

Schroders



# **Annual Report and Accounts 2020**

**Schroder Wealth Holdings  
Limited**

**Year Ended 31 December 2020**

**Registered Number: 09698522**

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# Officers and professional advisers

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## Directors

Mark Baker  
Helen Fitzgerald  
Alexander Whitburn

## 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 Wealth Holdings Limited (the 'Company') for the year ended 31 December 2020.

## Results and review of the business

The profit after tax for the year was £30.9 million (2019: £66.4 million).

The Company's business is as a holding company which holds the equity capital of a number of UK registered companies in the Schrodgers plc Group (the 'Group').

During the year, the Company issued 5.7 million ordinary shares of £1 each at a premium of £5.44 per share to Schroder Administration Limited ('SAL') following an equity capital injection of £37.0 million. The equity capital injection by SAL resulted in a 0.8% dilution of LBG Equity Investments Limited's ('LBG') minority shareholding in the Company. LBG's shareholding was reduced from 19.9% to 19.1%.

Thereafter the Company, using the additional capital raised from SAL, made an equity capital injection of £37.0 million to the Company's wholly owned subsidiary, Schroder & Co. Limited ('S&Co') in return for 37 million ordinary shares of £1 each. This enabled S&Co to raise sufficient capital in order to acquire 100% of Sand Aire Limited ('Sandaire') by way of a share purchase on 18 December 2020.

During the year, the Company's net assets have increased by £42.0 million to £178.6 million (2019: £136.6 million).

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

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 global 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 Schrodgers 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.

## 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;

## Strategic report

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- 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 2020 was to provide an injection of capital to its subsidiary, S&Co to support its acquisition of Sandaire, a London based Family Office Business with £2.4 billion of discretionary assets under management, as part of the strategy of expansion by the Group's Wealth Management business.

The Group engaged with a number of key stakeholders including Sandaire's clients and employees and the Financial Conduct Authority, which was required to approve the acquisition. For the Board, there was also engagement with the Company's minority shareholder, LBG who saw their interest diluted as a result of the acquisition proceeding. The Board concluded that providing the additional capital to S&Co to complete the acquisition was in the best interests of all stakeholders.

The Board's other major decision during the year was to approve the payment of an interim dividend of £25.9 million entirely to SAL from the dividend it received from S&Co following the sale of its wholly owned subsidiary Schroder & Co. (Asia) Limited to another group subsidiary in December 2020. There was extensive engagement with LBG in respect of the payment of the interim dividend and they agree to waive their right to a share of that dividend in advance of it being paid.

Due to the structure of the 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 Schroders plc annual report and accounts for the year ended 31 December 2020 ('the Schroders Report'). The Group has adopted the UK Prompt Payment Code and is committed to these principles regarding the fair treatment of suppliers, who are viewed as key stakeholders.

The Board seeks to maintain the Company's reputation for high standards of business conduct when making key decisions and upholds high standards of conduct.

### Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of Schroders plc's other subsidiary undertakings which, with Schroders 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 risks and mitigations' in the Strategic report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Schroders Report does not form part of this report.

### Key performance indicators

The Directors of the Group manage the Group's operations 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 Schroders Report. The Schroders Report does not form part of this report.

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

Matthew Buckland, Authorised signatory  
For and on behalf of  
Schroder Corporate Services Limited  
Company Secretary  
22 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. By virtue of an 80.9% shareholding, 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. LBG Equity Investments Limited has a 19.1% minority shareholding in the Company.

### Future developments

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

### Dividends

During the period the Directors declared an interim dividend of £25.9 million in respect of the year ended 31 December 2020 (2019: £66.3 million), which was paid entirely to Schroder Administration Limited on 8 December 2020. LBG Equity Investments Limited signed a deed of waiver prior to the dividend being paid.

### 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 '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 9 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, except where listed below, are set out on page one. Between 1 January 2020 and 22 March 2021 the following change took place:

<b>Director</b>	<b>Resigned</b>
Carolyn Sims	29 May 2020

### Directors' and Officers' liability insurance

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

### Employment policy

The Company had no employees during the period.

## Directors' report

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

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 auditor, 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, the 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 prepared 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 the 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 in accordance with 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:

Matthew Buckland, Authorised signatory  
For and on behalf of  
Schroder Corporate Services Limited  
Company Secretary  
22 March 2021

Registered Office:  
1 London Wall Place  
London EC2Y 5AU

Registered in England and Wales No. 09698522

# Independent Auditor's report to the members of Schroder Wealth Holdings Limited

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## Opinion

We have audited the financial statements of Schroder Wealth 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 12, 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 profit 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. 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.

