Schroders

Annual Report and Accounts 2017

Cazenove Capital Management Limited

Year Ended 31 December 2017

Registered Number: 3017060

Contents

Officers and professional advisers

Directors

Gregory Crump
Helen Fitzgerald
Carolyn Sims

Company Secretary

Schroder Corporate Services Limited

Registered Office

31 Gresham Street
London
EC2V 7QA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

Strategic report

The Directors present their Strategic report on Cazenove Capital Management Limited (the Company) for the year ended 31 December 2017.

Results and Review of the business

The profit for the year, after tax, was £181,000 (2016: £3,030,000). This represents a return on assets of 0.5%.

The final funds in the Company's Fund Management business transferred to Schroder Investment Management (Luxembourg) S.A. on 12 March 2014. The Company's Wealth Management business transferred to Schroder & Co. Limited (S&Co) on 1 August 2014.

From 28 April 2015 the Company was no longer authorised by the Financial Conduct Authority (FCA).

The Company is the sponsor of the Cazenove Capital Management Employee Benefit Trust (EBT) (see note 11.2).

It is the intention to liquidate the Company and the EBT in 2018.

The Directors consider the results and the Company's financial position at 31 December 2017 to be satisfactory.

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 Schroders plc Group (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 plc annual report and accounts for the year ended 31 December 2017 (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:

MB

Matthew Buckland, Authorised signatory for
Schroder Corporate Services Limited
Company Secretary

5 April 2018

Directors' report

The Directors present their report and the audited accounts of the Company for the year ended 31 December 2017. 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.

Dividends

During the year no dividends were paid or proposed.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the Key risks and mitigations section 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 17 to the accounts. The Schroders Report does not form part of this report.

Going concern

The current intention is to liquidate the Company in 2018. For this reason the going concern basis is not appropriate in preparing the accounts. Further detail is discussed in note 3.

Directors

The Directors of the Company who have served throughout the year, except where listed below, are listed on page 3. Between 1 January 2017 and 5 April 2018 the following changes have taken place:

Name	**Resigned**
Matthew Whyte	4 September 2017

Directors' liability insurance

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

Employment policy

The Company had no employees during the year.

Independent auditors and disclosure of information to independent auditors

During 2017, PricewaterhouseCoopers LLP (PwC) continued as the Company's auditors. Following an audit tender process conducted by the Schroders plc Audit and Risk Committee, Ernst & Young LLP (EY) will be appointed as independent auditors for the Schroders Group, of which the Company is a member, for the year ended 31 December 2018. PwC will resign and EY will be appointed as external auditor of the Company after the 2017 accounts have been approved.

To the best of the Directors' knowledge there is no relevant audit information of which PwC are 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 auditors are aware of such information.

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the accounts 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 accounts, 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 IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 2006. The Directors 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
Schroder Corporate Services Limited
Company Secretary

5 April 2018

Registered Office:
31 Gresham Street
London EC2V 7QA

Registered in England and Wales No
3017060

Independent auditors' report to the member of Cazenove Capital Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cazenove Capital Management Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2017; the Income statement, the Statement of comprehensive income, the Cash flow statement, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Alternative basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3 to the financial statements concerning the basis of preparation. The Directors' current intention is to liquidate the Company in 2018. Accordingly, the going concern basis of preparation is no longer appropriate and the financial statements have been prepared on a basis other than going concern as described in note 3 to the financial statements. No adjustments were necessary in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the member of Cazenove Capital Management Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Use of this report

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Jennifer March (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 April 2018

Income statement
Year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating expenses		(131)	(341)
Operating loss		(131)	(341)
Interest and other income	8.1	458	745
Other gains and losses	8.2	-	2,248
Impairment of subsidiary	11.1	-	(44)
Profit before tax		327	2,608
Tax	9	(146)	422
Profit for the year		181	3,030

All amounts derive from discontinuing operations.

