Schroders

Annual Report and Accounts 2021

Schroder Wealth Holdings Limited

Year Ended 31 December 2021

Registered Number: 09698522

Contents

Officers and professional advisers

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

The Directors present their Strategic report on Schroder Wealth Holdings Limited (the 'Company') for the year ended 31 December 2021.

Results and review of the business

The profit after tax for the year was £36.7 million (2020: £30.9 million).

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

During the year, the Company paid a dividend of £41.6 million (2020: £25.9 million) to its parent Schroder Administration Limited ('SAL') and its minority shareholder LBG Equity Investments Limited ('LBG').

During the year, the Company's net assets have decreased by £4.9 million to £173.7 million (2020: £178.6 million).

The Company's investment and operational principles are expected to remain unchanged in 2022 as the business continues.

The Directors consider the results and the Company's financial position at 31 December 2021 to be satisfactory.

Economic uncertainty driven by the Covid-19 pandemic remained a risk in 2021. The Covid-19 pandemic continues to have an effect on many aspects of people's lives and continues to impact investor sentiment.

The Company and the Group remained resilient throughout the pandemic and there has been no significant impact on business operations. While the ongoing effects of the pandemic and more recent geopolitical shifts on the world economy and central policy may cause more volatility in financial markets, the Company remains well placed to weather future challenges.

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 the payment of an interim dividend of £41.6 million by the Company to its shareholders, SAL and LBG in proportion to their shareholding. The Directors considered the long term consequences of paying up its distributable reserves and considered that it was in the best interests of its stakeholders as a whole.

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 2021 ('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.

Strategic report

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 'Risk Management' section of the Schroders Report. The Schroders 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 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
21 March 2022

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2021. 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 year the Directors declared an interim dividend of £41.6 million in respect of the year ended 31 December 2021 (2020: £25.9 million), which was paid on 7 October 2021. Based on their respective shareholding, £33,646,310 was paid to SAL and £7,943,690 was paid to LBG.

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 'Risk Management' 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 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 company, for the benefit of the Directors of the Company.

Employment policy

The Company had no employees during the period.

Directors' report

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 UK-adopted international accounting standards and 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 UK-adopted international accounting standards and 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
21 March 2022

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

Opinion

We have audited the financial statements of Schroder Wealth Holdings Limited (the 'Company') for the year ended 31 December 2021 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 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; 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)

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 UK-adopted international accounting standards, 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)

- 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.

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

Income statement

for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Dividends and other income from subsidiaries		36,703	30,885
Finance income	3	40	9
Net income		**36,743**	**30,894**
Operating expenses	3	(30)	(38)
Profit before tax		**36,713**	**30,856**
Tax (charge) / credit	4	(2)	3
Profit for the year		**36,711**	**30,859**

Statement of comprehensive income

for the year ended 31 December 2021

	2021 £'000	2020 £'000
Profit for the year	**36,711**	**30,859**
Total comprehensive income for the year, net of tax	**36,711**	**30,859**

Statement of financial position

as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Assets			
Trade and other receivables	6	235	5,116
Deferred tax	8	4	-
Investments in subsidiaries	7	173,500	173,500
Total assets		**173,739**	**178,616**
Liabilities			
Trade and other payables	9	24	24
Current tax		3	1
Total liabilities		**27**	**25**
Net assets		**173,712**	**178,591**
Total equity		**173,712**	**178,591**

The notes on pages 13 to 22 form an integral part of the financial statements.

The financial statements on pages 9 to 22 were approved by the Board of Directors on 21 March 2022 and were signed on their behalf by:

Helen Fitzgerald
Director
21 March 2022

Registration number: 09698522

Statement of changes in equity

for the year ended 31 December 2021

	Share[1] capital £'000	Share[2] premium £'000	Profit and[3] loss reserve £'000	Total equity £'000
At 1 January 2021	**142,242**	**31,239**	**5,110**	**178,591**
Profit for the year	-	-	36,711	36,711
Total comprehensive income for the year, net of tax	**142,242**	**31,239**	**41,821**	**215,302**
Dividends paid	-	-	(41,590)	(41,590)
Transactions with shareholders	**-**	**-**	**(41,590)**	**(41,590)**
At 31 December 2021	**142,242**	**31,239**	**231**	**173,712**

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

[1] Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 11 to the accounts.

