroder Financial Holdings Limited (the 'Company') for the year ended 31 December 2020, which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is signed.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

## Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the Annual Report and Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# Independent auditor's report to the members of Schroder Financial Holdings Limited (continued)

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## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

## Independent auditor's report to the members of Schroder Financial Holdings Limited (continued)

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### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the International Accounting Standards adopted in conformity with the requirements of the Companies Act 2006 and relevant tax compliance regulations.
- We understood how Schroder Financial Holdings Limited is complying with those frameworks by making enquiries of management. We corroborated our understanding through our review of board meeting minutes
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how management monitors these controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Beszant (Senior statutory auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
Date:

## Income statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Dividends from subsidiaries		6,000	16,000
Net (losses) / gains on financial instruments and other income	3	(222)	21
Finance income	3	31	145
Finance charges	3	(46)	(156)
<b>Net gains</b>		<b>5,763</b>	<b>16,010</b>
Operating expenses	3	(132)	(3,838)
Impairment of subsidiary	8	(5,932)	(2,239)
<b>(Loss) / profit before tax</b>		<b>(301)</b>	<b>9,933</b>
Tax (charge) / credit	4	(44)	1,414
<b>(Loss) / profit after tax</b>		<b>(345)</b>	<b>11,347</b>

## Statement of comprehensive income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
<b>(Loss) / profit for the year</b>	<b>(345)</b>	<b>11,347</b>
<b>Total comprehensive (loss) / income for the year net of tax</b>	<b>(345)</b>	<b>11,347</b>

## Statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Cash and cash equivalents	5	22	-
Trade and other receivables	6	14,553	9,276
Financial assets	7	5,715	5,721
Current tax		-	923
Deferred tax	4	11	-
Investments in subsidiaries and associates	8	240,624	246,556
<b>Total assets</b>		<b>260,925</b>	<b>262,476</b>
<b>Liabilities</b>			
Current tax		32	-
Trade and other payables	9	7,940	9,178
<b>Total liabilities</b>		<b>7,972</b>	<b>9,178</b>
<b>Net assets</b>		<b>252,953</b>	<b>253,298</b>
<b>Total equity</b>		<b>252,953</b>	<b>253,298</b>

The notes of pages 13 to 31 form an integral part of the financial statements.

The financial statements on pages 9 to 31 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf by:

\_\_\_\_\_  
James Grant  
Director  
31 March 2021

Registration number: 09698807

## Statement of changes in equity

for the year ended 31 December 2020

	Share <sup>1</sup> capital £'000	Profit and <sup>2</sup> loss reserve £'000	Total £'000
<b>At 1 January 2020</b>	252,625	673	253,298
Loss for the year	-	(345)	(345)
<b>Total comprehensive loss for the year, net of tax</b>	-	<b>(345)</b>	<b>(345)</b>
<b>At 31 December 2020</b>	<b>252,625</b>	<b>328</b>	<b>252,953</b>

	Share <sup>1</sup> capital £'000	Profit and <sup>2</sup> loss reserve £'000	Total £'000
<b>At 1 January 2019</b>	252,625	(10,674)	241,951
Profit for the year	-	11,347	11,347
<b>Total comprehensive income for the year, net of tax</b>	-	<b>11,347</b>	<b>11,347</b>
<b>At 31 December 2019</b>	<b>252,625</b>	<b>673</b>	<b>253,298</b>

<sup>1</sup> Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 12 to the financial statements.

<sup>2</sup> The profit and loss reserve represents the profit or loss for the year together with transactions with shareholders.

## Cash flow statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Operating activities</b>			
(Loss) / profit before tax		(301)	9,933
Increase in trade and other receivables		(5,202)	(5,512)
Decrease in trade and other payables		(1,240)	(2,492)
Adjustment for impairment of subsidiary		5,932	2,239
Net losses on financial assets and financial liabilities		141	51
Net interest charge		15	11
United Kingdom corporation tax received		900	410
<b>Net cash from operating activities</b>		<b>245</b>	<b>4,640</b>
<b>Investing activities</b>			
Loans (issued) / repaid to subsidiaries and associates		(67)	851
Additions in subsidiaries and associates		-	(44)
Purchase of financial asset		(135)	(5,416)
Interest received		23	145
<b>Net cash used in investing activities</b>		<b>(179)</b>	<b>(4,464)</b>
<b>Financing activities</b>			
Interest paid		(44)	(176)
<b>Net cash used in financing activities</b>		<b>(44)</b>	<b>(176)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>22</b>	<b>-</b>
Opening cash and cash equivalents		-	-
Net increase / (decrease) in cash and cash equivalents		22	-
<b>Closing cash and cash equivalents</b>	5	<b>22</b>	<b>-</b>

# Notes to the financial statements

for the year ended 31 December 2020

## 1. Presentation of financial statements

Financial information for the year ended 31 December 2020 is presented in accordance with International Accounting Standard ('IAS') 1 Presentation of Financial Statements.

