Schroders

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Annual Report and Accounts 2019

Schroder Wealth International Holdings Limited

Period from 13 November 2018 to

31 December 2019

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Registered Number: 11675751

Contents

Officers and professional advisers

Directors

James Grant
Tim McCann
Graham Staples
Nicholas Taylor

Secretary

Schroder Corporate Services Limited

Registered Office

1 London Wall Place
London
EC2Y 5AU

Independent Auditors

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Strategic report

The Directors present their first Strategic report on Schroder Wealth International Holdings Limited (the 'Company') for the period from date of incorporation, 13 November 2018 to 31 December 2019.

Results and review of the business

The Company made a loss for the period of £1.5 million.

The Company's business is as a holding company which holds the equity capital of a number of overseas registered companies in the Schroders plc Group ('the Group'). The Company was incorporated through the issue of 1 ordinary share at £1. The share was issued at par value and acquired by Schroder Administration Limited.

During the period, in preparation for the Group's wider strategic partnership with the Lloyds group, the Company issued a further 87.7 million shares at £1 each to Schroder Administration Limited. These were settled by means of a cash transfer on 6 September 2019. The Company thereafter used the proceeds from the share issue to acquire three overseas subsidiaries from Schroder Wealth Holdings Limited at net book value. A period end impairment review of all three subsidiaries resulted in a £1.5 million impairment charge in respect of Schroder & Co (Hong Kong) Limited.

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

At the period end the Company's net assets were £86.2 million.

The Directors consider the results and the Company's financial position at 31 December 2019 to be satisfactory based on this being the first reporting period.

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

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

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

- likely consequences of any decisions in the long-term;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company

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

Strategic report

The Board's principal decisions during the year were its acquisition of the Company's international Wealth Management subsidiaries from Schroder Wealth Holdings Limited so that they remained wholly owned by the Schroders Group. The relevant entities within the Schroders Group engaged with the regulatory authorities in each jurisdiction ahead of these acquisitions and the Board considered that they were in the long term interest of Schroders as a whole.

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 period ended 31 December 2019 ('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 Schroders plc Group (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' in the Strategic report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Schroders Report does not form part of this report.

Key performance indicators

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

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

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

Directors' report

The Directors present their first report and the audited financial statements of the Company for the period from 13 November 2018 to 31 December 2019. The information contained in the Strategic report and the Statement of Directors' responsibilities forms part of this Directors' report.

General information

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

Future developments

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

Dividends

During the period no dividends were proposed or paid.

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 Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 8 to the financial statements. The Schroders Report does not form part of this report.

Going concern

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

Directors

The Directors of the Company who have served throughout the period, except where listed below, are set out on page one. Between 13 November 2018 and 4 May 2020 the following changes have taken place:

Director	**Appointed**	**Resigned**
James Grant	16 July 2019	
Wayne Mepham	13 November 2018	16 July 2019
Tim McCann	13 November 2018	
Graham Staples	13 November 2018	
Nicholas Taylor	13 November 2018	

Directors' liability insurance

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

Employment policy

The Company had no employees during the period.

Directors' report (continued)

Independent Auditors and disclosure of information to independent Auditors

During the period, Ernst & Young LLP ('EY') was appointed as external auditor of the Company in accordance with section 487 of the Companies Act 2006. 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, EY will be deemed to be reappointed for the next financial year.

