Schroder Ventures Holdings Limited

Annual Report and Accounts 2012

Registered Number: 01859239

Contents

Officers and professional advisers

Directors

Simon A Cobb
Susan E Cooper
Donna Douglas

Secretary

Schroders Corporate Secretary Limited

Registered Office

31 Gresham Street
London
EC2V 7QA

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London, SE1 2RT

Directors' report

The Directors present their report and the audited financial statements for Schroder Venture Holdings Limited (the Company) for the year ended 31 December 2012

Results and dividend

The loss for the year, after tax, was £19,508 (2011 £40,511 loss after tax)

During the year no dividends were paid or proposed

The Directors consider these results and the Company's financial position at 31 December 2012 to be satisfactory

Principal activities and business review

The principal activity of the Company during the year was to provide general partnership services to certain limited partners The Directors do not currently anticipate any material change to the activities of the Company

The results for the year are shown in the income statement on page 7

The Company's investment principles are expected to remain unchanged in 2013 The economic environment is expected to improve but remains highly uncertain

The Company is authorised and regulated by the Financial Conduct Authority from April 2013 Prior to this date, the Company was authorised and regulated by the Financial Services Authority 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 Schroders plc Group (the Group)

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately Consequently, 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 Schroders plc Annual Report and Accounts for the year ended 31 December 2012 (Schroders Report) which does not form part of this report

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 'Governance' section in the Schroders Report The Company's specific risk exposures to financial instruments are explained in note 14 to the financial statements

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 'Business Review' section in the Schroders Report which does not form part of this report

Going concern

Whilst some of the funds for which the Company acts as general partner have been liquidated during March 2013, the Company still acts as general partner for the Canadian Buy-Out Fund II It is intended that the Company will be placed into liquidation once the fund for which it acts as general partner has been liquidated This is not expected to occur within a period of less than 18 months from the date the financial statements are approved and therefore the Directors have concluded that it is appropriate that the financial statements should be prepared on a going concern basis

Directors' report (continued)

Directors

The Directors of the Company who have served throughout the year, except where noted below, are listed on page one Between 1 January 2012 and 17 April 2013 the following changes have taken place

Name	Appointed	Resigned
Thomas S Ballard		6 March 2012
Stephen Cunningham		6 March 2012
Donna Douglas	21 February 2013	
Andrew P Heald	20 April 2012	28 September 2012

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

Employees

The Company had no employees during the year

Creditor payment policy

The Company's policy and practice is to agree the terms of payment with suppliers at the time of contract and to make payment in accordance with those terms subject to satisfactory performance The Company does not follow any code or standard on payment practice but intends to adopt the UK Prompt Payment Code in 2013 Most suppliers' terms of settlement are in the range of 30 to 60 days Payments to the Company's suppliers are made by another entity in the Group as part of the Group's accounts payable process and then recharged to the Company through the Group's intercompany process Therefore the ageing of the Company's own creditors is not readily identifiable At 31 December 2012 the amount owed to the Group's trade creditors in the UK represented approximately 34 days' average purchases from suppliers (2011 35 days)

Provision of information to auditors

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

Directors' report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the accounts, 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 Whyte, authorised representative for
Schroders Corporate Secretary Limited
Company Secretary
17 April 2013

Registered Office
31 Gresham Street
London EC2V 7QA
Registered in England and Wales
Number 1859239

Independent auditors' report to the member of Schroder Ventures Holdings Limited

We have audited the financial statements of Schroder Venture Holdings Limited (the Company) for the year ended 31 December 2012 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 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

Respective responsibilities of Directors and auditors

As explained more fully in the statement of Directors' responsibilities 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 Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its loss and cash flows 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report to the member of Schroder Ventures Holdings Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Catherine Lester (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