### Basis of preparation

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Having assessed the risks to the Company's capital and liquidity, the directors have a reasonable expectation, based on the information available to them at the date of signing, that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date the annual report and accounts is signed. Accordingly, the financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and financial liabilities that are held at fair value through profit or loss.

The Company is a wholly-owned subsidiary of Schroder Administration Limited (incorporated in England and Wales) and is included in the consolidated financial statement of Schroders plc (incorporated in England and Wales) which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

The Company's principal accounting policies have been consistently applied. The preparation of financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within the notes below.

The Company did not implement the requirements of any Standards or Interpretations that were in issue but were not required to be adopted by the Company at the year-end date.

No other Standards or Interpretations have been issued that are expected to have a material impact on the Company's financial statements.

# Notes to the financial statements

for the year ended 31 December 2020

## 2. Estimates and judgements

The preparation of the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results. The estimates and judgements that have a significant effect on the carrying amounts of assets and liabilities are set out in note 7, 'Financial assets', note 8, 'Investments in subsidiaries and associates' and note 11, 'Financial instrument risk management'.

## 3. Revenues and expenses

### Net (losses) / gains on financial instruments and other income

Net (losses) / gains on investments held at fair value through profit or loss, together with transaction costs, are recognised within 'net (losses) / gains on financial instruments and other income' in the income statement.

### Foreign currency translation

Foreign currency financial assets and liabilities are translated at the rates of exchange ruling at the year end date and any exchange differences arising are taken to the income statement.

### Operating expenses

Operating expenses are recognised on an accruals basis as services are provided.

### Finance income / finance charges

Finance income / finance charges comprises interest on amounts due on the temporary surpluses or deficits on the Company's cash accounts held with banks or loans to or from related parties. Interest receivable and payable are recognised using the effective interest method and are recorded in the income statement within 'Finance income' and 'Finance charges' as appropriate.

### Dividends

Dividends are recognised when the Company's right to receive payment is established.

# Notes to the financial statements

for the year ended 31 December 2020

## 3. Revenues and expenses (continued)

	2020 £'000	2019 £'000
<b>Net (losses) / gains on financial instruments and other income:</b>		
Other income	1	1
Net (losses) / gains on financial assets and liabilities held at fair value through profit or loss	(160)	3
Net (loss) / gain on foreign exchange <sup>1</sup>	(63)	17
<b>Net (losses) / gains on financial instruments and other income</b>	<b>(222)</b>	<b>21</b>
<b>Finance income:</b>		
Loan interest receivable	2	139
Interest receivable on financial assets not at fair value through profit or loss	29	6
<b>Finance income</b>	<b>31</b>	<b>145</b>
<b>Finance charges:</b>		
Interest payable on financial liabilities not at fair value through profit or loss	(46)	(156)
<b>Finance charges</b>	<b>(46)</b>	<b>(156)</b>
<b>Net finance charges</b>	<b>(15)</b>	<b>(11)</b>
<b>Included in operating expenses:</b>		
Audit fees payable for the audit of the company	(17)	(17)
	<b>(17)</b>	<b>(17)</b>

<sup>1</sup> Excludes foreign exchange on forward exchange contracts. Such gains or losses are included in net gains/(losses) on financial assets and liabilities held at fair value through profit or loss.

### Directors' emoluments

The emoluments of 4 Directors (2019: 5) employed by and paid for by another Group company are included in the financial statements of that entity. These Directors have contracts of service with and receive their emoluments from another Group company. Their emoluments are deemed to be wholly attributable to their services to these companies. These Directors therefore receive no incremental emoluments for their services to the Company.

### Key management personnel compensation

The Company has determined that the Board of Directors of the Company are the key management personnel of the Company.

There was no remuneration expense for the key management personnel during 2019 or 2020.

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £183,000 (2019: £35,000) and net interest and fee income of £7,000 (2019: £6,000).

## Notes to the financial statements

for the year ended 31 December 2020

### 4. Tax (charge) / credit

The Company pays taxes according to the rates applicable in the countries in which it operates. Most taxes are recorded in the income statement and relate to taxes payable for the reporting period (current tax).