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

Statement of corporate governance arrangements

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, 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 prepared the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that 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 IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No. 11675751

Independent Auditor's report to the members of Schroder Wealth International Holdings Limited

Opinion

We have audited the financial statements of Schroder Wealth International Holdings Limited (the 'Company') for the period from 13 November 2018 to 31 December 2019 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Emphasis of matter - post balance sheet events

We draw attention to Note 1 and Note 11 of the financial statements, which describes the economic consequences the company is facing as a result of COVID-19 which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Independent Auditor's report to the members of Schroder Wealth International Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

James Beszant (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 5 MAY 2020

Income statement

for the period from 13 November 2018 to 31 December 2019

	Notes	2019 £'000
Other income from subsidiaries		11
Finance income	3	1
Net income		**12**
Operating expenses	3	(38)
Net losses on impairment of investments in subsidiaries	6	(1,505)
Loss before tax		**(1,531)**
Tax credit	4	4
Loss for the period		**(1,527)**

Statement of comprehensive income

for the period from 13 November 2018 to 31 December 2019

	2019 £'000
Loss for the period	**(1,527)**
Total comprehensive income for the period, net of tax	**(1,527)**

Statement of financial position

as at 31 December 2019

	Notes	2019 £'000
Assets		
Trade and other receivables	5	361
Current tax	4	4
Investments in subsidiaries	6	85,840
Total assets		**86,205**
Liabilities		
Trade and other payables	7	32
Total liabilities		**32**
Net assets		**86,173**
Total equity		**86,173**

The financial statements on pages 8 to 19 were approved by the Board of Directors on 4 May 2020 and were signed on its behalf by:

James Grant (May 4, 2020)

James Grant
Director
4 May 2020

Registration number: 11675751

Statement of changes in equity

for the period from 13 November 2018 to 31 December 2019

	Share[1] capital £'000	Profit and[2] loss reserve £'000	Total equity £'000
At 13 November 2018	-	-	-
Loss for the period	-	(1,527)	(1,527)
Total comprehensive income for the period, net of tax	**-**	**(1,527)**	**(1,527)**
Share capital issued	87,700	-	87,700
Transactions with shareholders	**87,700**	**-**	**87,700**
At 31 December 2019	**87,700**	**(1,527)**	**86,173**

[1] Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 9 to the accounts.

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

Cash flow statement

for the period from 13 November 2018 to 31 December 2019

	2019 **£'000**
Operating activities	
Loss before tax	(1,531)
Increase in trade and other receivables	(361)
Increase in trade and other payables	32
Adjustment for loss on impairment of subsidiaries	1,505
Net interest adjustment to profit before tax	(1)
Cash from operating activities	(356)
Net cash used in operating activities	**(356)**
Investing activities	
Additions of subsidiaries	(87,345)
Interest received	1
Net cash used in investing activities	**(87,344)**
Financing activities	
Issue of share capital	87,700
Net cash generated from financing activities	**87,700**
Net movement in cash and cash equivalents	**-**
Closing cash and cash equivalents	**-**

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

1. Presentation of financial statements

Financial information for the period from 13 November 2018 to 31 December 2019 is presented in accordance with International Accounting Standard ('IAS') 1 Presentation of Financial Statements.

Basis of preparation

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

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

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

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

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

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

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

2. Estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results. The estimates and judgements that have a significant effect on the carrying amounts of assets and liabilities are set out in note 6, 'Investments in subsidiaries' and note 8, 'Financial instrument risk management'.

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

3. Revenues and expenses

Dividends

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

Foreign currency translation

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

Operating expenses

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

Finance income

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

	2019 £'000
Finance income:	
Interest received on trade and other receivables	1
Finance income	**1**
Included in operating expenses:	
Audit fees payable for the audit of the company	(22)
	(22)
Net losses on impairment on investments in subsidiaries:	
Impairment of investments in subsidiaries	(1,505)
Net losses on impairment of investments in subsidiaries (Note 6)	**(1,505)**

Directors' emoluments

The emoluments of 5 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 the period.

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

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

4. Tax credit

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

(a) Analysis of tax credit in the period

	2019 £'000
Current tax:	
Income tax credit	(4)
Total tax credit for the period	**(4)**

(b) Factors affecting the tax credit for the period

The UK standard rate of corporation tax is 19%.

The tax credit for the period is lower than the UK standard rate of corporation tax for the period of 19%.