## 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.

# Independent Auditor's report to the members of Schroder Wealth Holdings Limited (continued)

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## 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.

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 Wealth Holdings 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.

## Independent Auditor's report to the members of Schroder Wealth Holdings Limited (continued)

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- 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 and other income from subsidiaries		30,885	66,809
Finance income	3	9	146
Finance charges	3	-	(27)
<b>Net income</b>		<b>30,894</b>	<b>66,928</b>
Losses on disposal of investments in subsidiaries		-	(350)
Operating expenses	3	(38)	(134)
<b>Profit before tax</b>		<b>30,856</b>	<b>66,444</b>
Tax credit / (charge)	4	3	(20)
<b>Profit for the year</b>		<b>30,859</b>	<b>66,424</b>

## Statement of comprehensive income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
<b>Profit for the year</b>	<b>30,859</b>	<b>66,424</b>
<b>Total comprehensive income for the year, net of tax</b>	<b>30,859</b>	<b>66,424</b>

## Statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Trade and other receivables	6	5,116	166
Investments in subsidiaries	7	173,500	136,500
<b>Total assets</b>		<b>178,616</b>	<b>136,666</b>
<b>Liabilities</b>			
Trade and other payables	8	24	23
Current tax		1	18
<b>Total liabilities</b>		<b>25</b>	<b>41</b>
<b>Net assets</b>		<b>178,591</b>	<b>136,625</b>
<b>Total equity</b>		<b>178,591</b>	<b>136,625</b>

The notes on pages 13 to 21 form an integral part of the financial statements.

The financial statements on pages 9 to 21 were approved by the Board of Directors on 22 March 2021 and were signed on its behalf by:

Helen Fitzgerald  
Director  
22 March 2021

Registration number: 09698522

## Statement of changes in equity

for the year ended 31 December 2020

	Share <sup>1</sup> capital £'000	Share <sup>2</sup> premium £'000	Profit and loss reserve <sup>3</sup> £'000	Total equity £'000
At 1 January 2020	136,500	-	125	136,625
Profit for the year	-	-	30,859	30,859
<b>Total comprehensive income for the year, net of tax</b>	<b>136,500</b>	<b>-</b>	<b>30,984</b>	<b>167,484</b>
Shares issued	5,742	31,239	-	36,981
Dividends paid	-	-	(25,874)	(25,874)
<b>Transactions with shareholders</b>	<b>5,742</b>	<b>31,239</b>	<b>(25,874)</b>	<b>11,107</b>
<b>At 31 December 2020</b>	<b>142,242</b>	<b>31,239</b>	<b>5,110</b>	<b>178,591</b>

	Share <sup>1</sup> capital £'000	Profit and <sup>2</sup> loss reserve £'000	Total equity £'000
At 1 January 2019	217,649	1	217,650
Profit for the year	-	66,424	66,424
<b>Total comprehensive income for the year, net of tax</b>	<b>217,649</b>	<b>66,425</b>	<b>284,074</b>
Share capital redeemed	(81,149)	-	(81,149)
Dividends paid	-	(66,300)	(66,300)
<b>Transactions with shareholders</b>	<b>(81,149)</b>	<b>(66,300)</b>	<b>(147,449)</b>
<b>At 31 December 2019</b>	<b>136,500</b>	<b>125</b>	<b>136,625</b>

<sup>1</sup> Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 10 to the accounts.

<sup>2</sup> Share premium represents the issue proceeds above par value contributed on shares. See note 10 to the accounts.

<sup>3</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

	2020 £'000	2019 £'000
<b>Operating activities</b>		
Profit before tax	30,856	66,444
Increase in trade and other receivables	(4,949)	(155)
Increase / (decrease) in trade and other payables	1	(7,394)
Adjustment for loss on disposal of subsidiaries	-	350
Net interest adjustment to profit before tax	(9)	(119)
Cash from operating activities	25,899	59,126
Tax paid	(14)	(27)
<b>Net cash generated from operating activities</b>	<b>25,885</b>	<b>59,099</b>
<b>Investing activities</b>		
(Addition) / disposal of subsidiaries	(37,000)	88,245
Interest received	8	146
<b>Net cash (used) / generated in investing activities</b>	<b>(36,992)</b>	<b>88,391</b>
<b>Financing activities</b>		
Dividend paid	(25,874)	(66,300)
Share capital issued / (redeemed)	5,742	(81,149)
Share premium received	31,239	-
Interest paid	-	(41)
<b>Net cash generated / (used) in financing activities</b>	<b>11,107</b>	<b>(147,490)</b>
<b>Net movement in cash and cash equivalents</b>	<b>-</b>	<b>-</b>
<b>Opening and closing cash and cash equivalents</b>	<b>-</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

The financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention.

