

Schroders



**Annual Report and
Accounts 2020**

**Schroder Private Assets
Holdings Limited**

Year ended 31 December 2020

Registered Number: 10708573

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Officers and professional advisers

Directors

James Grant
Tim McCann
Graham Staples
Nicholas Taylor

Company 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 2020.

Results and review of the business

The profit for the year after tax was £77.4 million (2019: £9.9 million profit after tax).

The Company's business is as a holding company which holds the equity capital of a number of UK and overseas registered companies in the Schrodgers plc Group (the 'Group'). In July 2020, the Company acquired a 51% shareholding in Pamfleet Holdings (Hong Kong) Limited and a 30% interest in Graceful Lane Limited, a value-add real estate investment management group with US\$1.1 billion assets under management and a focus on Hong Kong, Shanghai and Singapore. In August 2020, the Company acquired 134,911 additional shares in BlueOrchard Finance AG increasing the Company's shareholding in BlueOrchard Finance AG to 81.53%.

During the year the Company's net assets have increased by £93.4 million to £436.3 million in 2020 (2019: £342.9 million). The Company issued 15,996,040 new shares at £1 each during the year.

The Company's investment and operating principles are expected to remain unchanged in 2021.

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

The Covid-19 pandemic had an effect on nearly every aspect of people's lives, impacting investor sentiment and leading to market volatility. The response of the Group 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 section 172 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.

Strategic report (continued)

Directors' duties – compliance with section 172 of the Companies Act 2006 (continued)

The Board's principal decision during the year was the acquisition of a 51% stake in Pamfleet Holdings (Hong Kong) Limited, an independent, employee owned Asian real estate manager with focus in Hong Kong, Shanghai and Singapore. The Board considered the interests of a number of stakeholders when considering the acquisition. The growth of Private Assets & Alternatives is a strategic focus for the Group and the Board considered the appetite of clients for a broader range of products and the benefits to the wider Group of growing its capability in that area as well as achieving access to the Asian real estate market where it historically had little penetration.

Due to the structure of the Schroders Group, stakeholder engagement also took place using Group resources, in line with agreed delegations. For details of the engagement that takes place with the Company's stakeholders at Group level, please refer to the Schroders plc annual report and accounts for the year ended 31 December 2020 ('the Schroders Report').

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:

Rowenna Harris,
Authorised signatory
Schroder Corporate Services Limited
Company Secretary
31 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 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 (2019: nil).

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 11 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 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 are listed on page one.

Directors' and Officers' 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), is 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 Schroders plc with that code.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Rowenna Harris,
Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
31 March 2021

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 2020 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 ; 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting, we have:

- through enquiry of management and inspection of documentation, understood the process for management's assessment of going concern for the Schrodgers plc group, which incorporates the activities of the Company, including considerations of capital, liquidity and profitability, and assessed the appropriateness of the conclusions drawn;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board, and made enquiries as to the impact of COVID-19 on the business; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

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.

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

Other information (continued)

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 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.

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.

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

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

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 International Accounting Standards adopted in conformity with the requirements of the Companies Act 2006 and relevant tax compliance regulations.
- We understood how Schroder Private Assets Holdings Limited is complying with those frameworks by making enquiries of management. We corroborated our understanding through our review of board meeting minutes.
- 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 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:

Income statement

for the year ended 31 December 2020

	Notes	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Dividends from subsidiary undertakings		73,261	12,053
Net gains on financial instruments and other income	3	6,020	5,411
Finance income	3	105	2
Finance charges	3	(1,308)	(6,220)
Net income		78,078	11,246
Operating expenses	3	(575)	(2,146)
Profit before tax		77,503	9,100
Tax (charge) / credit	4 (a)	(138)	786
Profit for the year		77,365	9,886

Statement of comprehensive income

for the year ended 31 December 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Profit for the year	77,365	9,886
Total comprehensive profit for the year, net of tax	77,365	9,886

Statement of financial position

as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Trade and other receivables	5	71,908	35,742
Financial assets	6	712	845
Investments in subsidiaries and associates	7	383,471	351,305
Current tax		-	784
Total assets		456,091	388,676
Liabilities			
Trade and other payables	8	723	3,056
Current tax		28	-
Financial liabilities	9	19,040	42,681
Total liabilities		19,791	45,737
Net assets		436,300	342,939
Total equity		436,300	342,939

The notes on pages 13 to 32 form an integrated part of the financial statements.

