

Annual Report and Accounts 2020

**Nippon Life Schroders Asset
Management Europe Limited**

Year ended 31 December 2020

Registered Number: 03709605

Contents

Page

Officers and professional advisers	1
Strategic report	2
Directors' report	4
Independent auditors' report to the members of Nippon Life Schroders Asset Management Europe Limited	6
Income Statement	10
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Cash flow statement	13
Notes to the financial statements	14

Officers and professional advisers

Directors

Paul Forshaw (appointed 27 March 2020)
Minoru Kimura (appointed 16 November 2020)
Kosuke Kuroishi (appointed 11 November 2020)
Satoshi Ohkawabata
Koji Oshima
Christopher Sandum

Company Secretary

Louise Richard
Ria Vavakis

Registered office

1 London Wall Place
London
EC2Y 5AU

Independent auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Strategic report

The Directors present their Strategic report on Nippon Life Schrodgers Asset Management Europe Limited (the Company) for the year ended 31 December 2020.

Results and review of the business

The profit for the financial year was £2,105,000 (2019: £1,690,000).

The principal activities of the Company during the year were the provision of investment management and advisory services. There have not been any significant changes in the Company's principal activities in the year under review. The Company is regulated by the Financial Conduct Authority (FCA).

As shown in the Company's income statement on page 10, the Company's revenue increased by £519,000 or 11 per cent. on the previous year.

The statement of financial position on page 11 shows that the Company had net assets of £4,398,000, ten per cent. higher than the previous year.

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

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

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

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

Directors' duties – compliance with 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;

Strategic report (continued)

- 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 also approved the payment of an interim dividend by the Company to its members. The Directors considered the long term consequences of paying up from its distributable reserves, noted that the resulting regulatory capital position of the Company would remain within its capital management policy limits, and considered that the payment was in the best interests of its stakeholders as a whole.

Principal risks and uncertainties

Competitive pressure in the investment management market is a continuing risk for the Company, which could result in it losing key clients. The Company manages this risk by providing added value services to its customers, having fast response times in handling all customer queries, and by maintaining strong relationships with customers.

The main business risk is suffering poor long term performance of the funds operated by the Company. The Board regularly reviews the performance of these funds to ensure that any deterioration in performance is highlighted and any necessary action taken.

Key performance indicators

The Directors of the Company consider a number of key performance indicators (KPIs) for the Company. The KPIs include assets under management, revenue and operating expenses as well as regulatory capital requirements.

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

Ria Vavakis
Company Secretary
18 March 2021

Directors' report

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

General information

The Company is a private limited company, limited by shares incorporated in England and Wales. The Company has two shareholders, Nippon Life Insurance Company and Schroder International Holdings Limited who own 67 per cent and 33 per cent of the called up share capital respectively. Although Nippon Life Insurance Company holds the majority of the issued capital and has the right to appoint four out of six Board Directors, control of the Company is effectively split between the two shareholders.

Future developments

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

Dividends

During the year the Directors declared a dividend of £1,697,500 (2019: £1,540,000) in respect of the year ended 31 December 2019 which was paid to the members of the Company on 1 July 2020.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in "Key risks and mitigations" in the Strategic report and "Risk and internal controls" within the Governance section of the Schrodgers Report. The Company's specific risk exposures to financial instruments are explained in note 10 of the financial statements. The Schrodgers 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 activities, 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 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 served throughout the year are set out on page 1.

Directors' liability insurance

Directors' and Officers' liability insurance is taken out by the Company for the benefit of its Directors.

Directors' report (continued)

Independent auditors and disclosure of information to independent auditors

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, 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 the Company's auditors are unaware. Each of the Directors has taken all reasonable steps that ought to have been taken by him or her as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of such information.

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 regulation.

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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice); including Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland (FRS 102). 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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:

Satoshi Ohkawabata
Director
18 March 2021

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No 03709605

Independent auditors' report to the members of Nippon Life Schroders Asset Management Europe Limited

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of Nippon Life Schroders Asset Management Europe Limited's for the year end 31 December 2020 which comprise: the Statement of financial position, the Income statement, the Statement of comprehensive income, the Cash flow statement, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusion relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is signed.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditors' report to the members of Nippon Life Schroders Asset Management Europe Limited (continued)

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 the 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.

Independent auditors' report to the members of Nippon Life Schroders Asset Management Europe Limited (continued)

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement 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.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the requirements of the Companies Act 2006 and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Financial Conduct Authority FCA rules and regulations.
- We understood how Nippon Life Schroders Asset Management Europe Limited is complying with those frameworks by making enquiries of management. We corroborated our understanding through our review of board meeting minutes and correspondence received from regulatory bodies.

