Consolidated financial statements

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Schroders plc financial statements

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Independent auditor's report

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2021

	Notes	2021 Before exceptional items £m	2021 Exceptional items[2] £m	2021 Total £m	2020 Before exceptional items £m	2020 Exceptional items[2] £m	2020 Total £m
Revenue		2,959.5	–	2,959.5	2,512.7	–	2,512.7
Cost of sales		(556.4)	–	(556.4)	(453.1)	–	(453.1)
Net operating revenue	2	**2,403.1**	**–**	**2,403.1**	**2,059.6**	**–**	**2,059.6**
Net gain on financial instruments and other income	3	77.5	(13.3)	64.2	55.5	0.4	55.9
Share of profit of associates and joint ventures	10	88.2	(8.9)	79.3	64.1	(21.0)	43.1
Net income		**2,568.8**	**(22.2)**	**2,546.6**	**2,179.2**	**(20.6)**	**2,158.6**
Operating expenses	4	(1,732.6)	(49.9)	(1,782.5)	(1,476.9)	(71.2)	(1,548.1)
Profit before tax		**836.2**	**(72.1)**	**764.1**	**702.3**	**(91.8)**	**610.5**
Tax	5(a)	(143.2)	2.9	(140.3)	(133.5)	9.0	(124.5)
Profit after tax[1]		**693.0**	**(69.2)**	**623.8**	**568.8**	**(82.8)**	**486.0**
Earnings per share							
Basic	6	**244.8p**	**(24.0)p**	**220.8p**	**200.8p**	**(28.4)p**	**172.4p**
Diluted	6	**240.6p**	**(23.5)p**	**217.1p**	**197.2p**	**(27.9)p**	**169.3p**
Total dividend per share	7			**122.0p**			**114.0p**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Profit after tax[1]		**623.8**	**486.0**
Items that may or have been reclassified to the income statement:			
Net exchange differences on translation of foreign operations after hedging		(19.0)	37.8
Net (loss)/gain on financial assets at fair value through other comprehensive income	3	(2.8)	1.4
Net gain on financial assets at fair value through other comprehensive income held by associates	10	0.1	0.1
Tax on items taken directly to other comprehensive income	5(b)	1.1	(0.3)
		(20.6)	**39.0**
Items that will not be reclassified to the income statement:			
Net actuarial gain on defined benefit pension schemes	25	27.6	30.4
Tax on items taken directly to other comprehensive income	5(b)	(6.7)	(5.0)
		20.9	**25.4**
Other comprehensive income for the year, net of tax[1]		**0.3**	**64.4**
Total comprehensive income for the year[1]		**624.1**	**550.4**

1. Non-controlling interest is presented in the statement of changes in equity.
2. See note 1(b) for a definition and further details of exceptional items.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Cash and cash equivalents		4,207.3	3,469.6
Trade and other receivables	8	1,000.9	840.3
Financial assets	9	3,132.3	2,871.8
Associates and joint ventures	10	466.7	405.2
Property, plant and equipment	11, 12	560.0	590.9
Goodwill and intangible assets	13	1,168.5	1,208.0
Deferred tax	14	145.0	32.9
Retirement benefit scheme surplus	25	197.9	168.2
		10,878.6	**9,586.9**
Assets backing unit-linked liabilities			
Cash and cash equivalents		911.7	746.3
Financial assets		12,551.4	11,339.9
	15	**13,463.1**	**12,086.2**
Total assets		**24,341.7**	**21,673.1**
Liabilities			
Trade and other payables	16	1,115.0	927.7
Financial liabilities	17	4,793.6	4,085.2
Lease liabilities	12	373.8	397.2
Current tax		52.2	21.5
Provisions	18	26.8	26.4
Deferred tax	14	80.4	31.5
Retirement benefit scheme deficits		11.1	11.5
		6,452.9	**5,501.0**
Unit-linked liabilities	15	**13,463.1**	**12,086.2**
Total liabilities		**19,916.0**	**17,587.2**
Net assets		**4,425.7**	**4,085.9**
Total equity[1]		**4,425.7**	**4,085.9**

1. Non-controlling interest is presented in the statement of changes in equity.

The financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Richard Keers
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Notes	Attributable to owners of the parent								
		Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2021		**282.5**	**124.2**	**(159.8)**	**165.6**	**133.6**	**3,456.7**	**4,002.8**	**83.1**	**4,085.9**
Profit for the year		–	–	–	–	79.3	532.6	611.9	11.9	623.8
Other comprehensive income[1]		–	–	–	(21.0)	0.1	19.2	(1.7)	2.0	0.3
Total comprehensive income for the year		**–**	**–**	**–**	**(21.0)**	**79.4**	**551.8**	**610.2**	**13.9**	**624.1**
Own shares purchased	22	–	–	(75.3)	–	–	–	(75.3)	–	(75.3)
Share-based payments	26	–	–	–	–	–	89.5	89.5	–	89.5
Tax in respect of share schemes	5(c)	–	–	–	–	–	4.7	4.7	–	4.7
Other movements		–	–	–	–	–	(27.4)	(27.4)	52.6	25.2
Dividends	7	–	–	–	–	–	(318.6)	(318.6)	(9.8)	(328.4)
Transactions with shareholders		**–**	**–**	**(75.3)**	**–**	**–**	**(251.8)**	**(327.1)**	**42.8**	**(284.3)**
Transfers		**–**	**–**	**84.9**	**–**	**(29.6)**	**(55.3)**	**–**	**–**	**–**
At 31 December 2021		**282.5**	**124.2**	**(150.2)**	**144.6**	**183.4**	**3,701.4**	**4,285.9**	**139.8**	**4,425.7**

	Notes	Attributable to owners of the parent								
		Share capital £m	Share premium £m	Own shares £m	Net exchange differences reserve £m	Associates and joint ventures reserve £m	Profit and loss reserve £m	Total £m	Non-controlling interest £m	Total equity £m
At 1 January 2020		**282.5**	**124.2**	**(169.1)**	**128.4**	**106.1**	**3,308.8**	**3,780.9**	**66.6**	**3,847.5**
Profit for the year		–	–	–	–	43.1	433.2	476.3	9.7	486.0
Other comprehensive income[1]		–	–	–	37.2	0.1	26.5	63.8	0.6	64.4
Total comprehensive income for the year		**–**	**–**	**–**	**37.2**	**43.2**	**459.7**	**540.1**	**10.3**	**550.4**
Own shares purchased	22	–	–	(58.3)	–	–	–	(58.3)	–	(58.3)
Share-based payments	26	–	–	–	–	–	56.1	56.1	–	56.1
Tax in respect of share schemes	5(c)	–	–	–	–	–	3.5	3.5	–	3.5
Other movements		–	–	–	–	0.2	(8.0)	(7.8)	6.3	(1.5)
Dividends	7	–	–	–	–	–	(311.7)	(311.7)	(0.1)	(311.8)
Transactions with shareholders		**–**	**–**	**(58.3)**	**–**	**0.2**	**(260.1)**	**(318.2)**	**6.2**	**(312.0)**
Transfers		**–**	**–**	**67.6**	**–**	**(15.9)**	**(51.7)**	**–**	**–**	**–**
At 31 December 2020		**282.5**	**124.2**	**(159.8)**	**165.6**	**133.6**	**3,456.7**	**4,002.8**	**83.1**	**4,085.9**

1. Other comprehensive income reported in the net exchange differences reserve comprises the net foreign exchange (loss)/gain on the translation of foreign operations net of hedging. Other comprehensive income reported in the associates and joint ventures reserve represents post-tax fair value movements on financial assets at fair value through other comprehensive income. Other comprehensive income reported in the profit and loss reserve comprises the post-tax actuarial gain on the Group's retirement benefit scheme surplus and post-tax fair value movements on financial assets at fair value through other comprehensive income.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Net cash from operating activities	23	**1,234.2**	**832.5**
Cash flows from investing activities			
Net acquisition of businesses, associates and joint ventures		(18.7)	(18.3)
Net acquisition of property, plant and equipment and intangible assets		(89.4)	(92.8)
Acquisition of financial assets		(1,946.0)	(1,728.2)
Disposal of financial assets		2,123.9	1,974.2
Non-banking interest received		12.5	14.9
Distributions received from associates and joint ventures		35.1	1.5
Net cash from investing activities		**117.4**	**151.3**
Cash flows from financing activities			
Purchase of subsidiary shares from non-controlling interest holders		(32.4)	(15.8)
Cash from non-controlling interest holders		54.5	–
Lease payments	12	(47.5)	(44.4)
Acquisition of own shares	22	(75.3)	(58.3)
Dividends paid	7	(328.4)	(311.8)
Other flows		(0.6)	(0.8)
Net cash used in financing activities		**(429.7)**	**(431.1)**
Net increase in cash and cash equivalents		**921.9**	**552.7**
Opening cash and cash equivalents		4,215.9	3,632.9
Net increase in cash and cash equivalents		921.9	552.7
Effect of exchange rate changes		(18.8)	30.3
Closing cash and cash equivalents		**5,119.0**	**4,215.9**
Closing cash and cash equivalents consists of:			
Cash and cash equivalents available for use by the Group		4,075.5	3,421.9
Cash held in consolidated pooled investment vehicles		131.8	47.7
Cash and cash equivalents presented within assets		**4,207.3**	**3,469.6**
Cash and cash equivalents presented within assets backing unit-linked liabilities		911.7	746.3
Closing cash and cash equivalents		**5,119.0**	**4,215.9**

NOTES TO THE ACCOUNTS

1. Segmental reporting
(a) Operating segments

The Group has three business segments: Asset Management, Wealth Management and the Group segment. The Asset Management segment principally comprises investment management including advisory services in respect of equity, fixed income, multi-asset solutions and private assets and alternatives products. The Wealth Management segment principally comprises investment management, wealth planning and financial advice, platform services and banking services, primarily for private clients. The Group segment principally comprises the Group's treasury management, corporate development and strategy activities and the management costs associated with governance and corporate management.

Segmental information is presented on the same basis as that provided for internal reporting purposes to the Group's chief operating decision maker, the Group Chief Executive. The Wealth Management segment includes the Group's proportional share of the income and expenses of its 49.9% interest in Schroders Personal Wealth (SPW) on an individual account line basis. This reflects the basis on which the Group monitors the performance of the business. The adjustment column re-presents the results of SPW on a post-tax basis within share of profit of associates and joint ventures in accordance with the accounting standards.

Operating expenses includes an allocation of costs between the individual business segments on a basis that aligns the charge with the resources employed by the Group in respect of particular business functions. This allocation provides management with the relevant information as to the business performance to effectively manage and control expenditure.

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Revenue	2,582.5	452.1	–	3,034.6	(75.1)	2,959.5
Cost of sales	(539.4)	(31.3)	–	(570.7)	14.3	(556.4)
Net operating revenue	**2,043.1**	**420.8**	**–**	**2,463.9**	**(60.8)**	**2,403.1**
Net gain on financial instruments and other income	21.0	11.7	48.6	81.3	(3.8)	77.5
Share of profit of associates and joint ventures	73.9	1.2	–	75.1	13.1	88.2
Net income	**2,138.0**	**433.7**	**48.6**	**2,620.3**	**(51.5)**	**2,568.8**
Operating expenses	(1,424.8)	(305.1)	(53.6)	(1,783.5)	50.9	(1,732.6)
Profit before tax and exceptional items	**713.2**	**128.6**	**(5.0)**	**836.8**	**(0.6)**	**836.2**

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Revenue	2,182.6	393.3	–	2,575.9	(63.2)	2,512.7
Cost of sales	(435.4)	(26.4)	–	(461.8)	8.7	(453.1)
Net operating revenue	**1,747.2**	**366.9**	**–**	**2,114.1**	**(54.5)**	**2,059.6**
Net gain on financial instruments and other income	(9.8)	14.7	58.1	63.0	(7.5)	55.5
Share of profit of associates and joint ventures	49.5	1.1	–	50.6	13.5	64.1
Net income	**1,786.9**	**382.7**	**58.1**	**2,227.7**	**(48.5)**	**2,179.2**
Operating expenses	(1,213.6)	(272.2)	(39.6)	(1,525.4)	48.5	(1,476.9)
Profit before tax and exceptional items	**573.3**	**110.5**	**18.5**	**702.3**	**–**	**702.3**

Segment assets and liabilities are not required to be presented as such information is not presented on a regular basis to the Group's chief operating decision maker.

NOTES TO THE ACCOUNTS CONTINUED

1. Segmental reporting continued
(b) Exceptional items

Exceptional items are significant items of income and expenditure that have been separately presented by virtue of their nature to enable a better understanding of the Group's financial performance. Exceptional items relate principally to items arising from acquisitions (including associates and joint ventures) undertaken by the Group, including amortisation of acquired intangible assets and certain one-off costs in 2020 relating to the Group's property estate.

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Profit before tax and exceptional items	**713.2**	**128.6**	**(5.0)**	**836.8**	**(0.6)**	**836.2**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	(13.3)	–	–	(13.3)	–	(13.3)
Associates and joint ventures amortisation of acquired intangible assets and other costs	(0.3)	(8.5)	–	(8.8)	(0.1)	(8.9)
	(13.6)	**(8.5)**	**–**	**(22.1)**	**(0.1)**	**(22.2)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(13.2)	(20.3)	–	(33.5)	–	(33.5)
Other expenses	(13.4)	(3.0)	–	(16.4)	–	(16.4)
	(26.6)	**(23.3)**	**–**	**(49.9)**	**–**	**(49.9)**
Profit before tax and after exceptional items	**673.0**	**96.8**	**(5.0)**	**764.8**	**(0.7)**	**764.1**

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Profit before tax and exceptional items	**573.3**	**110.5**	**18.5**	**702.3**	**–**	**702.3**
Exceptional items presented within net income:						
Net gain on financial instruments and other income	0.4	–	–	0.4	–	0.4
Associates and joint ventures amortisation of acquired intangible assets and other costs	–	(21.0)	–	(21.0)	–	(21.0)
	0.4	**(21.0)**	**–**	**(20.6)**	**–**	**(20.6)**
Exceptional items presented within operating expenses:						
Amortisation of acquired intangible assets	(13.8)	(22.5)	–	(36.3)	–	(36.3)
Other expenses	(16.4)	(2.2)	(16.3)	(34.9)	–	(34.9)
	(30.2)	**(24.7)**	**(16.3)**	**(71.2)**	**–**	**(71.2)**
Profit before tax and after exceptional items	**543.5**	**64.8**	**2.2**	**610.5**	**–**	**610.5**

(c) Geographical information

The Group's non-current assets[1] are located in the following countries:

	2021 £m	2020 £m
United Kingdom	1,468.5	1,513.4
China	199.6	159.4
Switzerland	184.5	187.4
United States	106.9	111.7
France	78.4	86.6
Singapore	39.2	44.2
Other	123.5	107.6
Total	**2,200.6**	**2,210.3**

1. Comprises the following non-current assets: property, plant and equipment, goodwill and intangible assets, associates and joint ventures and prepayments.

1. Segmental reporting continued

(d) Non-cash items

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Group total £m
Operating expenses include the following non-cash items:				
Share-based payments	75.7	8.5	5.3	89.5
Depreciation and amortisation	133.3	29.5	–	162.8

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Group total £m
Operating expenses include the following non-cash items:				
Share-based payments	48.9	4.1	3.1	56.1
Depreciation and amortisation	125.6	30.4	12.8	168.8

Where applicable, exceptional items are included in the non-cash items presented above.

2. Net operating revenue

Revenue

The Group's primary source of revenue is fee income from investment management activities performed within both the Asset Management and Wealth Management segments. Fee income includes management fees, performance fees, carried interest and other fees. Revenue also includes interest income earned within the Wealth Management segment.

Management fees are generated through investment management agreements and are generally based on an agreed percentage of the valuation of AUM. Management fees are recognised as the service is provided and it is probable that the fee will be collected.

Performance fees and carried interest are earned from certain arrangements when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised where it is highly probable that a significant reversal will not occur in future periods. Performance fees are typically earned over one year and are recognised at the end of the performance period. Carried interest is earned over a longer time frame and is recognised when certain performance hurdles are met and the service has been provided. This may result in the recognition of revenue before the contractual crystallisation date.

Other fees principally comprise revenues for other services, which typically vary according to the volume of transactions. Other fees are recognised as the relevant service is provided and it is probable that the fee will be collected.

Within Wealth Management, earning a net interest margin is a core activity and interest is therefore recognised within revenue. Interest income is earned as a result of placing loans and deposits with other financial institutions, advancing loans and overdrafts to clients, and holding debt and other fixed income securities. Interest income is recognised as it is earned using the effective interest method, which allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

Cost of sales

Fee expenses incurred by the Group that relate directly to revenue are presented as cost of sales. These expenses include commissions, external fund manager fees and distribution fees payable to financial institutions, investment platform providers and financial advisers that distribute the Group's products.

Fee expense is generally based on an agreed percentage of the valuation of AUM and is recognised in the income statement as the service is received.

Cost of sales also includes the cost of financial obligations arising from carried interest. Amounts payable in respect of carried interest are determined based on the proportion of carried interest income that is payable to third parties.

Wealth Management pays interest to clients on deposits taken. Within Wealth Management, earning a net interest margin is a core activity. Interest payable in respect of these activities is therefore recorded separately from finance costs arising elsewhere in the business and is reported as part of cost of sales. Interest is recognised using the effective interest method (see above).

NOTES TO THE ACCOUNTS CONTINUED

2. Net operating revenue continued

a) Net operating revenue by segment is presented below:

Year ended 31 December 2021	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,388.6	404.2	–	2,792.8	(75.1)	2,717.7
Performance fees	94.2	0.2	–	94.4	–	94.4
Carried interest	71.5	–	–	71.5	–	71.5
Other fees	28.2	36.4	–	64.6	–	64.6
Wealth Management interest income	–	11.3	–	11.3	–	11.3
Revenue	**2,582.5**	**452.1**	**–**	**3,034.6**	**(75.1)**	**2,959.5**
Fee expense	(499.8)	(31.1)	–	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	(39.6)	–	–	(39.6)	–	(39.6)
Wealth Management interest expense	–	(0.2)	–	(0.2)	–	(0.2)
Cost of sales	**(539.4)**	**(31.3)**	**–**	**(570.7)**	**14.3**	**(556.4)**
Net operating revenue	**2,043.1**	**420.8**	**–**	**2,463.9**	**(60.8)**	**2,403.1**

Year ended 31 December 2020	Asset Management £m	Wealth Management £m	Group £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	2,058.0	332.4	–	2,390.4	(63.2)	2,327.2
Performance fees	85.8	1.1	–	86.9	–	86.9
Carried interest	21.3	–	–	21.3	–	21.3
Other fees	17.5	42.6	–	60.1	–	60.1
Wealth Management interest income	–	17.2	–	17.2	–	17.2
Revenue	**2,182.6**	**393.3**	**–**	**2,575.9**	**(63.2)**	**2,512.7**
Fee expense	(422.9)	(23.3)	–	(446.2)	8.7	(437.5)
Cost of financial obligations in respect of carried interest	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense	–	(3.1)	–	(3.1)	–	(3.1)
Cost of sales	**(435.4)**	**(26.4)**	**–**	**(461.8)**	**8.7**	**(453.1)**
Net operating revenue	**1,747.2**	**366.9**	**–**	**2,114.1**	**(54.5)**	**2,059.6**

2. Net operating revenue continued

b) Net operating revenue is presented below by region based on the location of clients:

Year ended 31 December 2021	UK £m	Continental Europe & Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	908.4	869.0	643.3	372.1	2,792.8	(75.1)	2,717.7
Performance fees	8.2	32.0	28.9	25.3	94.4	–	94.4
Carried interest	–	71.5	–	–	71.5	–	71.5
Other fees	30.8	23.2	10.4	0.2	64.6	–	64.6
Wealth Management interest income	10.3	0.9	0.1	–	11.3	–	11.3
Revenue	**957.7**	**996.6**	**682.7**	**397.6**	**3,034.6**	**(75.1)**	**2,959.5**
Fee expense	(80.6)	(215.5)	(181.7)	(53.1)	(530.9)	14.3	(516.6)
Cost of financial obligations in respect of carried interest	–	(39.6)	–	–	(39.6)	–	(39.6)
Wealth Management interest expense	(0.2)	–	–	–	(0.2)	–	(0.2)
Cost of sales	**(80.8)**	**(255.1)**	**(181.7)**	**(53.1)**	**(570.7)**	**14.3**	**(556.4)**
Net operating revenue	**876.9**	**741.5**	**501.0**	**344.5**	**2,463.9**	**(60.8)**	**2,403.1**

Year ended 31 December 2020	UK £m	Continental Europe and Middle East £m	Asia Pacific £m	Americas £m	Segmental total £m	Adjustments £m	Group total £m
Management fees	784.4	724.4	589.6	292.0	2,390.4	(63.2)	2,327.2
Performance fees	7.8	31.9	26.5	20.7	86.9	–	86.9
Carried interest	–	21.3	–	–	21.3	–	21.3
Other fees	37.1	14.0	8.9	0.1	60.1	–	60.1
Wealth Management interest income	14.5	2.3	0.4	–	17.2	–	17.2
Revenue	**843.8**	**793.9**	**625.4**	**312.8**	**2,575.9**	**(63.2)**	**2,512.7**
Fee expense	(59.8)	(175.6)	(171.4)	(39.4)	(446.2)	8.7	(437.5)
Cost of financial obligations in respect of carried interest	–	(12.5)	–	–	(12.5)	–	(12.5)
Wealth Management interest expense	(3.0)	(0.1)	–	–	(3.1)	–	(3.1)
Cost of sales	**(62.8)**	**(188.2)**	**(171.4)**	**(39.4)**	**(461.8)**	**8.7**	**(453.1)**
Net operating revenue	**781.0**	**605.7**	**454.0**	**273.4**	**2,114.1**	**(54.5)**	**2,059.6**

Estimates and judgements – revenue

Carried interest represents the Group's contractual right to a share of the profits of 113 private asset investment vehicles (2020: 95 vehicles), if certain performance hurdles are met. It is recognised when the relevant services have been provided and it is highly probable that a significant reversal will not occur.

The amount of carried interest that will ultimately be received by the Group is dependent on the cash flows realised by the respective investment vehicles when the underlying investments are successfully disposed of. The resultant cash flows are assessed against the applicable performance hurdle, which is dependent on the capital invested and the timing and quantum of distributions. For accounting purposes, the outcome is discounted to determine the present value of the carried interest to be recognised. The actual amount receivable at maturity will depend on the realised value and may differ from the projected value.

The Group estimates the cash flows that will be received by the investment vehicles with reference to the current fair value of the underlying investments. Judgement is applied to determine certain assumptions used in the estimate. Those assumptions principally relate to the future growth and the timing of distributions. No future growth is assumed, reflecting the uncertainty of future investment returns. The timing of distributions to clients is based on individual investment managers' expectations as to the realisation of cash flows from the successful disposal of the underlying securities.

The Group assesses the maturity of the respective investment vehicles by reference to the percentage of committed capital invested and original capital returned to clients. This helps the Group to understand whether a significant risk of reversal exists and to determine whether the revenue should be recognised or further constrained in accordance with the accounting standards.

NOTES TO THE ACCOUNTS CONTINUED

Estimates and judgements – cost of sales

The crystallisation of associated financial obligations in respect of carried interest (carried interest payable, see note 17) is contingent on the Group receiving the related revenue. The areas of estimates and judgements are the same as those used to determine the present value of the carried interest receivable, adjusted to reflect the portion that is payable to third parties. The actual amount payable at maturity will depend on the realised value of the carried interest receivable and may differ from the projected value. An increase in the growth rate of 3% would increase cost of sales by £3.6 million (2020: £2.8 million), although this would be smaller than the corresponding increase in revenue. An average acceleration/delay in crystallisation dates of one year would increase/reduce cost of sales by £3.0 million/£4.2 million (2020: £1.6 million/£3.0 million) and this amount would be lower than the corresponding increase/reduction in revenue.

3. Net gain on financial instruments and other income

The Group's net gain on financial instruments and other income principally arises from financial instruments it holds to support its capital strategies, which comprise working capital and investment capital.

A portion of the Group's financial instruments measured at fair value are classified as financial instruments at fair value through profit or loss (FVTPL). The remainder of the Group's financial assets measured at fair value are classified as financial assets at fair value through other comprehensive income (FVOCI). An explanation of how the Group's financial assets and financial liabilities are classified and measured is included in notes 9 and 17.

Net gains and losses on financial instruments at FVTPL principally comprise unrealised gains and losses on investments in debt securities, equities, pooled investment vehicles, and derivatives (which mainly arise from hedging activities) as well as gains and losses on contingent consideration and other financial liabilities arising from business combinations.

Unrealised gains and losses on debt securities classified as financial assets at FVOCI are recorded in other comprehensive income. Cumulative gains and losses are transferred to the income statement if the investment is sold or otherwise realised. Interest earned on FVOCI assets is recognised using the effective interest method and recorded as net finance income within net gains on financial instruments and other income.

Expected credit losses (ECL) are calculated on financial assets measured at amortised cost and debt instruments measured at FVOCI. Movements in the ECL provision are recognised in net gains on financial instruments and other income in the income statement (see note 20).

Net gains and losses on financial instruments presented in the income statement excludes net gains and losses on financial instruments at FVTPL that are held to hedge deferred employee cash awards and the cost of financial obligations in respect of carried interest. These items are included within operating expenses and cost of sales respectively and are presented separately within this note. In both instances, the presentation better reflects the substance of these transactions and provides more relevant information about the Group's net income and operating expenses.

Net finance income is derived from interest on non-banking activities, principally generated from cash and deposits with banks, but also as a result of holding investments in debt securities at amortised cost or FVOCI. Debt securities and cash held outside of Wealth Management entities are managed mainly by Group Treasury to earn competitive rates of return and provide liquidity throughout the Group. Significant amounts of the Group's cash and interest-earning securities are held within Wealth Management and are managed by the Wealth Management treasury team. Interest earned on the assets held within Wealth Management is included in revenue and interest incurred on the liabilities assumed is included in cost of sales. Interest is recognised using the effective interest method (see note 2).

