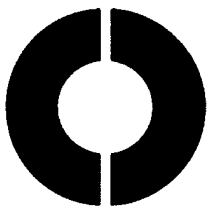


# Schroders



## **Annual Report and Accounts 2020**

**Schroder Investment Company  
Limited**

**Year Ended 31 December 2020**

**Registered Number: 00647370**

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## Officers and professional advisers

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### Directors

James Grant  
Tim McCann  
Graham Staples  
Nicholas Taylor

### Company Secretary

Schroder Corporate Services Limited

### Registered Office

1 London Wall Place  
London  
EC2Y 5AU

### Independent Auditor

Ernst & Young LLP  
25 Churchill Place  
London  
E14 5EY

## Strategic report

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

### Results and Review of the business

The profit for the year, after tax, was £17,923,000 (2019: £15,109,000 profit after tax).

During the year net assets increased by £11,924,000 (2019: decrease of £888,000) to £55,074,000 (2019: £43,150,000).

The Company's business is that of an investment and holding company. The Company holds investments in other Schroders plc Group ('Group') companies, seed investments, co-investments, debt securities and other investments. The Company's investment and operating principles are expected to remain unchanged in 2021.

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

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

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

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

### 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 £6 million by the Company to its parent. The Directors considered the long term consequences of paying up a portion of its distributable reserves and considered that it was in the best interests of its stakeholders as a whole.

Due to the structure of the Schroders 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').

## Strategic report (continued)

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### 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' section of 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  
Schroder Corporate Services Limited  
Company Secretary  
11 March 2021

## Directors' report

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

### General information

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

### Future developments

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

### Dividends

During the year the Directors declared an interim dividend of £6,000,000 in respect of the year ended 31 December 2020 (2019: £16,000,000) which was declared on 11 December 2020 and paid to the member of the Company on 13 January 2021.

### 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 risk 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 14 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 at least 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' 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 year.

## Directors' report (continued)

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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, Directors' report and the financial statements in accordance with applicable law and regulations.

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

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

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

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



Matthew Buckland,  
Authorised Signatory  
Schroder Corporate Services Limited  
Company Secretary  
11 March 2021

Registered Office:  
1 London Wall Place  
London EC2Y 5AU  
Registered in England and Wales No 00647370

## Independent auditor's report to the member of Schroder Investment Company Limited

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### Opinion

We have audited the financial statements of Schroder Investment Company 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 18, 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.



## Independent auditor's report to the member of Schroder Investment Company Limited (continued)

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

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

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

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

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

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

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

### Responsibilities of Directors

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

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

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

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

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

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

## Independent auditor's report to the member of Schroder Investment Company Limited (continued)

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

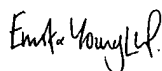
However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

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

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

### Use of our report

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



Julian Young (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

11 March 2021

# Income statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Net gains on financial instruments and other income	3	21,381	24,017
Operating expenses	3	(441)	(728)
<b>Operating profit</b>		<b>20,940</b>	<b>23,289</b>
Finance income	3	8	19
Finance charges	3	(2,531)	(9,174)
Net finance charge	3	(2,523)	(9,155)
Gain / (loss) on disposal of subsidiaries		50	(189)
<b>Profit before tax</b>		<b>18,467</b>	<b>13,945</b>
Tax (charge) / credit	4	(544)	1,164
<b>Profit after tax</b>		<b>17,923</b>	<b>15,109</b>

## Statement of comprehensive income

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Profit for the year</b>		<b>17,923</b>	<b>15,109</b>
<b>Reclassifications to the income statement:</b>			
Current income tax (charge) / credit on fair value assets through other comprehensive income	4(b)	(1)	2
Deferred tax credit on fair value assets through other comprehensive income	4(b)	2	1
<b>Other comprehensive income for the year, net of tax</b>		<b>1</b>	<b>3</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>17,924</b>	<b>15,112</b>

## Statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Cash and cash equivalents	6	10,403	7,048
Trade and other receivables	7	7,655	3,135
Financial assets	8	345,998	346,224
Current tax		687	1,505
Investments in subsidiaries	9	188,631	188,532
<b>Total assets</b>		<b>553,374</b>	<b>546,444</b>
<b>Liabilities</b>			
Trade and other payables	10	495,578	501,821
Financial liabilities	11	964	955
Deferred tax	12	1,758	518
<b>Total liabilities</b>		<b>498,300</b>	<b>503,294</b>
<b>Net assets</b>		<b>55,074</b>	<b>43,150</b>
<b>Total equity</b>		<b>55,074</b>	<b>43,150</b>

The notes on pages 14 to 37 form an integral part of these financial statements.

The financial statements on pages 9 to 37 were approved by the Board of Directors on 11 March 2021 and signed on its behalf by:



James Grant  
Director

## Statement of changes in equity

for the year ended 31 December 2020

	Share <sup>1</sup> capital £'000	Profit and <sup>2</sup> loss reserve £'000	Total £'000
At 1 January 2020	32,000	11,150	43,150
Profit for the year	-	17,923	17,923
Tax credit on fair value assets taken through statement of other comprehensive income	-	1	1
<b>Total comprehensive gains for the year, net of tax</b>	<b>-</b>	<b>17,924</b>	<b>17,924</b>
Dividends paid	-	(6,000)	(6,000)
<b>Transactions with shareholders</b>	<b>-</b>	<b>(6,000)</b>	<b>(6,000)</b>
<b>At 31 December 2020</b>	<b>32,000</b>	<b>23,074</b>	<b>55,074</b>

for the year ended 31 December 2019

	Share <sup>1</sup> capital £'000	Profit and <sup>2</sup> loss reserve £'000	Total £'000
At 1 January 2019	32,000	12,038	44,038
Profit for the year	-	15,109	15,109
Tax credit on fair value assets taken through statement of other comprehensive income	-	3	3
<b>Total comprehensive gains for the year, net of tax</b>	<b>-</b>	<b>15,112</b>	<b>15,112</b>
Dividends paid	-	(16,000)	(16,000)
<b>Transactions with shareholders</b>	<b>-</b>	<b>(16,000)</b>	<b>(16,000)</b>
<b>At 31 December 2019</b>	<b>32,000</b>	<b>11,150</b>	<b>43,150</b>

<sup>1</sup>Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 15 to the financial statements.

<sup>2</sup>The profit and loss reserve represents the profit or loss for the year together with certain other amounts recognised directly in other comprehensive income and transactions with shareholders.

## Cash flow statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
<b>Operating activities</b>			
Operating profit		20,940	23,289
Increase in trade and other receivables		(4,470)	(2,179)
(Decrease) / increase in trade and other payables		(5,954)	30,148
Purchase of financial assets and financial liabilities		(167,037)	(150,030)
Disposal of financial assets and financial liabilities		174,387	127,485
Net gains on financial assets and financial liabilities		(7,115)	(12,247)
Cash generated from operating activities		10,751	16,466
Amounts received in respect of group tax relief		1,608	1,567
Overseas tax		(93)	(84)
<b>Net cash generated from operating activities</b>		<b>12,266</b>	<b>17,949</b>
<b>Investing activities</b>			
Additions in subsidiaries		(99)	(24,506)
Proceeds from the disposal of subsidiaries		-	24,317
Interest received		8	19
<b>Net cash used in investing activities</b>		<b>(91)</b>	<b>(170)</b>
<b>Financing activities</b>			
Dividend paid		(6,000)	(16,000)
Interest paid		(2,820)	(9,632)
<b>Net cash used in financing activities</b>		<b>(8,820)</b>	<b>(25,632)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>3,355</b>	<b>(7,853)</b>
Opening cash and cash equivalents		7,048	14,901
Net increase / (decrease) in cash and cash equivalents		3,355	(7,853)
<b>Closing cash and cash equivalents</b>	6	<b>10,403</b>	<b>7,048</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, except for the measurement at fair value of derivative financial instruments and financial assets and financial liabilities that are held at fair value through profit or loss or held at fair value through other comprehensive income.

