Schroders

Annual Report and Accounts 2019

Schroder Financial Holdings Limited

Year Ended 31 December 2019

Registered Number: 09698807

Contents

Officers and professional advisers

Directors

James Grant
Tim McCann
Graham Staples
Nicholas Taylor

Secretary

Schroder Corporate Services Limited

Registered Office

1 London Wall Place
London
EC2Y 5AU

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Strategic report

The Directors present their Strategic report on Schroder Financial Holdings Limited (the 'Company') for the year ended 31 December 2019.

Results and Review of the business

The profit for the year, after tax, was £11.3 million (2018: £5.4 million loss after tax).

The Company's business is as a holding company, which holds the equity capital of a number of UK and overseas registered companies in the Schroder plc Group ('the Group'). During the year, the Company's net assets have increased by £11.3 million to £253.3 million (31 December 2018: £242.0m).

The Company's investment and operational principles are expected to remain unchanged in 2020.

The Directors consider the results and the Company's financial position at 31 December 2019 to be satisfactory.

The United Kingdom left the European Union on 31 January 2020 under the terms of the European Union (Withdrawal Agreement) Act 2020 beginning a period of transition to 31 December 2020. During the transition period EU law and the rulings of the European Court of Justice will continue to apply within and to the UK. Negotiations on the future relationship between the UK and EU will continue but uncertainty remains as to what will be agreed before the end of the year. The Group remains well positioned to manage the challenges that may arise as a result of Brexit, regardless of the outcome of the negotiations. Whilst all the legal and regulatory challenges of Brexit are not yet clear, our structure provides us with flexibility in deciding how best to respond and continue to service our clients. We believe that the Company is well placed to weather these challenges and to adapt to ongoing changes in the political, economic and regulatory environment.

Directors' duties – compliance with s172 of the Companies Act 2006

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

• likely consequences of any decisions in the long-term;

• need to foster the Company's business relationships with suppliers, customers and others;

• impact of the Company's operations on the community and environment;

• desirability of the Company maintaining a reputation for high standards of business conduct; and

• need to act fairly as between members of the Company.

To discharge their section 172 duties the directors had regard to the factors set out above in making the principal decisions taken by the Company.

The Board elected for the Company not to approve the payment of an interim dividend to its parent during the year. The Directors considered the long term interests of the Company and its stakeholders and felt that this decision, bearing in mind the financial results of the Company was in the best interests of its stakeholders. The Board confirmed that that there had been no other relevant key decisions in the year.

Due to the structure of the Schroders Group, stakeholder engagement also took place using Group resources, in line with agreed delegations. For details of the engagement that takes place with the Company's stakeholders at Group level, please refer to the Schroders plc annual report and accounts for the year ended 31 December 2019 ('the Schroders Report').

Strategic report (continued)

Principal risks and uncertainties

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

Key performance indicators

The Group's operations are managed on a divisional basis. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the Group, which includes the Company, is discussed in the Strategic report in the Schroders Report. The Schroders Report does not form part of this report.

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

Matthew Buckland, Authorised signatory
For and on behalf of
Schroder Corporate Services Limited
Company Secretary
4 May 2020

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019. The information contained in the Strategic report and the Statement of Directors' responsibilities forms part of this Directors' report.

General information

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

Future developments

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

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risks and mitigations' in the Strategic Report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 10 to the financial statements. The Schroders Report does not form part of this report.

Going concern

Taking all the above factors into consideration, including the nature of the Company and its business, the Directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, which is at least 12 months from the date the Annual Report and Accounts is signed. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who have served throughout the year, except where listed below, are set out on page one. Between 1 January 2019 and 4 May 2020 the following changes have taken place:

Director	Appointed	Resigned
James Grant	16 July 2019	
Wayne Mepham		16 July 2019

Directors' liability insurance

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

Employment policy

The Company had no employees during the year.

Directors' report (continued)

Independent Auditor and disclosure of information to independent Auditor

In accordance with section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, the current auditor, Ernst & Young LLP ('EY'), are deemed to be reappointed for the next financial year.