Other income includes amounts arising from ancillary services provided by Benchmark Capital, gains and losses on foreign exchange and rent receivable from subletting properties.

3. Net gain on financial instruments and other income continued

Year ended 31 December	2021 Income statement £m	2021 Other comprehensive income £m	2021 Total £m	2020 Income statement £m	2020 Other comprehensive income £m	2020 Total £m
Net gain on financial instruments at FVTPL	**36.1**	**–**	**36.1**	**58.0**	**–**	**58.0**
Net (loss)/gain arising from fair value movements	–	(1.0)	(1.0)	–	1.9	1.9
Net transfers on disposal	1.8	(1.8)	–	0.5	(0.5)	–
Net (loss)/gain on financial assets at FVOCI	**1.8**	**(2.8)**	**(1.0)**	**0.5**	**1.4**	**1.9**
Net finance (expense)/income	(2.0)	–	(2.0)	1.1	–	1.1
Other income/(expense)	28.3	–	28.3	(3.7)	–	(3.7)
Net gain on financial instruments and other income[1]	**64.2**	**(2.8)**	**61.4**	**55.9**	**1.4**	**57.3**
Net gain on financial instruments held to hedge employee deferred cash awards – presented within operating expenses (see note 4)	22.2	–	22.2	25.6	–	25.6
Cost of financial obligations in respect of carried interest – presented within cost of sales (see note 2)	(39.6)	–	(39.6)	(12.5)	–	(12.5)
Net gain on financial instruments and other income – including amounts presented elsewhere	**46.8**	**(2.8)**	**44.0**	**69.0**	**1.4**	**70.4**

1. Includes a charge of £13.3 million (2020: £0.4 million credit) of exceptional items.

NOTES TO THE ACCOUNTS CONTINUED

4. Operating expenses

Operating expenses represent the Group's administrative expenses and are recognised as the services are received. Certain costs, such as depreciation of property, plant and equipment and amortisation of intangible assets, are charged evenly over the life of the relevant contract or useful life of the asset. The biggest component of the Group's operating expenses is the cost of employee benefits, as shown below. Other costs include accommodation, information technology, marketing and outsourcing costs.

Compensation costs are managed to a target total compensation ratio of between 45% and 49%. Targeting a total compensation ratio range provides some flexibility to manage the overall cost base in response to market conditions. Total costs are managed to a target long-term key performance indicator ratio of total costs to net income of 65%.

Employee benefits expense includes salaries and wages, together with the cost of other benefits provided to employees such as pension and bonuses. The Group makes some performance awards to employees that are deferred over a specified vesting period. Such awards are charged to the income statement over the performance period and the vesting period. The Group holds investments that are linked to these performance awards in order to hedge the related expense. Gains and losses on these investments are netted against the relevant costs in the income statement but are presented separately below (see note 3).

Further detail on other employee benefits can be found elsewhere within these financial statements, see note 25 for pension costs and note 26 for compensation that is awarded in Schroders plc shares.

(a) Employee benefits expense and number of employees

Year ended 31 December	2021 £m	2020 £m
Salaries, wages and other remuneration	1,034.6	871.5
Social security costs	104.9	82.5
Pension costs	57.4	54.1
Employee benefits expense	**1,196.9**	**1,008.1**
Net gain on financial instruments held to hedge deferred cash awards	(22.2)	(25.6)
Employee benefits expense – net of hedging	**1,174.7**	**982.5**

The employee benefits expense net of hedging of £1,174.7 million (2020: £982.5 million) includes £6.6 million (2020: £7.8 million) that is presented within exceptional items.

Information about the compensation of key management personnel can be found in note 27. Details of the amounts payable to Directors along with the number of Directors who exercised share options in the year is provided in the Remuneration report on pages 77 to 99.

The monthly average number of employees of the Company and its subsidiary undertakings during the year was:

	2021 Number	2020 Number
Full-time employees	5,358	5,165
Contract and temporary employees	292	391
	5,650	**5,556**
Employed as follows:		
Asset Management	4,419	4,384
Wealth Management	1,202	1,142
Group	29	30
	5,650	**5,556**

(b) Audit and other services

Year ended 31 December	2021 £m	2020 £m
Fees payable to the auditor for the audit of the Company and Consolidated financial statements	0.7	0.6
Fees payable to the auditor and its associates for other services:		
Audit of the Company's subsidiaries	4.0	3.6
Audit-related assurance services	1.1	1.1
Other assurance services	0.7	0.5
	6.5	**5.8**

5. Tax expense

The Group is headquartered in the UK and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the income statement (see part (a)) and relate to taxes payable for the reporting period (current tax). The charge also includes benefits and charges relating to when income or expenses are recognised in a different period for tax and accounting purposes or when there are specific treatments applicable relating to items such as acquisitions (deferred tax – see note 14). Some current and deferred taxes are recorded through other comprehensive income (see part (b)), or directly to equity where the tax arises from changes in the value of remuneration settled as shares (see part (c)).

(a) Analysis of tax charge reported in the income statement

Year ended 31 December	2021 £m	2020 £m
UK current year charge	71.1	49.9
Rest of the world current year charge	104.4	69.3
Prior year adjustments	33.6	(4.8)
Total current tax	**209.1**	**114.4**
Origination and reversal of temporary differences	(31.2)	0.5
Prior year adjustments	(34.4)	5.0
Effect of changes in corporation tax rates	(3.2)	4.6
Total deferred tax	**(68.8)**	**10.1**
Tax charge reported in the income statement	**140.3**	**124.5**

(b) Analysis of tax charge reported in other comprehensive income

Year ended 31 December	2021 £m	2020 £m
Current tax charge on movements in financial assets at fair value through other comprehensive income	–	0.2
Deferred tax charge on actuarial gains and losses on defined benefit pension schemes	5.2	5.6
Deferred tax credit on other movements through other comprehensive income	(1.0)	(0.1)
Deferred tax – effect of changes in corporation tax rates	1.4	(0.4)
Tax charge reported in other comprehensive income	**5.6**	**5.3**

(c) Analysis of tax credit reported in equity

Year ended 31 December	2021 £m	2020 £m
Current tax credit on Deferred Award Plan and other share-based remuneration	(3.7)	(2.7)
Deferred tax credit on Deferred Award Plan and other share-based remuneration	(0.8)	(0.5)
Deferred tax – effect of changes in corporation tax rates	(0.2)	(0.3)
Tax credit reported in equity	**(4.7)**	**(3.5)**

(d) Factors affecting tax charge for the year

The UK standard rate of corporation tax for 2021 is 19% (2020: standard rate of 19%). The tax charge for the year is higher (2020: higher) than a charge based on the UK standard rate. The differences are explained below:

Year ended 31 December	2021 £m	2020 £m
Profit before tax	764.1	610.5
Less share of profit of associates and joint ventures	(79.3)	(43.1)
Profit before tax of Group entities	**684.8**	**567.4**
Profit before tax of consolidated Group entities multiplied by corporation tax at the UK standard rate	**130.1**	**107.8**
Effects of:		
Different statutory tax rates of overseas jurisdictions	6.7	5.9
Permanent differences including non-taxable income and non-deductible expenses	6.9	10.0
Net movement in temporary differences for which no deferred tax is recognised	0.6	(4.0)
Deferred tax adjustments in respect of changes in corporation tax rates	(3.2)	4.6
Prior year adjustments	(0.8)	0.2
Tax charge reported in the income statement	**140.3**	**124.5**

NOTES TO THE ACCOUNTS CONTINUED

5. Tax expense continued

Estimates and judgements

The calculation of the Group's tax charge involves a degree of estimation and judgement. Liabilities relating to open and judgemental matters, including those in relation to deferred taxes, are based on the Group's assessment of the most likely outcome based on the information available. As a result, certain tax amounts are based on estimates using factors that are relevant to the specific judgement. The Group engages constructively and transparently with tax authorities with a view to early resolution of any uncertain tax matters. Where the final tax outcome of these matters is different from the amounts provided, such differences will impact the tax charge in a future period. Such estimates are based on assumptions made on the probability of potential challenge within certain jurisdictions and the possible outcome based on relevant facts and circumstances, including local tax laws. There was no individual judgemental component of the tax expense that was material to the Group results when taking into account the likely range of potential outcomes (2020: none).

6. Earnings per share

This key performance indicator shows the portion of the Group's profit after tax that is attributable to each share issued by the Company, excluding own shares held by the Group. The calculation is based on the weighted average number of shares in issue during the year.
The diluted figure recalculates that number as if all share options that would be expected to be exercised, as they have value to the option holder, had been exercised in the year. Shares that may be issued are not taken into account if the impact does not reduce earnings per share.

Reconciliation of the figures used in calculating basic and diluted earnings per share:

Year ended 31 December	**2021 Number Millions**	2020 Number Millions
Weighted average number of shares used in the calculation of basic earnings per share	277.1	276.2
Effect of dilutive potential shares – share options	4.7	5.0
Effect of dilutive potential shares – contingently issuable shares	0.1	0.1
Weighted average number of shares used in the calculation of diluted earnings per share	**281.9**	**281.3**

The pre-exceptional earnings per share calculations are based on pre-exceptional profit after tax excluding non-controlling interest of £14.7 million (2020: £14.2 million). After exceptional items, the profit after tax attributable to non-controlling interest was £11.9 million (2020: £9.7 million).

7. Dividends

Dividends are distributions of profit to holders of the Group's share capital, usually announced with the Group's half-year and annual results. Dividends are recognised only when they are paid or approved by shareholders. The reduction in equity in the year therefore comprises the prior year final dividend and the current year interim dividend.

	2022		**2021**		2020	
	£m	**Pence per share**	**£m**	**Pence per share**	£m	Pence per share
Prior year final dividend paid			217.3	79.0	216.0	79.0
Interim dividend paid			101.3	37.0	95.7	35.0
Total dividends paid			**318.6**	**116.0**	**311.7**	**114.0**
Current year final dividend recommended	**232.9**	**85.0**				

Dividends of £9.1 million (2020: £10.4 million) on shares held by employee benefit trusts have been waived and dividends may not be paid on treasury shares. The Board has recommended a 2021 final dividend of 85.0 pence per share (2020 final dividend: 79.0 pence), amounting to £232.9 million (2020 final dividend: £216.3 million). The dividend will be paid on 5 May 2022 to shareholders on the register at 25 March 2022 and will be accounted for in 2022.

In addition, the Group paid £9.8 million of dividends to holders of non-controlling interests in subsidiaries of the Group during 2021 (2020: £0.1 million), resulting in total dividends paid of £328.4 million (2020: £311.8 million).

8. Trade and other receivables

Trade and other receivables includes prepayments and deposits with banks in the form of bullion as well as amounts the Group is due to receive from third parties in the normal course of business. Trade and other receivables, other than deposits with banks in the form of bullion, are recorded initially at fair value and subsequently at amortised cost (see note 9). Prepayments arise where the Group pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense is recognised in the income statement. Accrued income, other than amounts relating to carried interest, represents unbilled revenue and is not dependent on future performance. Amounts due from third parties also include settlement accounts for transactions undertaken on behalf of funds and investors. Deposits with banks in the form of bullion are recorded at fair value.

	2021			2020		
	Non-current £m	**Current £m**	**Total £m**	Non-current £m	Current £m	Total £m
Trade and other receivables held at amortised cost:						
Fee debtors	–	76.8	76.8	–	77.6	77.6
Settlement accounts	–	285.3	285.3	–	155.2	155.2
Accrued income	67.5	426.9	494.4	53.8	430.2	484.0
Prepayments	5.4	62.6	68.0	6.2	52.3	58.5
Other receivables	10.5	25.6	36.1	7.6	39.5	47.1
Current tax	–	37.8	37.8	–	14.8	14.8
	83.4	**915.0**	**998.4**	**67.6**	**769.6**	**837.2**
Trade and other receivables held at fair value:						
Deposits with banks in the form of bullion	–	2.5	2.5	–	3.1	3.1
Total trade and other receivables	**83.4**	**917.5**	**1,000.9**	**67.6**	**772.7**	**840.3**

The fair value of trade and other receivables held at amortised cost approximates their carrying value. Deposits with banks in the form of bullion are categorised as level 1 in the fair value hierarchy. Refer to note 9 for details on the fair value hierachy.

Estimates and judgements – carried interest receivable

Accrued income includes £100.0 million of receivables in respect of carried interest (2020: £90.7 million). This income is due over a number of years and only when contractually agreed performance levels are exceeded. The income received may vary as a result of the actual experience, including future investment returns, differing from that assumed. Further information regarding the estimates and judgements applied is set out in note 2.

NOTES TO THE ACCOUNTS CONTINUED

9. Financial assets

The Group holds financial assets including equities, debt securities, pooled investment vehicles and derivatives to support its Group capital strategies and its Wealth Management banking book, including loans to clients. The Group also enters into derivatives on behalf of Wealth Management clients, referred to as client facilitation (see note 19).

Classification and measurement

The Group initially records all financial assets at fair value. The Group subsequently holds each financial asset at FVTPL, FVOCI or amortised cost. Fair value is the price that would be received to sell an asset or paid to transfer a liability between market participants. Amortised cost is the amount determined based on moving the initial fair value to the maturity value on a systematic basis using a fixed interest rate (the effective interest rate), taking account of repayment dates and initial expected premiums or discounts.

Financial assets at amortised cost

Financial assets are measured at amortised cost when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows. This classification typically applies to the Group's loans and advances, trade receivables and some debt securities held by the Group's Wealth Management entities. The carrying value of amortised cost financial assets is adjusted for impairment under the expected credit loss model (see note 3 and note 20).

Financial assets at fair value through other comprehensive income

Financial assets are held at FVOCI when their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect cash flows and to sell assets. This classification applies to certain debt securities within the Group's Wealth Management entities and to debt securities held as part of the Group's investment capital portfolio. Impairment is recognised for debt securities classified as FVOCI under the expected credit loss model (see note 3 and note 20).

Financial assets at fair value through profit or loss

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

Estimates and judgements – fair value measurements

The Group holds financial instruments that are measured at fair value. The fair value of financial instruments may be derived from readily available sources or may require some estimation. The degree of estimation involved depends on the individual financial instrument and is reflected in the fair value hierarchy below. Judgements may include determining which valuation approach to apply as well as determining appropriate assumptions. For level 2 and 3 financial instruments, the judgement applied by the Group gives rise to an estimate of fair value. The approach to determining the fair value estimate of level 2 and 3 financial instruments is set out below. The fair value 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 comprise investments in pooled investment vehicles, quoted equities, government debt 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 Group's level 2 financial instruments principally comprise foreign exchange contracts, certain debt securities, asset and mortgage backed securities, and loans held at fair value. 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. For funds not priced on a daily basis, the net asset value which is issued monthly or quarterly is used; and
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs that are not based on observable market data. The Group's level 3 financial assets principally comprise holdings in pooled investment vehicles, including private equity funds, and holdings in property investment vehicles that operate hotel businesses. The pooled investment vehicles are measured in accordance with International Private Equity and Venture Capital Valuation Guidelines 2018 using the valuation technique that is most suitable to the applicable investment. The property investment vehicles are valued based on the expected future cash flows that could be generated from the underlying hotel businesses. Given the application of different valuation techniques, and as the investments are not homogenous in nature, there are no significant assumptions or reasonably possible alternatives that would lead to a material change in fair value.

9. Financial assets continued

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	–	–	–	153.0	153.0
Loans and advances to clients	–	–	–	614.0	614.0
Debt securities	–	–	–	109.9	109.9
	–	**–**	**–**	**876.9**	**876.9**
Financial assets at FVOCI:					
Debt securities	405.7	4.2	–	–	409.9
	405.7	**4.2**	**–**	**–**	**409.9**
Financial assets at FVTPL:					
Debt securities	185.5	231.1	4.0	–	420.6
Pooled investment vehicles	603.9	38.0	135.1	–	777.0
Equities	557.8	4.1	8.2	–	570.1
Derivative contracts	28.5	49.3	–	–	77.8
	1,375.7	**322.5**	**147.3**	**–**	**1,845.5**
Total financial assets	**1,781.4**	**326.7**	**147.3**	**876.9**	**3,132.3**

	2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial assets at amortised cost:					
Loans and advances to banks	–	–	–	206.5	206.5
Loans and advances to clients	–	–	–	477.9	477.9
Debt securities	–	–	–	107.9	107.9
	–	**–**	**–**	**792.3**	**792.3**
Financial assets at FVOCI:					
Debt securities	343.0	246.5	–	–	589.5
	343.0	**246.5**	**–**	**–**	**589.5**
Financial assets at FVTPL:					
Loans and advances to clients	–	4.1	–	–	4.1
Debt securities	99.0	168.0	6.2	–	273.2
Pooled investment vehicles	668.5	62.8	108.8	–	840.1
Equities	293.7	21.5	23.3	–	338.5
Derivative contracts	0.6	33.5	–	–	34.1
	1,061.8	**289.9**	**138.3**	**–**	**1,490.0**
Total financial assets	**1,404.8**	**536.4**	**138.3**	**792.3**	**2,871.8**

NOTES TO THE ACCOUNTS CONTINUED

9. Financial assets continued

	2021 £m	2020 £m
Current	2,435.5	2,354.3
Non-current	696.8	517.5
	3,132.3	**2,871.8**

The fair value of financial assets at amortised cost approximates their carrying value. No financial assets were transferred between levels during 2021 (2020: none).

Movements in financial assets categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	138.3	134.9
Exchange translation adjustments	(3.8)	3.0
Net gain recognised in the income statement	42.4	4.1
Additions	29.3	23.3
Disposals	(58.9)	(27.0)
At 31 December	**147.3**	**138.3**

10. Associates and joint ventures

Associates are entities in which the Group has an investment and over which it has significant influence, but not control, through participation in the financial and operating policy decisions. Joint ventures are entities in which the Group has an investment where it, along with one or more other shareholders, has contractually agreed to share control of the business and where the major decisions require the unanimous consent of the joint partners. In both cases, the Group initially records the investment at the fair value of the purchase consideration, including purchase related costs. The Group's income statement reflects its share of the entity's profit or loss after tax and amortisation of intangible assets. The Group's statement of other comprehensive income records the Group's share of gains and losses arising from the entity's financial assets at FVOCI (see note 9). The statement of financial position subsequently records the Group's share of the net assets of the entity plus any goodwill and intangible assets that arose on purchase less subsequent amortisation. The statement of changes in equity records the Group's share of other equity movements of the entity. At each reporting date, the Group applies judgement to determine whether there is any indication that the carrying value of associates and joint ventures may be impaired.

The associates and joint ventures reserve in the statement of changes in equity represents the Group's share of profits in its investments yet to be received (for example, in the form of dividends or distributions), less any amortisation of intangible assets. Certain associates are held within financial assets at fair value through profit or loss where permitted by the accounting standards (see note 9). Information about the Group's principal associates measured at fair value is disclosed within this note.

(a) Investments in associates and joint ventures accounted for using the equity method

	2021			2020		
	Associates £m	Joint ventures £m	Total £m	Associates £m	Joint ventures £m	Total £m
At 1 January	211.0	194.2	405.2	200.2	197.8	398.0
Exchange translation adjustments	6.1	(0.1)	6.0	2.0	(0.1)	1.9
Additions	1.1	5.9	7.0	0.2	2.5	2.7
Disposals	(0.8)	–	(0.8)	(34.3)	–	(34.3)
Profit/(loss) for the year after tax	72.3	7.0	79.3	48.5	(5.4)	43.1
Gains recognised in other comprehensive income	0.1	–	0.1	0.1	–	0.1
Other movements in reserves of associates and joint ventures	–	–	–	0.2	–	0.2
Distributions of profit	(29.2)	(0.9)	(30.1)	(5.9)	(0.6)	(6.5)
At 31 December	**260.6**	**206.1**	**466.7**	**211.0**	**194.2**	**405.2**

Information about the significant associates and joint ventures held by the Group at 31 December 2021 is shown below. The companies are unlisted.

Name of associate or joint venture	Nature of its business	Principal place of business	Class of share	Percentage owned by the Group
Scottish Widows Schroder Wealth Holdings Limited (SPW)	Wealth management	England	Ordinary shares	49.9%
Bank of Communications Schroder Fund Management Co. Ltd. (BoCom)	Investment management	China	Ordinary shares	30.0%
Axis Asset Management Company Limited (Axis)	Investment management	India	Ordinary shares	25.0%
A10 Capital Parent Company LLC (A10)	Real estate lending	US	Common units	19.3%

10. Associates and joint ventures continued

	2021						2020					
	SPW[1] £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m	SPW £m	BoCom £m	Axis £m	A10 £m	Other £m	Total £m
Non-current assets	209.7	54.6	14.3	1,390.2	5.8	1,674.6	216.0	36.7	13.1	953.2	2.2	1,221.2
Current assets	157.3	756.2	96.2	176.9	22.5	1,209.1	143.0	636.4	58.5	125.5	19.4	982.8
Non-current liabilities	(23.2)	(1.1)	–	(1,404.0)	(1.5)	(1,429.8)	(22.0)	(0.9)	(4.7)	(956.6)	(0.7)	(984.9)
Current liabilities	(58.0)	(146.7)	(14.4)	(113.1)	(5.9)	(338.1)	(68.1)	(142.2)	(6.8)	(77.9)	(3.7)	(298.7)
Total equity	**285.8**	**663.0**	**96.1**	**50.0**	**20.9**	**1,115.8**	**268.9**	**530.0**	**60.1**	**44.2**	**17.2**	**920.4**
Group's share of net assets	142.6	198.9	24.0	9.6	7.7	382.8	134.2	159.0	15.0	8.5	6.1	322.8
Goodwill and intangible assets	58.1	–	10.4	1.3	17.2	87.0	60.9	–	10.4	1.2	13.0	85.5
Deferred tax liability	(3.1)	–	–	–	–	(3.1)	(3.1)	–	–	–	–	(3.1)
Carrying value held by the Group	**197.6**	**198.9**	**34.4**	**10.9**	**24.9**	**466.7**	**192.0**	**159.0**	**25.4**	**9.7**	**19.1**	**405.2**
Net income	135.1	355.2	79.4	66.5	29.0	665.2	125.2	263.3	57.4	34.0	23.4	503.3
Profit/(loss) for the year	16.9	201.4	36.7	14.1	8.1	277.2	(6.8)	141.7	22.7	4.0	4.1	165.7
Other comprehensive income	–	–	–	0.3	–	0.3	–	–	–	0.5	–	0.5
Total comprehensive income	**16.9**	**201.4**	**36.7**	**14.4**	**8.1**	**277.5**	**(6.8)**	**141.7**	**22.7**	**4.5**	**4.1**	**166.2**
Group's share of profit/(loss) for the year before amortisation[2]	**8.4**	**60.4**	**9.2**	**2.7**	**2.8**	**83.5**	**(3.4)**	**42.5**	**5.7**	**0.8**	**1.6**	**47.2**
Amortisation charge	(2.8)	–	–	–	(1.4)	(4.2)	(2.8)	–	–	–	(1.3)	(4.1)
Group's share of profit/(loss) for the year	**5.6**	**60.4**	**9.2**	**2.7**	**1.4**	**79.3**	**(6.2)**	**42.5**	**5.7**	**0.8**	**0.3**	**43.1**
Group's share of other comprehensive income	–	–	–	0.1	–	0.1	–	–	–	0.1	–	0.1
Group's share of total comprehensive income	**5.6**	**60.4**	**9.2**	**2.8**	**1.4**	**79.4**	**(6.2)**	**42.5**	**5.7**	**0.9**	**0.3**	**43.2**

1. SPW is a joint venture of the Group and has £114.8 million of cash and cash equivalents (2020: £105.6 million) within its current assets.
2. Includes £4.7 million of exceptional items within the share of profit of associates and joint ventures (2020: £16.9 million).

(b) Investments in associates measured at fair value

Where the Group holds units in pooled investment vehicles that give the Group significant influence, but not control, through participation in the financial and operating policy decisions, the Group records such investments at fair value. Information about the Group's principal associates measured at fair value is shown below. The investments are recorded as financial assets within the statement of financial position.

	2021					
	Schroder ISF Smart Manufacturing £m	SSSF Wealth Management USD Balanced £m	Schroder Core Plus FIC FIA £m	ICBC (Europe) ECITS SICAV £m	Schroder QEP Global Active value £m	Schroder Advanced Beta Global Corporate Bond £m
Current assets	32.1	15.4	5.8	21.9	458.9	1,277.7
Current liabilities	–	–	–	–	–	(0.7)
Total equity	**32.1**	**15.4**	**5.8**	**21.9**	**458.9**	**1,277.0**
Net income	1.4	0.3	0.1	0.1	13.7	19.6
Profit for the year	1.4	0.3	0.1	0.1	13.7	19.6
Total comprehensive income	**1.4**	**0.3**	**0.1**	**0.1**	**13.7**	**19.6**
Country of incorporation	Luxembourg	Luxembourg	Brazil	Luxembourg	Luxembourg	UK
Percentage owned by the Group	29%	28%	28%	33%	27%	23%

NOTES TO THE ACCOUNTS CONTINUED

10. Associates and joint ventures continued

	2020								
	Schroder Absolute Return Emerging Markets Debt Portfolio LP £m	Schroder ISF Healthcare Innovation £m	Schroder Indian Equity £m	Schroder Global CB Fund PPIT Unhedged £m	Schroder Fusion Managed Defensive £m	ICBC (Europe) ECITS SICAV £m	SPW Balanced Portfolio £m	Schroder Long Dated Corporate Bond £m	Schroder All Maturities Corporate Bond £m
Current assets	5.9	38.2	30.0	17.6	21.8	22.3	4.5	395.6	1,231.2
Current liabilities	–	–	–	–	–	–	–	–	–
Total equity	**5.9**	**38.2**	**30.0**	**17.6**	**21.8**	**22.3**	**4.5**	**395.6**	**1,231.2**
Net income	0.4	2.1	–	2.2	0.6	0.2	–	11.1	20.8
Profit for the year	0.4	2.1	–	2.2	0.6	0.2	–	11.1	20.7
Total comprehensive income	**0.4**	**2.1**	**–**	**2.2**	**0.6**	**0.2**	**–**	**11.1**	**20.7**
Country of incorporation	US	Luxembourg	UK	Japan	UK	Luxembourg	UK	UK	UK
Percentage owned by the Group	30%	21%	23%	24%	25%	33%	24%	26%	34%

11. Property, plant and equipment

The Group's property, plant and equipment provides the infrastructure to enable the Group to operate, and principally comprises leasehold improvements, freehold land and buildings, fixtures and fittings and computer equipment. Right-of-use assets in the form of leases are also included within property, plant and equipment (further detail is found in note 12). Assets are initially stated at cost, which includes expenditure associated with acquisition. The cost of the asset is recognised in the income statement as a depreciation charge on a straight-line basis over the estimated useful life, with the exception of land as it is assumed to have an indefinite useful life.

