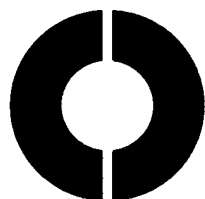


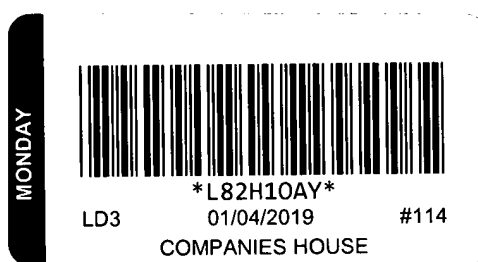
Schroders



Annual Report and Accounts 2018

**Schroder International
Holdings Limited**

Year Ended 31 December 2018



Registered Number: 00637347

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Officers and professional advisers

Directors

Tim McCann
Wayne Mepham
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 Strategic report on Schroder International Holdings Limited (the 'Company') for the year ended 31 December 2018.

Results and review of the business

The profit after tax for the year was £393.5 million (2017: £277.0 million).

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 Schroders plc Group ('the Group') including associates and joint ventures.

During the year the Company injected additional capital into Schroder Canada Investments Inc.. The Company approved a share cancellation from Schroder Pension Management Limited which was settled in cash. Finally, the Company sold its holding in Schroder Holdings (Bermuda) Limited for cash.

During the year the Company's net assets have increased by £1.5 million to £523.7 million in 2018 (2017: £522.2 million).

The Company's investment and operational principles are expected to remain unchanged in 2019 as the business continues.

The Directors consider the results and the Company's financial position at 31 December 2018 to be satisfactory.

On 29 March 2017, the British government invoked Article 50 beginning the two year countdown to the United Kingdom withdrawing from the European Union. Negotiations continue but much uncertainty remains and there are a range of possible outcomes and timeframes for many aspects of the UK's exit. The Group is well positioned to manage the challenges that may arise as a result of Brexit. 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.

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 plc Annual Report and Accounts for the year ended 31 December 2018 (the '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 on its behalf by:



Matthew Buckland, Authorised signatory
For and on behalf of
Schroder Corporate Services Limited
Company Secretary
28 March 2019

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2018. 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 the Directors declared interim dividends totalling £392.0 million in respect of the year ended 31 December 2018 (2017: £274.0 million) which was paid to the member of the Company on 28 November 2018.

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 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 13 to the financial statements. The Schroders Report does not form part of this report.

Going concern

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

Directors

The Directors of the Company who have served during the year and up to the date of signing are listed on page one.

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 year.

Directors' report (continued)

Independent Auditors and disclosure of information to independent Auditors

During the year, 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 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
28 March 2019

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No. 00637347

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

Opinion

We have audited the financial statements of Schroder International Holdings Limited (the 'Company') for the year ended 31 December 2018 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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 International Holdings Limited (continued)

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report


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


Julian Young (Senior statutory auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date:



Income statement

for the year ended 31 December 2018

		2018 £'000	2017 £'000
	Notes		
Dividends from subsidiary, associate and joint venture undertakings		402,329	277,472
Net (losses) / gains on financial instruments and other income	3	(5,070)	2,619
Net Income		397,259	280,091
Operating expenses	3	(618)	(365)
Impairment of and net losses on disposal of, investments in subsidiaries and joint ventures	3	(1,820)	(2,310)
Profit before tax		394,821	277,416
Tax charge	4	(1,305)	(394)
Profit for the year		393,516	277,022

Statement of comprehensive income

for the year ended 31 December 2018


	2018 £'000	2017 £'000
Profit for the year	393,516	277,022
Total comprehensive income for the year, net of tax	393,516	277,022

Statement of financial position

as at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Cash and cash equivalents	6	2	3
Trade and other receivables	7	47,156	10,472
Financial assets	8	540	401
Investments in subsidiaries, associates and joint ventures	9	541,380	547,516
Total assets		589,078	558,392
Liabilities			
Trade and other payables	10	64,533	35,987
Financial liabilities	11	-	16
Current tax		846	197
Total liabilities		65,379	36,200
Net assets		523,699	522,192
Total equity		523,699	522,192

The financial statements on pages 7 to 34 were approved by the Board of Directors on 28 March 2019 and were signed on its behalf by:



Wayne Mepham
Director
28 March 2019

Registration number: 00637347

Statement of changes in equity

for the year ended 31 December 2018

	Share ¹ capital £'000	Profit and ² loss reserve £'000	Total equity £'000
At 1 January 2018	425,500	96,692	522,192
Restatement on adoption of IFRS 9	-	(9)	(9)
At 1 January 2018 (restated)	425,500	96,683	522,183
Profit for the year	-	393,516	393,516
Total comprehensive income for the year, net of tax	-	393,516	393,516
Dividends paid	-	(392,000)	(392,000)
Transactions with shareholders	-	(392,000)	(392,000)
At 31 December 2018	425,500	98,199	523,699

	Share ¹ capital £'000	Profit and ² loss reserve £'000	Total equity £'000
At 1 January 2017	187,500	93,670	281,170
Profit for the year	-	277,022	277,022
Total comprehensive income for the year, net of tax	-	277,022	277,022
Issued share capital	238,000	-	238,000
Dividends paid	-	(274,000)	(274,000)
Transactions with shareholders	238,000	(274,000)	(36,000)
At 31 December 2017	425,500	96,692	522,192

¹ Share capital represents issued and fully paid ordinary shares at a par value of £1 each. See note 14 to the financial statements.

