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Schroders

Annual Report and Accounts 2019

Schroder Investment Management North America Limited

Year ended 31 December 2019

Registered Number: 02334190

Contents

Officers and professional advisers

Directors

Paul Chislett
Lance DeLuca (appointed 13 January 2020)
Andrew Moscow (appointed 13 January 2020)
Christopher Taylor

Company 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 Strategic report on Schroder Investment Management North America Limited (the Company) for the year ended 31 December 2019.

Results and review of the business

The profit for the year, after income tax, was £6.1 million (2018: £6.0 million profit after income tax).

The Company's investment management services business continued during the year. The Company's investment principles are expected to remain unchanged.

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

The Company is authorised and regulated by the Financial Conduct Authority and is registered with the Securities and Exchange Commission in the United States of America. It is also registered with the Alberta Securities Commission, British Columbia Securities Commission, Manitoba Securities Commission, Nova Scotia Securities Commission, Ontario Securities Commission, Quebec Securities Commission, and Saskatchewan Financial Services Commission in Canada and the Monetary Authority of Singapore.

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 as yet unclear, the Group's structure provides it with flexibility in deciding how best to respond and continue to service its 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.

Strategic report (continued)

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.

In light of the implementation of the Financial Conduct Authority's Senior Managers & Certification Regime in December 2019, the Board approved changes its composition during the year, as well as the allocation of senior management functions to individuals performing key roles, the allocation of prescribed responsibilities, and the certification of individuals carrying out certain regulated activities for the Company. In considering these matters, specific attention was given to maintaining the Company's reputation for maintaining high standards of business conduct to the benefit of all stakeholders.

The Board also approved the payment of a dividend by the Company to its parent. The directors considered the long term consequences of paying up from its distributable reserves, noted that the resulting regulatory capital position of the Company would remain within its capital management policy limits, and considered that the payment was in the best interests of it stakeholders 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 year 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 (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 plc annual report and accounts for the year ended 31 December 2019 (Schroders Report). The Schroders Report does not form part of this report.

Key performance indicators

The Directors of the Group manage the Group's operations 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 by its order by:

Ria Vavakis, Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
18 March 2020

Directors' report

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

General information

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

The Company continues to operate a branch office in Singapore.

Dividends

During the year the Directors declared a dividend of £4.0 million (2018: £5.0 million) in respect of the year ended 31 December 2018 which was paid to the member of the Company on 27 March 2019.

The Directors have declared a dividend in respect of the year ended 31 December 2019 totalling £6.0 million payable on 27 March 2020 to the shareholder on the register of members on that date.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the "Key risk and mitigations" section and "Risk and internal controls" within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 12 to the financial statements. The Schroders Report does not form part of this report.

Going concern

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

Directors

The Directors of the Company who have served throughout the year are set out on page three. Between 1 January 2019 and 18 March 2020 the following changes have taken place:

Director	Appointed	Resigned
Angus Bogle		31 January 2019
Karl Dasher		8 December 2019
Lance DeLuca	13 January 2020	
Andrew Moscow	13 January 2020	

Directors' liability insurance

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

Employment policy

The Company had no employees during the year (2018: none).

Directors' report (continued)

Independent Auditors and disclosure of information to independent auditors

In accordance with section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, Ernst & Young LLP ('EY') 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 elected to prepare 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on 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.

Directors' report (continued)

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

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

Ria Vavakis,
Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
18 March 2020

Registered Office:
1 London Wall Place
London EC2Y 5AU
Registered in England and Wales No 02334190

Independent auditors' report to the member of Schroder Investment Management North America Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Schroder Investment Management North America Limited (the 'Company') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 15, 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 ('IFRSs') as adopted by the European Union.

In our opinion , the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which 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.

Independent auditors' report to the member of Schroder Investment Management North America Limited (continued)

Other information

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

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.

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

Independent auditors' report to the member of Schroder Investment Management North America Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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
18 March 2020

Income statement

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	2	80,731	78,556
Cost of sales	3	(72,825)	(70,931)
Net operating revenue		**7,906**	**7,625**
Net gains on foreign exchange and finance income	4	6	172
Net income		**7,912**	**7,797**
Operating expenses	5	(418)	(383)
Profit before income tax		**7,494**	**7,414**
Income tax expense	6	(1,418)	(1,411)
Profit after tax		**6,076**	**6,003**

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit for the year	6,076	6,003
Total comprehensive income for the year, net of tax	**6,076**	**6,003**

Statement of financial position

31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Cash and cash equivalents	8	788	748
Trade and other receivables	9	20,192	14,716
Deferred tax	10	2	2
Total assets		**20,982**	**15,466**
Liabilities			
Trade and other payables	11	9,832	6,399
Current tax		1,420	1,413
Total liabilities		**11,252**	**7,812**
Net assets		**9,730**	**7,654**
Total equity		**9,730**	**7,654**