To the best of the Directors' knowledge there is no relevant audit information of which EY is unaware. Each of the Directors has taken all reasonable steps that ought to have been taken by him or her as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

Statement of corporate governance arrangements

As a subsidiary undertaking, the Company applies the UK Corporate Governance Code where applicable to support the overall compliance of Schroders plc with that code.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the Directors are required to:

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

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

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

Matthew Buckland, Authorised signatory
For and on behalf of
Schroder Corporate Services Limited
Company Secretary
4 May 2020

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No. 09698807

Independent auditor's report to the members of Schroder Financial Holdings Limited

Opinion

We have audited the financial statements of Schroder Financial Holdings Limited (the 'Company') for the year ended 31 December 2019, which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - post balance sheet event

We draw attention to Note 1 and Note 13 of the financial statements, which describes the economic consequences the company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent auditor's report to the members of Schroder Financial Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

Income statement

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Dividends from subsidiaries		16,000	1,900
Net gains / (losses) on financial instruments and other income	3	21	(6,485)
Finance income	3	145	113
Finance charges	3	(156)	(148)
Net gains / (losses)		**16,010**	**(4,620)**
Operating expenses	3	(3,838)	(242)
Impairment of subsidiary	7	(2,239)	(420)
Profit / (loss) before tax		**9,933**	**(5,282)**
Tax credit / (charge)	4	1,414	(76)
Profit / (loss) after tax		**11,347**	**(5,358)**

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit / (loss) for the year	**11,347**	**(5,358)**
Total comprehensive income / (loss) for the year net of tax	**11,347**	**(5,358)**

Statement of financial position

as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Trade and other receivables	5	9,276	4,615
Financial assets	6	5,721	356
Current tax		923	-
Investments in subsidiaries and associates	7	246,556	248,751
Total assets		**262,476**	**253,722**
Liabilities			
Current tax		-	81
Trade and other payables	8	9,178	11,690
Total liabilities		**9,178**	**11,771**
Net assets		**253,298**	**241,951**
Total equity		**253,298**	**241,951**

The financial statements on pages 8 to 30 were approved by the Board of Directors on 4 May 2020 and were signed on its behalf by:

James Grant
Director
4 May 2020

Registration number: 09698807

Statement of changes in equity

for the year ended 31 December 2019

	Share[1] capital £'000	Profit and[2] loss reserve £'000	Total £'000
At 1 January 2019	252,625	(10,674)	241,951
Profit for the year	-	11,347	11,347
Total comprehensive income for the year, net of tax	**-**	**11,347**	**11,347**
At 31 December 2019	**252,625**	**673**	**253,298**

	Share[1] capital £'000	Profit and[2] loss reserve £'000	Total £'000
At 1 January 2018	252,625	(5,304)	247,321
Restatement on adoption of IFRS 9	-	(12)	(12)
At 1 January 2018 (restated)	252,625	(5,316)	247,309
Loss for the year	-	(5,358)	(5,358)
Total comprehensive loss for the year net of tax	**-**	**(5,358)**	**(5,358)**
At 31 December 2018	**252,625**	**(10,674)**	**241,951**

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

[2] The profit and loss reserve represents the profit or loss for the year together with transactions with shareholders.

Cash flow statement

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Operating activities		
Profit / (loss) before tax	9,933	(5,282)
(Increase) / decrease in trade and other receivables	(5,512)	649
(Decrease) / increase in trade and other payables	(2,492)	8,903
Adjustment for impairment of subsidiary	2,239	420
Net losses on financial assets and financial liabilities	51	6,009
Adjustment for expected credit loss	-	(12)
Net interest charge	11	35
United Kingdom corporation tax received	410	-
Net cash from operating activities	**4,640**	**10,722**
Investing activities		
Loans repaid / (issued) to subsidiaries and associates	851	(2,245)
Additions in subsidiaries and associates	(44)	(4,625)
Purchase of financial asset	(5,416)	(3,837)
Interest received	145	114
Net cash used in investing activities	**(4,464)**	**(10,593)**
Financing activities		
Interest paid	(176)	(129)
Net cash used in financing activities	**(176)**	**(129)**
Opening cash and cash equivalents	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Closing cash and cash equivalents	**-**	**-**

Notes to the financial statements

for the year ended 31 December 2019

1. Presentation of financial statements

Financial information for the year ended 31 December 2019 is presented in accordance with International Accounting Standard ('IAS') 1 Presentation of Financial Statements.