² The profit and loss reserve represents the profit or loss for the year together with transactions with shareholders.

Cash flow statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Operating activities			
Profit before tax		394,821	277,416
Decrease / (Increase) in trade and other receivables		2,310	(242)
Increase / (Decrease) in trade and other payables		28,410	(15,810)
Adjustment for impairment on subsidiaries / non cash losses		1,820	2,310
Net gain on financial assets and financial liabilities held at fair value through profit or loss		(155)	(483)
Adjustment for expected credit loss		(9)	-
Net interest adjustment to profit before tax		(1,693)	(604)
Cash from operating activities		425,504	262,587
Amounts received in respect of group tax relief		206	849
Net cash from operating activities		425,710	263,436
Investing activities			
Additions in subsidiaries		(1,689)	(317)
Disposals in subsidiaries and joint ventures		6,005	10,291
Loans issued		(38,637)	(27)
Interest received		1,621	843
Net cash (used in) / generated from investing activities		(32,700)	10,790
Financing activities			
Dividend paid		(392,000)	(274,000)
Interest paid		(1,011)	(226)
Net cash used in financing activities		(393,011)	(274,226)
Net decrease in cash and cash equivalents		(1)	-
Opening cash and cash equivalents		3	3
Net decrease in cash and cash equivalents		(1)	-
Closing cash and cash equivalents	6	2	3

Notes to the financial statements

for the year ended 31 December 2018

1. Presentation of financial statements

Financial information for the year ended 31 December 2018 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.

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 at fair value through profit or loss.

The Company is a wholly-owned 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.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurements; impairment; and hedge accounting.

The Company has initially applied IFRS 9 from 1 January 2018. Due to the transition methods chosen by the Company in applying the new standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard. The Company has applied IFRS 9 retrospectively, with the cumulative effect of initially applying the standard as an adjustment for expected credit loss to the opening balance of retained earnings.

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

The only standard or interpretation relevant to the Company that had been issued but not yet adopted at the year end was; IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. The Company has assessed the impact of IFRIC 23 and does not expect it to have a material impact when it becomes effective on 1 January 2019.

2. Estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 8, 'Financial assets', note 9, 'Investments in subsidiaries, associates and joint ventures' and note 13, 'Financial instrument risk management'.

Notes to the financial statements

for the year ended 31 December 2018

3. Revenues and expenses

Dividends

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

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

Net (losses)/gains on investments held at fair value through profit or loss, together with transaction costs, are recognised within 'net (losses)/gains on financial instruments and other income' in the income statement.

Finance charges and 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 is recognised using the effective interest method and is recorded within 'Net (losses)/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.

Operating expenses

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

	2018 £'000	2017 £'000
Net (losses) / gains on financial instruments and other income:		
Net (losses) / gains on financial assets and liabilities held at fair value through profit or loss	(3,900)	3,207
Net losses on foreign exchange ¹	(2,863)	(1,192)
Finance income	2,840	841
Finance charges	(1,147)	(237)
Net (losses) / gains on financial instruments and other income	(5,070)	2,619

Included in operating expenses:

Audit fees payable for the audit of the company	25	23
	25	23

Impairment of and net losses on disposal of, investments in subsidiaries and joint ventures:

Impairment of investments in subsidiaries	(1,820)	(1,867)
Net (losses)/gains on disposal of subsidiaries and joint ventures	-	(443)
Impairment of and net losses on disposal of, investments in subsidiaries and joint ventures	(1,820)	(2,310)

¹ Excludes foreign exchange on forward exchange contracts. Such gains or losses are included in net gains on financial assets and liabilities held at fair value through profit or loss.

Notes to the financial statements

for the year ended 31 December 2018

3. Revenue and expenses (continued)

Directors' emoluments

The amounts set out below are in respect of one (2017: two) Director whose emoluments were charged either in part or in full to the Company during the year. The Director has a contract of service with and receive 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 three (2017: two) Directors employed by and paid for by another Group company are included in the financial statements of that entity. Their emoluments are deemed to be wholly attributable to their services to that company. These Directors therefore receive no incremental emoluments for their services to the Company.

	2018 £'000	2017 £'000
Aggregate emoluments	3	8
Total emoluments	3	8

In addition to the emoluments detailed, deferred amounts conditionally receivable by current Directors were £200 (2017: £1,000).

Retirement benefits have accrued to no (2017: none) Directors under a defined benefit scheme and to no (2017: one) Directors under a defined contribution pension scheme.

During the year, one (2017: two) Director became entitled to shares under the Group's Equity Compensation Plan and one (2017: two) Director became entitled to shares under the Group's Equity Incentive Plan. No Directors became entitled to shares under the Long Term Incentive Plan (2017: one).