	2021				2020			
	Leasehold improvements £m	**Land and buildings £m**	**Other assets £m**	**Total £m**	Leasehold improvements £m	Land and buildings £m	Other assets £m	Total £m
Cost								
At 1 January	188.7	19.7	157.5	365.9	187.6	19.7	145.4	352.7
Exchange translation adjustments	(0.8)	–	(1.6)	(2.4)	–	–	0.9	0.9
Additions	11.2	–	14.8	26.0	4.9	–	14.0	18.9
Disposals	(4.5)	–	(4.9)	(9.4)	(3.8)	–	(2.8)	(6.6)
At 31 December	**194.6**	**19.7**	**165.8**	**380.1**	**188.7**	**19.7**	**157.5**	**365.9**
Accumulated depreciation								
At 1 January	(50.7)	(1.3)	(77.8)	(129.8)	(34.0)	(0.9)	(60.2)	(95.1)
Exchange translation adjustments	0.6	–	0.8	1.4	(0.1)	–	(0.2)	(0.3)
Depreciation charge	(13.6)	(0.5)	(17.1)	(31.2)	(19.6)	(0.4)	(19.6)	(39.6)
Disposals	4.5	–	4.9	9.4	3.0	–	2.2	5.2
At 31 December	**(59.2)**	**(1.8)**	**(89.2)**	**(150.2)**	**(50.7)**	**(1.3)**	**(77.8)**	**(129.8)**
Net book value at 31 December	**135.4**	**17.9**	**76.6**	**229.9**	**138.0**	**18.4**	**79.7**	**236.1**
Right-of-use assets (see note 12)				330.1				354.8
Property, plant and equipment net book value at 31 December				**560.0**				**590.9**

12. Leases

The Group's lease arrangements primarily consist of operating leases relating to office space.

The Group initially records a lease liability in the statement of financial position reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate that the Group would have to pay for a loan of a similar term, and with similar security to obtain an asset of similar value. A right-of-use (ROU) asset is recorded at the value of the lease liability plus any directly related costs and estimated future dilapidation expense and is presented within property, plant and equipment (see note 11). Interest is accrued on the lease liability using the effective interest method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated from commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term as the benefit of the asset is consumed. Increases or decreases that occur at contractually agreed market rent review dates are included in the lease liability once revised market rents have been agreed.

The Group considers whether the lease term should reflect options to extend or reduce the life of the lease. Relevant factors that could create an economic incentive to exercise the option are considered and the extensions/termination is included if it is reasonably certain to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option. Should this occur, the Group modifies the lease liability and associated ROU asset to reflect the revised remaining expected cashflows.

	2021		2020	
	Right-of-use assets £m	**Lease liabilities £m**	Right-of-use assets £m	Lease liabilities £m
At 1 January	354.8	397.2	394.7	425.3
Exchange translation adjustments	(1.8)	(1.2)	0.1	(0.7)
Additions and remeasurements of lease obligations	14.5	14.5	4.4	5.0
Lease payments	–	(47.5)	–	(44.4)
Depreciation charge	(37.4)	–	(44.4)	–
Interest expense	–	10.8	–	12.0
At 31 December	**330.1**	**373.8**	**354.8**	**397.2**

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

	2021	2020
Lease liabilities – current	31.2	35.9
Lease liabilities – non-current	342.6	361.3
	373.8	**397.2**

The Group's lease liabilities contractually mature in the following time periods:

	2021 £m	2020 £m
Less than 1 year	46.3	48.7
1 – 2 years	47.9	47.1
2 – 5 years	98.8	114.8
More than 5 years	267.9	283.5
	414.6	**445.4**
	460.9	**494.1**

NOTES TO THE ACCOUNTS CONTINUED

13. Goodwill and intangible assets

Intangible assets (other than software) arise when the Group acquires a business and the fair value paid exceeds the fair value of the net tangible assets acquired. This premium reflects additional value that the Group determines to be attached to the business. Identifiable acquired intangible assets relating to business combinations include technology, contractual agreements to manage client assets and gain additional access to new or existing clients and geographies. Where such assets can be identified, they are classified as acquired intangible assets and amortised to the income statement within operating expenses on a straight line basis, primarily over seven years.

Consideration paid to acquire a business in excess of the acquisition date fair value of net tangible and identifiable intangible assets is known as goodwill. Goodwill is not charged to the income statement unless its value has diminished. The assessment of whether goodwill has become impaired is based on the expected future returns of the relevant cash-generating unit (CGU) as a whole.

Software purchased and developed for use in the business is also classified as an intangible asset. The cost of purchasing and developing software is taken to the income statement over time as an amortisation charge within operating expenses. The treatment is similar to property, plant and equipment, and the asset is normally amortised on a straight line basis over three to five years, but can have an estimated useful life of up to ten years.

	2021				2020			
	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Total £m
Cost								
At 1 January	811.7	362.8	413.2	1,587.7	761.8	326.0	340.6	1,428.4
Exchange translation adjustments	(8.3)	(3.2)	(0.8)	(12.3)	16.6	5.4	0.6	22.6
Additions	–	2.3	63.4	65.7	33.3	31.4	73.9	138.6
Disposals	–	–	(5.1)	(5.1)	–	–	(1.9)	(1.9)
At 31 December	**803.4**	**361.9**	**470.7**	**1,636.0**	**811.7**	**362.8**	**413.2**	**1,587.7**
Accumulated amortisation								
At 1 January	–	(220.2)	(159.5)	(379.7)	–	(182.7)	(112.3)	(295.0)
Exchange translation adjustments	–	0.9	0.6	1.5	–	(1.2)	(0.6)	(1.8)
Amortisation charge for the year	–	(33.5)	(60.7)	(94.2)	–	(36.3)	(48.5)	(84.8)
Disposals	–	–	4.9	4.9	–	–	1.9	1.9
At 31 December	**–**	**(252.8)**	**(214.7)**	**(467.5)**	**–**	**(220.2)**	**(159.5)**	**(379.7)**
Carrying amount at 31 December	**803.4**	**109.1**	**256.0**	**1,168.5**	**811.7**	**142.6**	**253.7**	**1,208.0**

The Group did not complete any business combinations during 2021 (2020: £29.1 million of intangible assets were acquired as a result of business combinations). The Group acquired £2.3 million (2020: £2.3 million) of customer contracts through Benchmark Capital that were not considered to be business combinations.

Estimates and judgements

The Group estimates the fair value of intangible assets acquired at the acquisition date based on forecast profits, taking account of synergies, derived from existing contractual arrangements. This assessment involves judgement in determining assumptions relating to potential future revenues, profit margins, appropriate discount rates and the expected duration of client relationships. The difference between the fair value of the consideration and the value of the identifiable assets and liabilities acquired, including intangible assets, is accounted for as goodwill.

At each reporting date, the Group applies judgement to determine whether there is any indication that an acquired intangible asset may be impaired. If any indication exists a full assessment is undertaken. Goodwill is assessed for impairment on an annual basis. If the assessment of goodwill or an acquired intangible asset determines that the carrying value exceeds the estimated recoverable amount at that time, the assets are written down to their recoverable amount.

The recoverable amount of goodwill is determined using a discounted cash flow model. Any impairment is recognised in the income statement and cannot be reversed. Goodwill acquired in a business combination is allocated to the CGUs that are expected to benefit from that business combination. For all relevant acquisitions, it is the Group's judgement that the lowest level of CGU used to determine impairment is segment level for Asset Management. The Benchmark Capital business within Wealth Management is assessed separately from the rest of Wealth Management. Of the total goodwill, £574.9 million (2020: £583.1 million) is allocated to Asset Management and £228.5 million (2020: £228.6 million) is allocated to Wealth Management, of which £68.1 million (2020: £68.1 million) relates to Benchmark Capital.

13. Goodwill and intangible assets continued

The recoverable amounts of the CGUs are determined from value-in-use calculations applying a discounted cash flow model using the Group's five-year strategic business plan cash flows. The key assumptions on which the Group's cash flow projections are based include long-term market growth rates of 2% per annum (2020: 2%), a pre-tax discount rate of 10% (2020: 10%), expected flows and expected changes to margins. The results of the calculations indicate that goodwill is not impaired.

Movements in the growth rate and/or the discount rate of 1% would not lead to any impairment. This is due to the amount of goodwill allocated to the relevant CGU relative to the size of the relevant future profitability estimate. A comparison of actual results to the projected results used to assess goodwill impairment in prior years shows that the Group would have recognised no changes (2020: nil) to its goodwill asset in the year as a result of inaccurate projections.

The recoverable amount of acquired intangible assets is the greater of fair value less costs to sell and the updated discounted valuation of the remaining net residual income stream. Any impairment is recognised in the income statement but may be reversed if relevant conditions improve.

14. Deferred tax

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

Deferred tax liabilities also arise on certain acquisitions where the amortisation of the acquired intangible asset does not result in a tax deduction. The deferred tax liability is established on acquisition and is released to the income statement to match the intangible asset amortisation.

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

	2021						2020				
	Accelerated capital allowances £m	**Deferred employee awards £m**	**Pension schemes £m**	**Tax losses £m**	**Other net temporary differences £m**	**Total £m**	Accelerated capital allowances £m	Deferred employee awards £m	Pension schemes £m	Other net temporary differences[1] £m	Total £m
At 1 January	(4.6)	82.3	(31.2)	3.0	(48.1)	1.4	(5.7)	77.3	(22.3)	(28.6)	20.7
Income statement credit/(charge)	12.6	13.6	(0.5)	34.7	5.2	65.6	1.3	1.1	(0.5)	(7.4)	(5.5)
Income statement credit/(charge) due to changes in tax rates	3.8	4.9	(10.3)	10.4	(5.6)	3.2	(0.3)	3.2	(3.4)	(4.1)	(4.6)
(Charge)/credit to other comprehensive income	–	–	(5.2)	–	1.0	(4.2)	–	–	(5.6)	0.1	(5.5)
(Charge)/credit to statement of other comprehensive income due to changes in tax rates	–	–	(1.5)	–	0.1	(1.4)	–	–	0.6	(0.2)	0.4
Credit to equity	–	0.8	–	–	–	0.8	–	0.5	–	–	0.5
Credit to equity due to changes in tax rates	–	0.2	–	–	–	0.2	–	0.3	–	–	0.3
Business combinations	–	–	–	–	–	–	–	–	–	(5.5)	(5.5)
Exchange translation adjustments	–	(0.5)	–	0.1	(0.6)	(1.0)	0.1	(0.1)	–	0.6	0.6
At 31 December	**11.8**	**101.3**	**(48.7)**	**48.2**	**(48.0)**	**64.6**	**(4.6)**	**82.3**	**(31.2)**	**(45.1)**	**1.4**

1. Tax losses for 2020 are presented within other net temporary differences.

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

Included in the deferred tax asset is an asset relating to UK tax deductions for share-based remuneration which is dependent on the prices of the Company's ordinary and non-voting shares at the time the awards are exercised.

A deferred tax asset of £6.5 million (2020: £7.6 million) relating to £34.3 million of realised and unrealised capital losses 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.

A deferred tax asset of £13.3 million (2020: £11.1 million) relating to £56.2 million of other losses and other temporary differences have not been recognised as there is insufficient evidence that there will be sufficient taxable profits in the future against which these deferred tax assets could be utilised.

NOTES TO THE ACCOUNTS CONTINUED

14. Deferred tax continued

After offsetting deferred tax assets and liabilities where appropriate within territories, the net deferred tax asset comprises:

	2021 £m	2020 £m
Deferred tax assets	145.0	32.9
Deferred tax liabilities	(80.4)	(31.5)
	64.6	**1.4**

15. Unit-linked liabilities and assets backing unit-linked liabilities

The Group operates a unit-linked life assurance business through the wholly owned subsidiary Schroder Pension Management Limited (the Life Company). The Life Company provides investment products through a life assurance wrapper. The investment products do not provide cover for insurance risk and are therefore recognised and accounted for as financial instruments and presented as financial liabilities due to Life Company investors (policyholders) within unit-linked liabilities.

The investment product is almost identical to a unit trust. As it is a life assurance product, the contractual rights and obligations of the investments remain with the Group and the AUM is therefore included on the statement of financial position, together with the liability to investors. The Group earns fee income from managing the investment, which is included in revenue.

Financial assets and liabilities held by the Life Company are measured at FVTPL. Other balances include cash and receivables, which are measured at amortised cost (see note 9). The Life Company's assets are regarded as current assets as they represent the amount available to Life Company investors (or third party investors in consolidated funds) who are able to withdraw their funds on call, subject to certain restrictions in the case of illiquidity. Gains and losses from assets and liabilities held to cover investor obligations are attributable to investors in the Life Company or third party investors in the funds. As a result, any gain or loss is offset by a change in the obligation to investors.

	2021 £m	2020 £m
Financial liabilities due to Life Company investors	10,439.8	9,727.6
Financial liabilities due to third parties[1]	3,023.3	2,358.6
	13,463.1	**12,086.2**

1. In accordance with the accounting standards, the Group is deemed to hold a controlling interest in certain funds as a result of the investments held by the Life Company. This results in all of the assets and liabilities of those funds being consolidated within the statement of financial position and the third party interest in the fund being recorded as a financial liability due to third party investors.

The Group has no primary exposure to market risk, credit risk or liquidity risk in relation to the investments due to Life Company investors. The risks and rewards associated with its investments are borne by the investors in the Life Company's investment products or third party investors in the funds and not by the Life Company itself. Consequently no further financial instrument risk disclosures are included.

Fair value measurements of Life Company financial assets and liabilities

Each of the Life Company's financial assets and liabilities has been categorised using a fair value hierarchy as shown below. These levels are based on the degree to which the fair value is observable and are defined in note 9.

	2021				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	2,130.6	1,547.2	–	–	3,677.8
Pooled investment vehicles	3,654.5	–	22.9	–	3,677.4
Equities	4,952.6	10.8	–	–	4,963.4
Derivative contracts	62.8	40.0	–	–	102.8
	10,800.5	**1,598.0**	**22.9**	**–**	**12,421.4**
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	911.7	911.7
Trade and other receivables	–	–	–	130.0	130.0
	–	**–**	**–**	**1,041.7**	**1,041.7**
Total assets backing unit-linked liabilities	**10,800.5**	**1,598.0**	**22.9**	**1,041.7**	**13,463.1**
Unit-linked liabilities	**13,369.6**	**77.7**	**–**	**15.8**	**13,463.1**

15. Unit-linked liabilities and assets backing unit-linked liabilities continued

	2020				
	Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Assets backing unit-linked liabilities					
Financial assets at fair value through profit or loss:					
Debt securities	1,572.7	1,722.1	3.3	–	3,298.1
Pooled investment vehicles	3,369.0	–	24.8	–	3,393.8
Equities	4,480.4	1.9	–	–	4,482.3
Derivative contracts	37.6	4.6	–	–	42.2
	9,459.7	**1,728.6**	**28.1**	**–**	**11,216.4**
Financial assets at amortised cost:					
Cash and cash equivalents	–	–	–	746.3	746.3
Trade and other receivables	–	–	–	123.5	123.5
	–	**–**	**–**	**869.8**	**869.8**
Total assets backing unit-linked liabilities	**9,459.7**	**1,728.6**	**28.1**	**869.8**	**12,086.2**
Unit-linked liabilities	**11,963.8**	**58.9**	**–**	**63.5**	**12,086.2**

The fair value of financial instruments not held at fair value approximates their carrying value. No financial assets were transferred between levels during the year (2020: none).

Estimates and judgements – fair value measurements

Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 9). Level 1 investments principally comprise quoted equities, investments in pooled investment vehicles, government debt and exchange-traded derivatives. Level 2 investments principally comprise debt securities such as commercial paper and certificates of deposit. Level 3 investments principally compromise investments in private equity funds. There are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

Movements in financial assets categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	28.1	29.5
Exchange translation adjustments	(1.1)	(0.9)
Net gain recognised in the income statement	10.4	3.4
Additions	–	2.1
Disposals	(14.5)	(6.0)
At 31 December	**22.9**	**28.1**

NOTES TO THE ACCOUNTS CONTINUED

16. Trade and other payables

Trade and other payables includes amounts the Group is due to pay in the normal course of business, accruals and deferred income (being fees received in advance of services provided as well as deferred cash awards), and bullion deposits by customers. Trade and other payables, other than deferred cash awards and bullion deposits, are recorded initially at fair value and subsequently at amortised cost (see note 9). Amounts due to be paid by the Group in the normal course of business are made up of creditors and accruals. Accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred cash awards (being deferred employee remuneration payable in cash), and bullion deposits by customers are recorded at fair value.

	2021			2020		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables at amortised cost:						
Settlement accounts	–	138.2	138.2	–	151.7	151.7
Trade creditors	–	8.8	8.8	–	11.0	11.0
Social security	28.4	86.5	114.9	21.0	70.1	91.1
Accruals and deferred income	18.5	619.7	638.2	13.4	463.3	476.7
Other payables	–	14.7	14.7	0.3	18.9	19.2
	46.9	**867.9**	**914.8**	**34.7**	**715.0**	**749.7**
Trade and other payables at fair value:						
Deferred cash awards	80.6	117.4	198.0	84.7	90.2	174.9
Bullion deposits by customers	–	2.2	2.2	–	3.1	3.1
	80.6	**119.6**	**200.2**	**84.7**	**93.3**	**178.0**
Total trade and other payables	**127.5**	**987.5**	**1,115.0**	**119.4**	**808.3**	**927.7**

The fair value of trade and other payables held at amortised cost approximates their carrying value. The fair value of bullion deposits by customers is derived from level 1 inputs (see note 9). The fair value of deferred cash awards is derived from level 1 inputs, being equal to the fair value of the units in funds to which the employee award is linked.

The Group's trade and other payables contractually mature in the following time periods:

	2021 £m	2020 £m
Less than 1 year[1]	987.5	808.3
1 – 2 years	65.4	59.0
2 – 5 years	60.3	59.3
More than 5 years	1.8	1.1
	127.5	**119.4**
	1,115.0	**927.7**

1. Settlement accounts are generally settled within four working days and trade creditors have an average settlement period of 20 working days (2020: 23 working days).

17. Financial liabilities

The Group's financial liabilities principally comprise deposits by Wealth Management clients and banking counterparties. They also include derivatives held for client facilitation or interest rate matching in Wealth Management (see note 19), and the hedging of risk exposures within investment capital (see note 19). Other financial liabilities at fair value mainly comprise liabilities that arise from financial obligations in respect of carried interest, contingent consideration and other financial liabilities arising from acquisitions completed by the Group, and third party interests in consolidated funds. Consolidation occurs when the Group is deemed to control a fund, usually in respect of Life Company or seed capital investments. When a fund is consolidated, the Group accounts for the fund in its statement of financial position as if it were wholly owned by the Group, but records an additional liability representing the fair value of the proportion of the fund owned by third-party investors. Where the investment is held by the Life Company, the fair value of the proportion of the fund owned by third-party investors is shown as part of unit-linked liabilities (see note 15). Each instrument has been categorised within one of three levels using a fair value hierarchy (see note 9).

17. Financial liabilities continued

	2021 Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,748.3	3,748.3
Deposits by banks	–	–	–	69.9	69.9
Other financial liabilities	–	–	–	4.4	4.4
	–	**–**	**–**	**3,822.6**	**3,822.6**
Financial liabilities at fair value through profit or loss:					
Derivative contracts (see note 19)	29.8	58.5	–	–	88.3
Other financial liabilities	733.0	–	149.7	–	882.7
	762.8	**58.5**	**149.7**	**–**	**971.0**
Total financial liabilities	**762.8**	**58.5**	**149.7**	**3,822.6**	**4,793.6**

	2020 Level 1 £m	Level 2 £m	Level 3 £m	Not at fair value £m	Total £m
Financial liabilities at amortised cost:					
Client accounts	–	–	–	3,550.3	3,550.3
Deposits by banks	–	–	–	72.8	72.8
Other financial liabilities	–	–	–	5.5	5.5
	–	**–**	**–**	**3,628.6**	**3,628.6**
Financial liabilities at fair value through profit or loss:					
Derivative contracts (see note 19)	3.9	29.1	–	–	33.0
Other financial liabilities	279.9	–	143.7	–	423.6
	283.8	**29.1**	**143.7**	**–**	**456.6**
Total financial liabilities	**283.8**	**29.1**	**143.7**	**3,628.6**	**4,085.2**

For the maturity profiles of client accounts, deposits by banks and derivative contracts see notes 19 and 20.

The fair value of financial liabilities held at amortised cost approximates their carrying value.

	2021 £m	2020 £m
Current	4,660.9	3,945.5
Non-current	132.7	139.7
	4,793.6	**4,085.2**

Estimates and judgements

The Group holds financial liabilities that are measured at fair value. The carrying value of financial liabilities may involve estimation or be derived from readily available sources. Financial liabilities have been categorised using a fair value hierarchy that reflects the extent of estimates and judgements used in the valuation (see note 9). The Group's financial liabilities categorised as level 3 principally consist of third party liabilities related to carried interest arrangements, obligations arising from contingent consideration, and other financial liabilities arising from prior acquisitions completed by the Group. Information about the estimates and judgements made in determining the fair value of carried interest payable is set out in note 2. The remaining level 3 liabilities are measured using different valuation methodologies and assumptions, and there are no assumptions that are individually significant or reasonably possible alternatives that would lead to a material change in fair value.

NOTES TO THE ACCOUNTS CONTINUED

17. Financial liabilities continued

Movements in financial liabilities categorised as level 3 during the year were:

	2021 £m	2020 £m
At 1 January	143.7	155.1
Exchange translation adjustments	(2.7)	4.6
Net loss recognised in the income statement	59.0	14.6
Additions	1.1	18.4
Disposals and settlements	(51.4)	(49.0)
At 31 December	**149.7**	**143.7**

18. Provisions and contingent liabilities

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and therefore usually require the use of estimates. They are recognised when three conditions are fulfilled: when the Group has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Group will incur a loss in order to settle the obligation and when a reliable estimate can be made of the amount of the obligation. They are recorded at the Group's best estimate of the cost of settling the obligation. Any differences between those estimates and the amounts for which the Group actually becomes liable are taken to the income statement as additional charges where the Group has underestimated and credits where the Group has overestimated. Where the estimated timing and settlement is longer term, the amount is discounted using a rate reflecting specific risks associated with the provision.

Contingent liabilities are potential liabilities, which could include a dependency on events not within the Group's control, but where there is a possible obligation. Contingent liabilities are only disclosed where significant and are not included within the statement of financial position.

	Dilapidations £m	Legal, regulatory and other £m	Total £m
At 1 January 2021	15.2	11.2	26.4
Exchange translation adjustments	(0.2)	–	(0.2)
Provisions utilised	(0.1)	(1.2)	(1.3)
Additional provisions charged	0.3	1.6	1.9
At 31 December 2021	**15.2**	**11.6**	**26.8**

	Dilapidations £m	Legal, regulatory and other £m	Total £m
Current – 2021	1.0	4.6	5.6
Non-current – 2021	14.2	7.0	21.2
	15.2	**11.6**	**26.8**
Current – 2020	–	5.2	5.2
Non-current – 2020	15.2	6.0	21.2
	15.2	**11.2**	**26.4**

The Group's provisions are expected to mature in the following time periods:

	2021 £m	2020 £m
Less than 1 year	5.6	5.2
1 – 2 years	8.2	7.5
2 – 5 years	0.8	1.8
More than 5 years	12.2	11.9
	21.2	**21.2**
	26.8	**26.4**

18. Provisions and contingent liabilities continued

Dilapidation provisions associated with the Group's office leases have a weighted average maturity of 13 years (2020: 13 years).

Legal and regulatory obligations associated with the Group's business arise from past events that are estimated to crystallise mainly within two years (2020: two years). These matters are ongoing.

Estimates and judgements

The timing and amount of settlement of each legal claim or potential claim, regulatory matter and constructive obligation is uncertain. The Group applies judgement to determine whether a provision is required. The Group performs an assessment of the timing and amount of each event and reviews this assessment periodically. For some provisions there is greater certainty as the cash flows have largely been determined. Potential legal claims, regulatory related costs and other obligations to third parties arise as a consequence of normal business activity. They can arise from actual or alleged breaches of obligations and may be covered by the Group's insurance arrangements, but subject to insurance excess. In certain circumstances, legal and regulatory claims can arise despite there being no error or breach. The Group's risk management and compliance procedures are designed to mitigate, but are not able to eliminate, the risk of losses occurring. Where such claims and costs arise there is often uncertainty over whether a payment will be required and estimation is required in determining the quantum and timing of that payment. As a result, there is also uncertainty over the timing and amount of any insurance recovery, although this does not change the likelihood of insurance cover being available, where applicable. The Group makes periodic assessments of all cash flows, including taking external advice where appropriate, to determine an appropriate provision. Some matters may be settled through commercial negotiation as well as being covered in whole or in part by the Group's insurance arrangements. The Group has made provisions based on the reasonable expectation of likely outflows. The inherent uncertainty in such matters and the results of negotiations and insurance cover may result in different outcomes.

There are no key judgements or estimates that would result in any additional material provisions being recognised or any material contingent liabilities being disclosed in the financial statements (2020: none). The provisions included in the financial statements at 31 December 2021 are based on estimates of reasonable ranges of likely outcomes, applying assumptions regarding the probability of payments being due and the settlement value. The aggregate reasonable ranges have been assessed as not materially different to the carrying values.