The differences are explained below:

	2019 £'000
Loss before tax	**(1,531)**
Loss before tax multiplied by corporation tax at the UK standard rate of 19%	(291)
Effects of:	
Disallowable expenses	287
Total income tax credit for the period	**(4)**

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

5. Trade and other receivables

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

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

	2019 £'000
Amounts owed by related parties (see note 10)	**361**

Gross carrying value for trade and other receivables is £361,000 and expected credit losses determined in accordance with IFRS 9, are not material. Note 8 sets out the basis of the expected credit loss calculation.

6. Investments in subsidiaries

Subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Estimates and judgements

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

The Directors have determined that the carrying value of the investments is supported by their underlying recoverable value.

During the period the Company acquired three overseas subsidiaries from Schroder Wealth Holdings Limited at cost value, by means of a cash transfer:

Movements in investments in subsidiaries are set out below:

	2019 £'000
At 13 November 2018	-
Schroder & Co. (Hong Kong) Limited	3,338
Schroder & Co Bank AG	78,869
Schroders (C.I.) Limited	5,138
Impairment of Schroder & Co. (Hong Kong) Limited	(1,505)
At 31 December 2019	**85,840**

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

6. Investments in subsidiaries (continued)

Related Undertakings

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

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

(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 profits or net assets of the Company or are regulated. The principal subsidiary entities are wholly-owned subsidiary undertakings of the Company, unless otherwise stated. All undertakings operate in the countries where they are registered or incorporated and are stated at cost less, where appropriate, provisions for impairment.

Name	Share class	%	Address
Guernsey			
Schroders (C.I.) Limited [a]	Ordinary	100%	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Hong Kong			
Schroder & Co. (Hong Kong) Limited [a]	Ordinary	100%	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, Hong Kong
Switzerland			
Schroder & Co Bank AG [a]	Ordinary	100%	Central 2, 8001 Zurich, Switzerland

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).

Fully owned subsidiaries

Name	Share class	%	Address
Guernsey			
Schroder Nominees (Guernsey) Limited	Ordinary	100%	PO Box 334, Regency Court, Glategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Switzerland			
Schroder Trust AG (In Liquidation)	Ordinary	100%	8 rue d'italie, P.O. Box 3655, 41211, Geneva, Switzerland

[a] Held directly by the company

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

7. Trade and other payables

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

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

	2019 £'000
Accruals	22
Amounts owed to related parties (see note 10)	10
	32

8. Financial instrument risk management

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

Credit risk

The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominately its related parties and therefore there is no credit risk exposure outside the Group on these balances. Intercompany balances are monitored regularly and historically, default levels have been nil. The Company does not have any receivables that are past due or impaired.

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

A three stage model is used for calculating expected credit losses which requires financial assets to be assessed as:
- Performing (stage 1) - Financial assets where there has been no significant increase in credit risk since original recognition; or
- Under-performing (stage 2) - Financial assets where there has been a significant increase in credit risk since initial recognition, but no default; or
- Non-performing (stage 3) - Financial assets that have defaulted.

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

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

8. Financial instrument risk management (continued)

Estimates and judgements - impairment of financial assets

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

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

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

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

Liquidity risk

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

Interest rate risk

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

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

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

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

Foreign exchange risk

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

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

At 31 December 2019, the Company had no foreign exchange exposure.

Capital management

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

Notes to the financial statements

for the period from 13 November 2018 to 31 December 2019

9. Called up share capital

	2019 Number	2019 £'000
Issued and fully paid:		
Ordinary shares of £1 each	**87,700,001**	**87,700**

10. Related party transactions

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

	2019				
	Other Income / Expenses £'000	Finance income £'000	Finance charges £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Subsidiaries	11	-	-	11	-
Other Group companies	(10)	1	-	350	(10)
Total	**1**	**1**	**-**	**361**	**(10)**

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 12. Information about subsidiaries is provided in note 6.

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.

11. Post balance sheet events

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

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

12. Ultimate parent company

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

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