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

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

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

No other standards or interpretations have been issued that are expected to have an impact on the Company's financial statements.

### 2. Estimates and judgements

The preparation of the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates differ from the related actual results. The estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in note 8, 'Financial assets', note 9, 'Investments in subsidiaries' and in note 14 'Financial instrument risk management'.



## Notes to the financial statements

for the year ended 31 December 2020

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### 3. Revenues and expenses

#### Net gains on financial instruments and other income

A portion of the Company's financial assets that are measured at fair value are classified as financial assets at fair value through profit or loss. Net gains and losses on financial instruments at fair value through profit or loss principally comprise market returns on investments in debt securities, equities, pooled investment vehicles, private equity, co-investments and gains and losses on derivatives (which mainly arise from hedging activities). Gains or losses on investments held at fair value through profit or loss, together with transaction costs, are recognised within 'net gains on financial instruments and other income' in the income statement.

Impairment of financial assets is included in the income statement.

#### Foreign currency translation

Foreign currency financial assets and liabilities are translated at the rates of exchange ruling at the year end date and any exchange differences arising are taken to the income statement. Exchange differences are taken as they arise on the translation of assets and liabilities whose changes in value are taken directly through other comprehensive income.

#### Operating expenses

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

#### Net finance income and charges

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

#### Dividends

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

#### Carried interest

The Company has acquired interests in funds with a right to carried interest. This revenue will be recognised when the Company becomes entitled to the carried interest and it is probable that the income will be received. As at 31 December 2020, the Company had not recognised any carried interest income.

## Notes to the financial statements

for the year ended 31 December 2020

### 3. Revenues and expenses (continued)

	2020 £'000	2019 £'000
<b>Included in net gains on financial instruments and other income:</b>		
Net losses on foreign exchange <sup>1</sup>	(475)	(661)
Net gains on financial assets and liabilities held at fair value through profit or loss	15,846	8,088
Dividends received from Subsidiaries	6,000	16,580
Other income	10	10
	<b>21,381</b>	<b>24,017</b>

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

	2020 £'000	2019 £'000
<b>Included in operating expenses:</b>		
Fees payable for the audit of the Company	36	35
	<b>36</b>	<b>35</b>

	2020 £'000	2019 £'000
<b>Net finance income and charges:</b>		
Interest receivable on financial assets not at fair value through profit or loss	8	19
Interest payable on balances due to Group Companies	(2,531)	(9,174)
	<b>(2,523)</b>	<b>(9,155)</b>

## Notes to the financial statements

for the year ended 31 December 2020

### 3. Revenues and expenses (continued)

#### Directors' emoluments

The emoluments set out below are in respect of 1 (2019: 1) Director whose emoluments were charged either in part or in full to the Company during the year. This Director has a contract of service with and receive their emoluments from another Group company. A charge is made by that Group Company in respect of the services it provides to the Company. The emoluments of 3 (2019: 5) Directors employed by and paid for by another Group company are included in the financial statements of that entity. 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.

	2020 £'000	2019 £'000
Aggregate emoluments	3	3
	<b>3</b>	<b>3</b>

In addition to the emoluments detailed, deferred amounts conditionally receivable by current Directors were £294 (2019: £138).

Retirement benefits have accrued to no (2019: none) Directors under a defined benefit scheme and to no (2019: none) Directors under a defined contribution pension scheme.

During the year, 1 (2019: 1) Director became entitled to shares under the Group's Equity Compensation Plan, and 1 (2019: none) Director became entitled to shares under the Group's Equity Incentive Plan.

#### Key management personnel remuneration

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

The remuneration of key management personnel during the year was as follows:

	2020 £'000	2019 £'000
Short-term employee benefits	3	3
Share-based payments	1	1
	<b>4</b>	<b>4</b>

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £183,000 (2019: £35,000) and net interest and fee income of £7,000 (2019: £8,000).