19. Derivative contracts

(a) The Group's use of derivatives

The Group holds derivatives for risk management, client facilitation and within its consolidated structured entities to provide exposure to market returns. The Group most commonly uses forward foreign exchange contracts, where it agrees to buy or sell specified amounts of a named currency at a future date, allowing the Group to effectively fix exchange rates so that it can avoid unpredictable gains and losses on financial instruments in foreign currencies. The Group uses equity contracts to hedge market-related gains and losses on its seed capital investments where the purpose of investing is to help establish a new product rather than gain additional market exposure. Interest rate contracts are used to hedge exposures to fixed or floating rates of interest.

The Group designates certain derivatives as hedges of a net investment in a foreign operation. In these scenarios, and where relevant conditions are met, hedge accounting is applied and the Group formally documents the relationship between the derivative and any hedged item, its risk management objectives and its strategy for undertaking the various hedging transactions. It also documents 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. In respect of hedges of a net investment in a foreign operation, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in other comprehensive income. The Group's net investment hedges are generally fully effective, but any ineffective portion that may arise is recognised in the income statement. On disposal of the foreign operation, together with the hedged gain or loss, the cumulative gain or loss on the hedging instrument is transferred to the income statement.

Risk management: the Group actively seeks to limit and manage its exposures to risk where that exposure is not desired by the Group. This may take the form of unwanted exposures to a particular currency, type of interest rate or other price risk. By entering into derivative contracts, the Group is able to mitigate or eliminate such exposures. The principal risk that the Group faces through such use of derivative contracts is credit risk.

Client facilitation: the Group's Wealth Management entities are involved in providing portfolio management, banking and investment advisory services, primarily to private clients. In carrying out this business, they transact as agent or as principal in financial assets and liabilities (including derivatives) in order to facilitate client portfolio requirements. Wealth Management's policy is to hedge, as appropriate, market risk on its client facilitation positions. This does not eliminate credit risk.

For details of how the Group manages its exposure to credit risk, see below and note 20.

NOTES TO THE ACCOUNTS CONTINUED

19. Derivative contracts continued

(b) Derivatives used by the Group

Forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. The maximum exposure to credit risk is represented by the fair value of the contracts.

Currency, interest rate, total return and credit default swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, interest rates or total returns (for example, fixed rate for floating rate) or a combination of these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except in the case of certain currency swaps. The Group'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, the proportion of the notional amount of the contracts, and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties in accordance with its internal policies and procedures.

Futures contracts are standardised contracts to buy or sell specified assets 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.

The fair value of derivative instruments becomes favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, indices, foreign exchange rates and other relevant variables 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. The fair values and contractual maturities are set out below:

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Equity contracts	59.7	(71.7)	1.9	(11.9)
Forward foreign exchange contracts	18.1	(16.6)	32.2	(21.1)
	77.8	**(88.3)**	**34.1**	**(33.0)**

	2021		2020	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m
Net-settled derivative contracts[1] maturing/repricing[2] in:				
Less than 1 year	59.7	(71.7)	1.9	(11.9)
1 – 2 years	–	–	–	–
2 – 5 years	–	–	–	–
More than 5 years	–	–	–	–
	59.7	**(71.7)**	**1.9**	**(11.9)**
Gross-settled derivatives[3] maturing/repricing[2] in less than 1 year:				
Gross inflows	1,066.9	953.0	1,402.2	874.4
Gross outflows	(1,048.9)	(969.7)	(1,374.1)	(889.8)
Difference between future contractual cash flows and fair value	0.1	0.1	4.1	(5.7)
	18.1	**(16.6)**	**32.2**	**(21.1)**
	77.8	**(88.3)**	**34.1**	**(33.0)**

1. Equity contracts.
2. Whichever is earlier.
3. Forward foreign exchange contracts.

20. Financial instrument risk management

The Group Capital Committee (GCC) is responsible for the management of the Group's capital and sets objectives for how it is deployed. This note explains how the Group manages its capital, setting out the nature of the risks the Group faces as a result of its operations, and how these risks are quantified and managed.

The Group is exposed to different forms of financial instrument risk including: (i) the risk that money owed to the Group will not be received (credit risk); (ii) the risk that the Group may not have sufficient cash available to pay its creditors as they fall due (liquidity risk); and (iii) the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates (market risk). The management of such risks is embedded in managerial responsibilities fundamental to the wellbeing of the Group.

The Group's primary exposure to financial instrument risk is derived from the financial instruments that it holds as principal. In addition, due to the nature of the business, the Group's exposure extends to the impact on investment management and other fees that are determined on the basis of a percentage of AUM and are therefore impacted by the financial instrument risk exposure of our clients – the secondary exposure. This note deals only with the direct or primary exposure of the risks from the Group's holding of financial instruments.

The Life Company provides unit-linked investment products through a life assurance wrapper. The financial risks of these products are largely borne by the third party investors, consistent with other investment products managed by the Group. However, since the Life Company, which is a subsidiary, issues the investment instrument and holds the relevant financial assets, both the investments and the third party obligations are recorded in the statement of financial position. Financial instrument risk management disclosures in respect of the Life Company's financial instruments are set out in note 15.

(a) Capital

The Group's approach to capital management is to maintain a strong capital position to enable it to invest in the future of the Group, in line with its strategy, and to support the risks inherent in conducting its business. Capital management is an important part of the Group's risk management framework and is underpinned by the Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP considers the relevant current and future risks to the business and the capital considered necessary to support these risks. The Group actively monitors its capital base to ensure it maintains sufficient and appropriate capital resources to cover the relevant risks to the business and to meet consolidated and local regulatory and working capital requirements.

The Group's lead regulator is the Prudential Regulation Authority as the Group includes an entity with a UK banking licence. The Group is required to maintain adequate capital resources to meet its Total Capital Requirement (TCR) of £937 million (2020: £874 million). The TCR incorporates the Group's Pillar 1 regulatory capital requirement of £769 million (2020: £717 million). In addition to the TCR of the banking group, the Group is required to hold additional capital of £282 million (2020: £256 million) in respect of its insurance companies and regulatory buffers. The Group's overall regulatory capital requirement was £1,220 million at 31 December 2021 (2020: £1,130 million).

In managing the Group's capital position, the Group considers the composition of the capital base, which consists of: working capital deployed to support the Group's general operating activities and regulatory requirements; investment capital held in excess of these operating requirements; and other items that are not investible or otherwise available to meet the Group's operating or regulatory requirements.

The table below shows the components of our capital position:

	2021 £m	2020 £m
Working capital – regulatory and other	1,403	1,548
Working capital – seed and co-investment	666	612
Investment capital – liquid	780	320
Investment capital – illiquid	58	97
Other items	1,519	1,509
Total equity	**4,426**	**4,086**

(i) Working capital

The Group's policy is for subsidiaries to hold sufficient working capital to meet their regulatory and other operating requirements. Operating capital principally comprises cash and cash equivalents and other low-risk financial instruments, as well as financial instruments held to hedge fair value movements on certain deferred fund awards. Local regulators oversee the activities of, and impose minimum capital and liquidity requirements on certain Group operating entities. The Group complied with all externally imposed regulatory capital requirements during the year. Other investible equity held in excess of operating requirements is transferred to investment capital, which is managed centrally in accordance with limits approved by the Board.

Working capital is also deployed through certain subsidiaries to support new investment strategies and growth opportunities and to co-invest alongside the Group's clients.

NOTES TO THE ACCOUNTS CONTINUED

20. Financial instrument risk management continued

(a) Capital continued

(ii) Investment capital

Available capital held in excess of working capital requirements is transferred to investment capital. Investment capital is managed with the aim of achieving a low-volatility return. It is mainly held in cash, funds managed by the Group and investment grade corporate bonds. Liquid investments are available to support the organic development of existing and new business strategies and to respond to other investment and growth opportunities as they arise, such as acquisitions. Investment capital also includes certain commercial private equity investments and illiquid legacy investments.

(iii) Other items

Other items comprises assets that are not investible or available to meet the Group's general operating or regulatory requirements. It includes assets that are actually or potentially inadmissible for regulatory capital purposes, principally goodwill, intangible assets, minority interest in certain subsidiaries and pension scheme surplus.

The tables below provide a detailed breakdown of the Group's capital in accordance with IFRS 9:

	2021				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Financial instruments at fair value through profit or loss[1] £m	Non-financial instruments £m	Total £m
Assets					
Cash and cash equivalents	4,207.3	–	–	–	4,207.3
Trade and other receivables	892.6	–	–	108.3	1,000.9
Financial assets:					
Loans and advances to banks	153.0	–	–	–	153.0
Loans and advances to clients	614.0	–	–	–	614.0
Debt securities	109.9	409.9	420.6	–	940.4
Pooled investment vehicles	–	–	777.0	–	777.0
Equities	–	–	570.1	–	570.1
Derivatives	–	–	77.8	–	77.8
Associates and joint ventures	–	–	–	466.7	466.7
Property, plant and equipment	–	–	–	560.0	560.0
Goodwill and intangible assets	–	–	–	1,168.5	1,168.5
Deferred tax	–	–	–	145.0	145.0
Retirement benefit scheme surplus	–	–	–	197.9	197.9
Assets backing unit-linked liabilities	1,041.7	–	12,421.4	–	13,463.1
Total assets	**7,018.5**	**409.9**	**14,266.9**	**2,646.4**	**24,341.7**
Liabilities					
Trade and other payables	799.9	–	198.0	117.1	1,115.0
Financial liabilities	3,822.6	–	971.0	–	4,793.6
Lease liabilities	373.8	–	–	–	373.8
Current tax	–	–	–	52.2	52.2
Provisions	26.8	–	–	–	26.8
Deferred tax	–	–	–	80.4	80.4
Retirement benefit scheme deficits	–	–	–	11.1	11.1
Unit-linked liabilities	15.8	–	13,447.3	–	13,463.1
Total liabilities	**5,038.9**	**–**	**14,616.3**	**260.8**	**19,916.0**
Capital					**4,425.7**

1. Financial assets at fair value through profit or loss includes £12,432.1 million of assets that are designated at fair value through profit or loss and £1,834.8 million that are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £14,522.2 million of liabilities that are designated at fair value through profit or loss and £94.1 million that are mandatorily measured at fair value through profit or loss.

20. Financial instrument risk management continued
(a) Capital continued

	2020				
	Financial instruments at amortised cost £m	Financial assets at fair value through other comprehensive income £m	Financial instruments at fair value through profit or loss[1] £m	Non-financial instruments £m	Total £m
Assets					
Cash and cash equivalents	3,469.6	–	–	–	3,469.6
Trade and other receivables	763.9	–	–	76.4	840.3
Financial assets:					
Loans and advances to banks	206.5	–	–	–	206.5
Loans and advances to clients	477.9	–	4.1	–	482.0
Debt securities	107.9	589.5	273.2	–	970.6
Pooled investment vehicles	–	–	840.1	–	840.1
Equities	–	–	338.5	–	338.5
Derivatives	–	–	34.1	–	34.1
Associates and joint ventures	–	–	–	405.2	405.2
Property, plant and equipment	–	–	–	590.9	590.9
Goodwill and intangible assets	–	–	–	1,208.0	1,208.0
Deferred tax	–	–	–	32.9	32.9
Retirement benefit scheme surplus	–	–	–	168.2	168.2
Assets backing unit-linked liabilities	869.8	–	11,216.4	–	12,086.2
Total assets	**5,895.6**	**589.5**	**12,706.4**	**2,481.6**	**21,673.1**
Liabilities					
Trade and other payables	658.6	–	174.9	94.2	927.7
Financial liabilities	3,628.6	–	456.6	–	4,085.2
Lease liabilities	397.2	–	–	–	397.2
Current tax	–	–	–	21.5	21.5
Provisions	26.4	–	–	–	26.4
Deferred tax	–	–	–	31.5	31.5
Retirement benefit scheme deficits	–	–	–	11.5	11.5
Unit-linked liabilities	63.5	–	12,022.7	–	12,086.2
Total liabilities	**4,774.3**	**–**	**12,654.2**	**158.7**	**17,587.2**
Capital					**4,085.9**

1. Financial assets at fair value through profit or loss includes £11,255.0 million of assets that are designated at fair value through profit or loss and £1,451.4 million that are mandatorily measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss includes £12,602.4 million of liabilities that are designated at fair value through profit or loss and £51.8 million that are mandatorily measured at fair value through profit or loss.

(b) Credit risk, liquidity risk and market risk
The Group is exposed to credit, liquidity and market risk as a result of the financial instruments it holds. Settlement of financial instruments (on both a principal and agency basis) also gives rise to operational risk. The Group's risk management framework is critical to effective management of these risks and considerable resources are dedicated to this area. Risk management is the direct responsibility of the Board, with responsibility for oversight delegated to the Audit and Risk Committee. The Group applies the three lines of defence model to risk management, which includes financial instrument risk. More details on the risk management framework and approach are set out in the Risk Management report and the Audit and Risk Committee report on pages 49 and 70 respectively.

(i) Credit risk
Credit risk is the risk that a counterparty to a financial instrument, loan or commitment will cause the Group financial loss by failing to discharge their obligations. For this purpose, the impact on fair value of a credit loss arising from credit spread price changes in a portfolio of investments is excluded. This risk is addressed within pricing risk.

NOTES TO THE ACCOUNTS CONTINUED

20. Financial instrument risk management continued

(b) Credit risk, liquidity risk and market risk continued

(i) Credit risk continued

The Group has exposure to credit risk from its normal activities where it is exposed to the risk that a counterparty will be unable to pay amounts when due. The Group carefully manages its exposure to credit risk by monitoring exposures to individual counterparties and sectors, monitoring counterparties' creditworthiness, taking collateral and reducing settlement risk where possible and approving lending policies that specify the type of acceptable collateral and lending margins. The Group's maximum exposure to credit risk is represented by the gross carrying value of its financial assets.

Externally published credit ratings are indicators of the level of credit risk associated with a counterparty. A breakdown of the Group's relevant financial assets held with rated and unrated counterparties is set out below:

	Cash and cash equivalents		Loans and advances to banks		Debt securities	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Credit rating:						
AAA	128.0	140.4	–	–	279.7	257.8
AA+	117.4	159.2	14.8	–	76.6	9.1
AA	173.5	277.3	56.2	55.2	16.9	11.0
AA-	2,260.3	2,131.6	45.0	27.1	286.3	159.9
A+	898.6	437.7	30.6	119.5	8.4	139.9
A	188.3	44.9	–	–	15.7	40.0
A-	391.3	231.7	6.4	4.7	8.8	59.5
BBB+ and lower	47.5	44.7	–	–	158.0	206.5
Not rated	2.4	2.1	–	–	90.0	86.9
	4,207.3	**3,469.6**	**153.0**	**206.5**	**940.4**	**970.6**

Expected credit losses are calculated on all of the Group's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. 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.

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;
- 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 are in default.

For financial assets in stage 1, expected credit losses are calculated based on the credit losses that are expected to be incurred over the following 12-month period. For financial assets in stages 2 and 3, expected credit losses are calculated based on credit losses expected to be incurred over the life of the instrument. The Group applies the simplified approach to calculate expected credit losses for trade and other receivables. Under this approach, instruments are not categorised into three stages and expected credit losses are calculated based on the life of the instrument.

Wealth Management activities

All client credit requests are presented to the relevant Wealth Management approval authorities and counterparty exposures are monitored daily against limits. Loans, overdrafts and advances to clients, as well as certain derivative positions, are secured on a range of assets including real estate (both residential and commercial), cash, client portfolios and life assurance policies.

The Group does not usually provide loans, overdrafts or advances to clients on an unsecured basis. Where disposal of non-cash collateral is required, in the event of default, the terms and conditions relevant to the specific contract and country will apply. Portfolios held as collateral are marked to market daily and positions compared to clients' exposures. Credit limits are set following an assessment of the market value and lending value of each type of collateral, depending on the perceived risk associated with the collateral. Clients are contacted if these limits are expected to be or are breached, or if collateral is not sufficient to cover the outstanding exposure.

The collateral accepted by the Group includes certain investment-grade securities that can be sold or repledged without default of the provider. At 31 December 2021, the fair value of collateral that could be sold or repledged but had not been, relating solely to these arrangements, was £534.9 million (2020: £831.8 million).

Policies covering various counterparty and market risk limits are set and monitored by the relevant Wealth Management asset and liability management committees. All instruments held within the Wealth Management treasury book have an investment grade credit rating.

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(i) Credit risk continued

Wealth Management takes a conservative approach to its treasury investments, placing them with, or purchasing debt securities issued by, UK and overseas banks and corporates, central banks, supranational banks and sovereigns.

Expected credit losses on financial assets at amortised cost within the Wealth Management entities at 31 December 2021 were £0.3 million (2020: £0.4 million). Loans and advances to clients includes one under-performing (stage 2) loan of £2.9 million (2020: £2.9 million) and no non-performing (stage 3) loans (2020: £2.0 million) giving rise to no expected credit losses (2020: nil and £0.2 million respectively). All other financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2020: same).

Expected credit losses on financial assets at fair value through other comprehensive income within the Wealth Management entities at 31 December 2021 were £0.1 million (2020 £0.3 million). All financial assets at fair value through other comprehensive income were performing (stage 1) (2020: same).

Other activities

Fee debtors and other receivables arise as a result of the Group's asset management activities and amounts are monitored regularly. Historically, default levels have been insignificant and unless a client has withdrawn its funds, there is an ongoing relationship between the Group and the client.

Fee debtors past due but not in default as at 31 December 2021 were £48.6 million (31 December 2020: £54.3 million), the majority of which were less than 90 days past due (31 December 2020: less than 90 days).

The Group seeks to manage its exposure to credit risk arising from debt securities and derivatives within the investment portfolio by adopting a conservative approach and through ongoing credit analysis. Corporate bond portfolios have an investment grade mandate, and exposure to sub-investment grade debt is low.

Most derivative positions, other than forward foreign exchange contracts, are taken in exchange-traded securities where there is minimal credit risk. Forward foreign exchange positions generally have a maturity between one and three months.

The Group's cash and cash equivalents in the non-Wealth Management entities are held primarily in current accounts, on deposit with well-rated banks, or invested in money market funds.

Expected credit losses on financial assets at amortised cost within non-Wealth Management entities at 31 December 2021 were £0.8 million (2020: £0.7 million). All financial assets at amortised cost (excluding trade and other receivables to which the three stage model is not applied) were performing (stage 1) (2020: same).

There were no expected credit losses on financial assets at fair value through other comprehensive income within non-Wealth Management entities at 31 December 2021 (2020: £0.3 million). Debt securities includes no under-performing (stage 2) securities (2020: £10.7 million giving rise to £0.1 million of expected credit losses). All other financial assets at fair value through other comprehensive income were performing (stage 1) (2020: same).

(ii) Liquidity risk

Liquidity risk is the risk that the Group cannot meet its obligations as they fall due or can only do so at a cost. The Group has a clearly defined liquidity risk management framework in place in the form of a Consolidated Group Internal Liquidity Adequacy Assessment Process (ILAAP). The Group policy is that its subsidiaries should trade solvently, comply with regulatory liquidity requirements and have access to adequate liquidity for all activities undertaken in the normal course of business. As part of its ILAAP, the Group performs stress testing to confirm that sufficient liquidity is available to cover severe but plausible stress events.

Wealth Management activities

The principal liquidity risk in the Group's Wealth Management business arises as a result of its banking activities, where the timing of cash flows from liabilities relating to client accounts can be impacted by client action. The objective of the Group's liquidity policy is to maintain sufficient liquidity within the relevant entities to meet regulatory and prudential requirements, to cover cash flow imbalances and fluctuations in funding and the timely repayment of funds to depositors.

Liquidity positions are actively monitored against both regulatory and internal limits and cash flows are managed so that sufficient liquidity is available to cover potential liquidity risks.

NOTES TO THE ACCOUNTS CONTINUED

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(ii) Liquidity risk continued

The contractual maturity of Wealth Management financial assets and liabilities is set out below:

	2021				
	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Assets					
Cash and cash equivalents	2,966.0	–	–	–	2,966.0
Loans and advances to banks	147.2	–	–	–	147.2
Loans and advances to clients	236.4	89.8	287.0	0.8	614.0
Debt securities	329.3	164.6	–	–	493.9
Other financial assets	3.4	–	–	–	3.4
Total financial assets	**3,682.3**	**254.4**	**287.0**	**0.8**	**4,224.5**
Liabilities					
Client accounts	3,748.3	–	–	–	3,748.3
Deposits by banks	69.9	–	–	–	69.9
Other financial liabilities	9.1	–	–	–	9.1
Total financial liabilities	**3,827.3**	**–**	**–**	**–**	**3,827.3**
Cumulative gap	**(145.0)**	**109.4**	**396.4**	**397.2**	**397.2**

	2020				
	Less than 1 year £m	1–2 years £m	2–5 years £m	More than 5 years £m	Total £m
Assets					
Cash and cash equivalents	2,894.1	–	–	–	2,894.1
Loans and advances to banks	189.9	–	–	–	189.9
Loans and advances to clients	228.9	49.8	203.3	–	482.0
Debt securities	322.6	107.3	–	–	429.9
Other financial assets	13.9	–	–	–	13.9
Total financial assets	**3,649.4**	**157.1**	**203.3**	**–**	**4,009.8**
Liabilities					
Client accounts	3,550.3	–	–	–	3,550.3
Deposits by banks	72.8	–	–	–	72.8
Other financial liabilities	20.9	–	–	–	20.9
Total financial liabilities	**3,644.0**	**–**	**–**	**–**	**3,644.0**
Cumulative gap	**5.4**	**162.5**	**365.8**	**365.8**	**365.8**

Other activities

The Group's exposure to liquidity risk outside of its Wealth Management activities is low. Excluding the Life Company and consolidated funds, the Asset Management and Group segment together hold cash and cash equivalents of £1,109.5 million (2020: £527.8 million). Financial liabilities relating to other operating entities are £966.4 million (2020: £441.2 million).

The Group has a committed revolving credit facility of £595.0 million (2020: £595.0 million), which expires on 4 October 2024. The facility was undrawn at 31 December 2021 (31 December 2020: undrawn). On 11 February 2022 the Group increased the committed revolving credit facility to £765.0 million.

(iii) Market risk

Market risk is the risk that the value of assets will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates.

Pricing risk

Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk.

In respect of financial instrument risk, the Group's exposure to pricing risk is principally through investments held in investment capital, seed and co-investment capital, deferred employee compensation in the form of fund awards and some investments held for regulatory capital purposes.

20. Financial instrument risk management continued
(b) Credit risk, liquidity risk and market risk continued
(iii) Market risk continued
Pricing risk continued

The Group does not hedge exposures to pricing risk except in relation to seed capital, where it is practical to do so, and in respect of deferred employee compensation awards, where these can be matched by interests in funds managed by the Group. Where financial instruments are held to hedge deferred compensation awards, movements in the fair value of the asset are normally offset by changes in the amounts payable to employees (see note 4).

Interest rate risk

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

Wealth Management activities
In Wealth Management, interest rate risk is monitored against policies and limits set by the relevant risk committee on a daily basis. Interest rate risk is managed within set limits by matching asset and liability positions and through the use of interest rate swaps.

Sensitivity-based and stress-based models are used for monitoring interest rate risk. These models assess the impact of a prescribed basis point rise in interest rates, and the potential impact of severe but plausible stress scenarios.

Other activities
Cash held by the other operating companies is not normally expected to be placed on deposit for longer than three months and is not exposed to significant interest rate risk.

The Group's capital can include investments in corporate investment-grade bonds managed by the Group's fixed income fund managers. The market risk (including interest rate risk) exposure of these investments is actively monitored against limits set by the Board.

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.

Wealth Management activities
In Wealth Management, foreign exchange risk is monitored against policies and limits set by the relevant risk committees on a daily basis. Foreign exchange risk is managed within set limits by the treasury departments using spot, forward and foreign exchange swap contracts.

Other activities
The Group's policy in relation to foreign exchange risks arising from revenue, expenditure and capital currency exposure from its Asset Management activities is generally not to hedge. The Group's revenue is earned and expenditure incurred in many currencies and the resulting exposure is considered to be a normal part of the Group's business activities.

The Group also has exposure to foreign currency through investments in currencies other than sterling. The Group uses forward foreign exchange contracts with third parties to mitigate this exposure. The gain or loss on these contracts is included in the statement of other comprehensive income or the income statement, as appropriate. The use of such instruments is subject to approval by the GCC.

The sensitivities to market risk are estimated as follows:

		31 December 2021		31 December 2020	
Variable[1]		**A reasonable change in the variable within the next calendar year %**	**Increase/ (decrease) in post-tax profit £m**	A reasonable change in the variable within the next calendar year %	Increase/ (decrease) in post-tax profit £m
Interest rates[2]	-increase	1.0	1.5	0.2	1
	-decrease	(0.8)	(1.1)	(0.4)	(2)
US dollar against sterling	-strengthen	10	3	10	2
	-weaken	(10)	(3)	(10)	(2)
Euro against sterling	-strengthen	8	2	8	1
	-weaken	(8)	(2)	(8)	(1)
US dollar against Euro	-strengthen	10	3	10	4
	-weaken	(10)	(1)	(10)	(3)
FTSE All-Share Index[3]	-increase	20	37	20	38
	-decrease	(20)	(37)	(20)	(38)

1. The underlying assumption is that there is one variable increase/decrease with all other variables held constant.
2. Assumes that the fair value of assets and liabilities will not be affected by a change in interest rates.
3. Assumes that changes in the FTSE All-Share Index correlate to changes in the fair value of the Group's equity investments.

The reasonable changes in variables will have no impact on any other components of equity. These sensitivities concern only the direct impact on financial instruments and exclude indirect impacts on fee income and certain costs that may be affected by changes in the variable. The changes used in the sensitivity analysis were provided by the Group's Global Economics team who determine reasonable assumptions.

NOTES TO THE ACCOUNTS CONTINUED

21. Share capital and share premium

Share capital represents the number of issued ordinary and non-voting ordinary shares in Schroders plc multiplied by their nominal value of £1 each. Share premium substantially represents the aggregate of all amounts that have ever been paid above nominal value to Schroders plc when it has issued ordinary and non-voting ordinary shares. There are certain circumstances in which the share premium can be reduced but these did not arise in 2020 or 2021. The Company has no authority to issue, buy back, or cancel ordinary shares in issue (including those held in trust) and has authority limited by shareholder resolution to issue or purchase non-voting ordinary shares, which may either be cancelled or held in treasury.

