

Schroders



**Annual Report and
Accounts 2019**

**Schroder Private Assets
Holdings Limited**

Year ended 31 December 2019

Registered Number: 10708573

Contents

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditor's report to the members of Schroder Private Assets Holdings Limited	6
Income statement	8
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Cash flow statement	11
Notes to the financial statements	12

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 Private Assets 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 £9.9 million (2018: £19.1 million loss).

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 Schrodgers plc Group (the 'Group'). In October 2019, the Company acquired BlueOrchard Finance AG, a pioneer in impact investing and microfinance in emerging and frontier markets.

During the year the Company's net assets have increased by £362.8 million to £342.9 million in 2019 (2018 net liabilities: £19.9 million). This is as a result of an issue of share capital of £93,000,000 on 31 October 2019 and £260,000,000 on 11 December 2019.

The Company operated as a holding company for a number of subsidiaries, the directors do not expect to change the operations of the Company during 2019.

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's principal decision during the year was the acquisition of a 70% stake in BlueOrchard Finance AG in October 2019. The further expansion into the Private Assets sector is a strategic focus for the Schrodgers Group and the Board considered that the acquisition would enable clients to benefit from a broader range of products and to provide greater exposure to the growing impact investing market.

Due to the structure of the Schrodgers 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 Schrodgers plc annual report and accounts for the year ended 31 December 2019 ('the Schrodgers 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 Schroders plc's other subsidiary undertakings which, with Schroders plc, form the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which include those of the Company, are discussed in the 'Key risks and mitigations' section of the Strategic report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Schroders Report does not form part of this report.

Key performance indicators

The 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
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.

Dividends

During the year no dividends were paid or proposed.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the 'Key risk and mitigations' section and 'Risk and internal controls' within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 12 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 during the year and up to the date of signing, except where listed below, are listed 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.

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.

Directors' report (continued)

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 Schrodgers plc with that code.

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') 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 period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Matthew Buckland,
Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
4 May 2020

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No: 10708573

Independent Auditor's report to the members of Schroder Private Assets Holdings Limited

Opinion

We have audited the financial statements of Schroder Private Assets 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 16, 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 events

We draw attention to Note 1 and Note 16 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.

Independent Auditor's report to the members of Schroder Private Assets Holdings Limited

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

Date:

Schroders

Income statement

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Dividends from subsidiary undertakings		12,053	-
Net gains / (losses) on financial instruments and other income	3	5,411	(10,425)
Finance income	3	2	1
Finance charges	3	(6,220)	(7,073)
Net income / (expenses)		11,246	(17,497)
Operating expenses	3	(2,146)	(2,418)
Profit / (Loss) before tax		9,100	(19,915)
Tax credit	4 (a)	786	792
Profit / (Loss) for the year		9,886	(19,123)

Statement of comprehensive income

for the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Profit / (Loss) for the year	9,886	(19,123)
Total comprehensive profit / (loss) for the year, net of tax	9,886	(19,123)

Statement of financial position

as at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	5	-	1
Trade and other receivables	6	35,742	168
Financial assets	7	845	112
Investments in subsidiaries	8	351,305	260,638
Current tax		784	791
Total assets		388,676	261,710
Liabilities			
Trade and other payables	9	3,056	222,359
Financial liabilities	10	42,681	59,298
Total liabilities		45,737	281,657
Net assets / (liabilities)		342,939	(19,947)
Total equity		342,939	(19,947)

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

Registration number: 10708573

Statement of changes in equity

for the year ended 31 December 2019

	Share ¹ capital £'000	Profit and ² loss reserve £'000	Total equity £'000
At 1 January 2019	-	(19,947)	(19,947)
Share capital issued	353,000	-	353,000
Profit for the year	-	9,886	9,886
Total comprehensive income for the year, net of tax	-	9,886	9,886
At 31 December 2019	353,000	(10,061)	342,939

	Share ¹ capital £'000	Profit and ² loss reserve £'000	Total equity £'000
At 1 January 2018	-	(824)	(824)
Loss for the year	-	(19,123)	(19,123)
Total comprehensive loss for the year, net of tax	-	(19,123)	(19,123)
At 31 December 2018	-	(19,947)	(19,947)

¹ Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 13 to the financial statements.