## Notes to the financial statements

for the year ended 31 December 2020

### 4. Tax charge / (credit)

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

#### (a) Analysis of charge / (credit) in year

	2020 £'000	2019 £'000
<b>Current tax:</b>		
Current tax	(687)	(1,508)
Overseas tax	93	84
Adjustments in respect of prior years	(104)	12
<b>Current tax credit for the year</b>	<b>(698)</b>	<b>(1,412)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	1,409	213
Adjustments in respect of prior years	(167)	35
<b>Total tax charge / (credit) for the year</b>	<b>544</b>	<b>(1,164)</b>

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

	2020 £'000	2019 £'000
Current income tax charge / (credit) on movements on assets held at fair value through other comprehensive income	1	(2)
Deferred tax credit on movements on assets held at fair value through other comprehensive income	(2)	(1)
<b>Tax credit in statement of other comprehensive income</b>	<b>(1)</b>	<b>(3)</b>

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

The UK standard rate of corporation tax for 2020 is 19% (2019: 19%).

The tax 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>18,467</b>	<b>13,945</b>
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2019: 19%)	3,509	2,650
<b>Effects of:</b>		
Non-taxable dividend income	(1,248)	(3,298)
Non-taxable income net of non deductible expenses	(99)	(14)
Movement in unrecognised deferred tax	(1,440)	(633)
Overseas tax	93	84
Adjustments in respect of prior years	(271)	47
<b>Total income tax charge / (credit) for the year</b>	<b>544</b>	<b>(1,164)</b>

## Notes to the financial statements

for the year ended 31 December 2020

### 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	6,000	18.75	16,000	50.00

### 6. Cash and cash equivalents

Cash and cash equivalents comprise margin accounts and bank accounts with an original maturity of three months or less. Where the Company considers that such items are not to be used for settling its liabilities, for example, securities with short maturity dates that will be rolled over as part of an investment portfolio, they are classified as financial assets rather than cash and cash equivalents.

	2020	2019
	£'000	£'000
Cash at bank	10,403	7,048

### 7. Trade and other receivables

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

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>Current:</b>		
Amounts owed by related parties (see note 17)	6,295	2,126
Other receivables	323	74
Other receivable - Balance due from external party in relation to the sale of Vicarello Societa Agricola a Responsabilita Limitata	1,037	935
	<b>7,655</b>	<b>3,135</b>

Gross carrying value for trade and other receivables is £7,661,000 (2019 : £3,137,000) and expected credit losses are £6,000 (2019 : £2,000). Note 14 sets out the basis of the expected credit loss calculation.

## Notes to the financial statements

for the year ended 31 December 2020

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### 8. Financial assets

Items included within this caption on the face of the statement of financial position principally comprise investments in pooled investment vehicles, equities, derivatives and debt securities. It excludes financial assets and liabilities that are recorded under the following headings:

- Trade and other receivables
- Cash and cash equivalents;
- Trade and other payables; and
- Investments in subsidiaries.

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

#### Classification and measurement

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

#### *Financial assets at fair value through profit or loss*

All other financial assets are held at FVTPL. The Company's financial assets at FVTPL principally comprise investments in pooled investment vehicles, equities, derivatives and debt securities.

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

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

## Notes to the financial statements

for the year ended 31 December 2020

### 8. Financial assets (continued)

	Fair value through profit or loss	
	2020 £'000	2019 £'000
<b>Non-current financial assets:</b>		
Private equity including co-investments	14,463	14,850
<b>Current financial assets:</b>		
Derivative contracts (see note 13)	5,757	6,118
Pooled investment vehicles	308,715	313,378
Equity shares - listed	17,063	11,878
	<b>345,998</b>	<b>346,224</b>

#### Estimates and judgements - fair value measurements

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

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

For investments that are actively traded in financial markets, fair value is determined by reference to official quoted market prices. For investments that are not actively traded, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies.