The financial statements on pages 9 to 32 were approved by the Board of Directors on 31 March 2021 and were signed on its behalf by:

James Grant
Director

Registration number: 10708573

Statement of changes in equity

for the year ended 31 December 2020

	Share ¹ capital £'000	Profit and ² loss reserve £'000	Total equity £'000
At 1 January 2020	353,000	(10,061)	342,939
Profit for the year	-	77,365	77,365
Total comprehensive income for the year, net of tax	-	77,365	77,365
Share capital issued	15,996	-	15,996
Transactions with shareholders	15,996	-	15,996
At 31 December 2020	368,996	67,304	436,300

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)
Profit for the year	-	9,886	9,886
Total comprehensive income for the year, net of tax	-	9,886	9,886
Share capital issued	353,000	-	353,000
Transactions with shareholders	353,000	-	353,000
At 31 December 2019	353,000	(10,061)	342,939

¹ Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 12 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 2020

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating activities		
Profit before tax	77,503	9,100
(Decrease) in trade and other payables	(2,288)	(218,927)
Increase in trade and other receivables	(36,133)	(35,574)
Net interest adjustment to profit before tax	1,203	6,218
Net (gains) on financial assets and financial liabilities held at fair value through profit or loss	(3,586)	(2,139)
Net cash generated from / (used in) operating activities	36,699	(241,322)
United Kingdom corporation tax received	674	794
Net cash generated from / (used in) operating activities	37,373	(240,528)
Investing activities		
Interest received	102	2
Payment of contingent consideration	(19,922)	(15,211)
Additions in subsidiaries and associates	(32,166)	(90,667)
Net cash used in investing activities	(51,986)	(105,876)
Financing activities		
Shares issued	15,966	353,000
Interest paid	(1,353)	(6,597)
Net cash generated from financing activities	14,613	346,403
Net (decrease) in cash and cash equivalents	-	(1)
Opening cash and cash equivalents	-	1
Net (decrease) in cash and cash equivalents	-	(1)
Closing cash and cash equivalents	-	-

Notes to the financial statements

for the year ended 31 December 2020

1. Presentation of financial statements

Financial information for the year ended 31 December 2020 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 accounting standards in conformity with the requirements of the Companies Act 2006.

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 for a period of twelve months from the date the Annual Report and Accounts is signed. 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 accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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.

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 2020

2. Estimates and judgements

The preparation of the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 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 6 'Financial assets', note 7, 'Investments in subsidiaries and related undertakings', note 9, 'Financial liabilities' and note 11, 'Financial instrument risk management'.

3. Revenues and expenses

Net gains 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 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 income / charges comprises interest on amounts due on the temporary surpluses or deficits on the Company's cash accounts held with banks or loans to or from related parties and discount unwind on the contingent consideration on the purchase of subsidiaries. Interest receivable and payable are recognised using the effective interest method and are recorded in the income statement within 'Finance income' and 'Finance charges' as appropriate.

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 2020

3. Revenue and expenses (continued)

	2020 £'000	2019 £'000
Included in net gains on financial instruments and other income:		
Other income	2	1
Net (losses) / gains on foreign exchange	(2,246)	1,521
Net gains on financial liabilities and financial assets held at fair value through profit or loss	8,264	3,889
	6,020	5,411
	2020 £'000	2019 £'000
Included in finance income:		
Interest receivable on balances due from Group Companies	105	2
	105	2
	2020 £'000	2019 £'000
Included in finance charges:		
Discount unwind on financial liabilities	(1,308)	(2,428)
Interest payable on balances due to Group Companies	-	(3,792)
	(1,308)	(6,220)
	2020 £'000	2019 £'000
Included in operating expenses:		
Fees payable for the audit of the company	16	15
	16	15

Directors' emoluments

The emoluments of four (2019: five) 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 2019 or 2020.

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £183,000 (2019: £35,000) and net interest and fee income of £7,000 (2019: £6,000).

Notes to the financial statements

for the year ended 31 December 2020

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 charge/(credit) in year

Major components of the income tax charge/(credit) for the years ended 31 December 2020 and 31 December 2019:

	2020 £'000	2019 £'000
Current tax:		
Current income tax charge/(credit)	28	(784)
Adjustments in respect of prior years	110	(2)
Total tax charge/(credit)	138	(786)

(b) Factors affecting tax expense for the year

The UK standard rate of corporation tax was 19% for the year ended 31 December 2020 (2019: 19%). The tax charge for the year is lower (2019: lower) than the UK standard rate of corporation tax for the year of 19% (2019: 19%).

The differences are explained below:

	2020 £'000	2019 £'000
Profit before tax	77,503	9,100
Profit before tax multiplied by corporation tax at the UK rate of 19% (2019: 19%)	14,726	1,729
Dividend income	(13,920)	-
Non-taxable income net of disallowable expenses	(778)	(2,513)
Adjustments in respect of prior years	110	(2)
Total tax charge/(credit) for the year	138	(786)

Notes to the financial statements

for the year ended 31 December 2020

5. 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.