² The profit and loss reserve represents the profit or loss for the period.

Cash flow statement

for the year ended 31 December 2019

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Note		
Operating activities		
Profit / (loss) before tax	9,100	(19,915)
(Decrease) / increase in trade and other payables	(218,927)	102,473
Increase in trade and other receivables	(35,574)	(168)
Net interest adjustment to profit / (loss) before tax	6,218	7,072
Net (gains) / losses on financial assets and financial liabilities held at fair value through profit or loss	(2,139)	11,960
Net cash (used in) / generated from operating activities	(241,322)	101,422
Amounts received in respect of group tax relief	794	177
Net cash (used in) / generated from operating activities	(240,528)	101,599
Investing activities		
Interest received	2	1
Payment of contingent consideration	(15,211)	-
Additions in subsidiaries	(90,667)	(94,746)
Net cash used in investing activities	(105,876)	(94,745)
Financing activities		
Shares issued	353,000	-
Interest paid	(6,597)	(6,853)
Net cash generated from / (used in) financing activities	346,403	(6,853)
Net (decrease) / increase in cash and cash equivalents	(1)	1
Opening cash and cash equivalents	1	-
Net (decrease) / increase in cash and cash equivalents	(1)	1
Closing cash and cash equivalents	5	1

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 International Financial Reporting Standard ('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, 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.

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

The Company's principal accounting policies have been consistently applied. The preparation of financial statements in 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 and 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 has not had 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 and in determining whether certain assets and liabilities should be recorded or an impairment recognised. 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 differ from the related actual results. The estimates and judgements that could have a significant effect on the carrying amounts of the assets and liabilities are set out in note 7 'Financial assets', note 8, 'Investments in subsidiaries and related undertakings', note 10, 'Financial liabilities' and note 12, 'Financial instrument risk management'.

3. Revenues and expenses

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

Gains or losses on financial assets and financial liabilities 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. Exchange differences are taken as they arise on the translation of assets and liabilities whose changes in value are taken directly through other comprehensive income.

Finance income / charges

Finance charges comprises amounts payable in respect of unwinding the discounting on financial liabilities and 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 is recognised using the effective interest method and is recorded in the income statement within 'Finance income'.

Operating expenses

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

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. Revenue and expenses (continued)

	2019 £'000	2018 £'000
Included in net gains / (losses) on financial instruments and other income:		
Other income	1	1
Net gains / (losses) on foreign exchange	1,521	(1,898)
Net gains / (losses) on financial liabilities and financial assets held at fair value through profit or loss	3,889	(8,528)
	5,411	(10,425)
Included in finance income:		
Interest receivable on balances due from Group Companies	2	1
	2	1
Included in finance charges:		
Discount unwind on financial liabilities	(2,428)	(3,133)
Interest payable on balances due to Group Companies	(3,792)	(3,940)
	(6,220)	(7,073)
Included in operating expenses:		
Fees payable for the audit of the company	15	14
	15	14

Directors' emoluments

The emoluments of five (2018: four) Directors 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.

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

There was no remuneration expense for key management personnel during 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 expense

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 in period

Major components of the income tax credit for the periods ended 31 December 2019 and 31 December 2018:

	2019 £'000	2018 £'000
Current tax:		
Current income tax credit	784	792
Adjustments in respect of prior years	2	-
Total tax credit for the period	786	792

(b) Factors affecting tax expense 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: lower) than the UK standard rate of corporation tax for the year of 19% (2018: 19%).

The differences are explained below:

	2019 £'000	2018 £'000
Profit / (Loss) before tax	9,100	(19,915)
Profit / (Loss) before tax multiplied by corporation tax at the UK rate of 19% (2018: 19%)	1,729	(3,784)
Non-taxable income net of disallowable expenses	(2,513)	2,992
Adjustments in respect of prior years	(2)	-
Total tax credit for the period	(786)	(792)

Notes to the financial statements

for the year ended 31 December 2019

5. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

	2019 £'000	2018 £'000
Cash at bank and in hand	-	1

6. Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently measured 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 approximates their fair value.