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:

	2018 £'000	2017 £'000
Short-term individual benefits	3	9
Share-based payments	1	1
Other long-term benefits	-	1
	4	11

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £31,000 (2017: £24,000) and net interest and fee income of £7,000 (2017: £8,000).

Notes to the financial statements

for the year ended 31 December 2018

4. Tax charge / (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 charge in year

Major components of the income tax charge for the years ended 31 December 2018 and 31 December 2017:

	2018 £'000	2017 £'000
Current tax:		
Current tax	306	(138)
Withholding tax	540	433
Adjustments in respect of prior years	459	99
Total tax charge for the year	1,305	394

(b) Factors affecting the tax charge for the year

The UK standard rate of corporation is 19% (2017: effective tax rate of 19.25%).

The tax charge for the year is lower (2017: lower) than the UK standard rate of corporation tax for the period of 19% (2017: 19.25%).

The differences are explained below:

	2018 £'000	2017 £'000
Profit before tax	394,821	277,416
Profit before tax multiplied by corporation tax at the UK effective rate of 19% (2017: 19.25%).	75,016	53,402
Effects of:		
Non-taxable income net of disallowable expenses	1,733	(127)
Non-taxable dividend income	(76,443)	(53,413)
Adjustments in respect of prior years	459	99
Withholding tax on overseas dividends	540	433
Total tax charge for the year	1,305	394

5. Dividends

Dividends on ordinary shares payable are recognised when the dividend is paid or approved by the Board of Directors.

	2018		2017	
	£'000	Pence per share	£'000	Pence per share
Interim dividend paid	392,000	92.13	274,000	64.39

Notes to the financial statements

for the year ended 31 December 2018

6. Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank.

	2018	2017
	£'000	£'000
Cash at bank	2	3

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

7. Trade and other receivables

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

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

Current	2018	2017
	£'000	£'000
Amounts owed by related parties (see note 15)	1,212	3,166
Loans owed by related parties (see note 15)	45,890	7,253
	47,102	10,419
Non-Current		
Loans owed by external parties ¹	54	53
	54	53
Total trade and other receivables	47,156	10,472

¹ The loan is expected to be repaid in more than five years time.

Gross carrying value for trade and other receivables is £47,194,000 (1 January 2018: £10,472,000) and expected credit losses determined in accordance with IFRS 9, are £38,000 (1 January 2018: £9,000). Note 13 sets out the basis of the expected credit loss calculation.

8. Financial assets

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

- Trade and other receivables
- Cash and cash equivalents;
- Trade and other payables; and
- Investment in subsidiaries, associates and joint ventures.

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

Notes to the financial statements

for the year ended 31 December 2018

8. Financial assets (continued)

Classification and measurement

On 1 January 2018, the Company adopted IFRS 9 'Financial Instruments' (IFRS 9). IFRS 9 replaces the classification and measurement models previously contained in IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39). The classification and measurement of financial assets at 31 December 2018 is in accordance with IFRS 9 and the classification and measurement of financial assets at 31 December 2017 is in accordance with IAS 39 as the Company has not restated comparative information.

The Company initially records all financial assets at fair value. Under IFRS 9 the Company holds each financial asset either at fair value ('fair value through profit or loss' or 'fair value through other comprehensive income') or at amortised cost. Under IAS 39 the Company holds each financial asset either at fair value ('fair value through profit or loss' or 'available-for-sale') or at amortised cost ('held to maturity' or 'loans and receivables').

No changes were required to the classification or measurement as a result of the implementation of IFRS 9.

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.

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.

	2018	
	Fair value through profit or loss £'000	Total £'000
Current financial assets:		
Derivative contracts (see note 12)	540	540
Financial assets	540	540

	2017	
	Fair value through profit or loss £'000	Total £'000
Current financial assets:		
Derivative contracts (see note 12)	401	401
Financial assets	401	401

Notes to the financial statements

for the year ended 31 December 2018

8. Financial assets (continued)

Estimate and judgements - 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 estimation or may be derived from readily available sources. The degree of estimation involved is reflected 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. The Company's level 2 financial instruments principally comprise foreign exchange contracts. Valuation techniques may include using a broker quote in an inactive market or an evaluated price based on a compilation of primarily observable market information utilising 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.

	2018
	Level 2
	£'000
Financial assets:	
Derivative contracts	540
	540

	2017
	Level 2
	£'000
Financial assets:	
Derivative contracts	401
	401

No financial assets were transferred between levels during 2018 or 2017. No financial assets were classified as level 1 or 3 during the year (2017: nil).

Notes to the financial statements

for the year ended 31 December 2018

8. Financial assets (continued)

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

9. Investments in subsidiaries, associates and joint ventures

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 underlying 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.

Joint ventures

Joint ventures comprise those undertakings where there is contractually agreed sharing of control over the financial and operating policy decisions of the investee requiring unanimous consent. Investments in joint ventures are stated at cost less, where appropriate, provisions for impairment.

Estimates and judgements

At 31 December 2018, 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.