The notes on pages 14 to 24 form an integral part of the financial statements

The financial statements on pages 10 to 24 were approved by the Board of Directors on 18 March 2020 and were signed on its behalf by:

Paul Chislett P.J.Chislett
Director

Registered Number: 02334190

Statement of changes in equity

for the year ended 31 December 2019

	2019		
	Share capital[1]	**Retained earnings[2]**	**Total equity**
	£'000	**£'000**	**£'000**
At 1 January 2019	600	7,054	7,654
Total comprehensive income for the year, net of tax	-	6,076	6,076
Transactions with shareholder:			
Dividends	-	(4,000)	(4,000)
31 December 2019	**600**	**9,130**	**9,730**

	2018		
	Share capital[1]	Retained earnings[2]	Total equity
	£'000	£'000	£'000
At 1 January 2018	600	6,075	6,675
Restatement on adoption of IFRS 9	-	(24)	(24)
At 1 January 2018 (restated)	600	6,051	6,651
Total comprehensive income for the year, net of tax	-	6,003	6,003
Transactions with shareholder:			
Dividends	-	(5,000)	(5,000)
31 December 2018	**600**	**7,054**	**7,654**

[1]Share capital represents issued and fully paid ordinary shares at a par value of £1 each.
[2]Retained earnings represent accumulated comprehensive income for the year and prior periods together with transactions with shareholders.

Cash flow statement

for the year ended 31 December 2019

	Note	**2019 £'000**	2018 £'000
Operating activities			
Profit before income tax		7,494	7,414
Adjustments for statement of financial position movements:			
(Increase)/decrease in trade and other receivables		(5,476)	11,989
Increase/(decrease) in trade and other payables		3,433	(13,016)
Adjustments for which cash effects are investing activities:			
Interest received		(56)	(35)
Cash from operating activities		**5,395**	**6,352**
Tax paid		(1,411)	(1,313)
Net cash from operating activities		**3,984**	**5,039**
Investing activities			
Interest received		56	35
Net cash from investing activities		**56**	**35**
Financing activities			
Dividend paid		(4,000)	(5,000)
Net cash used in financing activities		**(4,000)**	**(5,000)**
Net increase in cash and cash equivalents		**40**	**74**
Opening cash and cash equivalents		748	674
Net increase in cash and cash equivalents		40	74
Closing cash and cash equivalents	8	**788**	**748**

Notes to the financial statements

for the year ended 31 December 2019

1. Presentation of the financial statements

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

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ('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.

The financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention, except for the measurement at fair value of derivative financial instruments and financial assets and financial liabilities that are held at fair value through profit or loss or financial assets that are available-for-sale.

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.

New accounting standards and interpretations

IFRIC 23 Uncertainty over Income Tax Treatments
On 7 June 2017, the IASB issued IFRIC 23 which became effective on 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.

The Company has complied with regulation 2 of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 by publishing the information in relation to the year ended 31 December 2018 on the Schroders Group Website before 31 December 2019. This is available at www.schroders.com/cbcr. The Company will publish the information in relation to the year ended 31 December 2019 on the Schroders Group Website before 31 December 2020. This will be available at www.schroders.com/cbcr.

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

Notes to the financial statements

for the year ended 31 December 2019

1. *Presentation of the financial statements (continued)*

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.

2. Revenue

The Company's primary source of revenue is fee income from investment management activities and includes fees that are paid away (see note 3). The fees are generally based on an agreed percentage of the valuation of the assets under management and are recognised as the service is provided and it is probable that the fee will be received.

Performance fees are earned from some clients when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised at the end of these performance periods, when a reliable estimate can be made and it is almost certain that it will be received.

Revenue comprises:

	2019	2018
	£'000	£'000
Management fees	75,499	73,866
Performance fees	5,232	4,690
Revenue	**80,731**	78,556

3. Cost of sales

Cost of sales principally comprises investment management fees payable to other Group companies, recognised over the period for which the service is provided.

Notes to the financial statements

for the year ended 31 December 2019

4. Net gains on foreign exchange and finance income

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

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

	2019	2018
	£'000	£'000
Net (losses)/gains on foreign exchange	(50)	137
Net finance income	56	35
Net gains on foreign exchange and finance income	**6**	172

5. Operating expenses

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

Operating expenses include:

	2019			2018		
	UK	**Singapore**	**Total**	UK	Singapore	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Fees payable for the audit of the Company	23	8	**31**	22	8	30
Fees payable for audit related assurance services	6	10	**16**	6	10	16
Audit and non-audit fees	**29**	**18**	**47**	28	18	46
Other operating expenses	276	95	**371**	262	75	337
Operating expenses	**305**	**113**	**418**	290	93	383

Directors' emoluments
The amounts set out in this note are in respect of 1 (2018: none) Director whose emoluments were charged either in part or in full to the Company during the year. This Director has a contract of service with and receives their emoluments from another Group company. A charge is made by that Group Company in respect of the services it provides to the Company. The emoluments of 3 (2018: 4) Directors employed by and paid for by another Group company are included in the financial statements of that entity.