#### (a) Analysis of tax charge / (credit) in the period

	2020 £'000	2019 £'000
<b>Current tax:</b>		
Current tax charge / (credit)	33	(584)
Adjustments in respect of prior years	22	(830)
<b>Total current tax charge / (credit) for the year</b>	<b>55</b>	<b>(1,414)</b>
<b>Deferred tax credit:</b>		
Current year movement	(3)	-
Adjustments in respect of prior years	(8)	-
<b>Total deferred tax credit</b>	<b>(11)</b>	<b>-</b>
<b>Total tax charge / (credit)</b>	<b>44</b>	<b>(1,414)</b>

#### (b) Factors affecting the tax charge / (credit) for the period

The UK standard rate of corporation tax was 19% for the year ended 31 December 2020 (2019: tax rate of 19%).

The tax credit for the year is lower (2019: charge lower) than the UK standard rate of tax for the year of 19%.

The differences are explained below:

	2020 £'000	2019 £'000
<b>(Loss) / profit before tax</b>	<b>(301)</b>	<b>9,933</b>
(Loss) / profit before tax multiplied by corporation tax at the UK standard rate of 19% (2019: 19%)	(57)	1,887
Non-taxable UK dividends	(1,140)	(3,040)
Non taxable income net of disallowable expenses	1,166	427
Adjustments in respect of prior years	14	(830)
UK tax on profits of overseas companies	61	142
<b>Total income tax charge / (credit)</b>	<b>44</b>	<b>(1,414)</b>

#### (c) Deferred tax asset

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2019: 17%), reflecting the rate expected to be applicable at the time the net deferred tax asset is realised.

The movement on the deferred tax account is as shown below:

	2020 £'000	2019 £'000
Current year movement	3	-
Adjustments in respect of prior years	8	-
<b>At 31 December</b>	<b>11</b>	<b>-</b>

## Notes to the financial statements

for the year ended 31 December 2020

### 5. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

	2020 £'000	2019 £'000
<b>Cash at bank</b>	<b>22</b>	<b>-</b>

The book value of cash and cash equivalents approximates their fair value.

### 6. Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently at amortised cost, after the provision for bad and doubtful debts, and the deduction of provision for any impairment.

Trade and other receivables are all current. The carrying amount of interest and non-interest bearing trade and other receivables at amortised cost which approximates their fair value.

	Non-current £'000	Current £'000	2020 £'000
Amounts due from external parties	-	3	3
Amounts owed by related parties (see note 14)	-	14,550	14,550
	-	<b>14,553</b>	<b>14,553</b>

	Non-current £'000	Current £'000	2019 £'000
<b>Amounts owed by related parties (see note 14)</b>	<b>-</b>	<b>9,276</b>	<b>9,276</b>

Gross carrying value for trade and other receivables is £14,627,000 (January 1st £12,997,000) and expected credit losses determined in accordance with International Financial Reporting Standard (IFRS) 9 are £5,000 (January 1st £2,000).

During 2020, the entire loan of £69,000 issued to a subsidiary was written off (2019: £3,719,000).

### 7. Financial assets

Items included within this caption on the face of the statement of financial position principally arise from the Company's investment capital and comprise of the Company's debt instruments and derivatives. It excludes financial assets and liabilities that are recorded under the following headings:

- Trade and other receivables
- Trade and other payables; and
- Investment in subsidiaries.

Separate accounting policies are presented in respect of these excluded items.

# Notes to the financial statements

for the year ended 31 December 2020

## 7. Financial assets (continued)

### Classification and measurement

The Company initially records all financial assets at fair value. The Company holds each financial asset at 'fair value through profit or loss' (FVTPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability between willing market participants.

All purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Derivative contracts are included at fair value at the year-end date within 'Financial assets' or 'Financial liabilities'. Fair value represents the amount at which a derivative could be exchanged in a transaction at the year-end date between willing parties.

	2020	
	Fair value through profit or loss £'000	Total £'000
<b>Non-current financial assets:</b>		
Equity shares - unlisted <sup>1</sup>	5,121	5,121
<b>Current financial assets:</b>		
Debt securities	586	586
Derivative contracts (see note 10)	8	8
<b>Financial assets</b>	<b>5,715</b>	<b>5,715</b>

<sup>1</sup>The Company has agreed a put option which permits the Company to sell its equity shares for their current fair value. This option is exercisable until 30 December 2021.