17 April 2013

Income statement

for the year ended 31 December 2012

	Notes	**2012** £	2011 £
Revenue	2	76,083	76,121
Cost of sales	3	(83,496)	(89,516)
Net losses on foreign exchange	4	(2,476)	(1,701)
Net revenue[1]		**(9,889)**	**(15,096)**
Operating expenses	5	(16,605)	(40,546)
Operating loss		**(26,494)**	**(55,642)**
Finance income	6	268	355
Loss before tax		**(26,226)**	**(55,287)**
Tax	7	6,718	14,776
Loss for the year		**(19,508)**	**(40,511)**

[1] Non-GAAP measure of performance

Statement of comprehensive income

for the year ended 31 December 2012

	2012 £	2011 £
Loss for the year	(19,508)	(40,511)
Net losses on financial assets held as available-for-sale	(1,519)	(4,482)
Other comprehensive loss	(1,519)	(4,482)
Total loss and total comprehensive loss for the year net of tax	**(21,027)**	**(44,993)**

Statement of financial position

31 December 2012

	Notes	2012 £	2011 £
Assets			
Cash and cash equivalents	8	283,330	300,949
Trade and other receivables	9	13,860	27,878
Financial assets	10	6,413	7,932
Investments in subsidiaries	11	5,000	5,000
Deferred tax	12	480	640
Total assets		**309,083**	**342,399**
Liabilities			
Trade and other payables	13	18,839	31,128
Total liabilities		**18,839**	**31,128**
Net assets		**290,244**	**311,271**
Total equity		**290,244**	**311,271**

The financial statements on pages 7 to 21 were approved by the Board of Directors on 17 April 2013 and were signed on its behalf by

Director

Donna Douglas

Statement of changes in equity

for the year ended 31 December 2012

	Share capital[1]	Fair value reserve[2]	Retained profits[3]	Total
	£	£	£	£
At 1 January 2012	6,000	7,932	297,339	311,271
Net losses on financial assets held as available-for-sale	-	(1,519)	-	(1,519)
Loss for the year	-	-	(19,508)	(19,508)
Total comprehensive loss for the year net of tax	**-**	**(1,519)**	**(19,508)**	**(21,027)**
At 31 December 2012	**6,000**	**6,413**	**277,831**	**290,244**

	Share capital[1]	Fair value reserve[2]	Retained profits	Total
	£	£	£	£
At 1 January 2011	6,000	12,414	337,850	356,264
Net losses on financial assets held as available-for-sale	-	(4,482)	-	(4,482)
Loss for the year	-	-	(40,511)	(40,511)
Total comprehensive loss for the year net of tax	**-**	**(4,482)**	**(40,511)**	**(44,993)**
At 31 December 2011	**6,000**	**7,932**	**297,339**	**311,271**

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

2 The fair value reserve represents the difference between the cost (or, if an asset has been reclassified, the fair value at date of reclassification) and the fair value of unimpaired financial assets classified as available-for-sale

3 The retained profits reserve represents profits brought forward, the profit for the year together with transactions with shareholders

Cash flow statement

for the year ended 31 December 2012

	Note	**2012** £	2011 £
Operating activities			
Operating loss		(26,494)	(55,642)
Decrease / (increase) in trade and other receivables		14,019	(6,288)
Decrease in trade and other payables		(12,290)	(23,124)
Cash used in operating activities		(24,765)	(85,054)
Amount received in respect of group tax relief		6,878	30,388
Net cash used in operating activities		**(17,887)**	(54,666)
Investing activities			
Interest received		268	355
Net cash from investing activities		**268**	355
Net decrease in cash and cash equivalents		**(17,619)**	(54,311)
Opening cash and cash equivalents		300,949	355,260
Net decrease in cash and cash equivalents		(17,619)	(54,311)
Closing cash and cash equivalents	8	**283,330**	300,949

Notes to the financial statements

for the year ended 31 December 2012

1. Summary of accounting policies

Financial information for the year ended 31 December 2012 is presented in accordance with International Accounting Standard (IAS) 1 Presentation of Financial Statements

Basis of preparation

The financial statements are prepared in accordance 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, 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 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 along with the principal accounting policy relevant to that note