	Number of shares Millions	**Ordinary shares £m**	**Non-voting ordinary shares £m**	**Total shares £m**	**Share premium £m**
At 1 January 2021	282.5	226.0	56.5	282.5	124.2
At 31 December 2021	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	Number of shares Millions	Ordinary shares £m	Non-voting ordinary shares £m	Total shares £m	Share premium £m
At 1 January 2020	282.5	226.0	56.5	282.5	124.2
At 31 December 2020	**282.5**	**226.0**	**56.5**	**282.5**	**124.2**

	2021 Number of shares Millions	2020 Number of shares Millions
Issued and fully paid:		
Ordinary shares of £1 each	226.0	226.0
Non-voting ordinary shares of £1 each	56.5	56.5
	282.5	**282.5**

The difference between the share classes

The non-voting ordinary shares carry the same rights as ordinary shares except that they do not confer the right to attend and vote at any general meeting of the Company, and that on a capitalisation issue they carry the right to receive non-voting ordinary shares rather than ordinary shares.

22. Own shares

Own shares are recorded by the Group when non-voting ordinary shares are acquired by the Company, or ordinary or non-voting ordinary shares are acquired through employee benefit trusts. This enables the Group to hold some of its shares in treasury to settle option exercises or for other permitted purposes. Own shares are held at cost and their purchase reduces the Group's net assets by the amount spent. When shares vest unconditionally or are cancelled, they are transferred from own shares to the profit and loss reserve at their weighted average cost.

Movements in own shares during the year were as follows:

	2021 £m	2020 £m
At 1 January	(159.8)	(169.1)
Own shares purchased	(75.3)	(58.3)
Awards vested	84.9	67.6
At 31 December	**(150.2)**	**(159.8)**

During the year 2.1 million own shares (2020: 2.4 million own shares) were purchased and held for hedging share-based awards. 3.1 million shares (2020: 2.6 million shares) awarded to employees vested in the period and were transferred out of own shares.

The total number of shares in the Company held within the Group's employee benefit trusts comprise:

	2021			2020		
	Number of vested shares Millions	**Number of unvested shares Millions**	**Total Millions**	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	3.3	5.2	8.5	2.4	6.2	8.6
Non-voting ordinary shares	–	–	–	0.1	–	0.1
	3.3	**5.2**	**8.5**	**2.5**	**6.2**	**8.7**

	2021			2020		
	Vested shares £m	**Unvested shares £m**	**Total £m**	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	83.0	150.0	233.0	58.1	159.6	217.7
Fair value	118.0	185.1	303.1	82.7	207.7	290.4
Non-voting ordinary shares:						
Cost	–	0.2	0.2	0.2	0.2	0.4
Fair value	–	0.3	0.3	0.6	0.3	0.9
Total:						
Cost	**83.0**	**150.2**	**233.2**	**58.3**	**159.8**	**218.1**
Fair value	**118.0**	**185.4**	**303.4**	**83.3**	**208.0**	**291.3**

NOTES TO THE ACCOUNTS CONTINUED

23. Reconciliation of net cash from operating activities

This note should be read in conjunction with the cash flow statement. It provides a reconciliation to show how profit before tax, which is based on accounting rules, translates to cash flows.

	2021 £m	2020 £m
Profit before tax	764.1	610.5
Adjustments for income statement non-cash movements:		
Depreciation of property, plant and equipment and amortisation of intangible assets	162.8	168.8
Net gain on financial instruments	(20.5)	(71.6)
Share-based payments	89.5	56.1
Net charge/(release) for provisions	1.9	(5.3)
Other non-cash movements	(8.0)	6.3
	225.7	**154.3**
Adjustments for which the cash effects are investing activities:		
Net finance income	2.0	(1.1)
Interest expense on lease liabilities	10.8	12.0
Share of profit of associates and joint ventures	(79.3)	(43.1)
	(66.5)	**(32.2)**
Adjustments for statement of financial position movements:		
(Increase)/decrease in loans and advances within Wealth Management	(96.1)	77.8
Increase in trade and other receivables	(10.5)	(6.9)
Increase in deposits and client accounts within Wealth Management	212.9	453.6
Increase/(decrease) in trade and other payables, other financial liabilities and provisions	149.4	(26.7)
	255.7	**497.8**
Adjustments for Life Company and consolidated pooled investment vehicles movements:		
Net (increase)/decrease in financial assets backing unit-linked liabilities	(1,211.5)	113.4
Net increase/(decrease) in unit-linked liabilities	1,376.9	(339.7)
Net increase/(decrease) in cash within consolidated pooled investment vehicles	84.1	(34.2)
	249.5	**(260.5)**
Tax paid	(194.3)	(137.4)
Net cash from operating activities	**1,234.2**	**832.5**

24. Commitments

Commitments represent amounts the Group has contractually committed to pay to third parties but do not yet represent a liability or impact the Group's financial results for the year.

The Group's commitments primarily relate to investment call commitments, commitments for property, plant and equipment and future leases not yet commenced and commitments under IT service agreements.

The Group sublets a small number of its owned and leased properties where such properties, or parts of such properties, are not required for use by the Group. The table below discloses the commitments sub-lessees have made in respect of such arrangements. These commitments are not recorded on the statement of financial position in advance of the period to which they relate.

	2021			
	No later than 1 year £m	**Later than 1 year and no later than 5 years £m**	**Later than 5 years £m**	**Total £m**
Undrawn loan facilities	5.7	56.1	0.3	62.1
Investment call commitments	70.7	20.4	2.1	93.2
Commitments for property, plant and equipment and leases	1.4	5.8	20.6	27.8
Commitments under IT service agreements	37.0	35.3	–	72.3
Total commitments	**114.8**	**117.6**	**23.0**	**255.4**
Operating leases receivable as lessor	(0.8)	(2.4)	(0.5)	(3.7)
Net commitments payable	**114.0**	**115.2**	**22.5**	**251.7**

	2020			
	No later than 1 year £m	Later than 1 year and no later than 5 years £m	Later than 5 years £m	Total £m
Undrawn loan facilities	4.7	55.4	–	60.1
Investment call commitments	74.5	18.2	1.8	94.5
Commitments for property, plant and equipment and leases	16.4	26.1	21.3	63.8
Commitments under IT service agreements	12.0	22.5	–	34.5
Total commitments	**107.6**	**122.2**	**23.1**	**252.9**
Operating leases receivable as lessor	(1.3)	(3.0)	(1.3)	(5.6)
Net commitments payable	**106.3**	**119.2**	**21.8**	**247.3**

Office property sub-leases have a weighted average term of 3 years (2020: 3 years) and rentals are fixed for a weighted average term of 3 years (2020: 3 years).

NOTES TO THE ACCOUNTS CONTINUED

25. Retirement benefit obligations

The Group has two principal types of pension benefit for employees: defined benefit (DB), where the Group has an obligation to provide participating employees with pension payments that represent a specified percentage of their final salary for each year of service, and defined contribution (DC), where the Group's contribution to an employee's pension is measured as, and limited to, a specified percentage of salary.

Accounting for DB schemes requires an assessment of the likely quantum of future pension payments to be made. If ring-fenced assets are held specifically to meet this cost, the scheme is funded, and if not, it is unfunded. The Group periodically reviews its funded DB schemes using actuarial specialists to assess whether it is on course to meet the expected pension payments that current and former employees are, or will be, entitled to. In the case of a projected shortfall, a plan must be formulated to reverse the deficit.

The income statement charge or credit represents the sum of pension entitlements earned by employees in the period, plus a notional net interest charge (if the scheme is in deficit) or income (if it is in surplus) based on the market yields on high quality corporate bonds. Experience differences, principally the difference between actual investment returns and the notional interest amount, as well as actuarial changes in estimating the present value of future liabilities, are recorded in other comprehensive income.

Assets or liabilities recognised in the statement of financial position represent the differences between the fair value of plan assets (if any) and the actuarially determined estimates of the present value of future liabilities. The Group closed its largest DB scheme to future accrual on 30 April 2011, although it still operates some small unfunded schemes overseas. This means that no future service will contribute to the closed scheme member benefits but those members continue to have the benefits determined by the Scheme rules as at 30 April 2011.

The Group's exposure to funding DC pension schemes is limited to the contributions it has agreed to make. These contributions generally stop when employment ceases. The income statement charge represents the contributions the Group has agreed to make into employees' pension schemes in that year.

The disclosures within this note are provided mainly in respect of the principal DB scheme, which is the DB section of the funded Schroders Retirement Benefits Scheme (the Scheme).

The income statement charge for retirement benefit costs is as follows:

	2021 £m	2020 £m
Pension costs – defined contribution plans	57.9	55.0
Pension credit – defined benefit plans	(0.6)	(1.1)
Other post-employment benefits	0.1	0.2
	57.4	**54.1**

(a) Profile of the Scheme

The Scheme is administered by a trustee company, Schroder Pension Trustee Limited (the Trustee). The board of the Trustee comprises an independent chairman, three directors appointed by the employer and two directors elected by the Scheme members. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for setting the investment strategy and for the day-to-day administration of the benefits. The Trustee's investment committee comprises four of the Trustee directors and two representatives of the Group. This committee, which reports to the Trustee board, is responsible for making investment strategy recommendations to the board of the Trustee and for monitoring the performance of the investment manager.

Under the Scheme, employees are entitled to annual pensions on retirement based on a specified percentage of their final pensionable salary or, in the case of active members at 30 April 2011 (the date the DB section of the Scheme closed for future accrual), actual pensionable salaries at that date, for each year of service. These benefits are adjusted for the effects of inflation, subject to a cap of 2.5% for pensions accrued after 12 August 2007 and 5.0% for pensions accrued before that date.

As at 31 December 2021, there were no active members in the DB section (2020: nil) and 2,249 active members in the DC section (2020: 2,159). The weighted average duration of the Scheme's DB obligation is 18 years (2020: 19 years).

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2021	2020
Number of deferred members	1,116	1,199
Total deferred pensions (at date of leaving Scheme)	£7.6m per annum	£8.2m per annum
Average age (deferred)	55	52
Number of pensioners	982	937
Average age (pensioners)	70	70
Total pensions in payment	£21.8m per annum	£20.8m per annum

(b) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2020. The funding level at that date was 107% on the technical provisions basis and no contribution to the Scheme was required. The next triennial valuation is due as at 31 December 2023 and will be performed in 2024.

25. Retirement benefit obligations continued

(c) Risks of the Scheme

The Company and the Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes an asset-liability matching policy that aims to reduce the volatility of the funding level of the Scheme by investing in assets that perform in line with the liabilities of the Scheme.

The most significant risks to which the Scheme exposes the Group are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will reduce the surplus or may create a deficit. The Group manages this risk by holding 71% (2020: 71%) of Scheme assets in a liability matching portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but that can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Credit risk

The assets of the Scheme include liability driven investments (LDI) and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's liability matching portfolio, which comprises gilts, corporate bonds and other LDI instruments. The liability matching investments have been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the liability matching portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the liability matching portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2021, the liability matching portfolio was designed to mitigate 83% (2020: 83%) of the Scheme's exposure to changes in gilt yields.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. However, in most cases, caps on the level of inflationary increases are in place. The majority of the growth assets are either unaffected by or not closely correlated with inflation, which means that an increase in inflation will also decrease any Scheme surplus. The liability matching portfolio includes instruments such as index-linked gilts to provide protection against inflation risk. At 31 December 2021, the liability matching portfolio was designed to mitigate 83% (2020: 83%) of the Scheme's exposure to inflation risk.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

(d) Reporting at 31 December

The principal financial assumptions used for the Scheme are:

	2021 %	2020 %
Discount rate	2.0	1.4
RPI inflation rate	3.3	2.8
CPI inflation rate	2.9	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.2	2.7
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.0

Average number of years a current pensioner is expected to live beyond age 60:	Years	Years
Men	28	28
Women	30	29

Average number of years future pensioners currently aged 45 are expected to live beyond age 60:	Years	Years
Men	29	29
Women	30	30

Net interest income is determined by applying the discount rate to the opening net surplus in the Scheme. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality, long dated corporate bonds that are denominated in the currency in which the benefits will be paid.

NOTES TO THE ACCOUNTS CONTINUED

25. Retirement benefit obligations continued

Estimates and judgements

The Group estimates the carrying value of the Scheme by applying judgement to determine the assumptions as set out on page 147, used to calculate the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates, which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2020: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2020: 0.25%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics. The latest base mortality tables have been adopted with no scaling (2020: nil) following a Scheme specific review of the membership data.

The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Solutions UK Limited, and is based on an assessment of the Scheme as at 31 December 2021.

The amounts recognised in the income statement are:

	2021 £m	2020 £m
Interest income on Scheme assets	(14.8)	(20.7)
Interest cost on Scheme liabilities	12.4	17.8
Net interest income recognised in the income statement in respect of the Scheme	**(2.4)**	**(2.9)**
Income statement charge in respect of other defined benefit schemes	1.8	1.8
Total defined benefit schemes income statement credit	**(0.6)**	**(1.1)**

The amounts recognised in the statement of comprehensive income are:

	2021 £m	2020 £m
Gains on Scheme assets in excess of that recognised in interest income	(20.1)	(91.5)
Actuarial (gains)/losses due to change in demographic assumptions	(1.0)	0.6
Actuarial (gains)/losses due to change in financial assumptions	(18.6)	74.8
Actuarial losses/(gains) due to experience	11.4	(12.9)
Total other comprehensive gain in respect of the Scheme	**(28.3)**	**(29.0)**
Other comprehensive loss/(gain) in respect of other defined benefit schemes	0.7	(1.4)
Total other comprehensive gain in respect of defined benefit schemes	**(27.6)**	**(30.4)**

The sensitivity of the Scheme pension liabilities to changes in assumptions are:

		2021		2020	
Assumption	**Assumption change**	**Estimated (increase)/ decrease in pension liabilities £m**	**Estimated (increase)/ decrease in pension liabilities %**	Estimated (increase)/ decrease in pension liabilities £m	Estimated (increase)/ decrease in pension liabilities %
Discount rate	Increase by 0.5% per annum	66.2	7.6	78.1	8.6
Discount rate	Decrease by 0.5% per annum	(78.3)	(9.0)	(87.7)	(9.6)
Expected rate of pension increases	Increase by 0.5% per annum	(51.5)	(5.9)	(80.7)	(8.9)
Expected rate of pension increases	Decrease by 0.5% per annum	51.3	5.5	62.3	6.9
Life expectancy	Increase by one year	(43.6)	(4.7)	(45.4)	(5.0)
Life expectancy	Decrease by one year	42.9	4.9	44.6	4.9

25. Retirement benefit obligations continued

Movements in respect of the assets and liabilities of the Scheme are:

	2021 £m	2020 £m
At 1 January	1,077.2	1,001.5
Interest income	14.8	20.7
Remeasurement of assets	20.1	91.5
Benefits paid	(40.5)	(36.5)
Administrative expenses[1]	(1.0)	–
Fair value of plan assets	**1,070.6**	**1,077.2**
At 1 January	(909.0)	(865.2)
Interest cost	(12.4)	(17.8)
Actuarial gains/(losses) due to change in demographic assumptions	1.0	(0.6)
Actuarial gains/(losses) due to change in financial assumptions	18.6	(74.8)
Actuarial (losses)/gains due to experience	(11.4)	12.9
Benefits paid	40.5	36.5
Present value of funded obligations	**(872.7)**	**(909.0)**
Net assets	**197.9**	**168.2**

1. Following the last completed triennial valuation it was agreed that certain administrative expenses of the scheme would be paid out of the scheme surplus. The approach will be reviewed as part of the next triennial valuation.

The Group has not materially changed the basis of any of the principal financial assumptions underlying the calculation of the Scheme's net financial position during 2021, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

The fair values of the Scheme's plan assets at the year end are:

	2021		2020	
	Value £m	Of which not quoted in an active market £m	Value £m	Of which not quoted in an active market £m
Liability matching investments	752.3	–	762.4	–
Portfolio funds	307.3	44.6	286.9	38.8
Exchange-traded futures and over-the-counter derivatives	(12.3)	–	3.3	5.6
Cash	23.3	–	24.6	–
	1,070.6	**44.6**	**1,077.2**	**44.4**

NOTES TO THE ACCOUNTS CONTINUED

26. Share-based payments

Share-based payments are remuneration payments to selected employees that take the form of an award of shares in Schroders plc. Employees are generally not able to exercise such awards in full until three years after the award has been made, although conditions vary between different types of award. The accounting for share-based awards settled by transferring shares to the employees (equity-settled) differs from the accounting for similar awards settled in cash (cash-settled). The charge for equity-settled share-based payments is determined based on the fair value of the award on the grant date. Such awards can include share awards that may or may not have performance criteria. The initial fair value of the award takes into account the current value of shares expected to be issued (i.e. estimates of the likely levels of forfeiture and achievement of performance criteria), the contribution, if required, by the employee. This initial fair value is charged to the income statement reflecting benefits received from employment, where relevant, in the performance period and over the vesting period. The income statement charge is offset by a credit to the statement of changes in equity, where the award is expected to be settled through the issue of shares. Such awards constituted 8.7% (2020: 6.4%) of salaries, wages and other remuneration (see note 4).

The Group may make share-based payments to employees through awards over or linked to the value of ordinary shares and by the grant of market value share options over ordinary shares. These arrangements involve a maximum term of ten years.

It is the Group's practice to hedge all awards to eliminate the impact of changes in the market value of shares between the grant date and the exercise date.

Awards that lapse or are forfeited during the vesting period result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Group recognised total expenses of £92.1 million (2020: £57.5 million) arising from share-based payment transactions during the year, of which £89.5 million (2020: £56.1 million) were equity-settled share-based payment transactions. In 2021, there were total exceptional costs of £1.5 million included within equity-settled share-based payments (2020: £2.0 million).

The Group has the following share-based payment arrangements (further details of the current schemes may be found in the Remuneration report):

(a) Deferred Award Plan

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2021 Number of ordinary shares Millions	2020 Number of ordinary shares Millions
Rights outstanding at 1 January	3.8	2.8
Granted	2.4	1.7
Forfeited	–	(0.1)
Exercised	(1.0)	(0.6)
Rights outstanding at 31 December	**5.2**	**3.8**
Vested	1.5	0.6
Unvested	3.7	3.2
Weighted average fair value of shares granted (£)	33.80	23.86
Weighted average share price at date of exercise (£)	35.14	27.43

The weighted average exercise price per share is nil.

A charge of £79.9 million (2020: £39.7 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Deferred Award Plan to be expensed in future years:

	£m
2022	15.2
2023	6.3
2024+	4.4
	25.9

26. Share-based payments continued

(b) Equity Compensation Plan

Awards over ordinary and non-voting ordinary shares made under the Group's Equity Compensation Plan are charged at fair value as operating expenses in the income statement. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting periods of the awards. Awards are structured as nil-cost options.

	2021		2020	
	Number of ordinary shares Millions	**Number of non-voting ordinary shares Millions**	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	3.5	0.1	3.9	0.1
Granted	0.1	–	0.8	–
Forfeited	(0.1)	–	(0.1)	–
Exercised	(0.8)	(0.1)	(1.1)	–
Rights outstanding at 31 December	**2.7**	**–**	**3.5**	**0.1**
Vested	1.4	–	1.5	0.1
Unvested	1.3	–	2.0	–
Weighted average fair value of shares granted (£)	–	–	23.76	–
Weighted average share price at dates of exercise (£)	35.04	23.88	28.67	18.93

The weighted average exercise price per share is nil.

A charge of £3.7 million (2020: £10.3 million) was recognised during the year.

The table below shows the expected charges for awards issued under the Equity Compensation Plan to be expensed in future years:

	£m
2022	1.2
2023	0.1
	1.3

(c) Equity Incentive Plan

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value as operating expenses to the income statement, over a five-year vesting period. Fair value is determined at the date of grant and is equal to the market value of the shares at that time. Awards are structured as nil-cost options.

	2021 Number of ordinary shares Millions	2020 Number of ordinary shares Millions
Rights outstanding at 1 January	1.3	1.4
Granted	–	0.2
Forfeited	(0.1)	(0.1)
Exercised	(0.2)	(0.2)
Rights outstanding at 31 December	**1.0**	**1.3**
Vested	0.5	0.4
Unvested	0.5	0.9
Weighted average fair value of shares granted (£)	–	27.82
Weighted average share price at dates of exercise (£)	35.90	30.24

The weighted average exercise price per share is nil.

A charge of £3.6 million (2020: £3.8 million) was recognised during the year.

NOTES TO THE ACCOUNTS CONTINUED

26. Share-based payments continued
(c) Equity Incentive Plan continued

The table below shows the expected charges for awards issued under the Equity Incentive Plan to be expensed in future years:

	£m
2022	3.0
2023	2.2
2024	1.5
2025	0.7
	7.4

(d) Long Term Incentive Plan

Awards over ordinary and non-voting ordinary shares made under the Group's Long Term Incentive Plan are charged at fair value to the income statement over a four-year vesting period. Fair value is calculated using the market value of the shares at the grant date, discounted for dividends forgone over the vesting period of the award and adjusted based on an estimate at the year-end date of the extent to which the performance conditions are expected to be met. Awards are structured as nil-cost options.

	2021		2020	
	Number of ordinary shares Millions	**Number of non-voting ordinary shares Millions**	Number of ordinary shares Millions	Number of non-voting ordinary shares Millions
Rights outstanding at 1 January	0.1	0.1	0.1	0.1
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	(0.1)	–	–
Rights outstanding at 31 December	**0.1**	**–**	**0.1**	**0.1**
Vested	–	–	–	0.1
Unvested	0.1	–	0.1	–
Weighted average fair value of shares granted (£)	–	–	–	–
Weighted average share price at dates of exercise (£)	36.50	23.88	–	–

The weighted average exercise price per share is nil.

A charge of £0.2 million (2020: £0.3 million) was recognised during the year.

(e) Share Incentive Plan

The employee monthly share purchase plan is open to UK permanent employees and provides free shares from the Group to match the employee purchase of shares up to a maximum of £100 per month. The shares vest after one year.

Pursuant to this plan, the Group purchased 64,556 ordinary shares in 2021 (2020: 73,339) at a weighted average share price of £35.86 (2020: £29.22). A charge of £2.1 million (2020: £2.0 million) was recognised during the year.

(f) Cash-settled share-based awards

Certain employees have been awarded cash-settled equivalents to these share-based awards. The fair value of these awards is determined using the same methods and models used to value the equivalent equity-settled awards. The fair value of the liability is remeasured at each balance sheet date and at settlement date.

At 31 December 2021, the total carrying value of liabilities arising from cash-settled share-based awards was £5.6 million (2020: £4.1 million). The total intrinsic value at 31 December 2021 of liabilities for which the employee's right to cash or other assets had vested by that date was £2.6 million (2020: £2.4 million).

A charge of £2.6 million (2020: £1.4 million) was recognised during the year. This charge has arisen as the liability was remeasured at the balance sheet date at a share price of £35.60 (31 December 2020: £33.37).

27. Related party transactions

Transactions between the Group and parties related to the Group are required to be disclosed to the extent that they are necessary for an understanding of the potential effect of the relationship on the financial statements. Other disclosures, such as key management personnel compensation, are also required.

The Group is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result the related parties of the Group are members of the Group, including associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

Cash transactions with associates or joint ventures are reported in the cash flow statement and in note 10.

£41.3 million (2020: £40.4 million) was held in customer accounts in respect of amounts payable to key management personnel or their related parties.

Included within loans and advances to clients are amounts due from related parties of £7.6 million (2020: £1.6 million). All related party loans and advances were at commercial rates.

Some of the plan assets of the Schroders Retirement Benefit Scheme are invested in products managed by the Life Company (see note 15). At 31 December 2021, the fair value of these assets was £127.8 million (2020: £136.4 million).

Transactions between the Group and its related parties were made at market rates. Any amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Key management personnel compensation

Key management personnel are defined as members of the Board or the Group Management Committee. The remuneration of key management personnel during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2021 £m	2020 £m
Short-term employee benefits	Salary and upfront bonus	29.7	23.3
Share-based payments	Deferred share awards	20.4	12.8
Other long-term benefits	Deferred cash awards	17.6	12.8
Termination benefits	Termination benefits	1.2	–
Post-employment benefits	Pension plans	0.1	0.1
		69.0	**49.0**

The remuneration of key management personnel is based on individual performance and market rates. The remuneration policy (which applies to Directors and management) is described in more detail at www.schroders.com/directors-remuneration-policy.

NOTES TO THE ACCOUNTS CONTINUED

28. Interests in structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group's interests in consolidated and unconsolidated structured entities are described below.

The Group has interests in structured entities as a result of contractual arrangements arising from its principal activity, the management of assets on behalf of its clients. AUM, excluding deposits by Wealth Management clients and some segregated client portfolios held within the Group's Asset Management business, is managed within structured entities. These structured entities typically consist of investment vehicles such as Open Ended Investment Companies, Authorised Unit Trusts, Limited Partnerships and Sociétés d'Investissement à Capital Variable, which entitle investors to a percentage of the vehicle's net asset value. The vehicles are financed by the purchase of units or shares by investors. The Group also has interests in structured entities through proprietary investments. These are mainly into vehicles that help facilitate the Group's stated aim of generating a return on investment capital and when it deploys seed and co-investment capital in developing new investment strategies or as it invests alongside its clients. Additionally, the Group holds interests in structured entities for liquidity management purposes, for example via investments in money market funds.

The Group does not guarantee returns on the investments it manages or commit to financially support its structured entities. A small proportion of the Group's AUM, principally real estate funds, is permitted to raise finance through loans from banks and other financial institutions. Where external finance is raised, the Group does not provide a guarantee for the repayment of any borrowings.

The business activity of all structured entities in which the Group has an interest, is the management of assets in order to generate investment returns for investors from capital appreciation and/or investment income. The Group earns a management fee from its structured entities, normally based on a percentage of the entity's net asset value, committed capital value or gross asset value and, where contractually agreed, a performance fee or carried interest, based on outperformance against predetermined benchmarks. In addition, where the Group owns a proportion of the structured entity it is entitled to receive investment returns.