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

# Notes to the financial statements

for the year ended 31 December 2020

## 8. Financial assets (continued)

### Fair value measurements (continued)

The Company's financial instruments have been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and principally comprises investments in equities, pooled investment vehicles and exchange-traded derivatives;
- Level 2 fair value measurements are those derived from prices that are not traded in an active market but are determined using valuation techniques, which make maximum use of observable market data. The Company's level 2 financial instruments principally comprise foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising information readily available via external sources; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and principally comprise investments in pooled investment vehicles and private equity. Private equity is measured by applying appropriate valuation techniques in accordance with International Private Equity and Venture Capital Guidelines 2018.

The Company's financial instruments held at fair value at the year end are analysed as follows:

	2020			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets:</b>				
Private equity including co-investments	-	-	14,463	14,463
Pooled investment vehicles	307,508	-	1,207	308,715
Equities	17,063	-	-	17,063
Derivative contracts	-	5,757	-	5,757
	<b>324,571</b>	<b>5,757</b>	<b>15,670</b>	<b>345,998</b>

	2019			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Financial assets:</b>				
Private equity including co-investments	-	-	14,850	14,850
Pooled investment vehicles	313,378	-	-	313,378
Equities	11,878	-	-	11,878
Derivative contracts	-	6,118	-	6,118
	<b>325,256</b>	<b>6,118</b>	<b>14,850</b>	<b>346,224</b>



## Notes to the financial statements

for the year ended 31 December 2020

### 8. Financial assets (continued)

There were no transfers between levels during the year (2019: none).

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

	2020 £'000	2019 £'000
At 1 January	14,850	9,984
Additions	1,263	6,371
Total losses recognised in the Income Statement	(443)	(97)
Disposals	-	(1,408)
<b>At 31 December</b>	<b>15,670</b>	<b>14,850</b>

### Estimates and judgements

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

#### *Valuation of financial assets where there is no quoted price*

Such assets principally consist of investments in private equity including co-investments. The determination of fair value requires significant judgement, particularly in determining whether changes in fair value have occurred since the last formal valuation by the fund manager or advisor where this is performed before year end. In making this judgement the Company evaluates amongst other factors the effect of cash distributions and changes in the business outlook.

## Notes to the financial statements

for the year ended 31 December 2020

### 9. Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. Seed capital investments into funds operated by the Schroder Group where they are deemed to be subsidiaries are held at fair value through profit or loss.

	2020 £'000	2019 £'000
At 1 January	188,532	188,282
Additions	99	24,756
Disposals	-	(24,506)
<b>At 31 December</b>	<b>188,631</b>	<b>188,532</b>

The addition during the year was in relation to Schroder Real Estate SICAV-SIF.

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

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

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

### Estimates and judgements

At 31 December 2020, the Company applies 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 net asset value.

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

## Notes to the financial statements

for the year ended 31 December 2020

### 9. Investments in subsidiaries (continued)

#### (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 set out below are wholly-owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provisions for impairment.

Name	Share Class	%	Address
<b>UK</b>			
Leadenhall Securities Corporation Limited <sup>1</sup>	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU
<b>Guernsey</b>			
Schroder Venture Managers (Guernsey) Limited <sup>2</sup>	Non-cumulative Redeemable Preference shares	100%	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
<b>Luxembourg</b>			
Schroder Real Estate SICAV-SIF <sup>5</sup>	Ordinary	100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

##### 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), and are fully owned unless otherwise stated.

Name	Share Class	%	Address
<b>UK</b>			
J Henry Schroder Wagg & Co Limited <sup>3</sup>	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU
Social Supported Housing CIP LLP <sup>4</sup>	Partnership interest	50%	
<b>Guernsey</b>			
Schroder Investments (Guernsey) Limited <sup>4</sup>	Ordinary	99.99%	PO Box 334 Regency Court, Glatigny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Ventures Investments Limited <sup>5</sup>	Ordinary	50%	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands
SV (Nominees) Limited <sup>5</sup>	Ordinary	50%	
<b>Luxembourg</b>			
SRE Invest SCSp <sup>5</sup>	Partnership interest	81.83%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
SRE ReLF (CIP) SCSp <sup>5</sup>	Partnership interest	83.75%	
SRE SoHo (CIP) SCSp <sup>5</sup>	Partnership interest	82.75%	