Basis of preparation

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

Having assessed the risks to the Company's capital and liquidity, the directors have a reasonable expectation, based on the information available to them at the date of signing, that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months. Accordingly, the financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and financial liabilities that are held at fair value through profit or loss.

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

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

The Company did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be implemented at the year-end date.

The Company has applied IFRIC 23 Uncertainty over Income Tax Treatments ('IFRIC 23') from 1 January 2019. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. IFRIC 23 does not have a material impact on the Company's financial statements.

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

Notes to the financial statements

for the year ended 31 December 2019

2. Estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results. The estimates and judgements that have a significant effect on the carrying amounts of assets and liabilities are set out in note 6, 'Financial assets', note 7, 'Investments in subsidiaries and associates' and note 10, 'Financial instrument risk management'.

3. Revenues and expenses

Net gains / (losses) on financial instruments and other income

Net gains / (losses) on investments held at fair value through profit or loss, together with transaction costs, are recognised within 'net gains / (losses) on financial instruments and other income' in the income statement.

Foreign currency translation

Foreign currency financial assets and liabilities are translated at the rates of exchange ruling at the year end date and any exchange differences arising are taken to the income statement.

Operating expenses

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

Finance income / finance charges

Finance income / finance charges comprises interest on amounts due on the Company's investment capital and temporary surpluses or deficits in the Company's cash accounts held with banks or loans to or from related parties. Interest receivable and payable are recognised using the effective interest method and are recorded in the income statement within 'Finance income' and 'Finance charges' as appropriate.

Dividends

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

Notes to the financial statements

for the year ended 31 December 2019

3. Revenues and expenses (continued)

	2019 £'000	2018 £'000
Net gains / (losses) on financial instruments and other income:		
Other income	1	1
Net gains / (losses) on financial assets and liabilities held at fair value through profit or loss	3	(6,567)
Net gain on foreign exchange[1]	17	81
Net gains / (losses) on financial instruments and other income	**21**	**(6,485)**
Finance income:		
Loan interest receivable	139	113
Interest receivable on financial assets not at fair value through profit or loss	6	-
Finance income	**145**	**113**
Finance charges:		
Interest payable on financial liabilities not at fair value through profit or loss	(156)	(148)
Finance charges	**(156)**	**(148)**
Net finance charges	**(11)**	**(35)**
Included in operating expenses:		
Audit fees payable for the audit of the company	(17)	(17)
	(17)	**(17)**

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

Directors' emoluments

The emoluments of 5 Directors (2018: 4) employed by and paid for by another Group company are included in the financial statements of that entity. These Directors have contracts of service with and receive their emoluments from another Group company. Their emoluments are deemed to be wholly attributable to their services to these companies. These Directors therefore receive no incremental emoluments for their services to the Company.

Key management personnel compensation

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

There was no remuneration expense for the key management personnel during 2018 or 2019.

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £35,000 (2018: £31,000) and net interest and fee income of £6,000 (2018: £7,000).

Notes to the financial statements

for the year ended 31 December 2019

4. Tax (credit) / charge

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

(a) Analysis of tax (credit) / charge in the period

	2019 £'000	2018 £'000
Current tax:		
Current tax credit	(584)	(263)
Adjustments in respect of prior years	(830)	339
Total tax (credit) / charge	**(1,414)**	**76**

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

The UK standard rate of corporation tax was 19% for the year ended 31 December 2019 (2018: effective tax rate of 19%).

The tax credit for the year is lower (2018: charge lower) than the UK standard rate of tax for the year of 19%.

The differences are explained below:

	2019 £'000	2018 £'000
Profit / (loss) before tax	**9,933**	**(5,282)**
Profit / (loss) before tax multiplied by corporation tax at the UK standard rate of 19% (2018: 19%)	1,887	(1,003)
Non-taxable UK dividends	(3,040)	-
Non taxable income net of disallowable expenses	427	(281)
Adjustments in respect of prior years	(830)	339
UK tax on profits of overseas companies	142	1,021
Total income tax (credit) / charge	**(1,414)**	**76**

Notes to the financial statements

for the year ended 31 December 2019

5. Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently at amortised cost, after the provision for bad and doubtful debts, and the deduction of provision for any impairment.

Trade and other receivables are all current. The carrying amount of interest and non-interest bearing trade and other receivables at amortised cost which approximates their fair value.