	2019 £'000	2018 £'000
Amounts owed by related parties (see note 14)	35,742	168

Gross carrying value for trade and other receivables is £35,771,000 (2018: £168,000) and expected credit losses are £29,000 (2018: £0). Expected credit losses as a percentage of gross carrying value is 0.08% (2018: 0%). Note 12 sets out the basis of the expected credit loss calculation.

7. Financial assets

Items included within this caption on the face of the statement of financial position comprise derivatives. It excludes financial assets that are recorded under the following headings:

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

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

Financial assets are classified at fair value through profit or loss. Financial assets are all current.

Notes to the financial statements

for the year ended 31 December 2019

7. Financial assets (continued)

Classification and measurement

The Company initially records all financial assets at fair value. Under IFRS 9 the Company holds each financial asset either at fair value ('fair value through profit or loss' or 'fair value through other comprehensive income') or at amortised cost.

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. All financial assets held at fair value through profit or loss, are classified as held for trading.

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	2018
	Fair value through profit or loss £'000	Fair value through profit or loss £'000
Derivative contracts (see note 11)	845	112
Financial assets	845	112

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.

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

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

Notes to the financial statements

for the year ended 31 December 2019

7. Financial assets (continued)

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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 foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market, an evaluated price based on 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.

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

	2019	2018
	Level 2	Level 2
	£'000	£'000
Financial assets:		
Derivative contracts	845	112
	845	112

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

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.

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings

Subsidiaries

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 recoverable value.

Movements in investments in subsidiaries are set out below:

	Investments in subsidiaries	
	2019	2018
	£'000	£'000
At 1 January	260,638	142,153
Additions	90,667	118,485
At 31 December	351,305	260,638

During the year, the Company made the following additions to the capital of its subsidiaries:

	Additions	
	2019	2018
	£'000	£'000
Schroder European Operating Hotels GP S.à.r.l.	11	-
UK Retirement Living GP S.à.r.l.	11	-
BlueOrchard Finance AG	90,625	-
Schroder Euro Enhanced Infra Debt Fund II GP S.à.r.l.	10	-
Schroder Real Estate (CIP) GP S.à r.l. (incorporated 6 January 2020)	10	-
Algonquin Management Partners S.A	-	118,473
UK PEM Partners Limited	-	1
SNI Management S.à r.l.	-	11
Additions in investments in subsidiaries	90,667	118,485

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings (continued)

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.

The fair value of the contingent consideration payable on the acquisition of Adveq Holding AG and Algonquin Management Partners S.A requires some estimation. This estimation requires assumptions regarding the level of management fees that will be earned over the relevant period and carried interest revenue that will be generated. The most judgemental estimation was in respect of carried interest revenue, which required assumptions on growth rates and crystallisation dates for each fund on which carried interest is earned and an appropriate discount rate.

Any future changes to this fair value estimate will be recorded in the Company's income statement with a corresponding increase or decrease to the contingent consideration recognised (see note 10).

Related undertakings

The Group operates globally which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries. A full list of these undertakings, the country of incorporation (which in all cases is the principal place of business) and the ownership of each share class, as at 31 December 2019, is disclosed below.

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, or to co-invest alongside clients, can give rise to these holdings.

The Company has an investment in Residential Land Development (GP) LLP, a limited liability partnership registered in England and Wales. The partnership is held at cost less, where appropriate, provisions for impairment.