The Company did not implement the requirements of any Standards which were issued during the year and which were not required to be implemented at the year-end date No Standards and Interpretations endorsed by the EU became effective during the year Standards and Interpretations relevant to the Company that had been issued but not yet endorsed by the EU or adopted at the year-end were

IFRS 9	Financial Instruments
IFRS 13	Fair Value Measurement

IFRS 9 has not yet been endorsed by the EU As it currently stands, the Standard replaces the classification and measurement models for financial instruments in IAS 39 with two classification categories amortised cost and fair value Equity instruments will be recorded at fair value, with gains or losses reported either in the income statement or through equity However, for fair value assets held through equity there will no longer be a requirement to transfer gains or losses to the income statement on impairment or disposal

IFRS 13 is unlikely to have a material impact on the Company's fair value disclosures

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

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 assumptions that have a significant effect on the carrying amounts of assets and liabilities are set out in the following note

Note 10	Financial assets

Notes to the financial statements

for the year ended 31 December 2012

2. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured Asset management fees are accrued over the period for which the service is provided

	2012 **£**	2011 £
Fee income	76,083	76,121

3. Cost of sales

Cost of sales principally comprises fees paid to the advisor, Schroder and Associates Canada Inc , and the running cost of the subsidiary, Schroder Ventures Investment Advisers Limited, which are recognised over the period for which the service is provided

	2012 **£**	2011 £
Advisory fees	(76,084)	(76,121)
Subsidiary fees	(7,412)	(13,395)
	(83,496)	(89,516)

4. *Net losses on foreign exchange*

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 Exchange differences arising are taken to the income statement

	2012 **£**	2011 £
Net losses on foreign exchange	(2,476)	(1,701)

Notes to the financial statements

for the year ended 31 December 2012

5. Operating expenses

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

	2012 £	2011 £
Fees payable for the audit of the Company	(8,037)	(8,216)
Fees payable for audit-related assurance services	(4,500)	(4,500)
Audit and non-audit fees	**(12,537)**	(12,716)
Other operating expenses	(4,068)	(27,830)
Operating expenses	**(16,605)**	(40,546)

Directors' emoluments
The emoluments of 6 (2011 4) Directors employed by and paid for by other Group or external companies are included in the financial statements of those entities Their emoluments are deemed to be wholly attributable to their services to these other companies These Directors therefore receive no emoluments for their services to the Company

6. Finance income

Interest comprises amounts due on the Company's cash Interest is recognised using the effective interest method and is recorded in the income statement

Included in finance income

	2012 £	2011 £
Bank interest	268	355

Notes to the financial statements

for the year ended 31 December 2012

7. Tax

(a) Analysis of credit in year

The Company is based in the UK and pays taxes according to the rates applicable in the jurisdictions in which it operates Most taxes are recorded in the income statement (see part (a) of this note below) and relate to profits earned in the reporting period (current tax) but also adjustments due to timing differences between the accounting recognition of profits and the tax recognition (deferred tax) Deferred tax is explained in note 12

Major components of the income tax credit for the years ended 31 December 2012 and 31 December 2011 are as follows

	2012 £	2011 £
Current tax:		
Current tax credit – group relief	6,541	14,822
Adjustments in respect of prior years	337	178
Total current tax credit	**6,878**	15,000
Origination and reversal of temporary differences	(118)	(173)
Effect of changes in UK corporation tax rate	(42)	(51)
Total tax credit for the year	**6,718**	14,776

(b) Factors affecting tax credit for the year

The UK standard rate of corporation tax reduced from 26 per cent to 24 per cent on 1 April 2012 resulting in a UK effective tax rate for the year of 24 5 per cent (rounded) (2011 effective rate of 26 5 per cent)

The current tax credit (2011 credit) for the year is higher than (2011 higher than) that calculated using the effective rate of corporation tax in the UK (24 5 per cent) (rounded) The differences are explained below