Notes to the financial statements

for the year ended 31 December 2019

5. Operating expenses (continued)

Directors' emoluments (continued)

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.

	2019	2018
	£	£
Aggregate emoluments	209	-
Company pension contributions to the defined contribution scheme	7	-
	216	-

Retirement benefits have accrued to no (2018: none) Directors under a defined benefit scheme and to 1 (2018: none) Directors under a defined contribution pension scheme.

During the year, 1 (2018: none) Director became entitled to shares under the Group's Equity Compensation Plan, 1 (2018: no) Director became entitled to shares under the Group's Deferred Award Plan and no (2018: none) Directors became entitled to shares under the Group's Equity Incentive Plan.

6. Income tax expense

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

Deferred tax is calculated under the liability method as set out in note 10.

(a) Analysis of tax charge reported in the income statement

	2019	2018
	£'000	£'000
Current tax:		
Current year charge	1,420	1,413
Adjustments in respect of prior years	(2)	(3)
Total current tax charge for the year	**1,418**	1,410
Deferred tax charge:		
Origination and reversal of temporary differences	-	1
Tax charge reported in the income statement	**1,418**	1,411

Notes to the financial statements

for the year ended 31 December 2019

6. Income tax expense (continued)

(b) Factors affecting the tax charge for the year

The UK standard rate of corporation tax for 2019 is 19% (2018:19%).

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

The differences are explained below:

	2019	2018
	£'000	£'000
Profit before income tax	7,494	7,414
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2018: 19%)	1,424	1,409
Non-taxable income net of non-deductible expenses	(4)	5
Adjustments in respect of prior years	(2)	(3)
Total charge for the year	**1,418**	1,411

7. Dividends payable

Dividends payable are recognised when the dividend is paid or approved by shareholders, whichever is earlier.

	2019		2018	
	£'000	**Pence per share**	£'000	Pence per share
Interim dividend paid	**4,000**	**666.7**	5,000	833.3

Notes to the financial statements

for the year ended 31 December 2019

8. Cash and cash equivalents

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

The book value of cash and cash equivalents approximates their fair value.

	2019	2018
	£'000	£'000
Cash at bank	**788**	748

The Company has committed to maintain a separate account with at least 1,000,000 Singapore dollars within it to meet the regulatory capital requirements of its Singapore Branch. The Singapore Branch is licensed as a Capital Markets Services Fund Manager by the Monetary Authority of Singapore.

As part of the Group's process to manage surplus cash and investment returns effectively, surplus cash of £8,322,935 (2018: £7,885,422) was swept to a central bank account held by Schroder Financial Services Limited, a related party. These balances are shown in trade and other receivables within amounts owed by related parties.

9. Trade and other receivables

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

Impairments for specific bad and doubtful debts are made against receivables to reflect an assessment of irrecoverability and are deducted from the relevant assets. Such impairments are recorded within 'Operating expenses' in the income statement.

	2019	2018
	£'000	£'000
Financial assets:		
Amounts owed by related parties (see note 14)	19,989	14,487
Other debtors	152	178
Non-financial assets:		
Prepayments	51	51
Trade and other receivables	**20,192**	14,716

All trade and other receivables are current.

Trade and other receivables include interest bearing loans to other companies within the Group. The carrying amount of interest and non-interest bearing trade and other receivables approximate their fair value.

Gross carrying value for trade and other receivables is £20,210k (2018: £14,730k) and expected credit losses are £18k (2018: £14k). Expected credit losses as a percentage of gross carrying value is 0.09% (2018: 0.09%).

Notes to the financial statements

for the year ended 31 December 2019

10. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method, using a tax rate of 17% (2018: 17%) reflecting the rate expected to be applicable at the time the net deferred tax asset is realised.

The movement on the deferred tax account is as shown below:

	2019	2018
	£'000	£'000
At 1 January	2	3
Income statement expense - accelerated capital allowances	-	(1)
At 31 December	**2**	2

11. Trade and other payables

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

	2019	2018
	£'000	£'000
Financial liabilities:		
Amounts owed to related parties (see note 14)	9,782	6,349
Accruals and deferred income	50	50
Trade and other payables	**9,832**	6,399

All trade and other payables are current.