During the year there was a restructure of group companies to better align their operational characteristics within the Schroders group structure. The following transactions were made during the year:

Acquisitions

- The Company made a capital injection into Schroder Canada Investments Inc. during the year.

Disposals/Impairments

- Schroder Pension Management Limited undertook part share cancellations during the year, which was settled in cash.
- The disposal of Schroder Holdings (Bermuda) Limited to Schroders (Bermuda) Limited was performed at the carrying value of Schroder Holdings (Bermuda) Limited, by means of a cash transfer.
- Schroder India Private Limited began liquidation resulting in a partial return of capital.
- Schroder Investment Management Brasil Ltda was considered to be impaired and written down to £1.
- SREIM Luxembourg was considered to be impaired and written down to its net asset value.

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Movements in investments in subsidiaries, associates and joint ventures are set out below.

	Investments in subsidiaries £'000	Investments in associates and joint ventures £'000	Total £'000
At 1 January 2018	527,514	20,002	547,516
Additions	1,689	-	1,689
Disposals	(6,005)	-	(6,005)
Impairments of investments in subsidiaries	(1,820)	-	(1,820)
At 31 December 2018	521,378	20,002	541,380

	Investments in subsidiaries £'000	Investments in associates and joint ventures £'000	Total £'000
At 1 January 2017	301,799	20,002	321,801
Additions	241,487	-	241,487
Disposals	(13,905)	-	(13,905)
Impairments of investments in subsidiaries	(1,867)	-	(1,867)
At 31 December 2017	527,514	20,002	547,516

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

During the year, the Company made the following additions, disposals and impairments to/from the capital of its subsidiary, associate and joint venture undertakings:

	Additions		Disposals / Impairments	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Schroder AIDA SAS	-	308	-	-
Schroder Holdings (Bermuda) Limited*	-	-	-	-
Schroder India Private Limited	-	-	(5)	-
Schroder (Bermuda) Limited	-	3,170	-	-
Schroder Canada Investments Inc	1,689	-	-	-
Columbus UK Founder GP Limited**	-	-	-	-
Columbus UK GP Limited**	-	-	-	-
Schroder Investment Consulting Company Limited	-	-	-	(4,239)
SREIM Luxembourg	-	-	(553)	-
SITCO Nominees Limited	-	9	-	-
Schroder Investment Management (Hong Kong) Limited***	-	-	-	(6,283)
Schroder Investment Management Brasil Ltda	-	-	(1,267)	(1,867)
Schroder Pension Management Limited***	-	-	(6,000)	-
Schroders Australia Holdings (Pty) Limited***	-	-	-	(3,383)
Schroder Investment Management Limited	-	238,000	-	-
Additions / (disposals) in investment in subsidiaries	1,689	241,487	(7,825)	(15,772)
Additions / (disposals) of investments in subsidiaries, associates and joint ventures	1,689	241,487	(7,825)	(15,772)

*Company was liquidated during year and share capital of £1 returned.

**Companies were liquidated in 2017 and share capital of £2 returned.

***Share cancellations

Related Undertakings

The Group operates globally which results in the Company having a corporate structure consisting of a number of related undertakings, comprising subsidiaries, joint ventures and associates. A full list of these undertakings, the country of incorporation (which in all cases is the principal place of business), the registered office, classes of shares held and the effective percentage of equity owned at 31 December 2018 is disclosed below.

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Related Undertakings (continued)

Additionally, related undertakings include where the Company has a significant holding of a 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 can give rise to these holdings.

The Company has utilised the exemption conferred by regulation 7 of the Partnership (Accounts) Regulations 2008 to not append copies of qualifying partnership accounts to the accounts of any UK subsidiary.

(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
United Kingdom			
Schroder Investment Management Limited ^a	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Schroder Investment Management North America Limited	Ordinary	100%	
Schroder Pension Management Limited ^a	Ordinary	100%	
Schroder Real Estate Investment Management Limited	Ordinary	100%	
Schroder Unit Trusts Limited ^a	Ordinary	100%	
Argentina			
Schroder Investment Management S.A.	Ordinary	95%	Ing.Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
Australia			
Schroder Investment Management Australia Limited ^a	Convertible Preference shares	100%	Level 20, Angel Place, 123 Pitt Street, Sydney, NSW 2000, Australia
Bermuda			
Schroders (Bermuda) Limited ^a	Ordinary	100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke, HM 08, Bermuda
Brazil			
Schroder Investment Management Brasil Ltda. ^a	Ordinary	100%	100 Joaquim Floriano, 14th Floor Suite 142, Itaim Bibi, Sao Paulo, Sao Paulo, 04534000, Brazil
Canada			
Schroder Canada Inc.	Ordinary	100%	7 Bryant Park, New York, New York, 10018-3706, USA
France			
Schroder AIDA SAS ^a	Ordinary	70%	8-10 rue Lamennais, 75008, Paris, France
Germany			
Schroder Investment Management GmbH	Capital	100%	Taunustor 1, 60310, Frankfurt, Germany
Schroder Real Estate Investment Management GmbH	Ordinary	100%	
Schroder Real Estate Kapitalhaltungsgesellschaft mbH	Ordinary	100%	