The Company is a subsidiary of Schroder Administration Limited (incorporated in England and Wales) and is included in the consolidated financial statements 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 and Interpretations which were in issue and which were not required to be implemented at the year-end date.

No Standards or Interpretations issued, and not yet effective, are expected to have an impact on the Company's financial statements.

## 2. Estimates and judgements

The preparation of the financial statements in conformity 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, 'Investments in subsidiaries' and note 9, 'Financial instrument risk management'.

# Notes to the financial statements

for the year ended 31 December 2020

## 3. Revenues and expenses

### Dividends

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

### 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 within operating expenses.

### 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 Company's temporary surpluses or deficits in the 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.

	2020 £'000	2019 £'000
<b>Finance income:</b>		
Interest received on financial assets	9	146
<b>Finance income</b>	<b>9</b>	<b>146</b>
<b>Finance charges:</b>		
Interest payable on financial liabilities	-	(27)
<b>Finance charges</b>	<b>-</b>	<b>(27)</b>
<b>Included in operating expenses:</b>		
Audit fees payable for the audit of the company	(23)	(22)
	<b>(23)</b>	<b>(22)</b>

### Directors' emoluments

The emoluments of 4 (2019: 9) Directors employed by and paid for by other Group companies are included in the financial statements of those entities. These Directors have contracts of service with and receive their emoluments from other Group companies. 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.

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 key management personnel during 2019 or 2020.

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £54,000 (2019: £464,000), net interest and fee income of £10,000 (2019: £24,000) and net interest and fee expenses of £nil (2019: £1,000).

# Notes to the financial statements

for the year ended 31 December 2020

## 4. Tax (credit) / charge

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 (credit) / charge in the year

	2020 £'000	2019 £'000
<b>Current tax:</b>		
Income tax (credit) / charge	(3)	18
Adjustments in respect of prior years	-	2
<b>Total tax (credit) / charge for the year</b>	<b>(3)</b>	<b>20</b>

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

The UK standard rate of corporation tax is 19% (2019: 19%).

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

The differences are explained below:

	2020 £'000	2019 £'000
<b>Profit before tax</b>	<b>30,856</b>	<b>66,444</b>
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2019: 19%).	5,863	12,624
<b>Effects of:</b>		
Disallowable expenses	1	86
Non-taxable dividend income	(5,867)	(12,692)
Adjustments in respect of prior years	-	2
<b>Total income tax (credit) / charge for the year</b>	<b>(3)</b>	<b>20</b>

## 5. Dividends

Dividends on ordinary shares payable are recognised when the dividend is paid or approved by the Board of Directors.

	2020		2019	
	£'000	Pence per share	£'000	Pence per share
Interim dividend paid	25,874	18.19	66,300	48.57

## Notes to the financial statements

for the year ended 31 December 2020

### 6. Trade and other receivables

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

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.

	2020	2019
	£'000	£'000
<b>Amounts owed by related parties (see note 11)</b>	<b>5,116</b>	<b>166</b>

The gross carrying value for trade and other receivables is £5,120,000 (2019: £166,000) and expected credit losses determined in accordance with International Financial Reporting Standards (IFRS) 9 are £4,095 (2019: not material). Note 9 sets out the basis of the expected credit loss calculation.

### 7. Investments in subsidiaries

#### Subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

#### Estimates and judgements

At 31 December 2020, the Company applied judgement to determine whether there is any indication that investments in subsidiaries 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 recoverable amount.

The Directors have determined that the carrying value of the investments is supported by their underlying recoverable value.

During the year the UK wealth management business continued to grow as the Company made a capital injection of £37.0 million to S&Co by means of cash transfer. This additional capital enabled S&Co. to acquire Sandaire.

Movements in investments in subsidiaries are set out below:

	Total	Additions	Disposals	Total
	2019	2020	2020	2020
	£'000	£'000	£'000	£'000
Schroder & Co. Limited	132,500	37,000	-	169,500
Schroder Wealth Management (US) Limited	4,000	-	-	4,000
<b>At 31 December</b>	<b>136,500</b>	<b>37,000</b>	<b>-</b>	<b>173,500</b>

# Notes to the financial statements

for the year ended 31 December 2020

## 7. Investments in subsidiaries (continued)

### Related undertakings

The Group operates globally which results in the Company having a corporate structure consisting of a number of related subsidiaries. A full list of these undertakings, the country of incorporation (which in all cases is the principal place of business), the registered office and the ownership of each share class, as at 31 December 2020, is disclosed below.