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

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings (continued)

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

Principal subsidiaries

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

Name	Share class	%	Address
United Kingdom			
Gatwick Hotel Feeder GP LLP ^a	PI	50%	1 London Wall Place, London, EC2Y 5AU, England
UK PEM Partners Limited ^a	Ordinary	100%	
Belgium			
Algonquin Management Partners S.A. ^a	Ordinary	100%	Avenue Louise 523 – 1050 Bruxelles, Belgium
China			
Schroder Adveq Equity Investment Fund Management (Shanghai) Co., Ltd	Ordinary	100%	Unit 33T52B, 33F, Shanghai World Financial Centre, 100 Century Avenue, FTZ, Shanghai, China
France			
Schroder Real Estate (France)	Ordinary	100%	1 rue Euler, 75008, Paris, France
Hong Kong			
Schroder Adveq Management (Hong Kong) Limited	Ordinary	100%	Sutie 616, 100 Queen's Road Central, Central, Hong Kong
Luxembourg			
BlueOrchard Asset Management (Luxembourg) S.A.	Ordinary	70%	1 rue Goethe, L-1637, Luxembourg
Schroder Euro Enhanced Infra Debt Fund II GP S.à.r.l. ^a	Ordinary	100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder European Operating Hotels GP S.à.r.l. ^a	Ordinary	100%	
Schroder Real Estate (CIP) GP S.à.r.l. (incorporated 6 January 2020) ^a	Ordinary	100%	
SNI Management S.à.r.l. ^a	Ordinary	100%	
UK Retirement Living GP S.à.r.l. ^a	Ordinary	100%	
Switzerland			
BlueOrchard Finance AG ^a	Ordinary	70%	Seefeldstrasse 233, 8008, Zurich, Switzerland
Schroder Adveq Holding AG ^a	Ordinary	100%	Affolternstrasse 56, 8050, Zurich, Switzerland
Schroder Adveq Management AG	Ordinary	100%	
United States			
Schroder Adveq Management US Inc	Ordinary	100%	Corporate Trust Center, 1209 OrangeStret, Wilmington, Delaware 19801, United States

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 conterminous with Company. In all cases, the management of joint ventures is based upon joint voting rights.

Fully owned subsidiaries

Name	Share class	%	Address
United Kingdom			
Adveq Founder Partner Limited	Ordinary	100%	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, Scotland
Adveq Founder Partner (GP) Limited	Ordinary	100%	
Adveq GP LLP	PI	100%	
Algonquin Management Partners (UK) Limited	Ordinary	100%	5 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England
Schroder Adveq Management (UK) Limited (In liquidation)	Ordinary	100%	Cvr Global LLP, Town Wall House, Balkerne Hill, Colchester, Essex, CO3 3AD, England
Cayman			
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	Ordinary	100%	
Schroder Adveq cPI Global Management III L.P.	PI	100%	

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings (continued)

Fully owned subsidiaries (continued)