Statement of comprehensive income
Year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the year	181	3,030
Items that may be reclassified subsequently to profit or loss:		
Available-for-sale financial assets		
Losses arising during the year	-	(2,580)
Less: reclassification adjustments for gains included in profit	-	(2,248)
Other comprehensive expense for the year	-	(4,828)
Total comprehensive income/(expense) for the year	181	(1,798)

Statement of financial position
As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Current assets			
Trade and other receivables	12	37,063	36,071
Cash and cash equivalents	15	336	1,207
Total assets		37,399	37,278
Current liabilities			
Trade and other payables	13	(237)	(362)
Current tax liabilities		(85)	(20)
Total liabilities		(322)	(382)
Net assets		37,077	36,896
Equity			
Share capital	14.1	21,000	21,000
Retained earnings		16,077	15,896
Total equity		37,077	36,896

The accounts on pages 10 to 28 were approved by the Board of Directors on 5 April 2018 and signed on their behalf by:

Carolyn Sims
Director

Registered Number 3017060

Statement of changes in equity
Year ended 31 December 2017

	Attributable to owners of the Company					
	Retained earnings	Other reserves	Revaluation reserve	Share capital	Capital contribution	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	3,093	12,020	4,828	21,000	19,835	60,776
Profit for the year	3,030	-	-	-	-	3,030
Revaluations						
Available-for-sale revaluations - Schroders shares	-	-	(2,580)	-	-	(2,580)
Recycling gain on derecognition - Schroders shares	-	-	(2,248)	-	-	(2,248)
Other comprehensive expense for the year	-	-	(4,828)	-	-	(4,828)
Employee share plans						
Amortisation charge	12,020	(12,020)	-	-	-	-
Distribution of Schroders shares	(2,247)	-	-	-	(19,835)	(22,082)
Balance at 31 December 2016	15,896	-	-	21,000	-	36,896
Profit for the year	181	-	-	-	-	181
Balance at 31 December 2017	16,077	-	-	21,000	-	37,077

Cash flow statement
Year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating activiities			
Operating loss		(131)	(341)
Adjustments for statement of financial position movements:			
Change in trade and other receivables		(1,000)	(12,059)
Change in trade and other payables		(125)	312
Cash used in operations		(1,256)	(12,088)
Corporation tax received		-	408
Group relief tax paid		(82)	(35)
Net cash flows used in operating activities		(1,338)	(11,715)
Investing activities			
Interest received		461	362
Dividends received		6	303
Shares cancelled		-	6,025
Net cash generated from investing activities		467	6,690
Net decrease in cash and cash equivalents		(871)	(5,025)
Cash and cash equivalents at the beginning of year		1,207	6,232
Cash and cash equivalents at the end of year	15	336	1,207

Notes to the accounts
Year ended 31 December 2017

1. General information

The Company is incorporated and tax resident in the United Kingdom. The address of the registered office is given on page 3. The nature of the Company's operations and its principal activities are set out in the Directors' and Strategic reports.

2. Adoption of new and revised Standards

The Company did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the year end date. No Standards or Interpretations endorsed by the EU that had an impact on the Company became effective during the year. The Standards and Interpretations relevant to the Company that had been issued but not yet adopted at the year end were:

IFRS 9 - Financial Instruments

IFRS 9 will replace the classification and measurement models for financial instruments currently contained in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 was endorsed by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018.

On adoption of IFRS 9 the Company's financial assets will be reclassified as either at: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The financial asset classification will be determined on the basis of the contractual cash flow characteristics of the instruments and the Company's business model for the collection of cash flows arising from its investments.

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest. Other financial assets are measured at fair value through profit and loss. An irrevocable election exists for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are recorded in other comprehensive income and are not reclassified to profit or loss upon derecognition.

There is no expected reclassification of the Company's financial assets in accordance with IFRS 9 following its adoption on 1 January 2018.

Based on the Company's interests in financial instruments at 31 December 2017, the Company estimates that the adoption of IFRS 9 will result in a reduction in the Company's net assets of approximately £17,000 before tax. The reduction is driven by the impairment requirements on financial assets measured at amortised cost.