	Non-current £'000	Current £'000	2019 £'000
Amounts owed by related parties (see note 12)	**-**	**9,276**	**9,276**

	Non-current £'000	Current £'000	2018 £'000
Amounts owed by related parties (see note 12)	**2,508**	**2,107**	**4,615**

Gross carrying value for trade and other receivables is £12,997,000 (January 1st £4,708,000) and expected credit losses determined in accordance with IFRS 9 are £2,000 (January 1st £2,000).

During 2019, the entire loan of £3,719,000 issued to a subsidiary was written off. During 2018, £91,000 of the loan note issued to a third party was written off.

6. Financial assets

Items included within this caption on the face of the statement of financial position principally arise from the Company's investment capital and comprise of the Company's debt instruments and derivatives. It excludes financial assets and liabilities that are recorded under the following headings:

- Trade and other receivables
- Trade and other payables; and
- Investment in subsidiaries.

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

Notes to the financial statements

for the year ended 31 December 2019

6. Financial assets (continued)

Classification and measurement

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

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

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

	2019	
	Fair value through profit or loss £'000	Total £'000
Non-current financial assets:		
Equity shares - unlisted	5,284	5,284
Current financial assets:		
Debt securities	427	427
Derivative contracts (see note 9)	10	10
Financial assets	**5,721**	**5,721**

	2018	
	Fair value through profit or loss £'000	Total £'000
Current financial assets:		
Debt securities	318	318
Derivative contracts (see note 9)	38	38
Financial assets	**356**	**356**

Notes to the financial statements

for the year ended 31 December 2019

6. Financial assets (continued)

Estimates and judgements -Fair value measurements

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

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

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

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 included within Level 1 for the asset or liability and principally comprise of foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on a compilation of primarily observable market information or industry standard calculations, utilising vendor fed data and information readily available via external sources; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data and principally comprise investments in private equity and debt instruments.

	2019		
	Level 2	**Level 3**	**Total**
	£'000	**£'000**	**£'000**
Financial assets:			
Private equity	-	5,284	5,284
Debt securities	-	427	427
Derivative contracts (see note 9)	10	-	10
	10	**5,711**	**5,721**

	2018		
	Level 2	**Level 3**	**Total**
	£'000	**£'000**	**£'000**
Financial assets:			
Debt securities	-	318	318
Derivative contracts	38	-	38
	38	**318**	**356**

Notes to the financial statements

for the year ended 31 December 2019

6. Financial assets (continued)

No financial assets were transferred between levels during 2019 or 2018.

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

	2019 £'000	2018 £'000
At 1 January	318	2,528
Additions	5,416	3,837
Net losses recognised in the income statement	(23)	(6,047)
At 31 December	**5,711**	**318**

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 estimates and assumptions that have a significant effect on the carrying amounts of financial assets are discussed below.

Valuation of financial assets in an active market where there is no quoted price

From time to time quoted investments held by the Company may not be actively traded in financial markets. The determination of fair value requires significant judgement, particularly in determining whether changes in fair value have occurred since the last formal valuation by the fund manager or advisor where this is performed before year end. In making this judgement the Company evaluates amongst other factors the effect of changes in the business outlook.

The fair values of level 3 financial assets are typically derived from an estimate of the expected future cash flows that will be received by the Company. The Company applies judgement to determine relevant assumptions about the timing and realisation of cash flows from individual financial instruments based on its knowledge of the specific investment. These assumptions are used to estimate the expected fair value of the investment.

Notes to the financial statements

for the year ended 31 December 2019

7. Investments in subsidiaries and associates

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. The Directors have determined that the carrying values of the investments are supported by their underlying recoverable value.

Estimates and judgements

At 31 December 2019, the Company applies judgement to determine whether there is any indication that investments in subsidiaries and associates may be impaired. If any indication exists and a full assessment determines that the carrying value exceeds the recoverable amount, the investment is written down to the net asset value.

Movements in investments in subsidiaries and associates are set out below.