	2019	
	Fair value through profit or loss £'000	Total £'000
<b>Non-current financial assets:</b>		
Equity shares - unlisted	5,284	5,284
<b>Current financial assets:</b>		
Debt securities	427	427
Derivative contracts (see note 10)	10	10
<b>Financial assets</b>	<b>5,721</b>	<b>5,721</b>

# Notes to the financial statements

for the year ended 31 December 2020

## 7. Financial assets (continued)

### Estimates and judgements - Fair value measurements

The Company holds financial instruments that are measured at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The fair value of financial instruments may require some judgement or may be derived from readily available sources. The degree of judgement involved is reflected in the fair value measurements section below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

Financial assets that have no quoted price principally consist of investments in debt securities, derivatives and private equity. The determination of fair value for these instruments requires significant estimation, particularly in determining whether changes in fair value have occurred since the last formal valuation.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data included within Level 1 for the asset or liability and principally comprise of foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on a compilation of primarily observable market information or industry standard calculations, utilising vendor fed data and information readily available via external sources; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and principally comprise investments in private equity and debt instruments.

	2020		
	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets:</b>			
Private equity	-	5,121	5,121
Debt securities	-	586	586
Derivative contracts (see note 10)	8	-	8
	<b>8</b>	<b>5,707</b>	<b>5,715</b>

	2019		
	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets:</b>			
Private equity	-	5,284	5,284
Debt securities	-	427	427
Derivative contracts (see note 10)	10	-	10
	<b>10</b>	<b>5,711</b>	<b>5,721</b>

# Notes to the financial statements

for the year ended 31 December 2020

## 7. Financial assets (continued)

No financial assets were transferred between levels during 2020 or 2019.

Movements in financial assets and liabilities categorised as level 3 during the year are:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
At 1 January	5,711	318
Additions	135	5,416
Net losses recognised in the income statement	(139)	(23)
<b>At 31 December</b>	<b>5,707</b>	<b>5,711</b>

### Estimates and judgements

Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The estimates and assumptions that have a significant effect on the carrying amounts of financial assets are discussed below.

### Valuation of financial assets in an active market where there is no quoted price

From time to time quoted investments held by the Company may not be actively traded in financial markets. The determination of fair value requires significant judgement, particularly in determining whether changes in fair value have occurred since the last formal valuation by the fund manager or advisor where this is performed before year end. In making this judgement the Company evaluates amongst other factors the effect of changes in the business outlook.

The fair values of level 3 financial assets are typically derived from an estimate of the expected future cash flows that will be received by the Company. The Company applies judgement to determine relevant assumptions about the timing and realisation of cash flows from individual financial instruments based on its knowledge of the specific investment. These assumptions are used to estimate the expected fair value of the investment.

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Investments in subsidiaries and associates

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Directors have determined that the carrying values of the investments are supported by their underlying recoverable value.

### Estimates and judgements

At 31 December 2020, the Company applies judgement to determine whether there is any indication that investments in subsidiaries and associates may be impaired. If any indication exists and a full assessment determines that the carrying value exceeds the recoverable amount, the investment is written down to the net asset value.

Movements in investments in subsidiaries and associates are set out below.

	Investments in subsidiaries £'000	Total £'000
At 1 January 2020	246,556	246,556
Impairments of investments in subsidiaries	(5,932)	(5,932)
<b>At 31 December 2020</b>	<b>240,624</b>	<b>240,624</b>

	Investments in subsidiaries £'000	Total £'000
At 1 January 2019	248,751	248,751
Additions	44	44
Impairments of investments in subsidiaries	(2,239)	(2,239)
<b>At 31 December 2019</b>	<b>246,556</b>	<b>246,556</b>

During the year, the Company made the following additions, impairments and transfers to/from the capital of its subsidiaries and associate undertakings:

	Additions / transfers	
	2020	2019
	£'000	£'000
NEOS Finance Group B.V.	-	44
<b>Additions / transfers in investment in subsidiaries</b>	<b>-</b>	<b>44</b>
Impairment of NEOS Finance Group B.V. <sup>1</sup>	(5,932)	(2,239)
<b>Additions / transfers / (impairments) of investments in subsidiaries and associates</b>	<b>(5,932)</b>	<b>(2,195)</b>

<sup>1</sup> NEOS Finance Group B.V. was considered to be impaired as at 31 December 2020 and written down to £nil.