IFRS 9 introduces an expected loss model for the assessment of impairment. The current incurred loss model (under IAS 39) requires the Company to recognise impairment losses when there is objective evidence that an asset is impaired. Under the expected loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event.

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

3. Significant accounting policies

Basis of preparation

The accounts are prepared in accordance with IFRS, which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounts have been prepared on the historical cost basis except, in previous years, for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The following accounting policies are applicable under IFRS and have been applied consistently to all years presented in the Company's accounts.

Going concern

On 1 August 2014 the Company's Wealth Management business transferred to S&Co and the Company is no longer authorised by the FCA. The Company is the sponsor of the EBT and it is the intention to liquidate the EBT in 2018. It is also the intention to liquidate the Company in 2018 and as such the Directors have concluded that it is inappropriate to prepare the accounts on a going concern basis. This has had no impact on the results disclosed in these accounts. The Company will be wound up at minimal cost and hence no provision for these costs has been made. No adjustments were necessary in these accounts to reduce assets to their realisable values, to provide for liabilities arising from the decision or to reclassify fixed assets and long-term liabilities as current assets and liabilities.

Investments in subsidiary undertakings

Investments in the Company's subsidiary undertakings are stated at cost less any provision for impairment in value.

Revenue recognition

Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's carrying amount on initial recognition.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment have been established.

3. Significant accounting policies (continued)

Foreign currencies

The functional and presentational currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. In preparing the accounts, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

Taxation

Tax on the profit or loss for the year comprises current tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

Financial assets are classified into the following specified categories: 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Available-for-sale investments comprised the EBT's holdings in Schroders plc shares. The fair value of the EBT holdings in Schroders plc shares was the quoted price at the statement of financial position date. When an investment was derecognised, the cumulative gain or loss in equity was transferred to profit or loss through recognition in the income statement. When an investment was impaired, any cumulative loss that had previously been recognised directly in equity was recognised in the income statement.

Notes to the accounts (continued)
Year ended 31 December 2017

3. Significant accounting policies (continued)

Financial instruments (continued)

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

This category applies to the following classes of assets: trade and other receivables and cash and cash equivalents.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received.

Financial liabilities

The following liabilities are categorised as other financial liabilities: trade and other payables.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Employee Benefit Trust (EBT)

The EBT held shares in Schroders plc, the ultimate parent company. The EBT is a special purpose entity controlled by the Company. Holdings in the investments were accounted for as available-for-sale financial assets at fair value, with fair value changes recognised directly in equity and recycled to profit and loss when the shares were derecognised.

The results and assets of the EBT have been consolidated within this report, as the Company is the sponsor of the EBT, and due to the extent of control exerted by the Company over the activities of the EBT.

Notes to the accounts (continued)
Year ended 31 December 2017

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not consider there to be any critical accounting judgements, estimates or assumptions.

5. Operating loss

	Notes	Year ended 2017 £'000	Year ended 2016 £'000
Operating loss for the year has been arrived at after charging:			
Employee costs	7	-	321

6. Independent auditors' remuneration

The analysis of the independent auditors' remuneration is as follows:

	Year ended 2017 £'000	Year ended 2016 £'000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual accounts	11	11

7. Employee costs

There were no employees of the Company during the year (2016: none). The social security costs in 2016 relate to a voluntary settlement in respect of historic remuneration.

Employee costs are analysed below.

	Year ended 2017 £'000	Year ended 2016 £'000
Social security costs	-	321
	-	321

Notes to the accounts (continued)
Year ended 31 December 2017

8. Interest, other income and other gains and losses

8.1 Interest and other income

	Year ended 2017 £'000	Year ended 2016 £'000
Interest income:		
Bank deposits	-	2
Loan to fellow group undertaking	452	440
Total interest income	452	442
Dividends received from subsidiary undertakings	6	303
	458	745

8.2 Other gains and losses

Other gains and losses represent the recycling to the income statement of accumulated revaluation gains on Schroders plc shares of £nil (2016: £2,248,000) recognised in the revaluation reserve under the fair value provisions of IAS 39. Such shares were either sold or used to satisfy share based awards to previous employees of the Company.