	Investments in subsidiaries £'000	Investments in associates and joint ventures £'000	Total £'000
At 1 January 2019	248,751	-	248,751
Additions	44	-	44
Transfers	-	-	-
Impairments of investments in subsidiaries	(2,239)	-	(2,239)
At 31 December 2019	**246,556**	**-**	**246,556**

	Investments in subsidiaries £'000	Investments in associates and joint ventures £'000	Total £'000
At 1 January 2018	240,623	3,923	244,546
Additions	4,625	-	4,625
Transfers	3,923	(3,923)	-
Impairments of investments in subsidiaries	(420)	-	(420)
At 31 December 2018	**248,751**	**-**	**248,751**

During the year, the Company made the following additions, impairments and transfers to/from the capital of its subsidiaries and associate undertakings:

	Additions / transfers 2019 £'000	2018 £'000
NEOS Finance Group B.V.	44	8,128
Safe Harbor	-	420
Additions / transfers in investment in subsidiaries	**44**	**8,548**
NEOS Finance Group B.V.	-	(3,503)
Safe Harbor	-	(420)
Additions / transfers in associates	**-**	**(3,923)**
Impairment of Safe Harbor	-	(420)
Impairment of NEOS Finance Group B.V.[1]	(2,239)	-
Additions / transfers / (impairments) of investments in subsidiaries and associates	**(2,195)**	**4,205**

[1] NEOS Finance Group B.V. was classified as a held for sale asset as at 31 December 2019 following the Company's decision to sell the investment. As at 31 December 2019, the investment was considered to be impaired and written down to £5,931,000 based on an offer received.

Notes to the financial statements

for the year ended 31 December 2019

7. Investments in subsidiaries and associates (continued)

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 and associates. A full list of these undertakings, the country of incorporation (which in all cases is the principal place of business) and the ownership of each share class, as at 31 December 2019, is disclosed below. Unless otherwise stated, the share capital disclosed comprises ordinary or common shares which are held by subsidiaries of the Company.

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

The Company has utilised the exemption conferred by Regulation 7 of the Partnership (Accounts) Regulations 2008 to not append copies of qualifying partnership accounts to the accounts of any UK subsidiary.

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

Principal subsidiaries

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

Name	Share Class	%	Address
UK			
Leadenhall Securities Corporation Limited	Ordinary	100	1 London Wall Place, London, EC2Y 5AU, England
Schroder Corporate Services Limited	Ordinary	100	
Schroder Financial Services Limited	Ordinary	100	
Schroder Investment Company Limited	Ordinary	100	
Guernsey			
Burnaby Insurance (Guernsey) Limited	Ordinary	100	Heritage Hall, Le Marchant Street, St Peter Port, GY1 4JH, Guernsey
Schroder Investment Company (Guernsey) Limited	Ordinary	100	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Schroder Venture Managers (Guernsey) Limited	Non-cumulative redeemable preference shares	100	PO Box 255, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3QL, Channel Islands

Notes to the financial statements

for the year ended 31 December 2019

7. Investments in subsidiaries and associates (continued)

(b) Other corporate related undertakings

The remaining related undertakings arising from the Company's corporate structure are listed below. These include subsidiaries (other than those listed above), joint ventures and associates. The financial year end of joint ventures is coterminous with the Company. In all cases, the management of joint ventures is based upon joint voting rights under a Shareholders Agreement.

Fully owned subsidiaries

Name	Share Class	%	Address
UK			
J. Henry Schroder Wagg & Co. Limited	Ordinary	100	1 London Wall Place, London, EC2Y 5AU, England
Schroder Pension Trustee Limited	Ordinary	100	
Bermuda			
Schroder Venture Managers Limited	Ordinary	100	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM 08, Bermuda
Guernsey			
Schroder Investments (Guernsey) Limited	Ordinary	100	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Luxembourg			
SRE Invest SCSp	Ordinary	100	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

Other corporate related undertakings

Subsidiaries where the ownership is less than 100%

Name	Share Class	%	Address
UK			
Schroder Infra Debt GP LLP	PI	50	1 London Wall Place, London, EC2Y 5AU, England
Guernsey			
SV (Nominees) Limited	Ordinary	50	PO Box 255, Trafalgar Court Les Banques, St Peter Port, Guernsey, GY1 3QL
Schroder Ventures Investments Limited	Ordinary	50	
Netherlands			
NEOS Finance Group B.V.	Ordinary	49	The Hofpoort Building, Hofplein 20, 21st Floor, 3032 AC Rotterdam, Netherlands
USA			
Safe Harbor Re Holdings LLC	Class S convertible preference shares	9*	National registered Agents, Inc., 160 Greentree Dr., Suite 101 Dover, DE 19904, U.S.A