(a) Interests arising from managing assets

The Group's interests in structured entities arising as a result of contractual relationships from its principal activity, the management of assets on behalf of its clients, are reflected in the Group's AUM excluding associates and joint ventures.

	2021			
	AUM outside of structured entities £bn	**AUM within consolidated structured entities £bn**	**AUM within unconsolidated structured entities £bn**	**Total £bn**
Asset Management	293.0	11.2	229.8	534.0
Wealth Management	71.2	–	10.0	81.2
	364.2	**11.2**	**239.8**	**615.2**

	2020			
	AUM outside of structured entities £bn	AUM within consolidated structured entities £bn	AUM within unconsolidated structured entities £bn	Total £bn
Asset Management	281.2	9.8	211.4	502.4
Wealth Management	65.3	–	6.7	72.0
	346.5	**9.8**	**218.1**	**574.4**

Certain AUM is managed outside of structured entities. Within Asset Management, this occurs either because it is formed of segregated investment portfolios for Institutional clients comprising directly held investments in individual financial instruments, or because the voting structures of the vehicles themselves allow the investment manager to be removed without cause. Within Wealth Management, AUM is not generally considered to be within structured entities as the contractual relationships exists directly with the client rather than with structured entities, for example discretionary and advisory asset management and banking services. In addition, Wealth Management AUM in the form of loans and advances to customers is conducted outside of structured entities.

Certain structured entities are deemed to be controlled by the Group and are accounted for as subsidiaries and consolidated in accordance with the accounting standards. AUM within consolidated structured entities represents the net assets of the beneficial interest in the consolidated structured entity owned by third parties.

AUM within unconsolidated structured entities constitutes the remaining balance, represented principally by the net asset value of pooled vehicles managed for Intermediary clients, as well as some assets invested in pooled vehicles on behalf of Institutional and Wealth Management clients. The Group's beneficial interest in structured entities is not included within AUM and is described separately overleaf.

The Group has no direct exposure to losses in relation to the AUM reported above, as the investment risk is borne by clients. The main risk the Group faces from its interest in AUM managed on behalf of clients is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations.

28. Interests in structured entities continued
(a) Interests arising from managing assets continued

Fee income includes £1,506.1 million (2020: £1,290.6 million) of fees from structured entities managed by the Group. The table below shows the carrying value of the Group's interests in structured entities as a result of its management of assets, where income is accrued over the period for which assets are managed before being invoiced. The carrying value represents the Group's maximum exposure to loss from these interests.

	2021 £m	2020 £m
Fee debtors from structured entities	22.4	20.1
Accrued income from structured entities	287.1	272.6
Total exposure due to investment management activities	**309.5**	**292.7**

(b) Interest arising from the Group's investment in unconsolidated structured entities

The table below shows the carrying values of the Group's proprietary investments in unconsolidated structured entities, which resulted in a net gain on financial instruments and other income of £43.8 million (2020: £35.5 million). The carrying values represent the Group's maximum exposure to loss from these interests.

	2021 £m	2020 £m
Cash and cash equivalents	177.9	203.4
Financial assets	686.9	693.9
Total exposure due to the Group's investments	**864.8**	**897.3**

The Group's proprietary investments include interests in unconsolidated structured entities in the form of cash and cash equivalents and financial assets. Cash and cash equivalents comprise investments in money market funds, none of which are managed by the Group (2020: nil). Financial assets include seed and co-investment capital, legacy private equity investments and hedges of deferred cash awards. Of the financial assets, £685.8 million (2020: £458.6 million) is invested in funds managed by the Group. The Group has no interest apart from its role as investor in those funds for which it does not act as manager. The main risk the Group faces from its interests in unconsolidated structured entities arising from proprietary investments is that the investments will decrease in value. Note 20 includes further information on the Group's exposure to market risk arising from proprietary investments.

The Group has contractual commitments to co-invest alongside its clients and provide a minimum level of capital for certain private assets and alternative vehicles. The Group's investment call commitments are set out in note 24.

The statement of financial position also includes the Life Company assets of £13,403.7 million (2020: £12,086.2 million), which are included in AUM. The exposure to the risks and rewards associated with these assets is borne by unit-linked policyholders, or, where Life Company funds are consolidated, third-party investors in those funds.

Financial support for consolidated structured entities where there is no contractual obligation to do so

The Group supports some of its funds through the injection of seed capital in order to enable the funds to establish a track record before they are more widely marketed. During the year, the Group purchased units at a cost of £181.4 million (2020: £120.3 million) to provide seed capital to investment funds managed by the Group, of which £145.2 million (2020: £69.1 million) resulted in the consolidation of those funds and £36.2 million (2020: £51.2 million) did not.

NOTES TO THE ACCOUNTS CONTINUED

29. Events after the reporting period

The Group has completed two acquisitions after the reporting period with a further acquisition announced and not yet completed.

On 31 January 2022, the Group acquired 100% of the issued share capital of River and Mercantile Investments Limited, the Solution's Division of River and Mercantile Group plc. The acquisition contributed £43.1 billion of Asset Management AUM and strengthens the Group's position in the UK fiduciary management market. The initial consideration was satisfied by means of a £237.2 million cash payment, of which approximately 70% is represented by goodwill and approximately 30% is represented by intangible assets.

On 31 January 2022, the Group acquired 100% of the issued share capital of Cairn Real Estate B.V., a European real estate asset management business. The acquisition contributed approximately £1.1 billion of Asset Management AUM and strengthens the Group's Private Asset capabilities. The initial consideration was satisfied by means of a £24.1 million cash payment, of which approximately 75% is represented by goodwill and approximately 25% is represented by intangible assets.

Due to the timing of the acquisitions, the determination of the final amounts is ongoing and subject to review. The results for the year ended 31 December 2021 for these acquisitions have not been included in these financial statements.

The Group announced an agreement to acquire a majority interest in Greencoat Capital Holdings Limited and expects the transaction to complete in the near future.

Presentation of the financial statements

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006.

The consolidated 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 liabilities that are held at fair value through profit or loss or at fair value through other comprehensive income, liabilities in respect of deferred cash awards and certain deposits both with banks and by customers and banks (including those that relate to bullion).

The consolidated statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes. The Group's Life Company business is reported separately. If the assets and liabilities of the Group's Life Company business were to be included within existing captions on the consolidated statement of financial position, the effect would be to gross up a number of individual line items to a material extent. By not doing this, the Group can provide a more transparent presentation that shows the assets of the Life Company and the related unit-linked liabilities as separate and distinct from the remainder of the consolidated statement of financial position.

The Group's principal accounting policies have been consistently applied. Further information is provided below and highlighted in the notes to the accounts.

(b) Future accounting developments

The Group did not implement the requirements of any other Standards or Interpretations that were in issue but were not required to be adopted by the Group at the year end date. No other Standards or Interpretations have been issued that are expected to have a material impact on the consolidated financial statements.

(c) Basis of consolidation

The consolidated financial information includes the total comprehensive gains or losses, the financial position and the cash flows of the Company and its subsidiaries, associates and joint ventures. This includes share ownership trusts established for certain share-based awards. In the case of associates and joint ventures, those entities are presented as single line items in the consolidated income statement and consolidated statement of financial position (see note 10). Intercompany transactions and balances are eliminated on consolidation. Consistent accounting policies have been applied across the Group in the preparation of the consolidated financial statements. Details of the Company's related undertakings are presented in note 38.

The entities included in the consolidation may vary year on year due to both the restructuring of the Group (including acquisitions and disposals) and changes to the number of pooled investment vehicles controlled by the Group.

Where the Group controls a pooled investment vehicle, it is consolidated and the third party interest is recorded as a financial liability until the Group loses control. This consolidation has no net effect on the Group's consolidated income statement. The consolidated cash flow statement separately presents acquisitions and disposals of interests in consolidated pooled vehicles. Cash movements within the pooled vehicles are shown net within cash flows from operating activities as the cash held within the underlying pooled investment vehicles is restricted and is not available to the Group for corporate purposes. This presentation provides more relevant information about the impact of the Group's investment in pooled vehicles on corporate cash resources than an analysis of the underlying cash flows of the vehicles.

The Group records any non-controlling interest at the proportionate share of the acquiree's identifiable assets. The most significant non-controlling interest relates to a third party interest of 19.1% in Schroders Wealth Holdings Limited (SWHL). The profit after tax of SWHL's Group was £45.6 million for the year (2020: £22.4 million). The net assets of SWHL were £325.8 million at 31 December 2021 (31 December 2020: £291.2 million). Dividends of £7.9 million were paid to SWHL's non-controlling interest during the year (2020: none).

(d) Net gains and losses on foreign exchange

Many subsidiaries are denominated in currencies other than sterling. The results of these subsidiaries are translated at the average rate of exchange. At the year end, the assets and liabilities are translated at the closing rate of exchange. Gains or losses on translation are recorded in the consolidated statement of comprehensive income and as a separate component of equity together with gains or losses on any hedges of overseas operations. Such gains or losses are transferred to the consolidated income statement on disposal or liquidation of the relevant subsidiary.

Transactions undertaken in foreign currencies are translated into the functional currency of the subsidiary at the exchange rate prevailing on the date of the transaction. Foreign currency assets and liabilities, other than those measured at historical cost, are translated into the functional currency at the rates of exchange ruling at the year end date. Any exchange differences arising are included within 'Net gain on financial instruments and other income' in the consolidated income statement.

(e) Cash and cash equivalents

Cash and cash equivalents include cash at bank and any highly liquid investments with a contractual maturity less than three months.

(f) Estimates and judgements

The preparation of the consolidated financial statements in conformity with international accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies and in determining whether certain assets and liabilities should be recorded or an impairment recognised. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed within the notes and identified under the title 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 may not equal the related actual results.

The separate classification and presentation of exceptional items in the consolidated income statement requires judgement of whether this enables better understanding of the Group's financial performance. This consideration is reassessed if there are indications that the circumstances leading to the presentation have changed.

In applying IFRS 10 Consolidated Financial Statements, the Group uses judgement to determine whether its interests in funds (and other entities), including those held by the Life Company, constitute controlling interests. The Group has interests in funds through its role as fund manager and through its proprietary investments in pooled investment vehicles. The Group is exposed to variable returns and judgement is required to determine whether the power to affect those variable returns is substantive. The Group considers all relevant facts and circumstances in making this judgment. This includes consideration of the purpose and design of an investee, the extent and nature of the Group's exposure to variability of returns as an investor and, where appropriate, as a fund manager, and the Group's ability to direct the relevant activities, including whether voting rights are substantive or protective in consideration of rights held by other parties. These considerations are reassessed if there are indications that circumstances have changed since the original assessment.

NOTES TO THE ACCOUNTS CONTINUED

Presentation of the financial statements continued

(f) Estimates and judgements continued

The other estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are set out in the following notes, including sensitivities where relevant or material:

Note 2	Net operating revenue
Note 5	Tax expense
Note 8	Trade and other receivables
Note 9	Financial assets
Note 13	Goodwill and intangible assets
Note 15	Unit-linked liabilities and assets backing unit-linked liabilities
Note 17	Financial liabilities
Note 18	Provisions and contingent liabilities
Note 25	Retirement benefit obligations

Climate risks have been considered in the preparation of these consolidated financial statements where relevant. The principal areas of focus include: the valuation of financial assets and impairment assessments.

Financial assets measured at fair value are principally valued using traded prices or market observable inputs that incorporate potential climate risks where appropriate. The valuation of some financial instruments involves a greater level of judgement or estimation. In these scenarios climate risks are incorporated where relevant in the relevant assumptions, such as cash flow forecasts. Where financial assets are carried at amortised cost, climate risks are considered as part of the credit risk assessments.

Impairment assessments relating to goodwill and other intangible assets depend on value in use and discounted cash flow models. These valuations include climate risks in the relevant assumptions where appropriate.

The Group's net operating revenues are typically earned as an agreed percentage of the value of AUM or based on the performance of the underlying AUM. The potential impact of climate change on the Group's AUM and future net operating revenue generation is considered in the principal risks and uncertainties section of this Annual Report and Accounts.

SCHRODERS PLC – STATEMENT OF FINANCIAL POSITION

at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Trade and other receivables	32	1,427.0	1,536.1
Retirement benefit scheme surplus	25	197.9	168.2
Deferred tax	34	33.5	–
Investments in subsidiaries	38	3,092.6	3,092.6
Total assets		**4,751.0**	**4,796.9**
Liabilities			
Trade and other payables	33	25.3	25.2
Deferred tax	34	49.3	28.8
Total liabilities		**74.6**	**54.0**
Net assets		**4,676.4**	**4,742.9**
Equity at 1 January		4,742.9	4,684.2
Profit for the year		217.7	346.4
Dividends		(318.6)	(311.7)
Other changes in equity		34.4	24.0
Equity at 31 December		**4,676.4**	**4,742.9**

The financial statements were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Richard Keers
Director

SCHRODERS PLC – STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2021		**282.5**	**124.2**	**(144.1)**	**4,480.3**	**4,742.9**
Profit for the year		**–**	**–**	**–**	**217.7**	**217.7**
Items that will not be reclassified to the income statement:						
Net actuarial gain on defined benefit pension scheme	25	–	–	–	27.3	27.3
Tax on items taken directly to other comprehensive income		–	–	–	(6.7)	(6.7)
Other comprehensive income		**–**	**–**	**–**	**20.6**	**20.6**
Total comprehensive income for the year		**–**	**–**	**–**	**238.3**	**238.3**
Own shares purchased	36	–	–	(67.7)	–	(67.7)
Share-based payments		–	–	–	81.2	81.2
Tax in respect of share schemes		–	–	–	0.3	0.3
Dividends	7	–	–	–	(318.6)	(318.6)
Transactions with shareholders		**–**	**–**	**(67.7)**	**(237.1)**	**(304.8)**
Transfers		**–**	**–**	**77.6**	**(77.6)**	**–**
At 31 December 2021		**282.5**	**124.2**	**(134.2)**	**4,403.9**	**4,676.4**

	Notes	Share capital £m	Share premium £m	Own shares £m	Profit and loss reserve £m	Total £m
At 1 January 2020		282.5	124.2	(151.9)	4,429.4	4,684.2
Profit for the year		–	–	–	346.4	346.4
Items that will not be reclassified to the income statement:						
Net actuarial gain on defined benefit pension scheme	25	–	–	–	29.0	29.0
Tax on items taken directly to other comprehensive income		–	–	–	(4.9)	(4.9)
Other comprehensive income		–	–	–	24.1	24.1
Total comprehensive income for the year		–	–	–	370.5	370.5
Own shares purchased	36	–	–	(50.9)	–	(50.9)
Share-based payments		–	–	–	50.5	50.5
Tax in respect of share schemes		–	–	–	0.3	0.3
Dividends	7	–	–	–	(311.7)	(311.7)
Transactions with shareholders		–	–	(50.9)	(260.9)	(311.8)
Transfers		–	–	58.7	(58.7)	–
At 31 December 2020		282.5	124.2	(144.1)	4,480.3	4,742.9

The distributable profits of Schroders plc are £2.8 billion (2020: £2.9 billion) and comprise retained profits of £2.9 billion (2020: £3.0 billion), included within the 'Profit and loss reserve', less amounts held within the own shares reserve.

The Group's ability to pay dividends is however restricted by the need to hold regulatory capital and to maintain sufficient other operating capital to support its ongoing business activities. In addition, the Group invests in its own funds as seed capital for the purposes of supporting new investment strategies. An analysis of the Group's capital position is provided in note 20.

SCHRODERS PLC – CASH FLOW STATEMENT

for the year ended 31 December 2021

	2021 £m	2020 £m
Profit before tax	213.3	344.1
Adjustments for:		
Decrease/(increase) in trade and other receivables	103.1	(33.9)
Increase/(decrease) in trade and other payables	1.1	(3.0)
Net credit taken in respect of the scheme	(2.4)	(2.9)
Share-based payments	81.2	50.5
Amounts received in respect of Group tax relief	(9.0)	9.0
Net cash from operating activities	**387.3**	**363.8**
Cash flows from financing activities:		
Repayment of loan received from a Group company	(1.0)	(1.2)
Acquisition of own shares	(67.7)	(50.9)
Dividends paid	(318.6)	(311.7)
Net cash used in financing activities	**(387.3)**	**(363.8)**
Net decrease in cash and cash equivalents	**–**	**–**
Opening cash and cash equivalents	–	–
Net decrease in cash and cash equivalents	–	–
Closing cash and cash equivalents	**–**	**–**

30. Significant accounting policies

The separate financial statements of Schroders plc (Company) have been prepared on a going concern basis in accordance with UK-adopted international accounting standards and in conformity with the requirements of the Companies Act 2006. The Company has taken advantage of the exemption in section 408 of the Act not to present its own income statement and statement of comprehensive income.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in the Group's financial statement note disclosures, where applicable. In addition, note 38 sets out the accounting policy in respect of investments in subsidiary undertakings.

SCHRODERS PLC – CASH FLOW STATEMENT CONTINUED

31. Expenses and other disclosures

The auditor's remuneration for audit services to the Company was £0.7 million (2020: £0.6 million). There were no fees relating to further assurance services in the year (2020: nil).

Key management personnel compensation

The remuneration policy is described in more detail at www.schroders.com/directors-remuneration-policy. The Company has no employees. The key management personnel of the Company are defined as the Board of Directors. The remuneration of key management personnel, borne by the Company, during the year was as follows:

Type of remuneration	Typical composition of this type of benefit	2021 £m	2020 £m
Short-term employee benefits	Salary and upfront bonus	7.7	6.3
Share-based payments	Deferred share awards	4.8	3.6
Other long-term benefits	Deferred cash awards	3.0	3.0
		15.5	**12.9**

32. Trade and other receivables

	2021 £m	2020 £m
Amounts due from subsidiaries	1,426.2	1,525.0
Prepayments and accrued income	0.5	0.2
Other receivables	0.3	10.9
	1,427.0	**1,536.1**

Trade and other receivables are initially recorded at fair value and subsequently at amortised cost. All trade and other receivables are due within one year or repayable on demand.

Expected credit losses on trade and other receivables at 31 December 2021 were £1.1 million (2020: £1.2 million). Note 20 sets out the details of the expected credit loss calculation.

33. Trade and other payables

	2021			2020		
	Non-current £m	Current £m	Total £m	Non-current £m	Current £m	Total £m
Trade and other payables held at amortised cost:						
Social security	1.9	1.1	3.0	1.6	1.1	2.7
Accruals	3.0	7.2	10.2	3.5	6.8	10.3
Amounts owed to subsidiaries	–	12.1	12.1	–	12.2	12.2
	4.9	**20.4**	**25.3**	**5.1**	**20.1**	**25.2**

The Company's trade and other payables mature in the following time periods:

	2021 £m	2020 £m
Less than one year	20.4	20.1
1 – 2 years	2.5	2.0
2 – 5 years	2.4	3.1
	4.9	**5.1**
	25.3	**25.2**

Amounts owed to subsidiaries include an interest-bearing loan of £2.8 million (2020: £3.8 million) that is repayable on demand.

SCHRODERS PLC – NOTES TO THE ACCOUNTS

34. Deferred tax

	2021				2020		
	Deferred employee awards £m	Losses £m	Pension surplus £m	Total £m	Deferred employee awards £m	Pension surplus £m	Total £m
At 1 January	(3.0)	–	31.8	28.8	(3.1)	23.1	20.0
Income statement (credit)/charge	0.1	(23.1)	0.5	(22.5)	0.4	0.5	0.9
Income statement (credit)/charge due to changes in tax rates	(0.2)	(7.3)	10.3	2.8	(0.3)	3.3	3.0
Charge to statement of other comprehensive income	–	–	5.2	5.2	–	5.5	5.5
Charge/(credit) to statement of other comprehensive income due to changes in tax rates	–	–	1.5	1.5	–	(0.6)	(0.6)
At 31 December	**(3.1)**	**(30.4)**	**49.3**	**15.8**	**(3.0)**	**31.8**	**28.8**

35. Financial instrument risk management

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

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Risk management' section within the Strategic report and the 'Risk and internal controls' section within the Audit and Risk Committee report as well as in note 20. The Company's specific risk exposures are explained below.

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its subsidiaries and therefore there is minimal external credit risk exposure.

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 Group'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 needs in the normal course of business. The Company can recall intercompany loans to subsidiaries or utilise the Group loan facility to maintain sufficient liquidity.

Interest rate risk

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

At 31 December 2021, if interest rates had been 100 bps higher (2020: 15 bps higher) or 75 bps lower (2020: 35 bps lower) with all other variables held constant, the Company estimates that profit after tax for the year would have increased by £10.9 million (2020: increased by £1.8 million) or decreased by £8.2 million (2020: decreased by £4.2 million) respectively. These changes are mainly as a result of net interest income on the Company's interest-bearing intercompany receivables and payables and cash. Other components of equity are not directly affected by interest rate movements.

The model used to calculate the effect on post-tax profits does not take into account the indirect effect of interest rates on the fair value of other assets and liabilities.

Foreign exchange and pricing 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. Pricing risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices. The Company is not directly exposed to foreign exchange or pricing risk. The Company's investments in its directly held subsidiaries are in sterling and are held at historic cost. It has indirect exposure to foreign exchange and pricing risk in the Group, which could result in the impairment of these subsidiaries. There are currently sufficient resources in subsidiaries to absorb any normal market events.

36. Own shares

Movements in own shares during the year were as follows:

	2021 £m	2020 £m
At 1 January	(144.1)	(151.9)
Own shares purchased	(67.7)	(50.9)
Awards vested	77.6	58.7
At 31 December	**(134.2)**	**(144.1)**

During the year 1.9 million own shares (2020: 2.1 million) were purchased and held for hedging share-based awards. 2.8 million shares (2020: 2.2 million) awarded to employees vested in the year and were transferred out of own shares.

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

36. Own shares continued

The total number of shares in the Company held within the Company's employee benefit trusts comprise:

	2021			2020		
	Number of vested shares Millions	Number of unvested shares Millions	Total Millions	Number of vested shares Millions	Number of unvested shares Millions	Total Millions
Ordinary shares	3.3	4.6	7.9	2.4	5.5	7.9
Non-voting ordinary shares	–	–	–	0.1	–	0.1
	3.3	**4.6**	**7.9**	**2.5**	**5.5**	**8.0**

	2021			2020		
	Vested shares £m	Unvested shares £m	Total £m	Vested shares £m	Unvested shares £m	Total £m
Ordinary shares:						
Cost	83.2	134.0	217.2	58.3	143.8	202.1
Fair value	118.0	161.0	279.0	82.7	182.6	265.3
Non-voting ordinary shares:						
Cost	–	0.2	0.2	0.3	0.3	0.6
Fair value	–	0.3	0.3	0.6	0.3	0.9
Total:						
Cost	**83.2**	**134.2**	**217.4**	**58.6**	**144.1**	**202.7**
Fair value	**118.0**	**161.3**	**279.3**	**83.3**	**182.9**	**266.2**

37. Related party transactions

The Company is not deemed to be controlled or jointly controlled by a party directly or through intermediaries under the accounting standards. As a result, the related parties of the Company comprise principally subsidiaries, associates and joint ventures, key management personnel, close family members of key management personnel and any entity controlled by those parties.

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

Transactions between related parties

Details of transactions between the Company and its subsidiaries, which are related parties of the Company, and transactions between the Company and other related parties, excluding compensation (which is set out in note 31), are disclosed below:

	2021					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	252.2	24.4	2.1	–	1,426.2	(12.1)
Key management personnel	0.6	–	–	–	7.6	(33.7)

	2020					
	Revenue £m	Expenses £m	Interest receivable £m	Interest payable £m	Amounts owed by related parties £m	Amounts owed to related parties £m
Subsidiaries of the Company	370.9	18.9	4.1	0.1	1,525.0	(12.2)
Key management personnel	0.3	–	–	–	1.0	(30.7)

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash.

38. Subsidiaries and other related undertakings

The Group operates globally, which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures, associates and other qualifying undertakings. A full list of these undertakings, the country of incorporation, registered office, classes of shares held and the effective percentage of equity owned at 31 December 2021 is disclosed below.

Additionally, related undertakings include entities where the Company has a significant holding of a share class or unit class of a pooled vehicle. 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. The seeding of structured entities in order to develop new investment strategies can give rise to these holdings. A listing of related undertakings arising from the Company's interest in structured entities along with registered offices is included on pages 173 to 176.