9. Tax

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

Major components of the income tax charge/(credit) for the years ended 31 December 2017 and 31 December 2016:

	Year ended 2017 £'000	Year ended 2016 £'000
Current tax:		
Current tax charge - UK group relief	85	20
Adjustments in respect of prior years	61	(442)
Total tax charge/(credit) for the year	146	(422)

Notes to the accounts (continued)
Year ended 31 December 2017

9. Tax (continued)

(b) Factors affecting the tax charge for the year

The UK standard rate of corporation tax reduced from 20% to 19% on 1 April 2017 resulting in a UK effective tax rate for the year of 19.25% (2016: 20%).

The tax charge/(credit) for the year is higher (2016: lower) than the UK effective rate of corporation tax for the year of 19.25% (2016: 20%). The differences are explained below:

	Year ended 2017 £'000	Year ended 2016 £'000
Profit before tax	327	2,608
Profit before tax multiplied by the UK effective corporation tax rate of 19.25% (2016: 20%)	63	522
Non taxable gains in EBT	-	(450)
Non taxable dividend income	(1)	(61)
Non deductible expenses	23	-
Non deductible impairment of subsidiary	-	9
Adjustments in respect of prior years	61	(442)
Total income tax charge/(credit)	146	(422)

10. Dividends

The Directors do not recommend an interim dividend in respect of the year ended 31 December 2017.

11. Related undertakings

11.1 Investment in subsidiaries

The Company had no subsidiaries at 31 December 2017.

Investment in subsidiaries	2017 £'000	2016 £'000
Balance at 1 January	-	6,069
Impairment (see below)	-	(44)
Return of capital (see below)	-	(6,025)
Balance at 31 December	-	-

During 2016 the following subsidiaries were sold to S&Co, a fellow group undertaking, at their net book value: CCM Nominees Limited, Cazenove New Europe Staff Interest Limited, Cazenove New Europe (PPI) Limited and Cazenove New Europe (CFM1) Limited. No gain or loss arose on disposal.

During 2016 an impairment of £44,000 debited to the income statement brought the carrying value of Cazenove Capital Management Jersey Limited in line with net assets. The reduction in net assets of Cazenove Capital Management Jersey Limited resulted from the dividend paid to the Company.

During 2016, the Company repurchased 1,024,999 ordinary shares of £1 each in Cazenove Capital Management Jersey Limited and 4,999,999 ordinary shares of £1 each in Cazenove Investment Fund Management Limited.

11. Related undertakings (continued)

11.1 Investment in subsidiaries (continued)

During 2016 the following subsidiaries went into members' voluntary liquidation: Cazenove Capital Management Jersey Limited, Cazenove Investment Fund Management Limited and Cazenove Capital Management Pension Trustee Limited.

11.2 Cazenove Capital Management Employee Benefit Trust (EBT)

The EBT is a special purpose entity, controlled by the Company.

In previous years the EBT held ordinary shares in Schroders plc. The holdings of Schroders plc shares were restricted and were used to satisfy vesting of Schroders plc awards.