Independent auditors' report to the members of Nippon Life Schroders Asset Management Europe Limited (continued)

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how management monitors these controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business and enquiries of management.

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

Use of this 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
18 March 2021

Income Statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	2	5,301	4,782
Net gains on financial instruments and other income	3	2	6
Net income		5,303	4,788
Operating expenses	4	(2,704)	(2,700)
Profit before tax		2,599	2,088
Income tax expense	5	(494)	(398)
Profit after tax		2,105	1,690

Statement of comprehensive income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
Profit for the year	2,105	1,690
Total comprehensive income for the year net of tax	2,105	1,690

Statement of Financial Position

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Assets			
Cash and cash equivalents	7	4,198	4,229
Current tax		15	-
Trade and other receivables	8	693	597
Total assets		4,906	4,826
Liabilities			
Trade and other payables	9	508	627
Current tax		-	208
Total liabilities		508	835
Net assets		4,398	3,991
Total equity		4,398	3,991

The notes on pages 14 to 22 form an integral part of the financial statements.

The financial statements on pages 10 to 22 were approved by the Board of Directors on 18 March 2021 and were signed on its behalf by:

Satoshi Ohkawabata
Director

Registered Number: 03709605

Statement of changes in equity

for the year ended 31 December 2020

	Share capital ¹ £'000	Retained earnings ² £'000	Total equity £'000
At 1 January 2020	1,750	2,241	3,991
Total comprehensive income for the year net of tax	-	2,105	2,105
Dividends	-	(1,698)	(1,698)
Transactions with shareholders	-	(1,698)	(1,698)
At 31 December 2020	1,750	2,648	4,398

for the year ended 31 December 2019

	Share capital ¹ £'000	Retained earnings ² £'000	Total equity £'000
At 1 January 2019	1,750	2,091	3,841
Total comprehensive income for the year net of tax	-	1,690	1,690
Dividends	-	(1,540)	(1,540)
Transactions with shareholders	-	(1,540)	(1,540)
At 31 December 2019	1,750	2,241	3,991

¹ Share capital represents issued and fully paid ordinary shares at a par value of £1 each.

² Retained earnings represents accumulated comprehensive income for the year and prior periods together with transactions with shareholders.

Cash flow statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating activities			
Profit before tax		2,599	2,088
Adjustments for statement of financial position movements:			
(Increase)/decrease in trade and other receivables	8	(96)	1,213
Decrease in trade and other payables	9	(119)	(824)
United Kingdom corporation tax paid		(717)	(368)
Adjustments for which cash effects are disclosed elsewhere:			
Interest received		(2)	(6)
Net cash from operating activities		1,665	2,103
Investing activities			
Interest received		2	6
Net cash from investing activities		2	6
Financing activities			
Dividends paid		(1,698)	(1,540)
Net cash used in financing activities		(1,698)	(1,540)
Net (decrease)/increase in cash and cash equivalents		(31)	569
Opening cash and cash equivalents		4,229	3,660
Net (decrease)/increase in cash and cash equivalents		(31)	569
Closing cash and cash equivalents	7	4,198	4,229

Notes to the financial statements

for the year ended 31 December 2020

1. General Information

Nippon Life Schroders Asset Management Europe Limited (the 'Company') provides investment management and advisory services. The Company is a private limited company, limited by shares and is incorporated and domiciled in England and Wales, registration number 03709605. The address of its registered office is 1 London Wall Place, London, EC2Y 5AU.

The individual financial statements of Nippon Life Schroders Asset Management Europe Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. Unless otherwise stated, the accounting policies have been consistently applied to all years presented.

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards. The presentation currency is pound sterling.

The preparation of financial statements in conformity with FRS 102 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. The policies, including any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, have been set out within the relevant note.

The financial statements are prepared on the going concern basis as described in the Directors' report.

Estimates and judgements

The preparation of the financial statements in conformity with FRS 102 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.

There were no estimates and judgements that were expected to have a significant effect on the carrying amounts of assets and liabilities.

Notes to the financial statements

for the year ended 31 December 2020

2. Revenue

The Company's primary source of revenue is fee income from investment management and advisory activities. The fees are generally based on an agreed percentage of the valuation of the assets under management and are recognised as the service is provided and it is probable that the fee will be received.

	2020	2019
	£'000	£'000
Management fees	4,935	4,592
Advisory fees	366	190
Revenue	5,301	4,782

3. Net gains on financial instruments and other income

Foreign currency monetary assets and liabilities are translated at the rates of exchange ruling at the year-end date and transactions in foreign currency are converted to sterling at the rate ruling at the date of the transaction.