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Investments in subsidiaries and associates (continued)

### Related Undertakings

The Group operates globally which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures and associates. A full list of these undertakings, the country of incorporation (which in all cases is the principal place of business) and the ownership of each share class, as at 31 December 2020, is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Company.

Additionally, related undertakings include where the Company has a significant holding of share class or unit class of a structured entity. These holdings can arise through the Group's investment management activities on behalf of clients or as part of the stated aim of generating a return on investment capital. Additionally, the seeding of structured entities in order to develop new investment strategies can give rise to these holdings.

The Company has utilised the exemption conferred by Regulation 7 of the Partnership (Accounts) Regulations 2008 to not append copies of qualifying partnership accounts to the accounts of any UK subsidiary.

### (a) Related undertakings arising from the Company's corporate structure

#### Principal subsidiaries

The principal subsidiaries listed below are those which, in the opinion of the Directors, principally affect the losses or net assets of the Company or are regulated. The principal subsidiary entities are wholly-owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provisions for impairment.

Name	Share Class	%	Address
<b>UK</b>			
Leadenhall Securities Corporation Limited	Ordinary	100	1 London Wall Place, London, EC2Y 5AU, England
Schroder Corporate Services Limited	Ordinary	100	
Schroder Financial Services Limited	Ordinary	100	
Schroder Investment Company Limited	Ordinary	100	
<b>Guernsey</b>			
Burnaby Insurance (Guernsey) Limited	Ordinary	100	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey
Schroder Investment Company (Guernsey) Limited	Ordinary	100	PO Box 334, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Venture Managers (Guernsey) Limited	Ordinary, Non-cumulative redeemable preference shares	100	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
<b>Luxembourg</b>			
Schroder Real Estate SICAV-SIF	Ordinary	100	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Investments in subsidiaries and associates (continued)

### (b) Other corporate related undertakings

The remaining related undertakings arising from the Company's corporate structure are listed below. These include subsidiaries (other than those listed above), joint ventures and associates. The financial year end of joint ventures is coterminous with the Company. In all cases, the management of joint ventures is based upon joint voting rights under a Shareholders Agreement.

#### Fully owned subsidiaries

Name	Share Class	%	Address
<b>UK</b>			
J. Henry Schroder Wagg & Co. Limited	Ordinary	100	1 London Wall Place, London, EC2Y 5AU, England
Schroder Pension Trustee Limited	Ordinary	100	
<b>Bermuda</b>			
Schroder Venture Managers Limited	Common Stock	100	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM 08, Bermuda
<b>Guernsey</b>			
Schroder Investments (Guernsey) Limited	Ordinary	100	PO Box 334, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands

#### Other corporate related undertakings

*Subsidiaries where the ownership is less than 100%*

Name	Share Class	%	Address
<b>UK</b>			
Schroder Infra Debt GP LLP	PI	50	1 London Wall Place, London, EC2Y 5AU, England
<b>Guernsey</b>			
SV (Nominees) Limited	Ordinary	50	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
<b>Luxembourg</b>			
SRE Invest SCSp	PI	81.83	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
SRE ReLF (CIP) SCSp	PI	83.75	
SRE SoHo (CIP) SCSp	PI	82.75	
<b>Netherlands</b>			
NEOS Finance Group B.V.	Ordinary	49	The Hofpoort Building, Hofplein 20, 21st Floor, 3032 AC Rotterdam, Netherlands

#### Associates and joint ventures

Name	Share Class	%	Address
<b>UK</b>			
Social Supported Housing CIP LLP	PI	50	1 London Wall Place, London, EC2Y 5AU, England
<b>Guernsey</b>			
Schroder Ventures Investments Limited	Ordinary, R, D	50	PO Box 255, Trafalgar Court Les Banques, St Peter Port, GY1 3QL, Guernsey

PI: Partnership interest

R: Redeemable preference shares

D: Deferred shares

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Investments in subsidiaries and associates (continued)

### (c) Related undertakings arising from the Company's interests in structured entities

The Company's related undertakings also include funds in which it holds investments. These include fully and partially owned funds which are classified as subsidiaries. Additionally, due to the number of share classes or unit classes which can exist in these vehicles, a significant holding in a single share class or unit class is possible, without that undertaking being classified as a subsidiary or associate.