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

Principal subsidiaries

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

Name	Share class	Footnote	%	Address
UK				
Leadenhall Securities Corporation Limited	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder & Co. Limited	OS	a	80.9%	
Schroder Administration Limited	OS	b	100%	
Schroder Corporate Services Limited	OS		100%	
Schroder Financial Holdings Limited	OS		100%	
Schroder Financial Services Limited	OS		100%	
Schroder International Holdings Limited	OS		100%	
Schroder Investment Company Limited	OS		100%	
Schroder Investment Management Limited	OS		100%	
Schroder Private Assets Holdings Limited	OS		100%	
Schroder Real Estate Investment Management Limited	OS		100%	
Schroder Unit Trusts Limited	OS		100%	
Schroder Wealth Holdings Limited	OS		80.9%	
Schroder Wealth International Holdings Limited	OS		100%	
Australia				
Schroder Investment Management Australia Limited	OS, CPS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Guernsey				
Schroder Investment Company (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroders (C.I.) Limited	OS		100%	
Hong Kong				
Schroder Investment Management (Hong Kong) Limited	OS		100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong, Hong Kong
Luxembourg				
Schroder Investment Management (Europe) S.A.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Singapore				
Schroder Investment Management (Singapore) Ltd.	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
Switzerland				
Schroder & Co Bank AG	OS		100%	Central 2, 8021, Zurich, Switzerland
Schroder Investment Management (Switzerland) AG	OS		100%	Central 2, 8001, Zurich, Switzerland
Schroders Capital Management (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland
United States				
Schroder Investment Management North America Inc.	COS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder US Holdings Inc.	COS		100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure
Fully owned subsidiaries

Name	Share class	Footnote	%	Address
UK				
Adveq Founder Partner (GP) Limited	OS		100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Adveq Founder Partner Limited	OS		100%	
Adveq GP LLP	PI		100%	
TransPennine GP (Scot) LLP	PI		100%	
Alderbrook Financial Planning Limited (In Liquidation)	OS	c	100%	CVR Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Brian Potter Consultants Limited (In Liquidation)	OS	c	100%	
Cazenove Capital Management Limited (In Liquidation)	OS		100%	
GYP Limited (In Liquidation)	OS		100%	
Invicta Independent Financial Advisers Limited (In Liquidation)	OS	c	100%	
Richard Martin Financial Solutions Limited (In Liquidation)	OS	c	100%	
Schroder Adveq Management (UK) Limited (In Liquidation)	OS		100%	
Squirrel Financial Planning Limited (In Liquidation)	OS	d, e	100%	
Algonquin Management Partners (UK) Ltd	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 1 Limited	OS		100%	
Croydon Gateway Nominee 2 Limited	OS		100%	
Gatwick Hotel Feeder GP LLP	PI		100%	
J. Henry Schroder Wagg & Co. Limited	OS		100%	
Ruskin Square Management Company Limited	OS		100%	
Schroder Infra Debt GP LLP	PI		100%	
Schroder Investment Management North America Limited	OS		100%	
Schroder Nominees Limited	OS	c	100%	
Schroder Pension Management Limited	OS		100%	
Schroder Pension Trustee Limited	OS		100%	
UK PEM Partners Limited	OS		100%	
Aspect8 Limited	OS		100%	Holmwood House, Broadlands Business Campus, Langhurstwood Road, Horsham, West Sussex, RH12 4QP, England
Benchmark Capital Limited	OS		100%	
Best Practice IFA Group Limited	OS		100%	
Bright Square Pensions Limited	OS		100%	
Creative Technologies Limited	OS		100%	
CT Connect Limited	OS	c	100%	
Evolution Wealth Network Limited	OS		100%	
Fusion Wealth Limited	OS		100%	
PP Nominees Limited	OS		100%	
PP Trustees Limited	OS		100%	
RIA Pension Trustees Limited	OS		100%	
Redbourne Wealth Management Limited	OS		100%	
RJC Consultancy Limited	OS		100%	
Chilcomb Wealth Ltd (In Liquidation)	OS		100%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Fusion Funds Limited (In Liquidation)	OS		100%	
Mitchell & Company (IFA) Limited (In Liquidation)	OS		100%	
Mitchell & Company Holdings (Reigate) Limited (In Liquidation)	OS		100%	
Australia				
Schroder Australia Holdings Pty Limited	OS		100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Austria				
Schroder Real Estate Asset Management Österreich GmbH	OS		100%	Zwerchäckerweg 2-10, 1220 Vienna, Austria
Belgium				
Algonquin Management Partners S.A.	OS		100%	Avenue Louise, 523 – 1050, Bruxelles, Belgium
Bermuda				
Schroder Venture Managers Limited	COS		100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08, Bermuda
Schroders (Bermuda) Limited	OS		100%	
SITCO Nominees Limited	OS		100%	
Brazil				
Schroder Investment Management Brasil Ltda	OS		100%	Av Presidente Juscelino Kubitschek, 1327, 12º andar, sala 121, São Paulo, SP, 04543-011, Brazil
Canada				
Schroder Canada Investments Inc.	COS		100%	Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto, Ontario, M4W 3B8, Canada

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Cayman Islands				
AEROW SMA Management I L.P.	PI		100%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
AEROW SMA Management II L.P.	PI		100%	
PEM Partners Ltd	OS		100%	
Schroders Capital cPl Global Management III L.P.	PI		100%	
Chile				
Schroders Chile SpA	OS		100%	Avenida Cerro El Plomo 5420 Oficina 1104, Les Condes, Santiago, Chile
China				
Schroder Investment Management (Shanghai) Co., Ltd.	OS		100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
Schroders Capital Private Fund Management (Shanghai) Co., Ltd.	OS		100%	
Schroders Capital Investment Management (Beijing) Co., Ltd.	OS		100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng District, Beijing, China
Curaçao				
cPl Schroders Capital Investments Management B.V	OS		100%	Johan van, Walbeeckplein 11, Willemstad, Curaçao
Schroder Adveq Investors B.V.	OS		100%	
Schroders Capital Management (Curaçao) N.V.	OS		100%	
France				
Holdco LC Paris Blomet SAS	OS		100%	1 rue Euler, 75008, Paris, France
Schroder Real Estate (France)	OS		100%	
Schroder Adveq France UP SAS	OS		100%	37 avenue Pierre 1er de Serbie, 75008 Paris, France
Germany				
Blitz 06-953 GmbH	OS		100%	Taunustor 1, 60310, Frankfurt, Germany
Real Neunzehnte Verwaltungsgesellschaft mbH	OS		100%	
Schroder Eurologistik Fonds Verwaltungs GmbH	OS		100%	
Schroder Holdings (Deutschland) GmbH	CS		100%	
Schroder Italien Fonds Verwaltungs GmbH	OS		100%	
Schroder Real Estate Investment Management GmbH	OS		100%	
Schroder Real Estate Kapitalverwaltungsgesellschaft mbH	OS		100%	
Schroders Capital Management (Deutschland) GmbH	OS		100%	
SIMA 5 Verwaltungsgesellschaft mbH	OS		100%	
Schroder Real Estate Asset Management Austria GmbH	OS		100%	Maximilanstrasse 31, 80539, München, Germany
Schroder Real Estate Asset Management GmbH	OS		100%	
Guernsey				
Burnaby Insurance (Guernsey) Limited	OS		100%	Heritage Hall, Le Marchant Street, St. Peter Port, Guernsey, GY1 4JH, Channel Islands
CC Private Debt Feeder Company Limited	OS		100%	Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
CC Private Equity Feeder Company PCC Limited	OS		100%	
Schroder Venture Managers (Guernsey) Limited	OS, NCRPS		100%	
Schroders Wealth Private Assets PCC Limited	OS		100%	
Schroder Investment Management (Guernsey) Limited	OS		100%	PO Box 334, Regency Court, Glategny Esplanade, St. Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Investments (Guernsey) Limited	OS		100%	
Schroder Nominees (Guernsey) Limited	OS		100%	
Secquaero Re (Guernsey) ICC Ltd	OS		100%	PO Box 33, Dorey Court, Admiral Park, St. Peter Port, Guernsey, GY1 4AT, Channel Islands
Hong Kong				
Schroder & Co. (Hong Kong) Limited	OS		100%	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong
India				
Schroders India Private Limited (In Liquidation)	OS		100%	1209, Navjivan Society, Bldg. No. 3, Lamington Road, Mumbai Central, Mumbai, Maharashtra-MH, 400008, India
Ireland				
Schroder Investment Management (Ireland) Limited	OS		100%	George's Court, 54-62 Townsend Street, Dublin 2, Ireland
Japan				
Schroder Investment Management (Japan) Limited	OS		100%	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Jersey				
AAF Management II L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
AAF Management III L.P.	PI		100%	
BKMS Management L.P.	PI		100%	
BKMS Management II L.P.	PI		100%	
Confluentes Partners I L.P.	PI		100%	
Cresta Management L.P.	PI		100%	
Cresta Management II L.P.	PI		100%	
Cresta Partners III L.P.	PI		100%	
EEM Management L.P.	PI		100%	
EEM Management II L.P.	PI		100%	
EEM Opportunities Management L.P.	PI		100%	
Gemini Management L.P.	PI		100%	
GPEP Management I L.P.	PI		100%	
GPEP Management IV L.P.	PI		100%	
GPEP Partners V L.P.	PI		100%	
IST3 Manesse PE Management L.P.	PI		100%	
IST3 Manesse PE2 Management L.P.	PI		100%	
Malatrex Partners L.P.	PI		100%	
Marmolata Partners L.P.	PI		100%	
Milele Partners L.P.	PI		100%	
PSY Private Equity Partners L.P.	PI		100%	
SA Co-Investment Management 1 L.P.	PI		100%	
SA RP CO Management 1 L.P.	PI		100%	
SA TG Management L.P.	PI		100%	
SA VS Management L.P.	PI		100%	
SA-EL Asia Partners I L.P.	PI		100%	
SA-EL Partners II L.P.	PI		100%	
SC-SA Co-Invest Opportunities 2018 Management L.P.	PI		100%	
Salève 2017 Management L.P.	PI		100%	
Salève 2020 Management L.P.	PI		100%	
SC Global Opportunities Management L.P.	PI		100%	
Schroder Adveq Santé Direct Partners L.P.	PI		100%	
Schroder Adveq Shanghai Private Equity Investment Management L.P.	PI		100%	
Schroders Capital cPl Global Management S.à.r.l.	OS		100%	
Schroders Capital cPl Global Partners IV L.P.	PI		100%	
Schroders Capital Multi Private Credit Management L.P.	PI		100%	
Schroders Capital Private Equity Asia Partners V L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners II L.P.	PI		100%	
Schroders Capital Private Equity Europe Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Europe Partners VII L.P	PI		100%	
Schroders Capital Private Equity Europe Partners VIII L.P.	PI		100%	
Schroders Capital Private Equity Global Direct Partners III L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners IX L.P.	PI		100%	
Schroders Capital Private Equity Global Innovation Partners X L.P.	PI		100%	
Schroders Capital Private Equity Global Partners II L.P.	PI		100%	
Schroders Capital Private Equity Global Partners III L.P.	PI		100%	
Schroders Capital Private Equity Healthcare Partners L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management II L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management III L.P.	PI		100%	
Schroders Capital Private Equity Mature Secondaries (Orthros) Management IV L.P.	PI		100%	
Schroders Capital Private Equity Secondaries Management III L.P.	PI		100%	
Schroders Capital Private Equity Secondaries Partners IV L.P.	PI		100%	
Schroders Capital Private Equity US Partners V L.P.	PI		100%	
TMC Management III L.P.	PI		100%	
TMC Management IV L.P.	PI		100%	
TMCO Management I L.P.	PI		100%	

38. Subsidiaries and other related undertakings continued
(a) Related undertakings arising from the Company's corporate structure continued
Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Jersey (continued)				
Wilmersdorf Secondary Management II L.P.	PI		100%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
Cazenove Capital Holdings Limited (In Liquidation)	OS		100%	44 Esplanade, St. Helier, Jersey, JE4 9WG, Channel Islands
Schroders Capital Management Jersey Ltd	OS		100%	40 Esplanade, St. Helier, Jersey, JE2 9WB, Channel Islands
Croydon Gateway GP Limited	OS		100%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
Croydon Gateway Investments Limited	OS		100%	
Income Plus Real Estate Debt GP Limited	OS		100%	
Schroder Real Estate Managers (Jersey) Limited	OS		100%	
Schroders RECaP SSF (GP) Limited	OS		100%	
UK Retirement Living Fund (ReLF) GP Limited	OS		100%	
Luxembourg				
Confluentes Management S.à r.l.	OS		100%	6C rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
GPEP Management S.à r.l.	OS		100%	
Marmolata Management S.à r.l.	OS		100%	
PSY Private Equity Management S.à.r.l.	OS		100%	
Schroders Capital Management (Luxembourg) S.à.r.l.	OS		100%	
Schroders Capital Private Equity Asia Management V S.à.r.l.	OS		100%	
Schroders Capital Private Equity Europe Management VIII S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Direct Management III S.à.r.l.	OS		100%	
Schroders Capital Private Equity Global Innovation Management X S.à r.l.	OS		100%	
Schroders Capital Private Equity Global Management III S.à r.l.	OS		100%	
Schroders Capital Private Equity Healthcare Management S.à r.l.	OS		100%	
Schroders Capital Private Equity Secondaries Management IV S.à r.l.	OS		100%	
Schroders Capital Private Equity US Management V S.à.r.l.	OS		100%	
Cresta Management S.à r.l.	OS		100%	7, rue Robert Stümper, L-2557 Luxembourg
KVT PE Management S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities GP S.à r.l.	OS		100%	
Schroders Capital Insurance-linked Opportunities SCSp	PI		100%	
Schroders Capital Private Equity Europe Direct Management III S.à r.l	OS		100%	
IED UK GP S.à.r.l.	OS		100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder European Operating Hotels GP S.à r.l.	OS		100%	
Schroder IFL S.à.r.l.	OS		100%	
Schroder Real Estate (CIP) GP S.à.r.l.	OS		100%	
Schroder Real Estate Investment Management (Luxembourg) S.à.r.l.	OS		100%	
Schroder Real-Estate SICAV-SIF	OS		100%	
SEOHF (CIP) SCSp	PI		100%	
SEOHF AGGREGATOR (CIP) SCSp	PI		100%	
SNI Management S.à.r.l.	OS		100%	
Schroder Euro Enhanced Infra Debt Fund II GP S.à r.l.	OS		100%	46A Avenue J.F.Kennedy, L-1855, G.D. Luxembourg
Schroder Euro IG Infra Debt Fund V GP S.à.r.l	OS		100%	
Schroders Capital Real Estate Debt GP S.à r.l.	OS		100%	15 boulevard F.W. Raiffeisen, L-2411, Luxembourg
Netherlands				
Schroder International Finance B.V.	OS		100%	1 London Wall Place, London, EC2Y 5AU, England
Singapore				
Schroder & Co. (Asia) Limited	OS		100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
Schroder Singapore Holdings Private Limited	OS		100%	138 Market Street, #23-01, CapitaGreen, Singapore, 048946, Singapore
South Korea				
Schroders Korea Limited	OS		100%	15th fl., Centropolis A, 26, Ujeongguk-ro, Jongno-gu, Seoul, Republic of Korea
Switzerland				
Schroder Real Estate Management Switzerland GmbH	OS		100%	Lavaterstrasse 40, 8002, Zurich, Switzerland
Schroders Capital Holding (Switzerland) AG	OS		100%	Affolternstrasse 56, 8050, Zurich, Switzerland

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued

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

Fully owned subsidiaries continued

Name	Share class	Footnote	%	Address
Taiwan				
Schroder Investment Management (Taiwan) Limited	OS		100%	9/F, 108 Sec.5, Hsin-Yi Road, Hsin-Yi District, Taipei 11047, Taiwan
United States				
Schroder Canada Inc.	OS		100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Fund Advisors LLC	COS		100%	
Schroder Venture Managers Inc.	COS		100%	
Schroders Incorporated	COS		100%	
Schroder FOCUS II GP, LLC	PI		100%	Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware, 19801, USA
Schroder Flexible Secured Income GP, LLC	PI		100%	
Schroder Helix Investment Partner LLC	OS		100%	
Schroder Securitized Credit Flexible Opportunities GP, LLC	PI		100%	
Schroder Taft-Hartley Income GP, LLC	PI		100%	
Schroders Capital Management (US) Inc.	OS		100%	
Schroders Capital PERLS GP, LLC	PI		100%	
Schroders Capital PILLARS GP, LLC	PI		100%	

Subsidiaries where the ownership is less than 100%

Name	Share class	Footnote	%	Address
UK				
Cazenove New Europe (CFM1) Limited	OS	a, c	80.9%	1 London Wall Place, London, EC2Y 5AU, England
Cazenove New Europe (PPI) Limited	OS	a, c	80.9%	
Cazenove New Europe Staff Interest Limited	OS	a, c	80.9%	
Residential Land Development (GP) LLP	PI	f	67%	
Sand Aire Limited	OS	a	80.9%	
Schroder & Co Nominees Limited	OS	a, c	80.9%	
Schroder Wealth Management (US) Limited	OS	a	80.9%	
The Lexicon Management Company Limited	OS		50%	
CCM Nominees Limited (In Liquidation)	OS	a, c	80.9%	Begbies Traynor (Central) LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Argentina				
Schroder Investment Management S.A.	OS		95%	Ing.Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
Schroder S.A. Sociedad Gerente de Fondos Comunes de Inversion	OS		95%	
British Virgin Islands				
Alpha Park Limited	OS	g	51%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
Flete Holdings Limited	OS	g	51%	
Pamfleet China Limited	OS	g	51%	
Cayman Islands				
Pamfleet China Investment Management Limited	OS	g	51%	Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Pamfleet China Investment Management II Limited	OS	g	35.7%	
Pamfleet International Limited	OS	g	51%	
Schroder Adveq Europe Management II L.P.	PI		20%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Technology Management V L.P.	PI		89%	
Schroder Adveq Technology Management VI L.P.	PI		65%	
Schroder Adveq US Management I L.P.	PI		76%	
Schroders Capital cPI Global Management L.P.	PI		63%	
Schroders Capital cPI Global Management II L.P.	PI		88%	
Schroders Capital Private Equity Asia Management L.P.	PI		75%	
Schroders Capital Private Equity Asia Management II L.P.	PI		65%	
Schroders Capital Private Equity Europe Management IV A L.P.	PI		59%	
Schroders Capital Private Equity Europe Management IV B L.P.	PI		70%	
Schroders Capital Private Equity US Management II L.P.	PI		87%	
China				
Pamfleet (Shanghai) Enterprise Management Limited	OS	g	51%	302 Block 9 No 697 Weihai Road, Jing'An, Shanghai, China
Schroder BOCOM Wealth Management Company Limited (Preparatory)	OS		51%	Fl.59, Wheelock Square, 1717 West Nanjing Road, Jingan District, Shanghai, China
France				
Schroder AIDA SAS	OS		90%	1 rue Euler, 75008, Paris, France

38. Subsidiaries and other related undertakings continued

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

Subsidiaries where the ownership is less than 100% continued

Name	Share class	Footnote	%	Address
France (continued)				
Schroder Mid Core Infra II UP	OS		90%	1 rue Euler, 75008, Paris, France
Schroder Mid Infra UP	OS		90%	
Schroders IDF IV UP	OS		90%	
Terre et Mer Holding SAS	OS		80%	
Germany				
CM Komplementr 06-379 GmbH & Co KG	OS		95%	Taunustor 1, 60310, Frankfurt, Germany
Guernsey				
SV (Nominees) Limited	OS	h	50%	PO Box 255, Trafalgar Court, Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
Hong Kong				
Pamfleet Asset Management (China) Limited	OS	g	51%	Level 33, 88 Queensway, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	OS	g	51%	
Pamfleet (HK) Limited	OS	g	51%	
Pamfleet Holdings (Hong Kong) Limited	OS		51%	
Indonesia				
PT Schroder Investment Management Indonesia	OS		99%	30th Floor, Indonesia Stock Exchange Building, Tower 1, Jl Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
Jersey				
AAF Management I L.P.	PI		48%	26 New Street, St. Helier, Jersey, JE2 3RA, Channel Islands
GPEP Management II L.P.	PI		70%	
GPEP Management III L.P.	PI		70%	
Schroder Adveq Europe Management III L.P.	PI		87.9%	
Schroder Adveq Real Assets Harvested Resources Management L.P.	PI		73%	
Schroders Capital Private Equity Asia Management III L.P.	PI		53%	
Schroders Capital Private Equity Asia Management IV L.P.	PI		70%	
Schroders Capital Private Equity Europe Direct Management L.P.	PI		73%	
Schroders Capital Private Equity Europe Management V L.P.	PI		73%	
Schroders Capital Private Equity Europe Management VI L.P.	PI		74%	
Schroders Capital Private Equity Global Innovation Management VII L.P.	PI		46%	
Schroders Capital Private Equity Global Innovation Management VIII L.P.	PI		78%	
Schroders Capital Private Equity Global Management L.P.	PI		71%	
Schroders Capital Private Equity Secondaries Management II L.P.	PI		53%	
Schroders Capital Private Equity US Management III L.P	PI		51%	
Schroders Capital Private Equity US Management IV L.P.	PI		73%	
TMC Management I L.P.	PI		54%	
TMC Management II L.P.	PI		49%	
Wilmersdorf Secondary Management L.P.	PI		71%	
Luxembourg				
BlueOrchard Asset Management (Luxembourg) S.A.	OS	h, i	81.5%	1 rue Goethe, L-1637, Luxembourg City, Luxembourg
BlueOrchard Invest S.à r.l	OS	h, i	81.5%	
Schroder Property Services B.V.	OS		70%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroders Capital Real Estate Asia IV GP S.à r.l.	OS	g	51%	
SRE Invest SCSp	PI		82.3%	
SRE ReLF (CIP) SCSp	PI		83.8%	
SRE SoHo (CIP) SCSp	PI		82.8%	
Mexico				
Consultora Schroders, S.A. de C.V.	OS	d, e	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
Peru				
BlueOrchard America Latina S.A.C	OS	i	81.5%	Calle Dean, Valdivia 227, Office 501, San Isidro, Lima, Peru
Singapore				
BlueOrchard Investments Singapore PTE Ltd	OS	i	81.5%	3 Church Street, #25-01 Samsung Hub, 049483, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	OS	g	51%	61 Club Street, Singapore 069436, Singapore
Switzerland				
BlueOrchard Finance AG	OS		81.5%	Seefeldstrasse 233, 8008, Zurich, Switzerland

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued

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

Associates and joint ventures

Name	Share class	Footnote	%	Address
UK				
Clarke-Walker Financial Management Limited	OS		20%	125-135 Preston Road, Fifth Floor Telecom House, Brighton, BN1 6AF, England
Finura Partners Limited	OS		49%	15 Bowling Green Lane, London, EC1R 0BD, England
Kellands (Bristol) Limited	OS		30.8%	Quays Office Park, Conference Avenue, Portishead, Bristol, BS20 7LZ, England
Natural Capital Research Limited	OS		20%	8 King Edward Street, Oxford, OX1 4HL, England
Rayner Spencer Mills Research Limited	OS		49%	20 Ryefield Business Park, Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE, England
Retirement Planning Partnership Ltd	OS	e	52.4%	Kestrel House, Alma Road, Romsey, Hampshire, SO51 8ED, England
James Harvey Associates Limited	OS	d, e	49%	Santon House, 53-55 Uxbridge Road, London, W5 5SA, England
Nippon Life Schroders Asset Management Europe Limited	OS	d	33%	1 London Wall Place, London, EC2Y 5AU, England
Ruskin Square Phase One LLP	PI		50%	
Social Supported Housing CIP LLP	PI		50%	
Social Supported Housing GP LLP	PI		50%	
Robertson Baxter Limited	OS		24%	Beck House, Abbey Road, Shepley, Huddersfield, HD8 8EP, England
Scottish Widows Schroder Wealth Holdings Limited	OS		49.9%	25 Gresham Street, London, EC2V 7HN, England
Waterhouse Financial Planning Limited	OS		20%	1 Carlisle Terrace, Derry, BT48 6JX, Northern Ireland
Australia				
Schroders RF Limited	OS		50.1%	Level 9, 60 Castlereagh St., Sydney NSW 2000, Australia
Belgium				
Algonquin Astrid	PS		33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
British Virgin Islands				
Graceful Lane Limited	OS		30%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
China				
Bank of Communications Schroder Fund Management Company Limited	OS		30%	2nd Floor Bank of Communications Tower, 188 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, China
France				
Algonquin France Hotels Services	OS		36%	1 rue Euler, 75008, Paris, France
JV Hotel La Villette SAS	OS		50%	
Guernsey				
Schroder Ventures Investments Limited	OS, R, D		50%	PO Box 255, Trafalgar Court Les Banques, St. Peter Port, Guernsey, GY1 3QL, Channel Islands
India				
Axis Asset Management Company Limited	OS	f	25%	1st Floor, Axis House C-2 Wadia International Centre, Pandurang Budhkar Marg, Worli-Mumbai, 400025, India
Axis Mutual Fund Trustee Limited	OS	f	25%	
Jersey				
Bracknell General Partner Limited	OS	e	50%	47 Esplanade, St. Helier, Jersey, JE1 0BD, Channel Islands
UK Retirement Living (CIP) GP Limited	OS		50%	
Singapore				
Nippon Life Global Investors Singapore Limited	OS		33%	138 Market Street, #34-02, CapitaGreen, Singapore, 048946, Singapore
Planar Investments Private Ltd	OS		24.1%	1 Phillip Street, #06-00, Royal One Phillip, Singapore, 048692, Singapore
United States				
A10 Capital Parent Company LLC	COS		19.3%	1209 Orange Street, Wilmington, Delaware, 19801, USA

Share class abbreviations

CS	Capital shares.
COS	Common stock.
NCRPS	Non-cumulative redeemable preference shares.
CPS	Convertible preference shares.
D	Deferred shares.
OS	Ordinary shares.
PI	Partnership interest.
PS	Promote shares.
R	Redeemable preference shares.

Footnotes

a Owned through Schroder Wealth Holdings Limited.
b Held directly by the Company.
c Dormant Company.
d The Company holds ordinary B shares.
e The Company holds ordinary A shares.
f Financial year end 31 March.
g Owned through Pamfleet Holdings (Hong Kong) Limited.
h Financial year end 30 June.
i Owned through BlueOrchard Finance AG.

38. Subsidiaries and other related undertakings continued

(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 that are classified as subsidiaries. Due to the number of share classes or unit classes that 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.