12. Trade and other receivables

	2017 £'000	2016 £'000
Amounts due from fellow group undertakings	225	233
Loan to fellow group undertaking	36,838	35,838
	37,063	36,071

No interest was earned on receivables, except on the cash loan to Schroder Financial Services Limited, a fellow group undertaking, which is payable at the rate of 0.75% above the six month ICE (formerly BBA) sterling LIBOR rate. The interest is calculated on a daily basis as it accrues and is paid in arrears on 1 January and 1 July. The loan is repayable in full or in part on demand.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

13. Trade and other payables

	2017 £'000	2016 £'000
Current liabilities		
Amounts due to subsidiary undertakings	-	16
Amounts due to fellow group undertakings	226	-
Accruals	11	346
	237	362

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Notes to the accounts (continued)
Year ended 31 December 2017

14. Equity

14.1 Share capital

	2017 £'000	2016 £'000
Authorised, issued and fully paid		
21,000,000 (2016: 21,000,000) ordinary shares of £1 each	21,000	21,000

14.2 Capital contribution reserve

The capital contribution reserve represented the initial fair value of Schroders plc shares acquired in exchange for or from the proceeds of shares that were contributed by the immediate parent company, Cazenove Capital Holdings Limited (CCH), to the Company's EBT.

In 2006 the immediate parent company contributed 16,103,000 of its shares with a deemed fair value of 35p per share. This was accounted for as a £5,636,000 capital contribution. During 2009, 2,000,000 ordinary shares at no par value were allotted to the EBT in order to satisfy option exercises. This increased the capital contribution by £700,000 to £6,336,000. The shares acquired have subsequently been realised to satisfy awards of CCH shares to employees. The distribution of shares to satisfy immediate parent company awards has debited against the capital contribution reserve to the extent of the original contribution with the balance debited against retained earnings.

In 2013 accounting for transactions associated with forfeitures and modifications of the Restricted and Growth Share Plan (RGSP) had increased the capital contribution by £75,822,000. Where the contributed shares had been realised for cash that was not reinvested in replacement shares the value realised had been transferred to retained earnings. Where contributed shares were exchanged for replacement shares of Schroders plc the amount recognised as recycled gain in the income statement was transferred to the capital contribution reserve. Where the Schroders plc shares had been used to satisfy immediate parent company awards the distribution was debited against the capital contribution reserve to the extent of the original fair value with the balance debited against retained earnings.

14.3 Revaluation reserve

The revaluation reserve represented the difference between the cost (which includes the initial fair value of Schroders plc shares recognised as a result of the modification of the CCH RGSP plan) and the fair value of unimpaired financial assets classified as available-for-sale. Where assets available for sale were sold or otherwise derecognised (most commonly as a transfer from the EBT following vesting of an award or an exercise of options - in circumstances where it was agreed with Schroders plc, that the shares should be transferred from the EBT) the corresponding gain was transferred to the income statement.

Deferred tax was charged to the revaluation reserve to the extent that the gain on available-for-sale assets was subject to taxation in a future period when the asset was realised.

Notes to the accounts (continued)
Year ended 31 December 2017

14. Equity (continued)

14.4 Other reserves

For share plans accounted for as equity settled by the Company a credit to equity equal to the amount charged to the income statement for the share based payments was recorded under other reserves and transferred to retained earnings as the awards vested to the extent that the credit had not been offset by a recharge from a parent company. Schroders plc charge for share awards and their charge was set against the related credit with any excess debited against retained earnings. UK corporation tax relief was generally granted for share awards when awards vested or options were exercised. Deferred tax relief was calculated on the basis of current information relating to the Schroders plc share price and the vesting periods of the awards. When the assumed future tax deduction exceeded the cumulative expense for the award charged in the income statement the incremental deduction was recognised in other reserves.

15. Notes to the cash flow statement

Cash and cash equivalents

	2017 £'000	2016 £'000
Cash and bank balances	336	1,207

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of 3 months or less. The carrying amount of these assets is approximately equal to their fair value.

16. Contingent liabilities

The Board is not aware of any contingencies requiring disclosure.

17. Financial instrument risk management

17.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

Capital risk
Market risk
Credit risk
Liquidity risk

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Notes to the accounts (continued)
Year ended 31 December 2017

17. Financial instruments (continued)

17.1 Overview (continued)

Categories of financial instruments

	2017 £'000	2016 £'000
Financial assets		
Loans and receivables	37,399	37,278
Financial liabilities		
Other	(237)	(362)

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the accounts approximate their fair values. Determination of these fair values is disclosed in note 3.