As at 31 December 2020 the Company had a significant holding in the following investment funds:

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
<b>UK</b>			
Schroder Absolute Return Bond Fund	X Income	100%	19%
Schroder Fusion Managed Defensive Fund	F Accumulation	25%	25%
Schroder Fusion Portfolio 3	F Accumulation	50%	46%
Schroder India Equity	X Accumulation	23%	23%
Schroder Securitized Credit Fund Limited	A Distribution	90%	90%
Schroder US Equity Income Maximiser	L Accumulation GBP Hedged	89%	0%
SPW Adventurous Portfolio Fund	X Accumulation	100%	80%
SPW Balanced Portfolio Fund	X Accumulation	100%	24%
SPW Cautious Portfolio Fund	X Accumulation	100%	39%
SPW Discovery Portfolio Fund	X Accumulation	100%	65%
SPW Dynamic Portfolio Fund	X Accumulation	100%	92%
SPW Progressive Portfolio Fund	X Accumulation	100%	58%
<b>Australia</b>			
Schroder Absolute Return Income Fund	W Distribution	64%	64%
Schroder Australian Equity Long Short Fund	P Accumulation	100%	100%
<b>Brazil</b>			
Schroder Best Ideas FIA	Unspecified	100%	100%
Schroder Core Plus FIC FIA	Unspecified	100%	100%
Schroder Premium 45 Advisory FI RF CP LP	Unspecified	95%	95%
Schroder US Dollar Bond FIC FIM IE	Unspecified	100%	100%
Wellington Schroder GAIA FIC FIM IE	Unspecified	79%	79%
<b>Cayman Islands</b>			
Musashi Smart Premia Fund	C	100%	1%
<b>Japan</b>			
Schroder Global CB Fund PPIT Unhedged	Unspecified	24%	24%
Schroder YEN Target (Annual)	Unspecified	80%	80%
Schroder YEN Target (Semi-Annual)	Unspecified	40%	40%
<b>Luxembourg</b>			
ICBC Belt and Road Bond Fund	Unspecified	33%	33%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	97%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	99%	5%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	92%	1%
Schroder GAIA BlueTrend	C Accumulation CHF Hedged	43%	0%
Schroder GAIA Helix	E Accumulation	93%	48%
Schroder GAIA Helix	E Accumulation	99%	1%
Schroder GAIA II Specialist Private Equity	I Accumulation	89%	8%
Schroder GAIA II Specialist Private Equity	I Accumulation	43%	2%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	1%
Schroder ISF Changing Lifestyles	I Accumulation	97%	91%
Schroder ISF Dynamic Indian Income Bond	I Accumulation	100%	100%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%
Schroder ISF EURO High Yield	I Accumulation	77%	0%

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Investments in subsidiaries and associates

### (c) Related undertakings arising from the Company's interests in structured entities (continued)

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
<b>Luxembourg (continued)</b>			
Schroder ISF European Alpha Focus	I Accumulation	100%	34%
Schroder ISF European Sustainable Equity	I Accumulation	21%	21%
Schroder ISF Global Credit Income	I Accumulation	28%	0%
Schroder ISF Global Credit Income Short Duration	I Accumulation	80%	62%
Schroder ISF Global Energy	I Accumulation	32%	0%
Schroder ISF Global Equity Yield	I Accumulation EUR	99%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	100%	1%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	42%	0%
Schroder ISF Global Managed Growth	I Accumulation	100%	99%
Schroder ISF Global Multi Credit	I Accumulation EUR Hedged	98%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	88%	0%
Schroder ISF Global Recovery	I Accumulation	23%	2%
Schroder ISF Healthcare Innovation	I Accumulation	95%	20%
Schroder ISF Inflation Plus	I Accumulation	24%	8%
Schroder ISF Middle East	I Accumulation	100%	0%
Schroder ISF Multi-Asset Total Return	I Accumulation EUR Hedged	96%	0%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation GBP Hedged	97%	56%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation GBP Hedged	87%	0%
Schroder ISF QEP Global Value Plus	I Accumulation	100%	3%
Schroder ISF Smart Manufacturing	I Accumulation	95%	52%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable Multi-Asset	I Accumulation	100%	100%
Schroder ISF Sustainable Multi-Asset Income	C Accumulation	100%	45%
Schroder ISF Sustainable Swiss Equity	I Accumulation	20%	2%
SIF Global Credit Opportunities	I Accumulation	100%	100%
SSSF Wealth Management USD Balanced	S Accumulation	92%	45%
SSSF Wealth Management USD Cautious	S Accumulation	95%	74%
SSSF Wealth Management USD Growth	S Accumulation	80%	72%

### (d) Registered offices of related undertakings arising from the Company's interests in structured entities. The registered offices for each of the entities listed above corresponds to the relevant country.