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Principal subsidiaries (continued)

Hong Kong

Schroder Investment Management (Hong Kong) Limited ^a	Ordinary	100%	Level 33, Two Pacific Place, 88 Queensway, Hong Kong
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Indonesia

PT Schroder Investment Management Indonesia	Ordinary	99%	30th Floor, Indonesia Stock Exchange Building, Tower 1, Jl Jendral Sudirman Kav 52-53, Jakarta, 12190, Indonesia
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Ireland

Schroder Investment Management (Ireland) Limited ^a	Ordinary	100%	George's Court, 54-62 Townsend Street, Dublin 2, Ireland
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Italy

Schroders Italy SIM S.p.A.	Ordinary	100%	Via Della Spiga, 30-20121 Milan, Italy
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Japan

Schroder Investment Management (Japan) Limited ^a	Ordinary	100%	8-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo, 100-0005, Japan
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Jersey

Schroder Real Estate Managers (Jersey) Limited ^a	Ordinary	100%	40 Esplanade, St Helier, Jersey, JE4 9WB, Channel Islands
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Luxembourg

Schroder Investment Management (Europe) S.A.	Ordinary	100%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
Schroder Real Estate Investment Management (Luxembourg) S.à.r.l. ^a	Ordinary	100%	

Mexico

Consultora Schroders, S.A. de C.V. ^{de}	Series A & B	99%	Montes Urales 760 Desp. 101, Col. Lomas de Chapultepec, Mexico, DF, 11000, Mexico
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Singapore

Schroder Investment Management (Singapore) Limited ^a	Ordinary	100%	138 Market Street, #23-02, CapitaGreen, Singapore, 048946, Singapore
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South Korea

Schroders Korea Limited	Ordinary	100%	26th fl., 136, Sejong-daero, Jung-gu, Seoul 100-768, Korea
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Switzerland

Schroder Investment Management (Switzerland) AG ^a	Ordinary	100%	Central 2, 8001 Zurich, Switzerland
Secquaero Advisors AG ^a	Ordinary	50%	

Taiwan

Schroder Investment Management (Taiwan) Limited ^a	Ordinary	100%	9/F, 108 Sec.5, Hsin-Yi Road, Hsin-Yi District, Taipei 11047, Taiwan
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United States

Schroder Fund Advisors LLC	Common	100%	7 Bryant Park, New York, New York, 10018, USA
Schroder Investment Management North America Inc	Common	100%	
Schroder US Holdings Inc. ^a	Common	100%	National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware, 19904, USA

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

(a) Related undertakings arising from the Company's corporate structure (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), joint ventures and associates. The financial year end of joint ventures is coterminous with the Company. In all cases, the management of joint ventures is based upon joint voting rights under a Shareholder Agreement.

Fully owned subsidiaries

Name	Share class	%	Address
United Kingdom			
Croydon Gateway Nominee 1 Limited	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
Croydon Gateway Nominee 2 Limited	Ordinary	100%	
Schroder Nominees Limited ^b	Ordinary	100%	
The Lexicon Management Company Limited	Ordinary	100%	
Australia			
Schroder Australia Holdings Pty Limited ^a	Ordinary	100%	Level 20, Angel Place, 123 Pitt Street, Sydney NSW 2000, Australia
Bermuda			
Schroder General Partner (Bermuda) Limited ^a	Ordinary	100%	Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke
Schroder Management Company (Bermuda) Limited ^a	Ordinary	100%	HM 08, Bermuda
SITCO Nominees Limited ^a	Ordinary	100%	
Canada			
Schroder Canada Investments Inc. ^a	Common	100%	c/o Cidel Financial Group, 60 Bloor Street West, 9th Floor, Toronto ON M4W 3B8, Canada
Chile			
Schroders Chile SpA ^a	Ordinary	100%	Avenida Cerro El Plomo 5420 Oficina 1104, Les Condes, Santiago, Chile
China			
Schroder Investment Management (Shanghai) Co. Ltd.	Ordinary	100%	Unit 1101, 11/F, Shanghai IFC Phase 1 (HSBC Building), No. 8 Century Avenue, Pudong, Shanghai, 200120, China
France			
Schroder Real Estate Investment Management (France) ^a	Ordinary	100%	8-10 rue Lamennais, 75008, Paris, France
Germany			
Blitz 06-953 GmbH	Ordinary	100%	Taunustor 1, 60310, Frankfurt, Germany
Real Neunzehnte Verwaltungsgesellschaft mbH	Ordinary	100%	
Schroder Eurologistik Fonds Verwaltungs GmbH	Ordinary	100%	
Schroder Holdings (Deutschland) GmbH ^a	Common	100%	
Schroder Italien Fonds Verwaltungs GmbH	Ordinary	100%	
SPRIM Holdings GmbH	Ordinary	100%	
Guernsey			
Schroder Investment Management (Guernsey) Limited ^a	Ordinary	99%	PO Box 334, Regency Court, Gategny Esplanade, St Peter Port, Guernsey, GY1 3UF, Channel Islands
Secquaero Re (Guernsey) ICC Ltd ^a	Ordinary	100%	Maison Trinity, Trinity Square, St Peter Port, Guernsey, GY1 4AT, Channel Islands