17.2 Capital risk management

The Company's capital comprises equity share capital and reserves. The Company maintains capital to meet its obligations as they fall due, business risk and when the Company was regulated, regulatory capital requirements.

17.3 Market risk management

Market risk arises from adverse changes to the values of positions or portfolios arising from changes in market prices, interest rates or exchange rates.

The Company does not have material exposure to market risk as it did not take principal positions with the exception of the following:

- The Company held investments designated as available-for-sale. These were held to settle share based awards.
- The Company's activities exposed it to the financial risks of changes in foreign currency exchange rates.
- The Company's activities expose it to the financial risks of changes in interest rates.

The Company's exposure to market risk has reduced due to the transfer of the Company's business. There has been no change in the manner in which these risks are managed and measured.

Foreign currency risk management

The Company undertook transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arose. The Company did not engage in hedging activities of foreign currency exposures.

There were no foreign currency denominated monetary assets or liabilities at the reporting date (2016: none).

17. Financial instruments (continued)

17.3 Market risk management (continued)

Interest rate risk management

The Company has exposure to interest rate risk through the interest earned on its cash balances and on a loan to a fellow group undertaking. These deposits are actively managed to minimise liquidity risk and credit risk, and to maximise interest earned within these constraints.

The Company does not have any debt financing and is not exposed to interest rate risk on interest payable.

Interest rate sensitivity analysis

The interest earned on the Company's cash balances and the loan will vary in response to changes in interest rates. Based on the year end cash and loan balance, a 0.5% increase/(decrease) in interest rates would change the profit after tax by £150,000/(£150,000).

17.4 Credit risk management

Credit risk is the risk of financial loss arising from a counterparty failing to meet its obligations to repay outstanding amounts as they fall due.

The Company is not exposed to high levels of credit risk exposure other than that arising from placing cash on deposit. The Company only places cash out on external deposit with a highly rated counterparty, and this is monitored on a regular basis.

The carrying amount of financial assets recorded in the accounts represents the Company's maximum exposure to credit risk as no collateral or other enhancements are held.

A breakdown of the Company's relevant financial assets by credit rating, as provided by rating agencies, are shown below.

Credit rating	2017 £'000	2016 £'000	2017 %	2016 %
Cash and cash equivalents				
BBB+	336	1,207	1	3
Loan to fellow group undertaking				
Non-rated	36,838	35,838	99	97
	37,174	37,045	100	100

17.5 Liquidity risk management

The Company has limited exposure to liquidity risk. The Company's cash is held on callable deposit and the loan to a fellow group undertaking is repayable on demand. The Company does not have any borrowings. The Company is part of a larger group, and can draw upon the reserves of this group if necessary.

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

Notes to the accounts (continued)
Year ended 31 December 2017

17. Financial instruments (continued)

17.5 Liquidity risk management (continued)

Liquidity risk table

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	Less than 6 months £'000	Total £'000
31 December 2017		
Trade and other payables	(237)	(237)
31 December 2016		
Trade and other payables	(362)	(362)

18. Events after the year end

There have been no material events after the year end date.

19. Related party transactions

Related party relationships

Related party relationships of the Company include relationships with subsidiaries, key management personnel, post-employment benefit plans and close family members of key management personnel.

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

Directors' transactions

No Director was a party to, or had an interest in, any significant contract or arrangement with the Company during the year or to the date of this report.

Transactions with group undertakings

Dividends and interest received from subsidiary and fellow group undertakings are disclosed in note 8.1.

Amounts due from/to subsidiaries and fellow group undertakings as at the statement of financial position date are disclosed in notes 12 and 13.

Disposals, impairments and returns of capital relating to subsidiaries are disclosed in note 11.1.

Notes to the accounts (continued)
Year ended 31 December 2017

20. Ultimate and immediate parent company

The Company's immediate parent company is CCH (incorporated in Jersey), 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 from www.schroders.com.