Name	Share class	%	Address
China			
Schroder Adveq Investment Management (Beijing) Co., Ltd.	Ordinary	100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xichenq District, Beijing, 100033, China
Curacao			
cPI Schroder Adveq Investments Management B.V.	Ordinary	100%	Johan van, Walbeekplein 11, Willemstad, Curacao
Schroder Adveq Investors B.V.	Ordinary	100%	
Schroder Adveq Management N.V.	Ordinary	100%	
France			
Holdco LC Paris Blomet SAS	Ordinary	100%	1 rue Euler, 75008, Paris, France
Germany			
Schroder Adveq Management Deutschland (GmbH)	Ordinary	100%	Taunustor 1, 60310, Frankfurt, Germany
SIMA 5 Verwaltungsgesellschaft mbH	Ordinary	100%	
Jersey			
Schroder Adveq Management Jersey Ltd	Ordinary	100%	40 Esplanade, St Helier, Jersey, JE2 9WB, Channel Islands
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%	
Cresta Management L.P.	PI	100%	
Cresta Management II 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 IV L.P.	PI	100%	
ICD Management L.P.	PI	100%	
IST3 Manesse PE Management L.P.	PI	100%	
IST3 Manesse PE2 Management L.P.	PI	100%	
Milele Partners L.P.	PI	100%	
SA-EL Asia Partners I L.P.	PI	100%	
SA-EL Asia Partners II L.P.	PI	100%	
SA RP CO Management 1 L.P.	PI	100%	
SA (Project Golden Bear) Management L.P.	PI	100%	
Saleve 2017 Management L.P.	PI	100%	
Saleve 2020 Management L.P.	PI	100%	
Schroder Adveq Asia Partners V L.P.	PI	100%	
Schroder Adveq EEM Management I L.P.	PI	100%	
Schroder Adveq Europe Direct Partners II L.P.	PI	100%	
Schroder Adveq Europe Partners VII L.P.	PI	100%	
Schroder Adveq Europe Partners VIII L.P.	PI	100%	
Schroder Adveq Global Partners II L.P.	PI	100%	
Schroder Adveq Healthcare Partners L.P.	PI	100%	
Schroder Adveq Mature Secondaries (Orthros) Management II L.P.	PI	100%	
Schroder Adveq Mature Secondaries (Orthros) Management III L.P.	PI	100%	
Schroder Adveq Mature Secondaries (Orthros) Management IV L.P.	PI	100%	
Schroder Adveq Mature Secondaries (Orthros) Management L.P.	PI	100%	
Schroder Adveq Secondary Management III L.P.	PI	100%	
Schroder Adveq Technology Partners X L.P.	PI	100%	
Schroder Adveq Technology Partners IX L.P.	PI	100%	
Schroder Adveq Shanghai Private Equity Investment Management	PI	100%	
Schroder Adveq US Partners V L.P.	PI	100%	
SC-SA Co-Invest Opportunities 2018 Management 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%	
Wilmsdorf Secondary Management II L.P.	PI	100%	
Luxembourg			
Schroder Adveq Europe Management VIII S.à.r.l.	Ordinary	100%	6C, rue Gabriel Lippmann , Munsbach, L-5365, Luxembourg
Schroder Adveq Healthcare Management S.à.r.l.	Ordinary	100%	
Schroder Adveq Management Luxembourg S.a.r.l	Ordinary	100%	
Schroder Adveq Technology Management X S.à.r.l.	Ordinary	100%	
Schroder Adveq US Management V S.à.r.l.	Ordinary	100%	
Schroder Adveq Asia Management V S.à.r.l.	Ordinary	100%	

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings (continued)

Subsidiaries where the effective interest is less than 100%

Name	Share class	%	Address
United Kingdom			
Residential Land Development (GP) LLP	PI	33%	1 London Wall Place, London, EC2Y 5AU, England
Cayman			
Schroder Adveq Asia Management I L.P.	PI	75%	Maples & Calder, PO Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands
Schroder Adveq Asia Management II L.P.	PI	65%	
Schroder Adveq cPI Global Management L.P.	PI	63%	
Schroder Adveq cPI Global Management II L.P.	PI	88%	
Schroder Adveq Europe Management II L.P.	PI	20%	
Schroder Adveq Europe Management IV A L.P.	PI	59%	
Schroder Adveq Europe Management IV B L.P.	PI	70%	
Schroder Adveq Technology Management IV L.P.	PI	30%	
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%	
Schroder Adveq US Management II L.P.	PI	87%	
France			
Terre et Mer Holding SAS	Ordinary	80%	1 rue Euler, 75008, Paris, France
Terre et Mer Hotels	Ordinary	80%	
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 Asia Management III L.P.	PI	53%	
Schroder Adveq Asia Management IV L.P.	PI	70%	
Schroder Adveq Europe Co-Investments Management L.P.	PI	73%	
Schroder Adveq Europe Management V L.P.	PI	73%	
Schroder Adveq Europe Management VI L.P.	PI	74%	
Schroder Adveq Global Management L.P.	PI	71%	
Schroder Adveq Real Assets Harvested Resources Management L.P.	PI	73%	
Schroder Adveq Secondaries Management II L.P.	PI	53%	
Schroder Adveq Technology Management VII L.P.	PI	46%	
Schroder Adveq Technology Management VIII L.P.	PI	78%	
Schroder Adveq US Management III L.P.	PI	51%	
Schroder Adveq US Management IV L.P.	PI	73%	
TMC Management I L.P.	PI	54%	
TMC Management II L.P.	PI	49%	
Wilmsdorf Secondary Management L.P.	PI	71%	
Luxembourg			
BlueOrchard Invest S.à r.l.	Ordinary	70%	1 rue Goethe, L-1637, Luxembourg
Peru			
BlueOrchard America Latina S.A.C	Ordinary	70%	184 Calle German Schreiber, Office 201, San Isidro, Lima, Peru
Singapore			
BlueOrchard Investments Singapore PTE Ltd	Ordinary	70%	11 Amoy Street, #02-00, Singapore, 069931, Singapore