	2012 £	2011 £
Loss before tax	(26,226)	(55,287)
Loss before tax multiplied by corporation tax rate of 24 5% (rounded) (2011 26 5%)	6,425	14,651
Effects of:		
Adjustments in respect of prior years	337	178
Deferred tax adjustments in respect of changes in UK tax rates	(44)	(53)
Total tax credit	**6,718**	14,776

Notes to the financial statements

for the year ended 31 December 2012

8 Cash and cash equivalents

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

	2012	2011
	£	£
Cash at bank	283,330	300,949

9. Trade and other receivables

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

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

	2012	2011
	£	£
Financial assets:		
Amounts owed by related parties (see note 16)	7,522	14,821
Accrued income	6,338	12,824
	13,860	27,645
Non-financial assets:		
Prepayments	-	233
	13,860	27,878

Notes to the financial statements

for the year ended 31 December 2012

10. Financial assets

The Company holds financial assets that are measured at fair value subsequent to initial recognition All financial assets are non-current

Estimates and judgements

Valuation of financial assets where there is no quoted price
Such assets principally consist of investments in private equity, venture and buy-out funds and are valued in accordance with International Private Equity and Venture Capital Valuation Guidelines and, where appropriate, by independent professional valuers This determination requires significant judgement particularly in determining changes in fair value since the last formal valuation by the fund manager In making this judgement the Company evaluates among other factors the effect of cash distributions and changes in the business outlook for each fund due to the financial health and performance of individual investments within each fund

	2012 **£**	2011 £
Limited partnership interests - unlisted	6,413	7,932

11. Investments in subsidiaries

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

There were no movements in investments in subsidiaries during the year

The following information is given in respect of investments in subsidiary undertakings of the Company Schroder Ventures Investment Advisers Limited (incorporated in England and Wales) is a wholly-owned subsidiary undertaking of the Company and its issued share capital consists of ordinary shares

The principal activity of Schroder Ventures Investment Advisers Limited is to provide investment advisory services

The Directors believe that the carrying value of the investments is supported by their underlying net assets

	2012 **£**	2011 £
At 1 January and 31 December	5,000	5,000

Notes to the financial statements

for the year ended 31 December 2012

12. Deferred tax

Deferred tax is provided in full, using the liability method, on all taxable and deductible temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor taxable profit or loss, it is not accounted for Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the year-end date

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised

Deferred tax is provided on temporary differences arising on investments in subsidiaries, branches and associates, except where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 23 per cent , reflecting the rate expected to be applicable at the time the net deferred tax asset is realised (2011 25 per cent)

The movement on the deferred tax account is as shown below

	2012 **£**	2011 £
At 1 January	640	864
Income statement charge	(118)	(173)
Effect of changes in UK tax rates – income statement charge	(42)	(51)
At 31 December	**480**	640

Deferred tax assets	**Accelerated tax depreciation** **£**	**Total** **£**
At 1 January 2012	640	640
Charged to income statement	(160)	(160)
At 31 December 2012	**480**	**480**

Deferred tax assets	Accelerated tax depreciation £	Total £
At 1 January 2011	864	864
Charged to income statement	(224)	(224)
At 31 December 2011	640	640

Notes to the financial statements

for the year ended 31 December 2012

13. Trade and other payables

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

	2012	2011
	£	£
Financial liabilities:		
Accruals	18,839	28,263
Amounts owed to related parties (see note 16)	-	2,865
	18,839	31,128

Trade and other payables are all current

14. 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 Business review section and in note 20 in the Schroders Report The Company's specific risk exposures are explained below 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's capital, which consists of asset management capital, has been classified as operating capital 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 Any surplus capital is managed by Group Treasury

The Company is authorised and regulated by the Financial Conduct Authority (FCA) from April 2013 Prior to this date, the Company was authorised and regulated by the Financial Services Authority (FSA) Its last submitted capital resources as at 31 December 2012, reported in thousands, totalled £305,000 (2011 £308,000) and the minimum capital requirement was £5,000 (2011 £5,000) 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 in its normal activities where the risk is that a counterparty will be unable to pay in full amounts when due Intra-group fees are settled monthly in arrears and the Company has control over the settlement of these fees The intra-group fees are monitored on a monthly basis and are not deemed to constitute a high credit risk to the Company The Company's maximum exposure to credit risk is represented by the carrying value of its financial assets