	2020 £'000	2019 £'000
Amounts owed by related parties (see note 13)	71,908	35,742

Gross carrying value for trade and other receivables is £71,966,000 (2019: £35,771,000) and expected credit losses are £58,000 (2019: £29,000). Expected credit losses as a percentage of gross carrying value is 0.08% (2019: 0.08%). Note 11 sets out the basis of the expected credit loss calculation.

6. 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;
- 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.

Classification and measurement

The Company initially records all financial assets at fair value. Under International Financial Reporting Standards ('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.

Notes to the financial statements

for the year ended 31 December 2020

6. Financial assets (continued)

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.

	2020	2019
	Fair value through profit or loss £'000	Fair value through profit or loss £'000
Derivative contracts (see note 10)	712	845
Financial assets	712	845

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.

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.

Notes to the financial statements

for the year ended 31 December 2020

6. Financial assets (continued)

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

	2020	2019
	Level 2	Level 2
	£'000	£'000
Financial assets:		
Derivative contracts	712	845
	712	845

No financial assets were transferred between levels during 2020 or 2019.

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 2020

7. Investments in subsidiaries and associates

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.

Associates

Associates are entities in which the Company has an investment and over which it has significant influence, but not control, through participating in the financial and operating policy decisions. Investments in associates are stated at cost less, where appropriate, provisions for impairment.

Estimates and Judgements

At 31 December 2020, 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 9).

The following transactions were carried out during the year:

Acquisitions

- The Company acquired a 100% shareholding in Schroder Euro IG Infra Debt Fund V GP S.à.r.l by means of a cash transfer.
- The Company acquired a 100% shareholding in Schroder IFL S.à.r.l. by means of a cash transfer.
- The Company acquired further shares in BlueOrchard Finance AG for £15.8 million during the year, by means of a cash transfer. This brought the Company's total shareholding in BlueOrchard Finance AG to 81.53%.
- The Company acquired a 51% shareholding in Pamfleet Holdings (Hong Kong) Limited by means of a cash transfer of £16.2 million.
- The Company acquired a 30% shareholding in Graceful Lane Limited for £0.19 million by means of a cash transfer. This was part of the Pamfleet acquisition.

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

	Investments in subsidiaries	Investments in associates	Total
	£'000	£'000	£'000
At 1 January 2020	351,305	-	351,305
Additions	31,978	188	32,166
At 31 December 2020	383,283	188	383,471

Notes to the financial statements

for the year ended 31 December 2020

7. Investments in subsidiaries and associates (continued)

	Investments in subsidiaries £'000	Investments in associates £'000	Total £'000
At 1 January 2019	260,638	-	260,638
Additions	90,667	-	90,667
At 31 December 2019	351,305	-	351,305

During the year, the Company made the following additions to the capital of its subsidiary and associate undertakings:

	Additions	
	2020 £'000	2019 £'000
Schroder European Operating Hotels GP S.à.r.l.	-	11
UK Retirement Living GP S.à.r.l.	-	11
BlueOrchard Finance AG	15,761	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
Schroder Euro IG Infra Debt Fund V GP S.à.r.l.	11	-
Schroder IFL S.à.r.l.	11	-
Pamfleet Holdings (Hong Kong) Limited	16,195	-
Graceful Lane Limited	188	-
Additions in investments in subsidiaries and associates	32,166	90,667

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 2020, 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 2020

7. Investments in subsidiaries and associates (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
Cayman Islands			
Pamfleet China Investment Management Limited	Ordinary	51%	Maples Corporate Services Limited, PO Box 309, Ugland House,
Pamfleet China Investment Management II Limited	Ordinary	35.7%	Grand Cayman, KY1-1104, Cayman Islands
Pamfleet International Limited	Ordinary	51%	
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 (In liquidation)	Ordinary	100%	30th Floor, One Taikoo Place, 979 King's Road, Hong Kong, Hong Kong
Pamfleet Holdings (Hong Kong) Limited ^a	Ordinary	51%	1803, 18/F Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong
Luxembourg			
BlueOrchard Asset Management (Luxembourg) S.A. ^b	Ordinary	81.5%	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 Euro IG Infra Debt Fund V GP S.à.r.l. ^a	Ordinary	100%	
Schroder European Operating Hotels GP S.à.r.l. ^a	Ordinary	100%	
Schroder IFL S.à.r.l. ^a	Ordinary	100%	
Schroder Real Estate (CIP) GP S.à.r.l. ^a	Ordinary	100%	
SNI Management S.à.r.l. ^a	Ordinary	100%	
UK Retirement Living GP S.à.r.l. ^a	Ordinary	100%	6C rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
Switzerland			
BlueOrchard Finance AG ^a	Ordinary	81.5%	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 Orange Street, Wilmington, Delaware 19801, United States

Notes to the financial statements

for the year ended 31 December 2020

7. Investments in subsidiaries and associates (continued)

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) and associates.