#### UK

1 London Wall Place, London, EC2Y 5AU, United Kingdom

#### Australia

Level 20, 123 Pitt Street, Sydney, NSW, 2000, Australia

#### Brazil

Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil

#### Cayman Islands

Maples Corporate Services Limited, Umland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

#### Japan

Schroder Global CB Fund PPIT Unhedged:  
1-8-3 Marunouchi Chiyoda-Ku, Tokyo, Japan

Schroder YEN Target (Annual) and Schroder YEN Target (Semi-Annual):  
1-1 Chuo-ku, Saitama City, Saitama Shintoshin Godo Choushya 1st Building, Saitama Prefecture, 330-9716, Japan

#### Luxembourg

5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

# Notes to the financial statements

for the year ended 31 December 2020

## 9. Trade and other payables

Trade and other payables are recorded initially at fair value and subsequently at amortised cost.

Trade and other payables are all current. Trade and other payables include interest bearing loans from other Group companies. Interest applied to the loan is in line with current market rates. All other trade and other payables are non interest bearing. The carrying amount of interest and non interest bearing trade and other payables is at amortised cost which approximates their fair value.

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Accruals	17	45
Amounts owed to related parties (see note 14)	7,920	9,010
Other liabilities	3	123
	<b>7,940</b>	<b>9,178</b>

## 10. Derivative contracts

Derivative contracts are included at fair value at the year end date within 'Financial assets'. Fair value represents the amount at which a derivative could be exchanged in a transaction at the statement of financial position date between willing parties. All contracts held at year end are current.

Where derivatives are held for risk management purposes, the Company monitors the relationship between the derivative and any hedged item, its risk management objectives, its strategy for undertaking the various hedging transactions and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value of hedged items. The Company actively seeks to limit and manage its exposures to risk where that exposure is not desired by the Company. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By purchasing or selling derivative contracts, the Company is able to mitigate or eliminate such exposures. The principal risk the Company faces through such use of derivative contracts is one of credit risk only.

Currency forwards represent commitments to sell or purchase foreign and domestic currency. Currency forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. For currency forward contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

## Notes to the financial statements

for the year ended 31 December 2020

### 10. Derivative contracts (continued)

	Assets £'000	Liabilities £'000
<b>2020</b>		
Forward foreign exchange contracts	8	-
	<b>8</b>	<b>-</b>
	Assets £'000	Liabilities £'000
<b>2019</b>		
Forward foreign exchange contracts	10	-
	<b>10</b>	<b>-</b>

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market indices or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

### 11. Financial instrument risk management

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risks and mitigations' section and the 'Risk management and internal controls' section within the Governance report and in note 20 in the Schrodgers Report. The Company's specific risk exposures are explained below.

#### Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominately its related parties. Intercompany and cash balances are monitored regularly and historically, default levels have been nil. During 2020, a loan balance to a subsidiary was assessed as non-performing (see note 6) and its carrying value was written down by £69,000 to £nil. Forward foreign exchange positions generally have a maturity of up to three months.

# Notes to the financial statements

for the year ended 31 December 2020

## 11. Financial instrument risk management (continued)

Expected credit losses are calculated in accordance with IFRS 9 on all of the Company's financial assets that are measured at amortised cost. The gross carrying values are adjusted to reflect these credit losses.

A three stage model is used for calculating expected credit losses which requires financial assets to be assessed as:

- Performing (stage 1) - Financial assets where there has been no significant increase in credit risk since original recognition; or
- Under-performing (stage 2) - Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or
- Non-performing (stage 3) - Financial assets that have defaulted.

For financial assets in stage 1, twelve month expected credit losses are calculated based on the credit losses that are expected to be incurred over the following twelve-month period. For financial assets in stage 2 and 3, expected credit losses are calculated based on the expected credit losses over the life of the instrument. The Company applies the simplified approach to calculate expected credit losses for trade and other receivables based on lifetime expected credit losses and no assessment is done of the different stages.

### Estimates and judgements - impairment of financial assets

The Company has internal processes designed to assess the credit risk profile of its financial instruments, and to determine the relevant stage for calculating the expected credit losses. These processes include consideration of internal, external, historic and forward-looking information about specific loans and securities as well as market data.

For trade and other receivables, the Company has established a provision matrix that incorporates the Company's historical credit loss experience, counterparty groupings and whether a receivable is overdue or not. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

### Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Company has access to sufficient liquid funds to cover its normal course of business. Outside the normal course of business the Company can request additional liquid resources through intergroup loans or capital injections to maintain sufficient liquidity.