Associates and joint ventures

Name	Share Class	%	Address
Social Supported Housing CIP LLP	PI	50	1 London Wall Place, London, EC2Y 5AU, England

PI: Partnership interest

* The Company also holds convertible loan notes, taking the Company's effective holding to 65%

Notes to the financial statements

for the year ended 31 December 2019

7. Investments in subsidiaries and associates (continued)

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

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

As at 31 December 2019 the Company had a significant holding in the following investment funds:

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
UK			
Schroder Dynamic Planner Portfolio 3	Z Accumulation	87%	87%
Schroder Dynamic Planner Portfolio 4	Z Accumulation	51%	50%
Schroder Dynamic Planner Portfolio 5	Z Accumulation	56%	56%
Schroder Dynamic Planner Portfolio 6	Z Accumulation	76%	76%
Schroder Dynamic Planner Portfolio 7	Z Accumulation	80%	80%
Schroder Fusion Managed Defensive Fund	F Accumulation	35%	35%
Schroder Fusion Portfolio 3	F Accumulation	25%	25%
Schroder India Equity	X Accumulation	29%	28%
Schroder Securitized Credit Fund Limited	A Distribution	89%	89%
Schroder US Equity Income Maximiser	L Accumulation GBP Hedged	79%	0%
Australia			
Schroder Absolute Return Income Fund	W Distribution	93%	93%
Brazil			
Schroder Best Ideas FIA	-	99%	99%
Schroder Core Plus FIC FIA	I Accumulation	100%	100%
Schroder Fundo de Investimento Multimercado Low Vol	-	99%	99%
Cayman Islands			
Musashi Smart Premia Fund	C	100%	1%
Japan			
Schroder Global CB Fund PPIT Unhedged	-	64%	64%
Schroder Global CB PPIT Hedged	-	53%	53%
Schroder YEN Target (Annual)	-	34%	34%
Luxembourg			
ICBC (Europe) UCITS SICAV	-	100%	100%
Schroder Alternative Solutions Agriculture Fund	I Accumulation	99%	0%
Schroder Alternative Solutions Agriculture Fund	I Accumulation EUR Hedged	100%	0%
Schroder Alternative Solutions Agriculture Fund	I Accumulation GBP Hedged	94%	0%
Schroder Alternative Solutions Argentine Bond Fund	C Accumulation	95%	89%
Schroder Alternative Solutions Commodity Fund	I Accumulation GBP Hedged	100%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation GBP Hedged	99%	9%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation EUR Hedged	69%	0%
Schroder Alternative Solutions Commodity Total Return Fund	I Accumulation	98%	89%
Schroder GAIA BlueTrend	I Accumulation CHF Hedged	67%	1%
Schroder GAIA Helix	C Accumulation GBP Hedged	96%	0%
Schroder GAIA Helix	I Accumulation	97%	70%
Schroder GAIA II NGA Turnaround	I Accumulation	100%	70%
Schroder GAIA II Specialist Private Equity	-	34%	34%
Schroder GAIA Nuveen US Equity Long Short	I Accumulation	50%	50%
Schroder GAIA Nuveen US Equity Market Neutral	I Accumulation	50%	48%
Schroder ISF Alternative Securitised Income	I Accumulation	100%	100%
Schroder ISF Asian Local Currency Bond	I Accumulation	100%	0%
Schroder ISF Dynamic Indian Income Bond	I Accumulation	45%	45%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation EUR Hedged	100%	0%