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%	
Schroder Adveq Management (UK) Limited (In liquidation)	Ordinary	100%	Cvr Global LLP, Town Wall House, Balkeine 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%	Street, George Town, Grand Cayman, Cayman Islands
PEM Partners Ltd	Ordinary	100%	
Schroder Adveq cPI Global Management III L.P.	PI	100%	
China			
Schroder Adveq Investment Management (Beijing) Co., Ltd.	Ordinary	100%	Room 1929-1932, Winland International Finance Centre, 7 Finance Street, Xicheng 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
Schroder Adveq France UP SAS	Ordinary	100%	37 avenue Pierre 1er de Serbie, 75008, Paris
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%	
Confluentes Partners I 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 I 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%	
PSY Private Equity Partners L.P.	PI	100%	
SA Co-Investment Management 1 L.P.	PI	100%	
SA-EL Asia Partners I L.P.	PI	100%	
SA-EL Partners II L.P.	PI	100%	
SA RP CO Management 1 L.P.	PI	100%	

Notes to the financial statements

for the year ended 31 December 2020

7. Investments in subsidiaries and associates (continued)

Fully owned subsidiaries (continued)

Name	Share class	%	Address
Jersey			
SA TG Management L.P.	PI	100%	26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands
SA VS Management L.P.	PI	100%	
Salève 2017 Management L.P.	PI	100%	
Salève 2020 Management L.P.	PI	100%	
Schroder Adveq Asia Partners V L.P.	PI	100%	
Schroder Adveq cPI Global Management S.à.r.l.	OS	100%	
Schroder Adveq cPI Global Partners IV L.P.	PI	100%	
Schroder Adveq Direct Partners III 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 Global Partners III L.P.	PI	100%	
Schroder Adveq Healthcare Partners I L.P.	PI	100%	
Schroder Adveq Mature Secondaries (Orthros) Management 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 Multi Private Credit Management L.P.	PI	100%	
Schroder Adveq Santé Direct Partners L.P.	PI	100%	
Schroder Adveq Secondaries Management III L.P.	PI	100%	
Schroder Adveq Secondaries Partners IV L.P.	PI	100%	
Schroder Adveq Shanghai Private Equity Investment Management L.P.	PI	100%	
Schroder Adveq Technology Partners IX L.P.	PI	100%	
Schroder Adveq Technology Partners X L.P.	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%	
Wilmersdorf Secondary Management II L.P.	PI	100%	
Luxembourg			
Confluentes Management S.à r.l.	Ordinary	100%	6C, rue Gabriel Lippmann, Munsbach, L-5365, Luxembourg
PSY Private Equity Management S.à.r.l.	Ordinary	100%	
Schroder Adveq Asia Management V S.à.r.l.	Ordinary	100%	
Schroder Adveq Direct Management III S.à.r.l.	Ordinary	100%	
Schroder Adveq Europe Management VIII S.à r.l.	Ordinary	100%	
Schroder Adveq Healthcare Management S.à.r.l.	Ordinary	100%	
Schroder Adveq Management Luxembourg S.à.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%	

Notes to the financial statements

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7. Investments in subsidiaries and associates (continued)

Subsidiaries where the effective interest is less than 100%

Name	Share class	%	Address
United Kingdom			
Residential Land Development (GP) LLP ^c	PI	33%	1 London Wall Place, London, EC2Y 5AU, England
British Virgin Islands			
Alpha Park Limited	Ordinary	51%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town,
Flete Holdings Limited	Ordinary	51%	Tortola, VG1110, British Virgin Islands
Pamfleet China Limited	Ordinary	51%	
Cayman			
Schroder Adveq Asia Management I L.P.	PI	75%	Maples & Calder, PO Box 309 GT, Ugland House, South Church
Schroder Adveq Asia Management II L.P.	PI	65%	Street, George Town, Grand Cayman, Cayman Islands
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 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%	
China			
Pamfleet (Shanghai) Enterprise Management Limited	Ordinary	51%	302 Block 9 No 697 Weihai Road, Jing'An, Shanghai, China
France			
Terre et Mer Holding SAS	Ordinary	80%	1 rue Euler, 75008, Paris, France
Hong Kong			
Pamfleet Asset Management (China) Limited	Ordinary	51%	1803, 18/F Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong, Hong Kong
Pamfleet Asset Management (HK) Limited	Ordinary	51%	
Pamfleet (HK) Limited	Ordinary	51%	
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 III L.P.	PI	88%	
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	81.5%	1 rue Goethe, L-1637, Luxembourg
Peru			
BlueOrchard America Latina S.A.C	Ordinary	81.5%	184 Calle German Schreiber, Office 201, San Isidro, Lima, Peru
Singapore			
BlueOrchard Investments Singapore PTE Ltd	Ordinary	81.5%	11 Amoy Street, #02-00, Singapore, 069931, Singapore
Pamfleet Asset Management (Singapore) Pte. Limited	Ordinary	51%	3 Pickering Street, #02-37, Nankin Row, Singapore 048660