Notes to the financial statements

for the year ended 31 December 2019

8. Investments in subsidiaries and other related undertakings (continued)

Associates and joint ventures

Name	Share class	%	Address
United Kingdom			
Algonquin (Liverpool) Limited - (In liquidation)	Ordinary	20%	5 Elstree Gate, Elstree Way, Borehamwood, Hertfordshire, WD6 1JD, England
Algonquin (York) Limited - (In liquidation)	Ordinary	36%	6 Snow Hill, London, EC1A 2AY, England
Belgium			
Algonquin Astrid	Promote	33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
Algonquin BB - (In liquidation)	Ordinary	33%	
France			
Algonquin France Hotels Services	Ordinary	36%	1 rue Euler, 75008, Paris, France
JV Hotel La Villette SAS	Ordinary	50%	

Share class abbreviations

PI: Partnership interest

Footnotes

^a Held directly by the Company.

9. Trade and other payables

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

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

	2019	2018
	£'000	£'000
Amount owed to related parties (see note 14)	2,275	222,344
Accruals	781	15
Total	3,056	222,359

Notes to the financial statements

for the year ended 31 December 2019

10. Financial liabilities

The Company's financial liabilities comprise of the contingent consideration arising from the acquisition of Schroder Adveq Holding AG and Algonquin Management Partners S.A and derivatives. Gains and losses on derivative contracts and contingent consideration are recognised within 'net gains / (losses) on financial instruments in the income statement'.

Financial liabilities are split between current and non-current.

	2019 £'000	2018 £'000
Current		
Contingent consideration	17,822	17,835
Derivative contracts (see note 11)	391	-
	18,213	17,835
Non-current		
Contingent consideration	24,468	41,463
	24,468	41,463
Total financial liabilities	42,681	59,298

Fair value measurements

The Company holds financial liabilities that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The levels are based on the degree to which the fair value is observable and are defined in note 7.

	2019		
	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:			
Derivative contracts	391	-	391
Contingent consideration	-	42,290	42,290
	391	42,290	42,681
	2018		
	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:			
Derivative contracts	-	-	-
Contingent consideration	-	59,298	59,298
	-	59,298	59,298

Notes to the financial statements

for the year ended 31 December 2019

10. Financial liabilities (continued)

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

	2019 £'000	2018 £'000
At 1 January	59,298	23,488
Additions	-	23,738
Disposals	(15,211)	(74)
Discount unwind	2,428	3,133
Revaluations	(4,225)	9,013
At 31 December	42,290	59,298

11. Derivative contracts

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

	Assets £'000	Liabilities £'000
2019		
Forward foreign exchange contracts	845	391

	Assets £'000	Liabilities £'000
2018		
Forward foreign exchange contracts	112	-

The notional amounts of certain types of financial instruments provide a basis for comparison with 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.

Notes to the financial statements

for the year ended 31 December 2019

12. 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 mitigation' section and the 'Risk management and internal control' section within the Governance report and in note 20 in the Schroder Report. The Company's specific risk exposures are explained below.

Market risk

(a) Interest rate risk:

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

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

At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower with all other variables held constant, post-tax profit for the year would have been £218,000 higher or £145,000 lower, mainly as a result of higher/lower interest charges on 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, post-tax loss for the year would have been £1,798,000 higher or £899,000 lower, mainly as a result of higher/lower interest charges on interest bearing intercompany loan balances. Other components of equity would have been unaffected.

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

(b) Foreign exchange risk:

Foreign exchange risk is the risk that the fair value of 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. This applies to certain fee arrangements and the impact of the foreign exchange risk, which is deemed to be immaterial. Foreign exchange risk is minimised by converting net income to sterling on conclusion of each transaction. The Company is exposed to foreign exchange risk arising from currency exposures to US Dollars, Euros and Swiss Francs.