# Notes to the financial statements

for the year ended 31 December 2020

## 11. Financial instrument risk management (continued)

### Interest rate risk

Interest rate risk is the market risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates.

Interest rate risk is limited. Assets and liabilities attracting interest rates are intercompany loans, which are at a floating rate, therefore outright interest rate risks arise mainly from the decision to allow a mismatch between the cash flows.

At 31 December 2020, if Bank of England interest rates had been 15 basis points higher or 35 basis points lower with all other variables held constant, it has been estimated that the profit for the year would have been £1,000 higher or £2,000 lower, mainly as a result of higher / lower interest income on cash balances and interest bearing intercompany loan balances. Other components of equity would have been unaffected.

At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower with all other variables held constant, it has been estimated that the profit for the year would have been £2,000 higher or £1,000 lower, mainly as a result of higher / lower interest income on cash balances and interest bearing intercompany loan balances. Other components of equity would have been unaffected.

The underlying assumption made in the model used to calculate the effect on losses is that the fair values of assets and liabilities will not be affected by a change in interest rates.

### Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises when transactions are denominated in a currency that is not the entity's functional currency.

At 31 December 2020, if the Euro had strengthened / weakened by 8% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £180,000.

At 31 December 2019, if the Euro had strengthened / weakened by 8% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £237,000.

At 31 December 2020, if the US dollar had strengthened / weakened by 10% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £1,000.

At 31 December 2019, if the US dollar had strengthened / weakened by 10% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £17,000.

### Pricing risk

Pricing risk is the market risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

At 31 December 2020, if the market prices for these instruments had been 20% higher / lower with all other variables held constant, it has been estimated that the effect on post-tax profit for the year would have been an increase/decrease of £924,000 (31 December 2019: £856,000), principally as a result of fair value gains on the Company's fair value investments.

The underlying assumption made in the model used to calculate the effect on past-tax profits is that changes to the FTSE All Share Index correlate to changes in the Company's equity investments.

### Capital management

The Company's policy is to have adequate capital for all activities undertaken in the normal course of business. In particular, it should have sufficient capital to maintain sufficient liquid funds to meet peak working capital requirements.

## Notes to the financial statements

for the year ended 31 December 2020

### 12. Called up share capital

	2020 Number	2019 Number	2020 €'000	2019 €'000
<b>Issued and fully paid:</b>				
Ordinary shares of £1 each	252,625,000	252,625,000	252,625	252,625

### 13. Commitments

At 31 December 2020 the Company has committed to invest in the following fund:

EUR	Original maximum commitment €'000	Called €'000	Outstanding commitment €'000
Accelerator Investments s.a.r.l Co-investment	3,000	654	2,346

Converted to GBP	Original maximum commitment €'000	Called €'000	Outstanding commitment €'000
Accelerator Investments s.a.r.l Co-investment	2,685	585	2,100

### 14. Related party transactions

#### Loans to and borrowings from related parties

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

## Notes to the financial statements

for the year ended 31 December 2020

### 14. Related party transactions (continued)

Transactions between the Company and related parties are disclosed below.

	2020						
	Dividends received	Expenses	Other income	Finance income	Finance charges	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Subsidiaries	6,000	-	11	28	(46)	14,550	(7,903)
Other Group companies	-	(10)	27	-	-	-	(17)
	<b>6,000</b>	<b>(10)</b>	<b>38</b>	<b>28</b>	<b>(46)</b>	<b>14,550</b>	<b>(7,920)</b>

  

	2019						
	Dividends received	Expenses	Other income	Finance income	Finance charges	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Subsidiaries	16,000	(3,719)	11	145	(142)	9,276	(9,006)
Other Group companies	-	(50)	-	-	-	-	(4)
	<b>16,000</b>	<b>(3,769)</b>	<b>11</b>	<b>145</b>	<b>(142)</b>	<b>9,276</b>	<b>(9,010)</b>

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 15. Information about subsidiaries is provided in note 8. Detail about amounts owed by related parties is provided in note 6.

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

### 15. Ultimate parent company

The Company's immediate parent company is Schroder Administration Limited (incorporated in England and Wales), whose ultimate parent company and ultimate controlling party is Schrodgers plc (incorporated in England and Wales).

The results of the Company are consolidated in the Annual Report and Accounts of Schrodgers plc, copies of which can be obtained at [www.schrodgers.com](http://www.schrodgers.com).