Notes to the financial statements

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7. Investments in subsidiaries and associates (continued)

Associates

Name	Share class	%	Address
Belgium			
Algonquin Astrid	Promote	33%	Avenue Louise, 523 – 1050 Bruxelles, Belgium
British Virgin Islands			
Graceful Lane Limited ^a	Ordinary	30%	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands
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.

^b Financial year end 30 June.

^c Financial year end 31 March.

8. Trade and other payables

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

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

	2020 £'000	2019 £'000
Amount owed to related parties (see note 13)	616	2,275
Accruals	107	781
Total	723	3,056

Notes to the financial statements

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9. 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 on financial instruments in the income statement'.

Financial liabilities are split between current and non-current.

	2020 £'000	2019 £'000
Current		
Contingent consideration	9,662	17,822
Derivative contracts (see note 10)	313	391
	9,975	18,213
Non-current		
Contingent consideration	9,065	24,468
	9,065	24,468
Total financial liabilities	19,040	42,681

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 6.

	2020		
	Level 2 £'000	Level 3 £'000	Total £'000
Financial liabilities:			
Derivative contracts	313	-	313
Contingent consideration	-	18,727	18,727
	313	18,727	19,040
	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

Notes to the financial statements

for the year ended 31 December 2020

9. Financial liabilities (continued)

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

	2020 £'000	2019 £'000
At 1 January	42,290	59,298
Additions	-	-
Disposals	(19,922)	(15,211)
Discount unwind	1,308	2,428
Revaluations	(4,949)	(4,225)
At 31 December	18,727	42,290

10. 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
2020		
Forward foreign exchange contracts	712	313
2019		
Forward foreign exchange contracts	845	391

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 2020

11. 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 2020, if Bank of England interest rates had been 15 basis points higher or 35 basis points lower with all other variables held constant, post-tax profit for the year would have been £87,000 higher or £204,000 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 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.

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. The Company is exposed to foreign exchange risk arising from currency exposures to US Dollars, Euros and Swiss Francs.

As at 31 December 2020, 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 £892,000 / decrease by £892,000.

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 2020, 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 £2,398,000 / decrease by £2,398,000.

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.

Notes to the financial statements

for the year ended 31 December 2020

11. Financial instrument risk management (continued)

As at 31 December 2020, if the Swiss Franc had weakened 10% / strengthen by 8% against the sterling with all other variables held constant, the Company's post-tax profit for the year would increase by £16,000 / decrease by £13,000.

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.

(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. The Company's counterparties are predominately its related parties and therefore there is no credit risk exposure outside the Group on these balances. Intercompany 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. Forward foreign exchange positions generally have a maturity of up to three months.

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.

Estimates and judgements – impairment of financial assets

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

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

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

Notes to the financial statements

for the year ended 31 December 2020

11. Financial instrument risk management (continued)

(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 liquid resources through intergroup loans or capital injections.

(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.

12. Called up share capital

	2020	2020
	Number	£'000
Issued and fully paid:		
Ordinary shares of £1 each	368,996,040	368,996

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

Notes to the financial statements

for the year ended 31 December 2020

13. 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.

	2020						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		
Ultimate parent	-	-	-	-	-	30	-	
Other Group companies	-	1	18	105	-	71,858	(413)	
Subsidiaries	73,261	1	14	-	-	20	(203)	
	73,261	2	32	105	-	71,908	(616)	

	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)	

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 14. Information about subsidiaries is provided in note 7.

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.

14. Ultimate parent company

The Company's immediate parent company is Schroder Administration Limited (incorporated in England and Wales), whose ultimate parent company and ultimate controlling party is Schrodgers plc (incorporated in England and Wales). The results of the Company are consolidated in the Annual Report and Accounts of Schrodgers plc, copies of which can be obtained at www.schrodgers.com.