As at 31 December 2019, if the US Dollar had weakened 10% / strengthen by 10% against the sterling, with all other variables held constant, the Company's post-tax profit for the year would increase by £923,000 / decrease by £923,000.

As at 31 December 2018, if the US Dollar had weakened 20% / strengthen by 15% against the sterling, with all other variables held constant, the Company's post-tax loss for the year would decrease by £1,780,000 / increase by £1,335,000.

As at 31 December 2019, if the Euro had weakened 8% / strengthen by 8% against the sterling with all other variables held constant, the Company's post-tax profit for the year would increase by £843,000 / decrease by £843,000.

As at 31 December 2018, if the Euro had weakened 10% / strengthen by 7% against the sterling with all other variables held constant, the Company's post-tax loss for the year would decrease by £4,873,000 / increase by £3,411,000.

Notes to the financial statements

for the year ended 31 December 2019

12. Financial instrument risk management (continued)

As at 31 December 2019, if the Swiss Franc had weakened 8% / strengthen by 12% against the sterling with all other variables held constant, the Company's post-tax profit for the year would increase by £149,000/ decrease by £224,000.

As at 31 December 2018, if the Swiss Franc had weakened 9% / strengthen by 8% against the sterling with all other variables held constant, the Company's post-tax loss for the year would decrease by £2,520,000/ increase by £2,240,000.

(c) Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. Except for the cash and cash equivalents the Company's counterparties are predominately its related parties and therefore there is no credit risk exposure outside the Group on these balances. 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. The Company does not have any receivables that are either past due or impaired.

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

	Cash and cash equivalents	
	2019	2018
	%	%
Credit rating		
A+	-	100
	-	100

Expected credit losses are calculated in accordance with IFRS 9 on all of the Company's financial assets that are measured at amortised cost and all debt instruments that are measured at fair value through other comprehensive income. The gross carrying values are adjusted to reflect these credit losses.

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

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

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

Notes to the financial statements

for the year ended 31 December 2019

12. Financial instrument risk management (continued)

Estimates and judgements – impairment of financial assets

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

For financial assets held with rated counterparties (such as cash and cash equivalents), the Company calculates expected credit losses based on default information published by rating agencies and considers any known factors not yet reflected in this information.

For trade and other receivables, the Company has established a provision matrix that incorporates the Company's historical credit loss experience, counterparty groupings and whether a receivable is overdue or not.

Factors considered in determining whether a default has taken place include how many days past the due date a payment is, deterioration in the credit quality of a counterparty, and knowledge of specific events that could influence a counterparty's ability to pay.

The expected credit loss on cash and cash equivalents is immaterial.

(d) Liquidity risk

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

(e) 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, or be able to borrow from group companies to meet peak working capital requirements.

13. Called up share capital

	2019 Number	2019 £'000
Issued and fully paid:		
Ordinary shares of £1 each	353,000,000	353,000
	2018 Number	2018 £'000
Issued and fully paid:		
Ordinary shares of £1 each	1	-

Notes to the financial statements

for the year ended 31 December 2019

14. Related party transactions

Transactions between the Company, its own subsidiaries and its fellow subsidiaries, which are related parties of the Company, together with details of transactions between the Company and other related parties are disclosed below.

	2019						Amounts owed by related parties £'000	Amounts owed to related parties £'000
	Dividends received	Other income	Expenses	Finance income	Finance charges			
	£'000	£'000	£'000	£'000	£'000	£'000		
Other Group companies	-	1	(16)	2	(3,792)	35,737	(1,576)	
Subsidiaries	12,053	-	6	-	-	5	(699)	
	12,053	1	(10)	2	(3,792)	35,742	(2,275)	

	2018						Amounts owed by related parties £'000	Amounts owed to related parties £'000
	Dividends received	Other income	Expenses	Finance income	Finance charges			
	£'000	£'000	£'000	£'000	£'000	£'000		
Other Group companies	-	1	-	1	(3,940)	168	(222,344)	
	-	1	-	1	(3,940)	168	(222,344)	

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 15. Information about subsidiaries is provided in note 8.

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.

15. 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.

16. Post balance sheet events

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 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.