<sup>1</sup>Management of Group capital <sup>2</sup>Holding company <sup>3</sup>Wealth management <sup>4</sup>Asset Management <sup>5</sup>Other

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

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

# Notes to the financial statements

for the year ended 31 December 2020

## 9. Investments in subsidiaries (continued)

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

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

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

## Notes to the financial statements

for the year ended 31 December 2020

### 9. Investments in subsidiaries (continued)

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

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

(c) Registered offices of related undertakings arising from the Company's interests in structured entities. The registered offices for each of the entities listed on page 26 and 27 corresponds to the relevant country.

#### UK

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

#### Australia

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

#### Brazil

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

## Notes to the financial statements

for the year ended 31 December 2020

### 9. Investments in subsidiaries (continued)

(c) Registered offices of related undertakings arising from the Company's interests in structured entities. The registered offices for each of the entities listed on page 26 and 27 corresponds to the relevant country. (continued)

#### Cayman Islands

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

#### Japan

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

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

#### Luxembourg

5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

#### Interests in unconsolidated structured entities

The Company holds interests in structured entities through its ownership of units in investment funds managed and operated by third parties. These investments entitle the Company to investment returns.

The main risk the Company faces from interests in structured entities is capital losses arising from a decrease in the value of its investments. The following table summarises the carrying values recognised in the statement of financial position, which also represent the maximum exposure to loss, in respect of the Company's interests in unconsolidated structured entities:

	2020 £'000	2019 £'000
Financial assets (See note 8)	325,778	325,256
<b>Total</b>	<b>325,778</b>	<b>325,256</b>

### 10. Trade and other payables

Trade 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 loans 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
Amounts owed to related parties (see note 17)	495,528	501,756
Accruals	50	65
	<b>495,578</b>	<b>501,821</b>

Amounts due to related parties include £489,363,000 (2019: £501,325,000) of interest bearing amounts.

## Notes to the financial statements

for the year ended 31 December 2020

### 11. Financial liabilities

Financial liabilities are held at fair value through profit or loss and held for trading. Gains and losses on derivative contracts are recognised within 'net gains on financial instruments and other income' in the income statement.

	2020 £'000	2019 £'000
Derivative contracts (see note 13)	964	955

#### Fair value measurements

The Company holds financial liabilities that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are based on the degree to which the fair value is observable and are defined in note 8.

	2020		
	Level 1 £'000	Level 2 £'000	Total £'000
<b>Financial liabilities</b>			
Derivative contracts	131	833	964
	131	833	964

	2019		
	Level 1 £'000	Level 2 £'000	Total £'000
<b>Financial liabilities</b>			
Derivative contracts	47	908	955
	47	908	955

## Notes to the financial statements

for the year ended 31 December 2020

### 12. Deferred tax

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

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

	2020 £'000	2019 £'000
At 1 January	518	271
Income statement charge	1,409	213
Credit to statement of other comprehensive income	(2)	(1)
Adjustments in respect of prior years	(167)	35
<b>At 31 December</b>	<b>1,758</b>	<b>518</b>

A deferred tax asset relating to realised and unrealised capital losses of £770,000 (2019: £2,486,000) has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised.

### 13. Derivative contracts

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

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

Currency forwards represent commitments to sell or purchase foreign and domestic currency. Currency forwards are contractual obligations to receive or pay amounts based on changes in currency rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price. For currency forward contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.



## Notes to the financial statements

for the year ended 31 December 2020

### 13. Derivative contracts (continued)

Futures contracts are standardised contracts to buy or sell specified items for an agreed price at a specified future date. Contracts are negotiated at a futures exchange which acts as an intermediary between the two parties. For futures contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

Total return swap contracts result in an economic exchange of total returns (for example, fixed rate payments for the return of an equity index). No exchange of principal takes place. The Company's credit risk represents the potential cost of replacing the swap contracts if counterparties fail to perform their obligations. This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Company assesses counterparties in accordance with its internal policies and procedures.

	Assets £'000	Liabilities £'000
<b>2020</b>		
Equity contracts	-	964
Forward foreign exchange contracts	5,757	-
	<b>5,757</b>	<b>964</b>

	Assets £'000	Liabilities £'000
<b>2019</b>		
Equity contracts	-	314
Forward foreign exchange contracts	6,118	641
	<b>6,118</b>	<b>955</b>

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market indices or foreign exchange rates relative to their terms. The aggregate contractual amount of derivative financial instruments held, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

# Notes to the financial statements

for the year ended 31 December 2020

## 14. 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 and internal control' section within the Governance section 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. Except for the debt securities and cash and cash equivalents the Company's counterparties are predominately its related parties. Derivative positions are taken in exchange-traded securities where there is minimal credit risk. Forward foreign exchange positions generally have a maturity of up to three months. Intercompany and cash balances are monitored regularly and historically default levels have been nil. The Company does not have any receivables that are either past due or impaired.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Company's relevant financial assets by credit rating as provided by credit agencies are set out below.

	Cash and cash equivalents	
	2020	2019
	%	%
<b>Credit rating</b>		
AA	92.3	91.4
AA-	7.4	8.1
A+	0.3	0.5
<b>At 31 December</b>	<b>100.0</b>	<b>100.0</b>

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

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

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

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

The Company's expected credit losses on cash and cash equivalents was immaterial.

## Notes to the financial statements

for the year ended 31 December 2020

### 14. 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 and securities as well as market data.

For financial assets held with rated counterparties (such as cash and cash equivalents, loans and advances to banks and debt securities), 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. For loans and advances to banks and debt securities, a default usually arises when contractual payments are 1 day overdue.

#### 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's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover its normal course of business. Outside the normal course of business the Company can request additional funding through intergroup loans to maintain sufficient liquidity.

#### Market risk

##### (a) 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 cash balances and intercompany loans, both of which are at floating rate, therefore outright interest rate risks arise mainly from the decision to allow a mismatch between the cash flows.

At 31 December 2020, if Bank of England interest rates had been 15 basis points higher or 35 basis points lower with all other variables held constant, post-tax profit for the year would have been £582,000 higher / £1,358,000 lower, mainly as a result of higher/lower interest income on interest bearing intercompany loan balances. Other components of equity would have been unaffected.

At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower with all other variables held constant, post-tax profit for the year would have been £3,003,000 higher / £2,002,000 lower, mainly as a result of higher/lower interest income on 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 was that the fair values of assets and liabilities will not be affected by a change in interest rates.

## Notes to the financial statements

for the year ended 31 December 2020

### 14. Financial instrument risk management (continued)

#### Market risk (continued)

##### (b) 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.

The Company is exposed to foreign exchange risk arising from currency exposures to US dollars and Euros.

The Company's foreign currency financial assets are hedged effectively.

As at 31 December 2020, if the US Dollar had weakened 10% / strengthened by 10% against the sterling, with all other variables held constant, the Company's profit for the year would increase by £356,000 / decrease by £356,000.

As at 31 December 2019, if the US Dollar had weakened 10% / strengthened by 10% against the sterling, with all other variables held constant, the Company's profit for the year would increase by £317,000 / decrease by £317,000.

As at 31 December 2020, if the Euro had weakened 8% / strengthened by 8% against the sterling, with all other variables held constant, the Company's profit for the year would decrease by £572,000 / increase by £572,000.

As at 31 December 2019, if the Euro had weakened 8% / strengthened by 8% against the sterling, with all other variables held constant, the Company's profit for the year would increase by £742,000 / decrease by £742,000.