[2] Share premium represents the issue proceeds above par value contributed on shares. See note 11 to the accounts.

[3] 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 2021

	2021 £'000	2020 £'000
Operating activities		
Profit before tax	36,713	30,856
Decrease / (increase) in trade and other receivables	4,882	(4,949)
Increase in trade and other payables	-	1
Net interest adjustment to profit before tax	(40)	(9)
Cash from operating activities	41,555	25,899
Tax paid	(4)	(14)
Net cash generated from operating activities	**41,551**	**25,885**
Investing activities		
Addition of subsidiaries	-	(37,000)
Interest received	39	8
Net cash generated / (used) in investing activities	**39**	**(36,992)**
Financing activities		
Dividend paid	(41,590)	(25,874)
Share capital issued	-	5,742
Share premium received	-	31,239
Net cash (used) / generated in financing activities	**(41,590)**	**11,107**
Net movement in cash and cash equivalents	**-**	**-**
Opening and closing cash and cash equivalents	**-**	**-**

Notes to the financial statements

for the year ended 31 December 2021

1. Presentation of financial statements

Basis of preparation

The financial statements are prepared in accordance with UK-adopted international accounting standards and 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 UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. Management is required 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 UK-adopted international accounting standards and 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 2021

3. Revenues and expenses

Dividends and other income

Dividends and other income 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.

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.

	2021 £'000	2020 £'000
Finance income:		
Interest received on financial assets	40	9
Finance income	**40**	**9**

Operating expenses

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

Included in operating expenses:		
Audit fees payable for the audit of the company	(23)	(23)
	(23)	**(23)**

Directors' emoluments

The emoluments of 3 (2020: 4) 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 2020 or 2021.

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £54,000 (2020: £54,000), net interest and fee income of £nil (2020: £10,000) and net interest and fee expenses of £nil (2020: £nil).

Notes to the financial statements

for the year ended 31 December 2021

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 year

	2021 £'000	2020 £'000
Current tax:		
Income tax charge / (credit)	3	(3)
Adjustments in respect of prior years	3	-
Total current tax charge / (credit) for the year	**6**	**(3)**
Deferred tax:		
Adjustments in respect of prior years	(3)	-
Effects of changes in UK corporation tax	(1)	-
Total deferred tax	**(4)**	**-**
Total tax charge / (credit) for the year	**2**	**(3)**

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

The UK standard rate of corporation tax is 19% (2020: 19%).

The tax charge / (credit) for the year is lower (2020: lower) than the UK standard rate of corporation tax for the year of 19%.

The differences are explained below:

	2021 £'000	2020 £'000
Profit before tax	**36,713**	**30,856**
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2020: 19%)	6,975	5,863
Effects of:		
Non-taxable income net of non-deductible expenses	(1)	1
Non-taxable income from group companies	(6,971)	(5,867)
Impact of changes in corporation tax rate	(1)	-
Total income tax charge / (credit) for the year	**2**	**(3)**

Notes to the financial statements

for the year ended 31 December 2021

5. Dividends

Final dividends payable are recognised when the dividend is approved by the shareholder. Interim dividends payable are recognised when the dividend is paid.

	2021		2020	
	£'000	Pence per share	£'000	Pence per share
Interim dividend paid	**41,590**	**29.24**	25,874	18.19

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 Directors consider that as a result of their short-term nature, the fair value of trade and other receivables held at amortised cost approximates their carrying value.

	2021 £'000	2020 £'000
Amounts owed by related parties (see note 12)	**235**	**5,116**

The gross carrying value for trade and other receivables is £235,000 (2020: £5,120,000) and expected credit losses determined in accordance with International Financial Reporting Standards (IFRS) 9 are not material (2020: £4,095). 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 2021, 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.