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Fully owned subsidiaries (continued)

Hong Kong

Schroders Asia Nominees Limited	Ordinary	100%	Level 33, Two Pacific Place, 88 Queensway,
S & C Nominees Limited	Ordinary	100%	Hong Kong, Hong Kong

Jersey

Croydon Gateway GP Limited ^a	Ordinary	100%	40 Esplanade, St Helier, Jersey, JE2 9WB, Channel Islands
Croydon Gateway Investments Limited	Ordinary	100%	
Income Plus Real Estate Debt GP Limited	Ordinary	100%	

Netherlands

Schroder International Finance B.V. ^a	Ordinary	100%	1 London Wall Place, London, EC2Y 5AU, England
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Singapore

Schroder Singapore Holdings Private Limited	Ordinary	100%	138 Market Street, #23-02, CapitaGreen, Singapore,
SIMBL Nominees Private Limited ^a	Ordinary	100%	048946, Singapore

United States

Schroders Incorporated	Common	100%	9 East Loockerman Street, Dover, Delaware, 19901, USA
Schroder Venture Managers Inc.	Common	100%	7 Bryant Park, New York, New York, 10018, USA

Subsidiaries where the effective interest is less than 100%

United Kingdom

Residential Land Development (GP) LLP	Ordinary	33%	1 London Wall Place, London, EC2Y 5AU, England
Schroder Infra Debt GP LLP ^a	Ordinary	50%	

Argentina

Schroder S.A. Sociedad Gerente de Fondos Comunes de Inversion ^a	Ordinary	95%	Ing. Enrique Butty 220, Piso 12, Buenos Aires, C1001AFB, Argentina
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France

Schroders IDF IV UP	Ordinary	70%	8-10 rue Lamennais, 75008, Paris, France
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Germany

CM Komplementar 06-379 GmbH & Co KG	Ordinary	95%	Taunustor 1, 60310, Frankfurt, Germany
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Guernsey

SQ ReVita I Limited ^d	Ordinary	50%	PO Box 334, Regency Court, Gategny Esplanade St Peter Port, Guernsey, GY1 3QL, Channel Islands
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Luxembourg

Schroder Property Services B.V.	Ordinary	70%	5 rue Höhenhof, L-1736 Senningerberg, Luxembourg
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Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Associates and joint ventures

United Kingdom

RWC Partners Limited ^{a,b}	Ordinary	41%	Verde 4th Floor, 10 Bressenden Place, London, SW1E 5DH, England
Nippon Life Schroders Asset Management Europe Limited ^{a,b}	Ordinary	33%	1 London Wall Place, London, EC2Y 5AU, England

China

Bank of Communications Schroder Fund Management Company Limited	Ordinary	30%	2nd Floor Bank of Communications Tower, 188 Middle Yincheng Road, Pudong New Area, Shanghai, 200120, China
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India

Axis Asset Management Company Limited ^e	Ordinary	25%	1st Floor, Axis House C-2 Wadia International Centre
Axis Mutual Fund Trustee Limited	Ordinary	25%	Pandurang Budhkar Marg Worli-Mumbai 400025 India

Jersey

Bracknell General Partner Limited ^c	Ordinary	50%	40 Esplanade St Helier, JE4 9WB, Jersey
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Singapore

Nippon Life Global Investors Singapore Limited	Ordinary	33%	138 Market Street, #22-03, CapitaGreen, Singapore, 048946, Singapore
Planar Investments Private Limited	Ordinary	20%	1 Phillip Street, #03-02 Royal One Phillip, 048692, Singapore

United States

A10 Capital Parent Company LLC	Common	20%	1209 Orange Street, Wilmington, Delaware, 19801, USA
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^a Held directly by the Company

^b The Company holds ordinary B shares

^c The Company holds ordinary A shares

^d Owned through Secquaero Advisors AG

^e Financial year end 31 March

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

(c) Related undertakings arising from the Company's interests in structured entities

The Company's related undertakings also include funds in which it holds investments. These include fully and partially owned funds which are classified as subsidiaries. Additionally, 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 or associate. Additionally, the registered office for each structured entity is listed on page 28.