Interest comprises amounts due on temporary surpluses or deficits in the Company's cash accounts held with banks. Interest receivable and payable is recognised using the effective interest.

Net gains taken to the income statement in respect of financial assets and liabilities are:

	2020	2019
	£'000	£'000
Finance income	2	6
	2	6

Notes to the financial statements

for the year ended 31 December 2020

4. Operating expenses

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

Operating expenses include:

	2020	2019
	£'000	£'000
Salaries and other remuneration	531	509
Social security costs	4	4
Other pension costs	4	4
Staff related expense	539	517
Third party administration fees	1,681	1,639
Fees payable for the audit of the Company	17	17
Fees payable for other assurance services	6	6
Audit and non-audit fees	23	23
Other operating expenses	461	521
	2,704	2,700

The average monthly number of employees during the year were made up as follows

	2020	2019
Investment managers	6	5
Support staff	1	1
	7	6

Directors' emoluments

The emoluments set out below are in respect of 1 (2019: 1) Director whose emoluments were charged either in part or in full to the Company during the year. The Directors received no remuneration in respect of their services as Director, but received the following remuneration in connection with the management of the affairs of the Company. The other 5 (2019: 6) Directors receive no incremental emoluments for their services to the Company.

	2020	2019
	£'000	£'000
Aggregate emoluments	150	148

Notes to the financial statements

for the year ended 31 December 2020

5. Income tax expense

The Company is based in the UK and pays taxes according to the rates applicable in the jurisdictions in which it operates. Most taxes are recorded in the income statement (see part (a) of this note below) and relate to profits earned in the reporting period (current income tax) but there are also amounts relating to timing differences between the accounting recognition of profits and the tax recognition (deferred income tax).

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences between the tax bases of assets and liabilities at the balance sheet date and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax relating to items recognised directly in the statement of recognised income and expense is recognised in the statement of recognised income and expense and not the income statement.

(a) Analysis of tax charge reported in the income

	2020 £'000	2019 £'000
Current tax:		
UK current year charge	494	398
Total current tax	494	398

(b) Factors affecting the tax charge for the year

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

The tax charge for the year is the same as (2019: the same as) the UK standard rate of corporation tax for the period of 19%. The income tax expense is analysed below

	2020 £'000	2019 £'000
Profit before tax	2,599	2,088
Profit before tax multiplied by corporation tax at the United Kingdom standard rate of 19%. (2019: 19%.)	494	398
Total current tax charge for the year	494	398

Notes to the financial statements

for the year ended 31 December 2020

6. Dividends

Final dividends payable are recognised when the dividend is approved by the shareholders. Interim dividends payable are recognised when the dividend is paid.

Dividends have been paid in proportion to the percentage of called up share capital of the Company.

	2020		2019	
	£'000	Pence per share	£'000	Pence per share
Interim dividend	1,698	97.00	1,540	88.00

7. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where such facilities form an integral part of the Company's cash management.

	2020	2019
	£'000	£'000
Cash at bank and in hand	4,198	4,229

8. Trade and other receivables

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

Apart from prepayments, this represents amounts the Company is due to receive from third parties in the normal course of business. These receivables are derecognised on receipt of cash or on recognition of a provision if the receivable is in doubt. Trade and other receivables are stated after the deduction of provisions for bad and doubtful debts. Prepayments arise where the Company pays cash in advance for services not yet received. As the service is provided, the prepayment is recorded in the income statement as an operating expense.

	2020	2019
	£'000	£'000
Amounts owed by related parties (note 12)	557	472
Other debtors	128	115
Prepayments	8	10
	693	597

Notes to the financial statements

for the year ended 31 December 2020

9. Trade and other payables

Trade payables are recorded initially at fair value and subsequently at amortised cost. Trade and other payables represents amounts the Company is due to pay to third parties in the normal course of business; this also includes compensation related accruals.

	2020	2019
	£'000	£'000
Amounts owed to related parties (note 12)	185	296
Accruals	323	331
	508	627

10. Financial risk management

The Company's operations expose it to a variety of financial risks. Sensitivities are measured against market risk movements which the Company believes could reasonably occur within the next calendar year. The Company's risk exposures are explained below.

Credit risk

Credit risk is the risk that Company's counterparty to a financial instrument will cause the Company financial loss by failing to discharge an obligation.

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay amounts in full when due. The Company's counterparties are predominantly related parties and cash at bank. The balances are monitored regularly and historically, default levels have been nil. The Company's cash and cash equivalents are invested primarily in current accounts and on deposit with UK institutions that are A+ rated by Standard and Poor's and Aa3 rated by Moody's (31 December 2019: A-1 Standard and Poor's and P-1 Moody's).

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost.

The Company's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover its normal course of business.

Notes to the financial statements

for the year ended 31 December 2020

10. Financial 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.

At 31 December 2020, if Bank of England interest rates had been 35 basis points higher or 15 basis points lower (31 December 2019: 75 basis points higher or 50 basis points lower) with all other variables held constant, it has been estimated that the post-tax profit for the year would have been £12,000 higher/£5,000 lower (31 December 2019: £26,000 higher/£17,000 lower), mainly as a result of higher/lower net interest income on cash balances. Other components of equity would have been unaffected.

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

Pricing risk

Pricing risk is the risk that future cash flows will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. The Company's fee income is principally determined on basis points of the fair value of assets under management. This risk cannot be easily mitigated but is addressed to some extent by on-going net sales.

Capital management

The Company holds capital required to meet its regulatory and working capital requirements. The Financial Conduct Authority (FCA) oversees the activities of the Company and imposes minimum capital requirements. The policy of the Company is to hold sufficient capital to meet regulatory requirements, keep an appropriate standing with counterparties and meet working capital requirements. Where this is surplus to immediate working capital requirements it may be distributed to the shareholders.

The Company is authorised and regulated by the FCA. Its last submitted capital resources were £2.3 million (31 December 2019: £2.3 million) and the minimum capital requirement was £0.7 million (31 December 2019: £0.7 million).

The Company has complied at all times with all of the externally imposed regulatory capital requirements.

11. Called up share capital

	2020	2019
Allotted and fully paid:		
'A' Shares of £1 each	1,172,500	1,172,500
'B' Shares of £1 each	577,500	577,500
	1,750,000	1,750,000

Nippon Life Insurance Company holds 1,172,500 'A' shares representing 67 per cent. of the called up share capital of the Company.

Schroder International Holdings Limited holds 577,500 'B' shares representing 33 per cent. of the called up share capital of the Company.

All of the 'A' and 'B' shares held have full and equal voting and dividend rights.

Notes to the financial statements

for the year ended 31 December 2020

12. Related party transactions

(a) Transactions between related parties

As disclosed in note 11, ownership of the Company is split between Nippon Life Insurance Company and Schroder International Holdings Limited.

Schroder Investment Management Limited (SIM), a related party of Schroder International Holdings Limited, provided accounting, secretarial and administrative services to the Company during the year. Schroder Unit Trusts Limited (SUTL) also paid the Company sub-management fees.

	2020	2019
	£'000	£'000
Fees payable to SIM	(1,681)	(1,639)
Fees receivable from SUTL	4,935	4,592
Balance due to SIM at 31 December	(167)	(251)
Balance due from SUTL at 31 December	443	417

Nippon Life Insurance Company (NLI) seconded staff to the Company and was reimbursed under the secondment agreement.

	2020	2019
	£'000	£'000
Fees payable to NLI	393	367

Nippon Life Global Investors Europe Plc (NLGIE), a subsidiary of Nippon Life Insurance Company, provides administrative services.

	2020	2019
	£'000	£'000
Fees payable to NLGIE	(61)	(66)
Balance due to NLGIE at 31 December	(18)	(21)

Notes to the financial statements

for the year ended 31 December 2020

12. Related party transactions (continued)

Nissay Asset Management Corporation (NAMCO), a subsidiary of Nippon Life Insurance Company, seconded staff to the Company, reimbursed an administration fee and paid the Company an investment advisory fee.

	2020	2019
	£'000	£'000
Fees payable to NAMCO	(95)	(97)
Fees receivable from NAMCO	367	189
Balance due to NAMCO at 31 December	-	(24)
Balance due from NAMCO at 31 December	114	55

Transactions with related parties were made at market rates. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense for bad or doubtful debts has been recognised in the year in respect of the amounts owed by related parties.

(b) Key management personnel compensation

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

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

	2020	2019
	£'000	£'000
Short-term individual benefits	150	148

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £nil (2019: nil), net interest and fee income of £nil (2019: £9,000) and net interest and fee expenses of £nil (2019: £1,000).

13. Ultimate parent undertaking

As stated in the Directors' report, ownership of the Company is split 67:33 between Nippon Life Insurance Company, a company incorporated in Japan and Schroder International Holdings Limited, a company incorporated in England and Wales. The ultimate parent company of Schroder International Holdings Limited is Schroders plc, a company incorporated in England and Wales.

Although Nippon Life Insurance Company holds the majority of issued capital and has the right to appoint four out of six Board Directors, control of the Company is effectively split between the two shareholders.