Notes to the financial statements

for the year ended 31 December 2019

7. Investments in subsidiaries and associates

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

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
Luxembourg (continued)			
Schroder ISF European Sustainable Equity	I Accumulation	24%	23%
Schroder ISF Global Credit Income	I Accumulation	100%	0%
Schroder ISF Global Credit Income Short Duration	I Accumulation	100%	100%
Schroder ISF Global Credit Value	I Accumulation	99%	99%
Schroder ISF Global Disruption	I Accumulation	61%	52%
Schroder ISF Global Energy	I Accumulation	100%	0%
Schroder ISF Global Gold	I Accumulation EUR Hedged	99%	0%
Schroder ISF Global Gold	I Accumulation	100%	1%
Schroder ISF Global High Yield	I Accumulation GBP Hedged	49%	0%
Schroder ISF Global Multi-Asset Balanced	I Accumulation CHF Hedged	100%	2%
Schroder ISF Global Recovery	I Accumulation	23%	1%
Schroder ISF Global Target Return	I Accumulation	52%	11%
Schroder ISF Healthcare Innovation	I Accumulation	100%	99%
Schroder ISF Middle East	I Accumulation	100%	0%
Schroder ISF Multi-Asset PIR Italia	C Accumulation	100%	100%
Schroder ISF Multi-Asset Total Return	I Accumulation EUR Hedged	98%	0%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation	100%	4%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation EUR Hedged	87%	0%
Schroder ISF QEP Global Equity Market Neutral	I Accumulation GBP Hedged	99%	54%
Schroder ISF QEP Global Value Plus	I Accumulation	100%	7%
Schroder ISF Strategic Beta	I Accumulation	99%	2%
Schroder ISF Strategic Bond	I Accumulation EUR Hedged	100%	0%
Schroder ISF Swiss Equity Opportunities	I Accumulation	21%	1%
SIF Global Credit Opportunities	I Accumulation	100%	100%

(d) Registered offices of related undertakings arising from the Company's interests in structured entities. The registered offices for each of the entities listed above corresponds to the relevant country.

UK

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

Australia

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

Brazil

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

Cayman Islands

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

Japan

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

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

Luxembourg

5 rue Höhenhof, L-1736 Senningerberg, Luxembourg

ICBC (Europe) UCITS SICAV:
80, route d'Esch, L-1470, Luxembourg

Notes to the financial statements

for the year ended 31 December 2019

8. Trade and other payables

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

Trade and other payables are all current. Trade and other payables include interest bearing loans from other Group companies. Interest applied to the loan is in line with current market rates. All other trade and other payables are non interest bearing. The carrying amount of interest and non interest bearing trade and other payables is at amortised cost which approximates their fair value.

	2019 £'000	2018 £'000
Accruals	45	116
Amounts owed to related parties (see note 12)	9,010	11,291
Other liabilities	123	283
	9,178	**11,690**

9. Derivative contracts

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

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

Currency forwards represent commitments to sell or purchase foreign and domestic currency. Currency forwards are contractual obligations to buy or sell foreign currency on a future date at a specified exchange rate. For currency forward contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

Notes to the financial statements

for the year ended 31 December 2019

9. Derivative contracts (continued)

	Assets £'000	Liabilities £'000
2019		
Forward foreign exchange contracts	10	-
	10	**-**

	Assets £'000	Liabilities £'000
2018		
Forward foreign exchange contracts	38	-
	38	**-**

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market indices or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, 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.

10. Financial instrument risk management

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risks and mitigations' section and the 'Risk management and internal controls' section within the Governance report and in note 20 in the Schroders Report. The Company's specific risk exposures are explained below.

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominately its related parties and therefore there is no credit risk exposure outside the Group. Derivative positions are taken in exchange-traded securities where there is minimal risk. Forward foreign exchange positions generally have a maturity of one month. Intercompany and cash balances are monitored regularly and historically, default levels have been nil. During 2019, a loan balance to a subsidiary was assessed as non-performing (see note 5) and its carrying value was written down by £3,719,000 to £nil. This credit loss was a one-off event and is not expected to re-occur.

Notes to the financial statements

for the year ended 31 December 2019

10. Financial instrument risk management (continued)

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

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

– Performing (stage 1) – Financial assets where there has been no significant increase in credit risk since original recognition; or

– Under-performing (stage 2) – Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or

– Non-performing (stage 3) – Financial assets that have defaulted.

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

Estimates and judgements – impairment of financial assets

The Company has internal processes designed to assess the credit risk profile of its financial instruments, and to determine the relevant stage for calculating the expected credit losses. These processes include consideration of internal, external, historic and forward-looking information about specific loans and securities as well as market data.

For trade and other receivables, the Company has established a provision matrix that incorporates the Company's historical credit loss experience, counterparty groupings and whether a receivable is overdue or not. Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost. The Company has access to sufficient liquid funds to cover its normal course of business. Outside the normal course of business the Company can request additional funding through intergroup loans to maintain sufficient liquidity.