Fully owned subsidiaries

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
United Kingdom			
Schroder Flexible Retirement Benefit Fund	X Accumulation	100%	100%
Canada			
Schroder MyRetirement 2015 Fund	-	100%	100%
Schroder MyRetirement 2020 Fund	-	100%	100%
Schroder MyRetirement 2025 Fund	-	100%	100%
Schroder MyRetirement 2030 Fund	-	100%	100%
Schroder MyRetirement 2035 Fund	-	100%	100%
Schroder MyRetirement 2040 Fund	-	100%	100%
Schroder MyRetirement 2045 Fund	-	100%	100%
Schroder MyRetirement 2050 Fund	-	100%	100%
Schroder MyRetirement 2055 Fund	-	100%	100%
Schroder MyRetirement 2060 Fund	-	100%	100%
Schroder Target Date Transition Fund	-	100%	100%
Luxembourg			
Schroder Property FCP-FIS - Schroder Property German Residential Fund	B	100%	100%

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
United Kingdom			
Schroder Advanced Beta Global Equity Small and Mid Cap Fund	X Accumulation	86%	44%
Schroder Advanced Beta Global Equity Value Fund	X Accumulation	50%	50%
Schroder Diversified Growth Fund	I Accumulation	96%	96%
Schroder Dynamic Multi-Asset Fund	Z Accumulation	61%	53%
Schroder Global Emerging Markets Fund	A Accumulation	66%	47%
Schroder Long Dated Corporate Bond Fund	I Accumulation	76%	47%
Schroder Multi-Asset Total Return Fund	X Accumulation	51%	33%
Schroder QEP Global Active Value Fund	I Accumulation	92%	39%
Schroder QEP Global Emerging Markets Fund	I Accumulation	93%	27%
Schroder QEP Global Emerging Markets Fund	X Accumulation	89%	62%
Schroder Responsible Value UK Equity Fund	I Accumulation	91%	75%
Schroder Sustainable Multi-Factor Equity Fund	X Accumulation	70%	70%
Luxembourg			
Schroder ISF European Large Cap	I Accumulation	67%	51%
Schroder Alternative Solutions Asian Long Term Value Fund	I Accumulation	83%	81%

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

Subsidiaries where the ownership is less than 100%

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
United States			
Hartford Schroders Tax-Aware Bond ETF	I Distribution	46%	46%
Schroder Emerging Markets Small Cap Fund	Investor	98%	1%
Schroder Emerging Markets Small Cap Fund	R6 Distribution	94%	93%
Schroder Short Duration Bond Fund	Investor	100%	1%
Schroder Short Duration Bond Fund	R6 Distribution	98%	97%

Associates – held at fair value

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
United Kingdom			
Schroder Global Multi-Factor Equity Fund	I Accumulation	58%	37%
United States			
Schroder Absolute Return Emerging Markets Debt Portfolio LP	I Distribution	22%	22%

Significant holdings in structured entities not classified as subsidiaries or associates

Fund Name	Share/unit class	Holding in undertaking share/unit class	Total Holding in undertaking via share/unit class
United Kingdom			
Schroder Advanced Beta Global Corporate Bond Fund	X Accumulation	29%	11%
Schroder Advanced Beta Global Sovereign Bond Fund	X Accumulation	49%	19%
Schroder All Maturities Corporate Bond Fund	I Accumulation	50%	17%
Schroder European Fund	I Income	36%	3%
Schroder Global Equity Fund	I Accumulation	47%	19%
Schroder Institutional Developing Market Fund	B Income	95%	11%
Schroder Institutional Pacific Fund	I Accumulation	39%	13%
Schroder Institutional UK Smaller Companies Fund	X Income	27%	13%
Schroder QEP Global Core Fund	I Accumulation	36%	9%
Schroder QEP Global Core Fund	X Accumulation	22%	4%
Schroder Sterling Broad Market Bond Fund	I Accumulation	70%	8%
Schroder UK Mid 250 Fund	L Accumulation	38%	6%
Cayman Islands			
Musashi Smart Premia Fund (Exclusively for Qualified Institutional Investors with Re-sale Restriction for the Japanese Investors)	B	100%	1%
Schroder Advanced ILS Fund (Cayman) Limited	Management shares	100%	0%
Luxembourg			
Schroder ISF China A	I Accumulation	36%	17%
Schroder ISF Global Corporate Bond	I Accumulation	28%	7%
Schroder ISF Emerging Markets Debt Absolute Return	I Accumulation	32%	9%
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)	B	100%	1%
Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)	B	100%	3%

Notes to the financial statements

for the year ended 31 December 2018

9. Investments in subsidiaries, associates and joint ventures (continued)

(d) Registered offices of related undertakings arising from the Company's interests in structured entities listed on pages 26 and 27.

United Kingdom

1 London Wall Place, London, EC2Y 5AU, United Kingdom

Canada

30 Adelaide Street, East Suite 1100, Toronto, Ontario M5C 3G6, Canada

Cayman Islands

Maples Corporate Services Limited, Ugland House, PO Box 309, Grand Cayman, KY11-1104, Cayman Islands

Luxembourg

The registered office for the Luxembourg related undertakings is 5 rue Höhenhof, L-1736 Senningerberg, Luxembourg, except for the following:

The registered office for the following related undertakings is 8, d'Esch, L-1470 Luxembourg:

Schroder Property FCP-FIS – Schroder Property German Residential Fund

Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (A)

Schroder Property FCP-FIS – Schroder Property EuroLogistics Fund No.1 (B)

United States

The registered office for United States related undertakings is 7 Bryant Park, New York, New York, 10018-3706, USA, except for following:

The registered office for the Hartford Tax-Aware Bond ETF is 690 Lee Road, Wayne, Pennsylvania, 19087, USA.