Fully owned subsidiaries

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Flexible Retirement Fund	X Accumulation	100%	100%
Brazil			
Schroder Best Ideas ESG	Unspecified	100%	100%
Luxembourg			
Schroder ISF Carbon Neutral Credit 2040	I Accumulation	100%	100%
Schroder ISF Global Sustainable Value	I Accumulation	100%	100%
Schroder ISF Social Impact Credit	I Accumulation	100%	100%

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Diversified Growth Fund	I Accumulation	93%	93%
Schroder Dynamic Multi Asset Fund	Z Accumulation	63%	58%
Schroder Global Emerging Markets Fund	A Accumulation	62%	39%
Schroder Global Equity Component Fund	X Accumulation	89%	89%
Schroder Global Sovereign Bond Tracker Component Fund	I Accumulation	40%	25%
Schroder Global Sovereign Bond Tracker Component Fund	X Accumulation	65%	24%
Schroder Multi Asset Total Return Fund	X Accumulation	99%	66%
Schroder QEP Global Emerging Markets	I Accumulation	92%	90%
Schroder Sustainable Multi Factor Equity	X Accumulation	87%	69%
Schroder UK Multi-Cap Income Fund	X Accumulation	85%	75%
SPW Adventurous Portfolio Fund	X Accumulation	100%	80%
Australia			
Schroder Australian Equity Long Short Fund	P Accumulation	62%	62%
Brazil			
Schroder Best Ideas FIA	Unspecified	62%	62%
Hong Kong			
Schroder Global Multi Asset Thematic Fund	I Accumulation	100%	21%
Schroder Global Multi Asset Thematic Fund	A Distribution MV AUD Hedged	35%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 AUD Hedged	97%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 CNY Hedged	74%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV HKD	6%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2 HKD	29%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV CNY Hedged	20%	2%
Schroder Global Multi Asset Thematic Fund	A Accumulation	88%	2%
Schroder Global Multi Asset Thematic Fund	C Accumulation	91%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV	11%	2%
Schroder Global Multi Asset Thematic Fund	A Distribution MV2	93%	2%
Japan			
Schroder YEN Target	Unspecified	61%	61%
Schroder YEN Target (Annual)	Unspecified	48%	48%
Schroder YEN Target (Semi-Annual)	Unspecified	84%	84%
Luxembourg			
Schroder GAIA Helix	I Accumulation	95%	32%
Schroder GAIA II Global Innovation Private Plus	I Accumulation	100%	67%
Schroder GAIA Oaktree Credit	I Accumulation	50%	33%
Schroder ISF BlueOrchard Emerging Markets Climate Bond	I Accumulation	71%	62%
Schroder ISF Carbon Neutral Credit	I Accumulation	67%	35%
Schroder ISF Changing Lifestyles	I Accumulation	100%	62%
Schroder ISF China A All Cap	I Accumulation	67%	66%
Schroder ISF Cross Asset Momentum Component	I Accumulation	80%	31%

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

38. Subsidiaries and other related undertakings continued

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

Subsidiaries where the ownership is less than 100% continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Luxembourg (continued)			
Schroder ISF Digital Emerging Markets Local Currency	I Accumulation	76%	76%
Schroder ISF Digital Infrastructure	I Accumulation	63%	62%
Schroder ISF Dynamic Indian Bond	I Accumulation	100%	99%
Schroder ISF Emerging Markets Equity Impact	I Accumulation	56%	56%
Schroder ISF European Innovators	I Accumulation	100%	42%
Schroder ISF European Innovators	C Accumulation	36%	5%
Schroder ISF European Large Cap	I Accumulation	70%	63%
Schroder ISF European Sustainable Equity	I Accumulation	42%	35%
Schroder ISF Global Climate Leaders	I Accumulation	85%	85%
Schroder ISF Global Credit Income Short Duration	I Accumulation	81%	39%
Schroder ISF Global Managed Growth	I Accumulation	100%	97%
Schroder ISF Global Sustainable Convertible Bond	I Accumulation	56%	41%
Schroder ISF Global Sustainable Food and Water	I Accumulation	56%	46%
Schroder ISF Sustainable Future Trends	I Accumulation	100%	68%
Schroder ISF Sustainable US Dollar Short Duration Bond	I Accumulation	100%	99%
SSSF Wealth Management USD Cautious	S Accumulation	95%	65%
SSSF Wealth Management USD Growth	S Accumulation	74%	48%
United States			
Hartford Schroders Commodity Strategy Fund	Unspecified	47%	47%
Hartford Schroders Diversified Emerging Markets Fund	SD Distribution	50%	50%
Hartford Schroders ESG US Equity Fund	I Distribution	49%	49%
Schroder Global Sustainable Growth Fund (Canada)	Unspecified	90%	90%
Schroder Securitized Credit Fund Limited	A Distribution	97%	97%

Associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Global Corporate Bond Managed Credit Component Fund	I Accumulation	18%	14%
Schroder Global Corporate Bond Managed Credit Component Fund	X Accumulation	43%	9%
Schroder QEP Global Active Value	I Accumulation	98%	27%
Brazil			
Schroder Core Plus FIC FIA	Unspecified	28%	28%
Luxembourg			
ICBC (Europe) UCITS SICAV	X Accumulation USD	33%	33%
Schroder ISF Smart Manufacturing	I Accumulation	83%	29%
SSSF Wealth Management USD Balanced	S Accumulation	87%	28%

Significant holdings in structured entities not classified as subsidiaries or associates

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
UK			
Schroder Absolute Return Bond Fund	X Income	100%	17%
Schroder All Maturities Corporate Bond Fund	I Accumulation	22%	19%
Schroder European Fund	I Income	34%	0%
Schroder Global Energy Transition Fund	S Accumulation	47%	11%
Schroder Global Equity Fund	I Accumulation	36%	1%
Schroder India Equity	X Accumulation	23%	22%
Schroder Institutional UK Smaller Companies Fund	X Accumulation	100%	14%
Schroder Long Dated Corporate Bond Fund	I Accumulation	46%	12%
Schroder QEP Global Core Fund	I Accumulation	40%	3%
Schroder Sterling Broad Market Bond Fund	I Accumulation	38%	4%
Schroder UK-Listed Equity Income Maximiser Fund	L Accumulation	98%	0%
Schroder US Equity Income Maximiser	L Accumulation GBP Hedged	87%	0%
SPW Dynamic Portfolio Fund	X Accumulation	90%	19%
SSSF Sterling Liquidity Plus	I Accumulation	20%	13%

38. Subsidiaries and other related undertakings continued

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

Significant holdings in structured entities not classified as subsidiaries or associates continued

Fund Name	Share/unit class	Holding in share/unit class	Total holding in undertaking via share/unit class
Australia			
Schroder Equity Opportuntities Fund	I Accumulation	100%	2%
Brazil			
Schroder Premium 45 Advisory FI RF CP LP	Unspecified	43%	7%
Schroder US Dollar Bond FIC FIM IE	Unspecified	51%	3%
Cayman Islands			
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	B	100%	0%
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-Sale Restriction for the Japanese Investors)	C	90%	1%
Hong Kong			
Schroder Asian Asset Income Fund	I Accumulation	100%	0%
Ireland			
Schroder Private Equity Fund of Funds IV	C	20%	12%
Luxembourg			
BlueOrchard Emerging Markets SDG Impact Bond Fund	BO	21%	1%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	99%	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	97%	1%
Schroder GAIA Blue Trend	C Accumulation CHF	75%	0%
Schroder GAIA II Global Private Equity	I Accumulation	100%	0%
Schroder GAIA Two Sigma Diversified	C Accumulation GBP Hedged	58%	20%
Schroder ISF Alternative Securitised Income	IZ Accumulation	100%	0%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%
Schroder ISF Global Corporate	I Accumulation	28%	0%
Schroder ISF Global Credit High Income Bond	I Accumulation	92%	0%
Schroder ISF Global Credit Income	I Accumulation	100%	0%
Schroder ISF Global Disruption	I Accumulation	46%	24%
Schroder ISF Global Equity Yield	I Accumulation	98%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Gold	I Accumulation	100%	2%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	100%	0%
Schroder ISF Global Multi Credit	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	92%	0%
Schroder ISF Global Recovery	I Accumulation	38%	1%
Schroder ISF Global Sustainable Growth	I Accumulation GBP	60%	8%
Schroder ISF Healthcare Innovation	I Accumulation	98%	1%
Schroder ISF Inflation Plus	I Accumulation	35%	8%
Schroder ISF Japanese Equity	I Accumulation EUR Hedged	87%	0%
Schroder ISF Japanese Opportunities	I Accumulation	100%	1%
Schroder ISF Middle East	I Accumulation	100%	0%
Schroder ISF Multi Asset Total Return	I Accumulation EUR Hedged	91%	0%
Schroder ISF QEP Global ESG	I Accumulation	38%	14%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Sustainable Emerging Market Synergy	I Accumulation	77%	19%
Schroder ISF Sustainable Multi Asset Income	C Accumulation	100%	16%
Schroder ISF Sustainable Swiss Equity	I Accumulation	23%	3%
Schroder ISF US Dollar Bond	I Accumulation EUR Hedged	38%	0%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP - FIS - Schroder Property Eurologistics Fund No.1 (B)	B	100%	3%
United States			
Hartford Schroders China A Fund	SD Accumulation	100%	20%
Hartford Schroders Securitized Income Fund	SD Accumulation	100%	4%

SCHRODERS PLC – NOTES TO THE ACCOUNTS CONTINUED

The registered offices for each of the related undertakings listed on pages 173 to 175 are reflected by country below:

UK
1 London Wall Place, London, EC2Y 5AU, England

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

Brazil
The registered office for the Brazil related undertakings is Av. Presidente Wilson, nº 231, 11º andar, Rio de Janeiro, Brazil, except for the following:

The registered office for the following related undertakings is Núcleo Cidade de Deus, Prédio Amarelo, 1o andar, Vila Yara, Osasco, SP, Brazil

Schroder Best Ideas ESG
Schroder Best Ideas FIA

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

Hong Kong
HBSC Institutional Trust Services (Asia) Limited, 1 Queen's Road Central, Hong Kong

Ireland
Georges Court, 54-62 Townsend Street, Dublin 2, Ireland

Japan
The registered office for the following related undertakings is 1-1 Chuo-ku, Saitama City, Saitama Shintoshin Godo Choushya 1st Building, Saitama Prefecture, 330-9716, Japan

Schroder YEN Target
Schroder YEN Target (Annual)
Schroder YEN Target (Semi-Annual)

Luxembourg
The registered office for the Luxembourg related undertakings is 5 rue Höhenhof, L-1736 Senningerberg, Luxembourg, except for the following:

The registered office for the following related undertakings is 80, route d'Esch, L-1470 Luxembourg

ICBC (Europe) UCITS SICAV
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)

United States
The registered office for the United States related undertakings is 7 Bryant Park, New York, New York, 10018, USA, except for the following:

The registered office for the following related undertakings is 690 Lee Road, Wayne, Pennsylvania, 19087, USA

Hartford Schroders China A Fund
Hartford Schroders Commodity Strategy Fund
Hartford Schroders Diversified Emerging Markets Fund
Hartford Schroders ESG US Equity Fund
Hartford Schroders Securitized Income Fund

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC

Opinion

In our opinion:

- Schroders plc's Group financial statements and Parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Schroders plc (the 'Parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated income statement for the year ended 31 December 2021	Schroders plc - Statement of financial position at 31 December 2021
Consolidated statement of comprehensive income for the year ended 31 December 2021	Schroders plc - Statement of changes in equity for the year ended 31 December 2021
Consolidated statement of financial position at 31 December 2021	Schroders plc - Cash flow statement for the year ended 31 December 2021
Consolidated statement of changes in equity for the year ended 31 December 2021	Schroders plc - Notes to the accounts 30 to 38
Consolidated cash flow statement for the year ended 31 December 2021	
Notes to the accounts 1 to 29 and Presentation of the financial statements	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the Parent company financial statements, as applied in accordance with section 408 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and Parent 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 (`FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.

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. To evaluate the Directors' assessment of the Group and Parent company's ability to continue to adopt the going concern basis of accounting, we have:

- assessed the assumptions used in management's five-year forecast and determined that the models are appropriate to enable management to make an assessment on the going concern of the Group. We also performed back-testing on prior year forecasts;
- evaluated the capital and liquidity position of the Group by reviewing the Internal Capital Adequacy Assessment Process, the Internal Liquidity Adequacy Assessment Process and the Recovery Plan;
- assessed the appropriateness of the stress and reverse stress test scenarios that consider the key risks identified by management. We evaluated management's analysis by testing the clerical accuracy and assessing the conclusions reached in the stress and reverse stress test scenarios;
- assessed the plausibility of available options to mitigate the impact of the key risks by comparing them to our understanding of the Group;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Group's ability to continue as a going concern. We also reviewed the management paper approved by the Board and minutes of meetings of the Board and its committees; and
- assessed the appropriateness of the going concern disclosures by comparing them to management's assessment for consistency and for compliance with the relevant reporting requirements.

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 Group and Parent company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is approved.

In relation to the Group and Parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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 Group and Parent company's ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Overview of our audit approach

Audit scope	– The Group is comprised of over 300 legal entities domiciled in 31 countries. – We performed an audit of the complete financial information of six legal entities and audit procedures on specific balances for a further 18 legal entities. – The legal entities where we performed full or specific audit procedures accounted for 86% of profit before tax and exceptional items, 90% of revenue and 91% of total assets. – Certain of the Group's processes over financial reporting are centralised in the finance operations hubs of London, Luxembourg, Singapore and Zurich. Where appropriate, our testing was performed in these locations.
Key audit matters	– Improper recognition of revenue – Improper recognition of cost of sales
Materiality	– Overall Group materiality of £42 million, which represents 5% of profit before tax and exceptional items.

An overview of the scope of the Parent company and Group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors, such as recent internal audit results, when assessing the level of work to be performed at each entity.

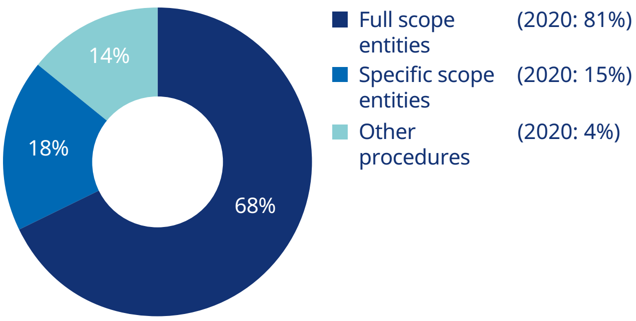
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 24 legal entities within the following countries: United Kingdom, Luxembourg, Switzerland, Singapore, Australia, China, Guernsey, Japan, and United States of America.

Of the 24 legal entities selected, we performed an audit of the complete financial information of six legal entities (full scope entities) which were selected based on their size or risk characteristics. For the remaining 18 legal entities (specific scope entities), we performed audit procedures on specific accounts within that legal entity that we considered had the potential for the greatest impact on the significant accounts in the Group financial statements, either because of the size of these accounts or their risk profile.

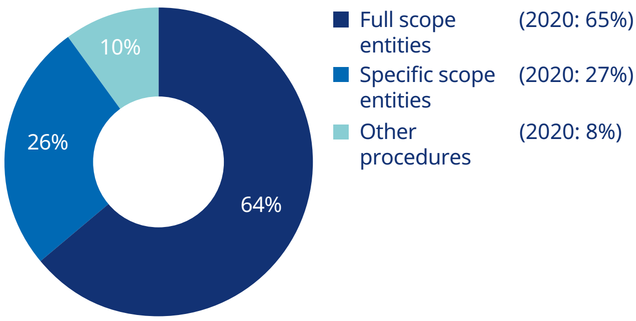
For the remaining entities that together represent 14% of the Group's profit before tax and exceptional items, we performed other Group procedures, including: analytical review, testing of consolidation journals and intercompany eliminations, centralised processes and controls, and foreign currency translation recalculations, to respond to potential risks of material misstatement of the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

Profit before tax and exceptional items



Revenue



Changes from the prior year

PT Schroder Investment Management Indonesia and Schroder Singapore Holdings Private Limited were previously considered to be specific scope entities, but were not considered to be specific or full scope for the current year audit.

Schroders Capital Management (Switzerland) AG is considered to be a specific scope entity for the current year audit. It was previously considered to be neither specific nor full scope.

Involvement with overseas teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the legal entities by us, as the Group audit team, or by local auditors from other EY global network firms operating under our instruction.

Schroders has centralised processes and controls over financial reporting within the finance operations hubs of London, Luxembourg, Singapore and Zurich. Our teams in these locations performed centralised testing in the finance hubs for certain accounts including revenue, costs of sales, administrative expenses, variable compensation, provisions and intercompany transactions.

For non-centralised processes, the audit work was performed by legal entity auditors. The Group audit team was responsible for the scope and direction of the audit process in each entity, interacting regularly with the local EY teams during each stage of the audit and reviewing relevant working papers. This, together with the additional procedures performed at Group level, and the centralised testing, gave us appropriate evidence for our opinion on the Group financial statements.

The Group team has maintained oversight of component teams through use of remote collaboration platforms and virtual meetings, in particular with the Luxembourg, Zurich and Singapore audit teams. This allowed the Group team to gain a greater understanding of the business issues faced in each location, discuss the audit approach with the local team and any issues arising from their work, review relevant audit working papers, and attend meetings with local management.

Climate change

The Group has determined that the majority of its climate-related risk lies in the assets it manages on behalf of its clients. This is primarily explained on pages 36-37 in the Task Force on Climate-related Financial Disclosures and on pages 51-54 in the principal risks and uncertainties, which form part of the 'Other information'. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appear to be materially misstated.

As explained in the Estimates and Judgements section of the Presentation of the financial statements on pages 157 to 158, climate risks have been considered in the preparation of the consolidated financial statements where management consider it appropriate. The principal areas of consideration by management include the measurement of financial assets and impairment assessments.

Our audit effort in considering climate change was focused on assessing whether the effects of potential climate risks have been appropriately reflected by management in reaching their judgments in relation to the measurement of financial assets and the impairment assessments. We also challenged the Directors' considerations of climate change in their assessment of viability and associated disclosure.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk
Group only risk: **Improper recognition of revenue (£2,959.5 million, 2020: £2,512.7 million)** *Refer to the Audit and Risk Committee report (page 70) and Note 2 of the Consolidated financial statements (pages 111 to 114)* Schroders manages funds in numerous domiciles, which consist of many share classes. Schroders also manages segregated portfolios for a range of institutions and provides wealth management services. The inputs and calculation methodologies that drive the fees vary significantly across this population. In particular, performance fees and segregated accounts have a range of calculation methodologies due to the number of bespoke arrangements. For certain revenue streams, management must apply judgment in accordance with IFRS 15 – Revenue from contracts with customers ('IFRS 15') to determine whether it is highly probable that a significant reversal will not occur in the future. The following are identified as the key risks or subjective areas of revenue recognition: – not all agreements in place have been identified and accounted for; – fee terms have not been correctly interpreted or entered into the fee calculation and billing systems; – assets under management ('AUM') has not been properly attributed to fee agreements; – errors in manually calculated revenues, such as performance fees and carried interest; and – inappropriate judgments are made by management in the calculation and recognition of carried interest.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the revenue process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – IT systems: tested the controls over access to, and changes to, the systems underpinning the revenue process, including testing controls over the flow of data between systems for completeness and accuracy; – fee agreements: tested the controls over new and amended fee agreements. For a sample of fees, agreed the fee terms used in the calculation to investment management agreements ('IMAs'), fee letters or fund prospectuses. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the revenue systems or in management's manual calculations; – calculation: tested automated controls over the arithmetical accuracy of a sample of fee calculations within the relevant systems; – AUM: tested the controls in place for the calculation and existence of AUM used in the fee calculations. For a sample of fees, tested the completeness and accuracy of AUM included in the fee calculation systems to administrator reports or Schroders' investment management systems; – billing: tested controls over the billing and cash management process. For a sample of fees, agreed the amounts recorded to the invoice sent to the client, as well as assessing the recoverability of debtors through testing of subsequent cash receipts and inspection of the aged debtors report; – carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest receivable, including the constraints applied under IFRS 15. For a sample of Schroder Adveq funds, agreed the inputs used in the carried interest calculations to third party sources, where applicable, and legal agreements; recalculated the value of the carried interest receivable; and traced the discounted carried interest income calculated to the revenue recorded; – performance fees: for a sample of performance fees, we have agreed the inputs used in the performance fee calculations to accounting records, third party sources and legal agreements; recalculating the value of the fee; and tracing the amounts invoiced to the revenue recorded.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Risk	Our response to the risk
There is also the risk that management may influence the timing or recognition of revenue in order to meet market expectations or net operating revenue-based targets.	– review of other information: inspected the global complaints register and operational incident log to identify errors in revenue or control deficiencies; and – management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes throughout the year and performed journal entry testing. We performed full and specific scope audit procedures over this risk area in four locations, which covered 90% of the total revenue. Due to the centralised nature of the revenue process, the majority of our testing was performed in London and Luxembourg for Asset Management revenue, and London and Zurich for Wealth Management revenue.

Key observations communicated to the Schroders Audit and Risk Committee
All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Revenue has been recorded materially in accordance with IFRS 15.

Based on the procedures performed, we have no matters to report in respect of revenue recognition.

Risk	Our response to the risk
Group only risk: **Improper recognition of cost of sales (£556.4 million, 2020: £453.1 million)** *Refer to the Audit and Risk Committee report (page 70) and Note 2 of the Consolidated financial statements (pages 111 to 114)* Schroders has fee expense agreements in place with many parties. These expenses include: commissions, carried interest payable, external fund manager fees, and distribution fees payable to financial institutions, investment platform providers and financial advisers. The expenses are generally based on AUM. The following are identified as the key risks or subjective areas in correctly recognising fee expense: – not all agreements in place have been identified and accounted for; – fee expense terms have not been correctly interpreted; – AUM has not been properly identified or attributed to clients or third parties with fee expense arrangements; and – inappropriate judgments are made by management in the calculation of carried interest payable. There is also the risk that management may influence the timing or recognition of cost of sales in order to meet market expectations or net operating revenue-based targets.	We have: – confirmed and updated our understanding of the procedures and controls in place throughout the cost of sales process, both at Schroders through walkthrough procedures, and at third party administrators, through review of independent controls assurance reports; – IT systems: tested the controls over access to, and changes to, the systems underpinning the fee expense process, including testing controls over the flow of data between systems to test completeness and accuracy; – fee expense agreements: tested the controls over new agreements and amended fee expense agreements. For a sample of fee expenses performed by Schroders and an additional sample performed by external third parties, agreed the fee expense terms used in the calculation to IMAs, fee letters or rebate agreements. Verified management's interpretation of the calculation methodology as set out in the agreement and applied in the fee expense systems; – calculation: tested automated controls over the arithmetical accuracy of a sample of fee expense calculations within the relevant systems; – AUM: tested the controls in place for the calculation and existence of AUM used in the fee expense calculations. For a sample of fee expenses, tested the completeness and accuracy of the AUM included in the calculation to Schroders' transfer agency or investment management systems; – billing: tested controls over the cash management process. For a sample of fee expenses, agreed the amount recorded to the rebate statement sent to the client; – carried interest: challenged management over the judgments and estimates used in the valuation of the carried interest liability. For a sample of Schroder Adveq funds: agreed the inputs used in the carried interest calculations to accounting records, third party sources and legal agreements; recalculated the value of the carried interest liability; and traced the discounted carried interest expense calculated to the cost of sales recorded; – review of other information: inspected the global complaints register and operational incident log to identify errors in fee expense or control deficiencies, and to verify that fee expense errors, if any, have been appropriately addressed; and – management override: in order to address the residual risk of management override we have performed enquiries of management, read minutes throughout the year and performed journal entry testing. We performed full and specific scope audit procedures over this risk area in London and Luxembourg, which covered 90% of total cost of sales.

Key observations communicated to the Schroders Audit and Risk Committee
All transactions tested have been recognised in accordance with the underlying agreements or other supporting documentation. Cost of sales has been recorded materially in accordance with IAS 1 – Presentation of Financial Statements ('IAS 1'). Based on the procedures performed, we have no matters to report in respect of cost of sales.

Prior year comparison

There have been no changes to our assessment of key audit matters.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £42 million (2020: £35 million), which is 5% (2020: 5%) of profit before tax and exceptional items. We believe that profit before tax and exceptional items is the most relevant performance measure to the stakeholders of the entity.

We determined materiality for the Parent company to be £47 million (2020: £47 million), which is 1% (2020: 1%) of net assets. The Parent company primarily holds the investments in Group entities and, therefore, net assets is considered to be the key focus for users of the financial statements.

During the course of our audit, we reassessed initial materiality based on 31 December 2021 financial statement amounts and adjusted our audit procedures accordingly.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that performance materiality was 75% (2020: 75%) of our planning materiality, namely £31 million (2020: £26 million).

Audit work at entity level, for the purpose of obtaining audit coverage over significant financial statement accounts, is undertaken based on a percentage of total performance materiality. The performance materiality set for each entity is based on the relative scale and risk of the entity to the Group as a whole and our assessment of the risk of misstatement at that entity. In the current year, the range of performance materiality allocated to individual entities was £6.2 million to £17.1 million (2020: £5.2 million to £14.3 million).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £2.1 million (2020: £1.8 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the Annual Report set out on pages 1 to 103 and 184 to 189, including the Strategic report, Governance, and Shareholder information sections, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information in the Annual Report.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SCHRODERS PLC CONTINUED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with 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 the 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 Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the 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 by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements and the part of the Directors' Remuneration report to be audited 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.

Corporate Governance Statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group and Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities, as set out on page 102;
- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, as set out on page 102;
- Directors' explanation as to its assessment of the Parent company's prospects, the period this assessment covers and why the period is appropriate, as set out on page 55;
- Directors' statement on fair, balanced and understandable, as set out on page 103;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, as set out on pages 49 to 55;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems, as set out on page 74; and
- the section describing the work of the Audit and Risk Committee, as set out on pages 70 to 76.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 103, 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 Group and Parent 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 Group or the Parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK-adopted international accounting standards, the Companies Act 2006 and UK Corporate Governance Code) and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules and relevant Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') rules and regulations.
- We understood how Schroders plc is complying with those frameworks by making enquiries of senior management, including the Chief Financial Officer, General Counsel, Company Secretary, Head of Compliance, Chief Risk Officer, Head of Internal Audit and the Chairman of the Audit and Risk Committee. We corroborated our understanding through our review of board and committee meeting minutes, papers provided to the Audit and Risk Committee, and correspondence received from the PRA and FCA.
- We assessed the susceptibility of the Group'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 also considered performance targets and their potential influence on efforts made by management to manage or influence the perceptions of analysts. We considered the controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how senior management monitors these controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- 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; enquiries of senior management, including those at full and specific scope entities; and focused testing, as referred to in the key audit matters section above.

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.

Other matters we are required to address

- Following the recommendation from the Audit and Risk Committee, we were appointed by the Parent company on 9 March 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. Our appointment as auditor was approved by shareholders at the Annual General Meeting on 26 April 2018.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ended 2018 to 2021.
- The audit opinion is consistent with the Audit Results Report to the Audit and Risk Committee.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent company and the Parent 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

2 March 2022