##### (c) Pricing risk:

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

At 31 December 2020, if market prices had been 20% higher / lower with all other variables held constant (2019: same), the effect of post-tax profit / loss would increase / decrease by £48,903,000 (2019 : £51,678,000), principally as a result of fair value gains on the Company's fair value investments.

The following are underlying assumptions made in the model used to calculate the effect on post-tax profits and other components of equity:

- Changes in the FTSE All Share Index correlate to changes in the Company's equity and pooled investment vehicles without market hedges, which includes those classified as level 3.
- The market risk on the Company's seed capital that is hedged, is assumed to have no correlation to the FTSE All Share Index.

##### (d) Capital management

The Company's capital that is not required for the working capital requirements of the business is invested in the following areas:

- Seed capital;
- Equities;
- Debt securities;
- Co-investments; and
- Private equity.

The investments in the above are primarily to support the business.

## Notes to the financial statements

for the year ended 31 December 2020

### 15. Share capital

	2020 Number	2019 Number	2020 £'000	2019 £'000
<b>Issued and fully paid:</b>				
Ordinary shares of £1 each	32,000,000	32,000,000	32,000	32,000

### 16. Commitments

At 31 December 2020 the Company has committed to invest in the following funds. For some funds the actual amount is unknown until final closing of the relevant fund. For these funds the maximum the Company has committed to invest is shown below.

	Original maximum commitment	Called	Outstanding commitment
USD	\$'000	\$'000	\$'000
Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF	11,000	1,650	9,350
Global Partnership Private Equity Baby Fund IV	10,000	1,371	8,629

	Original maximum commitment	Called	Outstanding commitment
EUR	€'000	€'000	€'000
Schroder European Operating Hotels Fund I	7,000	-	7,000
Schroder Euro Enhanced Infra Debt Fund II	5,000	1,512	3,488

	Original maximum commitment	Called	Outstanding commitment
Converted to GBP	£'000	£'000	£'000
Covid-19 Emerging and Frontier Markets MSME Support Fund SCSp SICAV-RAIF	8,047	1,207	6,840
Global Partnership Private Equity Baby Fund IV	7,315	1,003	6,312
Schroder European Operating Hotels Fund I	6,266	-	6,266
Schroder Euro Enhanced Infra Debt Fund II	4,475	1,353	3,122

## Notes to the financial statements

for the year ended 31 December 2020

### 17. Related party transactions

#### Loans to and borrowings from related parties

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

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

Transactions between the Company and related parties are disclosed below.

2020							
	Dividends received / (paid) £'000	Revenue £'000	Expenses £'000	Finance income £'000	Finance charges £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Parent	(6,000)	-	-	-	-	-	(6,000)
Subsidiaries of the Company	6,000	10	-	-	-	6,001	-
Other related companies within the Schroders Group	-	-	(351)	2	(2,531)	294	(489,528)
	-	10	(351)	2	(2,531)	6,295	(495,528)

2019							
	Dividends received / (paid) £'000	Revenue £'000	Expenses £'000	Finance income £'000	Finance charges £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Parent	(16,000)	-	-	-	-	-	-
Subsidiaries of the Company	16,580	10	-	-	-	1	-
Other related companies within the Schroders Group	-	-	(440)	1	(9,174)	2,125	(501,756)
	580	10	(440)	1	(9,174)	2,126	(501,756)

Transactions with Directors are described in note 3. The ultimate and immediate parent company is disclosed in note 18. Information about subsidiaries is provided in note 9.

At 31 December 2020 the Company held financial assets with a fair value of £234,491,000 (2019: £230,393,000) in funds that were deemed to be subsidiaries of Schroders plc, by nature of the ownership interest by this Company and the powers and rights held by other Group companies. The Company recognised realised gains from related parties of £326,000 (2019: £3,205,000 realised loss) within 'Net gains on financial instruments and other income'.

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. No expense for bad and doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

## Notes to the financial statements

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for the year ended 31 December 2020

### 18. Ultimate and immediate parent company

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

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