Notes to the financial statements

for the year ended 31 December 2018

10. 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.

	2018 £'000	2017 £'000
Accruals	573	83
Amounts owed to related parties (see note 15)	63,960	35,904
	64,533	35,987

11. Financial liabilities

Financial liabilities are held at fair value through profit or loss and held for trading. Gains and losses on derivative contracts are recognised within net losses on financial instruments in the Income statement.

	2018 £'000	2017 £'000
Derivative contracts (see note 12)	-	16
Financial liabilities	-	16

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 8.

	2018 Level 2 £'000
Financial liabilities:	
Derivative contracts	-
	-

	2017 Level 2 £'000
Financial liabilities:	
Derivative contracts	16
	16

Notes to the financial statements

for the year ended 31 December 2018

12. 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 year end are current.

Where derivatives are held for risk management purposes, the Company formally documents 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 the 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. 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 receive or pay amounts based on changes in currency rates or to buy or sell foreign currency or a financial instrument on a future date at a specified price. For currency forward contracts, the maximum exposure to credit risk is represented by the fair value of the contracts.

	Assets £'000	Liabilities £'000
2018		
Forward foreign exchange contracts	540	-
	540	-

	Assets £'000	Liabilities £'000
2017		
Forward foreign exchange contracts	401	16
	401	16

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the 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.

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13. 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 19 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. Except for cash and cash equivalents, the Company's counterparties are predominately its related parties. Derivative positions are taken in exchange-traded securities where there is minimal risk. Forward foreign exchange positions generally have a maturity of one month. Intercompany and cash balances are monitored regularly and historically, default levels have been nil. The Company does not have any receivables that are past due or impaired.

The Company's cash and cash equivalents are invested primarily in current accounts with an A+ rated UK bank.

From 1 January 2018, expected credit losses are calculated in accordance with IFRS 9 on all 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 as well as market data.

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

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

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

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.

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13. Financial instrument risk management (continued)

Interest rate risk

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

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 risk arises mainly from the decision to allow a mismatch between the cash flows.

At 31 December 2018, if Bank of England interest rates had been 100 basis points higher or 50 basis points lower with all other variables held constant (2017: 50 basis points higher or 50 basis points lower), it has been estimated that the post-tax profit for the year would be £144,000 lower or £72,000 higher (2017: £115,000 lower or £115,000 higher), mainly as a result of higher / lower interest 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 2018, if the euro had strengthened by 7% / weakened by 10% (2017: strengthened by 10% / weakened by 6%) against sterling with all other variables held constant, post-tax profit for the year would increase by £44,000 / decrease by £63,000 (2017: increase by £245,000 / decrease by £147,000).

At 31 December 2018, if the US dollar had strengthened by 15% / weakened by 20% (2017: strengthened by 10% / weakened by 8%) against sterling with all other variables held constant, post-tax profit for the year would decrease by £3,003,000 / increase by £4,003,000 (2017: decrease by £2,803,000 / increase by £2,243,000).

At 31 December 2018, if the CAD dollar had strengthened by 14% / weakened by 20% (2017: weakened by 8% / strengthened by 9%) against sterling with all other variables held constant, post-tax profit for the year would decrease by £757,000 / increase by £1,082,000 (2017: decrease by £nil / increase by £nil).

Pricing risk

Pricing risk is the market risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

At 31 December 2018, if the market prices for these instruments had been 20% higher / lower with all other variables held constant, it has been estimated that the effect on post-tax profit for the year would have been an increase / decrease of £nil (2017: £nil).

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

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14. Called up share capital

	2018 Number	2017 Number	2018 £'000	2017 £'000
Issued and fully paid:				
Ordinary shares of £1 each	425,500,001	425,500,001	425,500	425,500

15. Related party transactions

Loans to and borrowings from related parties

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

Transactions between the Company and related parties are disclosed below.

2018								
	Dividends received	Other income received	Finance income	Finance charges	Expenses	Amounts owed by related parties	Amounts owed to related parties	Loans to related parties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Subsidiaries	399,680	1	1,234	-	(49)	1,212	-	45,890
Associates	2,123	-	-	-	-	-	-	-
Joint ventures	526	-	-	-	-	-	-	-
Other group companies	-	-	1,042	(1,144)	(10)	-	(63,960)	-
Total	402,329	1	2,276	(1,144)	(59)	1,212	(63,960)	45,890

2017								
	Dividends received	Other income received	Finance income	Finance charges	Expenses	Amounts owed by related parties	Amounts owed to related parties	Loans to related parties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Subsidiaries	274,936	-	46	-	-	3,165	-	7,253
Associates	2,123	-	-	-	-	-	-	-
Joint ventures	404	-	-	-	-	-	-	-
Other group companies	9	-	244	(237)	(238)	1	(35,904)	-
Total	277,472	-	290	(237)	(238)	3,166	(35,904)	7,253

Notes to the financial statements

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15. Related party transactions (continued)

Transactions with Directors are described in note 3 and the ultimate and immediate parent company is disclosed in note 16. Information about subsidiaries is provided in note 9.

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.

16. 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.