Notes to the financial statements

for the year ended 31 December 2019

10. Financial instrument risk management (continued)

Interest rate risk

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

Interest rate risk is limited. Assets and liabilities attracting interest rates are intercompany loans, which are at a floating rate, therefore outright interest rate risks arise mainly from the decision to allow a mismatch between the cash flows.

At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower with all other variables held constant, it has been estimated that the profit for the year would have been £2,000 higher or £1,000 lower, mainly as a result of higher / lower interest income on cash balances and interest bearing intercompany loan balances. Other components of equity would have been unaffected.

At 31 December 2018, if Bank of England interest rates had been 100 basis points higher or 50 basis points lower with all other variables held constant, it has been estimated that the loss for the year would have been £71,000 higher or £35,000 lower, mainly as a result of higher / lower interest income on cash balances and interest bearing intercompany loan balances. Other components of equity would have been unaffected.

The underlying assumption made in the model used to calculate the effect on losses is that the fair values of assets and liabilities will not be affected by a change in interest rates.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates.

Foreign exchange risk arises when transactions are denominated in a currency that is not the entity's functional currency.

At 31 December 2019, if the Euro had strengthened / weakened by 8% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £237,000.

At 31 December 2018, if the Euro had strengthened by 7% / weakened by 10% against sterling with all other variables held constant, the Company's loss for the year would increase by £15,000 / decrease by £21,000.

At 31 December 2019, if the US dollar had strengthened / weakened by 10% against sterling with all other variables held constant, the Company's profit for the year would decrease / increase by £17,000.

At 31 December 2018, if the US dollar had strengthened by 15% / weakened by 20% against sterling with all other variables held constant, the Company's loss for the year would increase by £1,057,000 / decrease by £1,409,000.

Pricing risk

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

At 31 December 2019, if the market prices for these instruments had been 20% higher / lower with all other variables held constant, it has been estimated that the effect on post-tax profit for the year would have been an increase/decrease of £856,000 (31 December 2018: £nil), principally as a result of fair value gains on the Company's fair value investments.

The underlying assumption made in the model used to calculate the effect on past-tax profits is that changes to the FTSE All Share Index correlate to changes in the Company's equity investments.

Capital management

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

Notes to the financial statements

for the year ended 31 December 2019

11. Called up share capital

	2019 Number	2018 Number	2019 £'000	2018 £'000
Issued and fully paid:				
Ordinary shares of £1 each	**252,625,000**	**252,625,000**	**252,625**	**252,625**

12. Related party transactions

Loans to and borrowings from related parties

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

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

Transactions between the Company and related parties are disclosed below.

	2019						
	Dividends received £'000	Expenses £'000	Other income £'000	Finance income £'000	Finance charges £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Subsidiaries	16,000	(3,719)	11	145	(142)	9,276	(9,006)
Other Group companies	-	(50)	-	-	-	-	(4)
	16,000	**(3,769)**	**11**	**145**	**(142)**	**9,276**	**(9,010)**

	2018						
	Dividends received £'000	Expenses £'000	Other income £'000	Finance income £'000	Finance charges £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Subsidiaries	1,900	-	11	113	(148)	4,615	(11,243)
Other Group companies	-	(52)	-	-	-	-	(48)
	1,900	**(52)**	**11**	**113**	**(148)**	**4,615**	**(11,291)**

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 14. Information about subsidiaries is provided in note 7. Detail about amounts owed by related parties is provided in note 5.

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Notes to the financial statements

for the year ended 31 December 2019

13. Post balance sheet event

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

COVID-19 is considered to be a non-adjusting post balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. The extent to which the COVID-19 pandemic may impact the Company's results, operations or liquidity is uncertain. The most likely financial impact is in respect of the potential decline in value of the Company's investment portfolio and the increased risk of impairment of the Company's investment in subsidiaries. It is not possible to quantify the overall impact of COVID-19 as financial markets continue to react to developments and management have a number of actions that they are able to take to protect profitability and solvency should they be required.

14. Ultimate parent company

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

The results of the Company are consolidated in the Annual Report and Accounts of Schroders plc, copies of which can be obtained at www.schroders.com.