Cash and cash equivalents are invested in current accounts with an A rated UK bank (2011 A rated)

Notes to the financial statements

for the year ended 31 December 2012

14. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost The Company's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain the solvency The Company holds sufficient liquid funds to cover their normal operating requirements Outside the normal course of business the Company can request to borrow investment capital through intra-Group loans to maintain sufficient liquidity In total, the Group holds investment capital of over £900 million, at least a quarter of which is in short-term bank deposits or is invested in liquid securities with maturity dates of less than three months Liquidity in the Group's investment capital portfolios is monitored on a regular basis

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates The Company's income and operating cash flows are substantially independent of changes in market interest rates and any changes in interest rates would not have a significant effect on the results or financial position of the Company

The Company has interest bearing assets which comprise of cash The Company's cash balances are monitored by Group Treasury

At 31 December 2012, if Bank of England interest rates had been 50 basis points higher or nil basis points lower with all other variables held constant, it has been estimated that the post-tax loss for the year would have been £1,070 lower or £nil higher (2011 £1,106 lower or £nil higher), mainly as a result of higher/lower interest income on 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

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

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 is exposed to foreign exchange risk arising from currency exposures, primarily with respect to Canadian dollars and US dollars

Foreign exchange risk arises when transactions are denominated in a currency that is not the entity's functional currency This applies to certain fee arrangements and the impact of the foreign exchange risk, which is deemed to be immaterial, is minimised by converting net income to sterling on conclusion of each transaction

As at 31 December 2012, if the US dollar had weakened by 6 per cent / strengthened by 8 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would decrease by £989 / increase by £742

As at 31 December 2011, if the US dollar had weakened by 8 per cent / strengthened by 10 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would decrease by £989 / increase by £1,236

Notes to the financial statements

for the year ended 31 December 2012

14. Financial risk management (continued)

As at 31 December 2012, if the Canadian dollar had weakened by 6 per cent / strengthened by 8 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would increase by £7,057 / decrease by £9,409

As at 31 December 2011, if the Canadian dollar had weakened by 8 per cent / strengthened by 10 per cent against sterling, with all other variables held constant, it has been estimated that the Company's loss for the year would increase by £6,916 / decrease by £8,645

15. Share capital

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

	2012 Number	2011 Number	**2012 £**	2011 £
Issued and fully paid				
Ordinary shares of £1 each	**6,000**	6,000	**6,000**	6,000

16. Related party transactions

(a) Transactions between related parties

Transactions between the Company and parties related to the Company are required to be disclosed to the extent that they are necessary for an understanding of the potential effect of the relationship on the financial statements

Other disclosures, such as Directors' emoluments (see note 5), are also required

	2012			
	Income £	**Expenses £**	**Amounts owed by related parties £**	**Amounts owed to related parties £**
Subsidiary	-	7,412	981	-
Other related companies	-	-	6,541	-

	2011			
	Income £	Expenses £	Amounts owed by related parties £	Amounts owed to related parties £
Subsidiary	-	13,395	-	2,865
Other related companies	-	21,491	14,821	-

Notes to the financial statements

for the year ended 31 December 2012

16. Related party transactions (continued)

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

17. Ultimate and immediate parent company

The Company's immediate parent company is Schroder Investment Company Limited (incorporated in England and Wales), whose ultimate parent company and ultimate controlling party is Schroders plc (incorporated in England and Wales) For this reason, and in accordance with section 400 of the Companies Act 2006, the Company is not required to prepare group accounts

The results of the Company are consolidated in the Annual Report and Accounts of Schroders plc, copies of which can be obtained from Schroders plc, 31 Gresham Street, London, EC2V 7QA