Movements in investments in subsidiaries are set out below:

	Total 2020 £'000	Additions 2021 £'000	Disposals 2021 £'000	Total 2021 £'000
Schroder & Co. Limited	169,500	-	-	169,500
Schroder Wealth Management (US) Limited	4,000	-	-	4,000
At 31 December	**173,500**	**-**	**-**	**173,500**

Notes to the financial statements

for the year ended 31 December 2021

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 2021, 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
United Kingdom			
Sand Aire Limited	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited [a]	Ordinary	100%	
Schroder Wealth Management (US) Limited [a]	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
United Kingdom			
Cazenove New Europe (CFM1) Limited [b]	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited [b]	Ordinary	100%	
Cazenove New Europe Staff Interest Limited [b]	Ordinary	100%	
CCM Nominees Limited (In Liquidation) [b]	Ordinary	100%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Schroder & Co Nominees Limited [b]	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England

[a] Held directly by the Company
[b] Dormant company

Notes to the financial statements

for the year ended 31 December 2021

8. Deferred tax

Deferred tax assets and liabilities represent amounts of tax that will become recoverable and payable in future accounting periods. They generally arise as a result of temporary differences, where the time at which profits and losses are recognised for tax purposes differs from the time at which the relevant transaction is recorded in the accounts. A deferred tax asset represents a tax reduction that is expected to arise in a future period. A deferred tax liability represents taxes which will become payable in a future period as a result of a current or prior year transaction.

The UK corporation tax rate is currently 19%. The UK Chancellor announced in the March 2021 budget that the rate will increase to 25% from April 2023. The rate increase was substantively enacted in May 2021 and the UK deferred tax balances have been revalued accordingly.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year end date.

Deferred tax asset	**Temporary timing differences £'000**	**Total £'000**
At 1 January 2021	-	-
Credited to income statement	3	3
Impact of changes in corporation tax rate	1	1
At 31 December 2021	**4**	**4**

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.

	2021 £'000	**2020 £'000**
Accruals	23	23
Amounts owed to related parties (see note 12)	1	1
	24	**24**

Notes to the financial statements

for the year ended 31 December 2021

10. 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 'Risk Management' section of the Schroders Report and in note 20 in the Schroders 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 2021

10. 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 Company 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 2021, if Bank of England interest rates had been 100 basis points higher or 75 basis points lower (2020: 15 basis points higher or 35 basis points lower) with all other variables held constant, it has been estimated that the post-tax profit for the year would have been £66,000 higher or £50,000 lower (2020: £6,000 higher or £14,000 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 2021, the Company had immaterial (2020: immaterial) foreign exchange exposure. Any changes to the underlying foreign currencies against sterling with all other variables held constant, would have no impact (2020: 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 2021

11. Called up share capital and share premium

Ordinary shares of £1 each	Total number of shares	Share capital £'000	Share premium £'000
Issued and fully paid:			
At 31 December 2020	142,242,437	142,242	31,239
At 31 December 2021	**142,242,437**	**142,242**	**31,239**

12. 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.

	2021				
	Dividends (paid) / received £'000	Other income / (expenses) £'000	Finance income £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Parent	(41,590)	-	-	-	-
Subsidiaries	36,692	11	-	14	-
Other Group companies	-	(10)	40	221	(1)
Total	**(4,898)**	**1**	**40**	**235**	**(1)**

	2020				
	Dividends (paid) / received £'000	Other income / (expenses) £'000	Finance income £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Parent	(25,874)	-	-	-	-
Subsidiaries	30,894	11	-	4	-
Other Group companies	-	(10)	9	5,112	(1)
Total	**5,020**	**1**	**9**	**5,116**	**(1)**

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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13. 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 Schroders 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 Schroders plc, copies of which can be obtained from www.schroders.com.