All subsidiaries listed below are included in the consolidated financial statements of the Group.

### (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 profits 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>United Kingdom</b>			
Sand Aire Limited	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited <sup>a</sup>	Ordinary	100%	
Schroder Wealth Management (US) Limited <sup>a</sup>	Ordinary	100%	

#### 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).

#### Fully owned subsidiaries

Name	Share class	%	Address
<b>United Kingdom</b>			
Cazenove New Europe (CFM1) Limited <sup>b</sup>	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited <sup>b</sup>	Ordinary	100%	
Cazenove New Europe Staff Interest Limited <sup>b</sup>	Ordinary	100%	
CCM Nominees Limited <sup>b</sup>	Ordinary	100%	
Schroder & Co Nominees Limited <sup>b</sup>	Ordinary	100%	

<sup>a</sup> Held directly by the Company

<sup>b</sup> Dormant company

# Notes to the financial statements

for the year ended 31 December 2020

## 8. 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.

	2020 £'000	2019 £'000
Accruals	23	22
Amounts owed to related parties (see note 11)	1	1
	<b>24</b>	<b>23</b>

## 9. 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 and therefore there is no credit risk exposure outside the Group on these balances. Intercompany balances are monitored regularly and historically, default levels have been nil. The Company does not have any receivables that are past due or impaired.

Expected credit losses are calculated in accordance with IFRS 9 on all 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.

# Notes to the financial statements

for the year ended 31 December 2020

## 9. Financial instrument risk management (continued)

### 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 as well as market data.

For financial assets held with rated counterparties (such as cash and cash equivalents), the Group calculates expected credit losses based on default information published by rating agencies and considers any known factors not yet reflected in this information.

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 capital through intergroup loans to maintain sufficient liquidity.

### 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 risk arises 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 (2019: 75 basis points higher or 50 basis points lower) with all other variables held constant, it has been estimated that the post-tax profit for the year would have been £6,000 higher or £14,000 lower (2019: £1,000 higher or £1,000 lower), mainly as a result of higher / lower interest charges / 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 post-tax profits 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, the Company had immaterial (2019: immaterial) foreign exchange exposure. Any changes to the underlying foreign currencies against sterling with all other variables held constant, would have no impact (2019: no impact) to the post-tax profit for the year.

### 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

### 10. Called up share capital and share premium

Ordinary shares of £1 each	Total number of shares	Share capital £'000	Share premium £'000
<b>Issued and fully paid:</b>			
At 31 December 2019	136,500,001	136,500	-
Shares issued	5,742,436	5,742	31,239
<b>At 31 December 2020</b>	<b>142,242,437</b>	<b>142,242</b>	<b>31,239</b>

### 11. Related party transactions

Transactions between the Company, its own subsidiaries and its fellow subsidiaries, which are related parties of the Company, together with details of transactions between the Company and other related parties are disclosed below.

	2020					
	Dividends (paid) / received	Other income / (expenses)	Finance income	Finance charges	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000
Parent	(25,874)	-	-	-	-	-
Subsidiaries	30,894	11	-	-	4	-
Other Group companies	-	(10)	9	-	5,112	(1)
<b>Total</b>	<b>5,021</b>	<b>1</b>	<b>9</b>	<b>-</b>	<b>5,116</b>	<b>(1)</b>

	2019					
	Dividends (paid) / received	Other income / (expenses)	Finance income	Finance charges	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000	£'000	£'000
Parent	(66,300)	-	-	-	-	-
Subsidiaries	66,799	10	-	-	4	-
Other Group companies	-	(10)	146	(27)	162	(1)
<b>Total</b>	<b>499</b>	<b>-</b>	<b>146</b>	<b>(27)</b>	<b>166</b>	<b>(1)</b>

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 12. Information about subsidiaries is provided in note 7.

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.

# Notes to the financial statements

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for the year ended 31 December 2020

## 12. Ultimate parent company

The Company's immediate parent company with a shareholding of 80.9% 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).

LBG Equity Investments Limited, whose ultimate parent company and controlling party is the Lloyds Banking Group Plc (incorporated in Scotland), has a shareholding of 19.1% in the Company.

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