12. Financial 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 Governance section in the Schroders Report. Sensitivities are measured against market risk movements which the Group believes could reasonably occur within the next calendar year.

The Company's specific risk exposures are explained below.

Capital management

The Company holds capital required to meet the Company's regulatory and working capital requirements. The Financial Conduct Authority (FCA) oversees the activities of the Company and imposes minimum capital requirements. The Singapore branch has a Total Risk Requirement required by Singapore's Securities and Futures

Notes to the financial statements

for the year ended 31 December 2019

12. Financial risk management (continued)

(Financial and Margin Requirements for Holders of Capital Markets Services Licenses) Regulations. The policy of the Company is to hold sufficient capital to meet regulatory requirements, keep an appropriate standing with counterparties and meet working capital requirements. Where this is surplus to immediate working capital requirements it is managed by the Group Treasury function and may be distributed to the shareholder.

The Company is authorised and regulated by the FCA. Its last submitted capital resources were £3.6 million (December 2018: £1.7 million) and the minimum capital requirement was £2.1 million (December 2018: £1.6 million). The Company has complied at all times with all of the externally imposed regulatory capital requirements.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause the Company financial loss by failing to discharge an obligation. The Company has exposure to credit risk from its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due. The Company's counterparties are predominantly its related parties and therefore there is no credit risk exposure outside the Group on these balances. The balances are monitored regularly and historically, default levels have been nil. The Company does not have any receivables that are past due (2018: nil).

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 Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover normal operating requirements. Outside the normal course of business the Company can request to borrow through intra-Group loans to maintain sufficient liquidity. Liquidity in the Group's capital overall (and for each entity) is monitored on a regular basis.

Interest rate risk

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

The Company has interest bearing assets and liabilities which comprises of cash. The Company's cash balances are monitored by the Group's Treasury function.

At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower (2018: 100 basis points higher or 50 basis points lower) with all other variables held constant, it is estimated that the post-tax profit for the year would have been £55,000 higher / £37,000 lower (2018: £70,000 higher / £35,000 lower), mainly as a result of higher / lower interest received on intercompany and cash balances.

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.

Notes to the financial statements

for the year ended 31 December 2019

12. Financial risk management (continued)

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.

The Company's policy in relation to revenue and expenditure currency exposure is not to hedge as this is considered part of the business.

The Company has assets and liabilities denominated in US dollars. At 31 December 2019, if the US dollar had strengthened by 10% / weakened by 10% against sterling with all other variables held constant, it is estimated that the post-tax profit for the year would decrease by £12,000 / increase by £12,000. At 31 December 2018, if the US dollar had strengthened by 15% / weakened by 20% against sterling with all other variables held constant, it is estimated that the post-tax profit for the year would increase by £85,000 / decrease by £114,000.

Pricing risk

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

13. Share capital

Share capital represents the number of issued ordinary shares multiplied by their par value of £1 each.

	2019 Number	2018 Number	**2019 £'000**	2018 £'000
Issued and fully paid:				
Ordinary shares of £1 each	**600,000**	600,000	**600**	600

Notes to the financial statements

for the year ended 31 December 2019

14. Related party transactions

(a) Transactions between related parties

Transactions between the Company and related parties are disclosed below:

	Revenues £'000	Expenses £'000	Dividends paid £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
2019					
Parent	-	(69,924)	(4,000)		(9,496)
Other related companies within the Schroders Group	80,829	(3,721)	-	19,989	(286)
2018					
Parent		(67,145)	(5,000)		(5,904)
Other related companies within the Schroders Group	78,738	(4,550)	-	14,487	(445)

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

(b) Key management personnel compensation

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

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

	2019 £	2018 £
Short-term individual benefits	232	-
Share-based payments	34	-
Other long-term benefits	37	-
Post-employment benefits	7	-
	310	-

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15. Related undertakings

(a) Ultimate and immediate parent company

The Company's immediate parent company is Schroder Investment Management 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.

(b) Related undertakings arising from the Company's interest in a structured entity

It is possible for the Company to have a significant holding of more than 50 per cent. that meets the definition of a subsidiary under Companies Act 2006, without that undertaking being classified as a subsidiary under IFRS.

Furthermore due to the number of share classes or unit classes which can exist in these vehicles, a significant holding in a single share class or unit class is possible, without that undertaking being classified as a subsidiary under Companies Act 2006.

At 31 December 2019 the Company had a significant holding in the following fund:

Fund Name	Share / unit class	Holding in undertaking share / unit class	Total holding in undertaking via share / unit class
Cayman Islands[1]			
Schroder Advanced ILS Fund (Cayman) Limited	Management shares	100%	0%

Registered offices:
[1] Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands