Schroders

Annual Report and Accounts 2018

Schroder Wealth Management (US) Limited

Year ended 31 December 2018

Registered Number: 10761882

Contents

Schroders

Officers and professional advisers

Directors

Mary-Anne Daly
Dominic Emmerson
Carolyn Sims
Jeremy Turnbull

Company Secretary

Schroder Corporate Services Limited

Registered Office

1 London Wall Place
London
EC2Y 5AU

Independent Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Strategic report

The Directors present their Strategic report on Schroder Wealth Management (US) Limited (the Company) for the year ended 31 December 2018.

Results and review of the business

The Company was incorporated on 9 May 2017 through the issue of one ordinary share of £1. On 15 June 2017, the Company issued 2,000,000 ordinary shares of £1 to ensure it had sufficient working capital. A further 2,000,000 ordinary shares of £1 were issued on 16 March 2018 to ensure the Company had sufficient capital to meet the Financial Conduct Authority (FCA) requirements.

The Company's principal business activities are investment management and advisory services to internationally-minded US based investors and American expatriates living in the UK. On 2 August 2017 the Company was granted registration as an Investment Adviser with the U.S. Securities and Exchange Commission (SEC). From 11 September 2017 the Company is authorised and regulated by the FCA. The Company's investment and operating principles are expected to remain unchanged in 2019.

The loss for the year, after tax, was £727,000 (09.05.17 to 31.12.17: £1,282,000) and reflects that this was the Company's first full year of trading. 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 of the Lisbon Treaty beginning the two year countdown to the United Kingdom withdrawing from the European Union. Negotiations have begun but much uncertainty remains and there are a range of possible outcomes and timeframes for many aspects of the UK's exit. The Group, which includes the Company, 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 "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.

The Company is a new business and building its client base. Its focus on US based investors and American expatriates living in the UK mean that the performance of the US economy and regulatory landscape are viewed as a principal risk.

Strategic report (continued)

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
Schroder Corporate Services Limited
Company Secretary

27 March 2019

Directors' report

The Directors present their report and the audited accounts 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.

The Company is authorised and regulated by the FCA and is registered as an Investment Adviser with the SEC.

Future developments

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

Dividends

During the year and the previous period, no dividends were paid or proposed.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in "Key risks and mitigations" in the Strategic report and "Risk and internal controls" within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 15 to the accounts. 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 accounts, 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 accounts.

Directors

The Directors of the Company who have served during the year, except where listed below, are listed on page 1. Between 1 January 2018 and 27 March 2019 the following changes have taken place:

Director	Resigned
Andrew Ross	31 December 2018

Directors' liability insurance

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

Employment policy

The Company had no employees during the year.

Directors' report (continued)

Independent auditor and disclosure of information to independent auditor

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 accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the accounts in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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
Schroder Corporate Services Limited
Company Secretary

27 March 2019

Registered Office
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No: 10761882

Independent auditor's report to the member of Schroder Wealth Management (US) Limited

Opinion

We have audited the financial statements of Schroder Wealth Management (US) Limited for the year ended 31 December 2018 which comprises the Income statement, the Statement of financial position, the Statement of changes in equity, the Cash flow statement, and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

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

Independent auditor's report to the member of Schroder Wealth Management (US) Limited (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

Independent auditor's report to the member of Schroder Wealth Management (US) Limited (continued)

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Ernst & Young LLP

James Billingham (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 March 2019

Income statement

for the year ended 31 December 2018

	Notes	2018 £'000	09.05.17 to 31.12.17 £'000
Revenue		758	-
Operating expenses	5	(1,655)	(1,582)
Operating loss		(897)	(1,582)
Interest income		6	-
Loss before tax		**(891)**	(1,582)
Income tax credit	6	164	300
Loss after tax		**(727)**	(1,282)

All amounts derive from continuing operations.

There were no recognised gains or losses during the current year or previous period other than the retained loss disclosed above. Accordingly, no statement of comprehensive income is presented.

Statement of financial position

31 December 2018

	Notes	**2018** **£'000**	2017 £'000
Assets			
Cash and cash equivalents	12	2,564	1,782
Trade and other receivables	8	248	9
Current tax		152	291
Deferred tax	9	18	9
Total assets		**2,982**	2,091
Liabilities			
Trade and other payables	10	994	1,373
Total liabilities		**994**	1,373
Net assets		**1,988**	718
Equity			
Share capital	11	4,000	2,000
Retained loss		(2,012)	(1,282)
Total equity		**1,988**	718

The accounts on pages 9 to 28 were approved by the Board of Directors on 27 March 2019 and were signed on its behalf by:

Carolyn Sims
Director

Registered Number **10761882**

Statement of changes in equity

for the year ended 31 December 2018

	Notes	Share capital £'000	Accumulated losses £'000	Total £'000
At 9 May 2017		-	-	-
Loss for the period being total comprehensive expense		-	(1,282)	(1,282)
Share capital issued	11	2,000	-	2,000
At 31 December 2017		2,000	(1,282)	718
Loss for the year being total comprehensive expense		-	(727)	(727)
Tax in respective of share schemes	6 (b)	-	(3)	(3)
Share capital issued	11	2,000	-	2,000
At 31 December 2018		**4,000**	**(2,012)**	**1,988**

Cash flow statement

for the year ended 31 December 2018

	Notes	2018 £'000	09.05.17 to 31.12.17 £'000
Operating loss		(897)	(1,582)
Adjustments for statement of financial position movements:			
Increase in trade and other receivables		(239)	(9)
Decrease in trade and other payables		(379)	1,373
Cash used in operations		**(1,515)**	(218)
Tax received		291	-
Net cash used in operating activities		**(1,224)**	(218)
Investing activities			
Interest received		6	-
Net cash from investing activities		**6**	-
Financing activities			
Proceeds on issue of shares	11	2,000	2,000
Net cash from financing activities		**2,000**	2,000
Net increase in cash and cash equivalents		**782**	1,782
Opening cash and cash equivalents		1,782	-
Closing cash and cash equivalents	12	**2,564**	1,782

Notes to the accounts

for the year ended 31 December 2018

1. General information

The Company is incorporated and tax resident in the United Kingdom. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Directors' and Strategic reports.

2. Adoption of new and revised standards

(a) New accounting standards and interpretations

The Company has applied IFRS 9 and IFRS 15 from 1 January 2018. The nature and effect of these changes are disclosed below.

(i) IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces the classification and measurement models previously contained in IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with IFRS 9, the Company's financial assets have been reclassified at amortised cost, fair value through other comprehensive income or fair value through profit or loss. IFRS 9 introduces an expected loss model for the assessment of impairment and replaces the incurred loss model in IAS 39.

The Company has applied IFRS 9 retrospectively. Comparatives were not restated.

The adoption of IFRS 9 did not have a material impact on the Company's results. The financial assets continued to be measured at amortised cost and there was no material impact on the Company's net assets at 1 January 2018 as there were no material impairment losses under the expected loss model.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard introduces a five step model for recognising revenue, which consists of identifying the contract with the customer; identifying the relevant performance obligations; determining the amount of consideration to be received under the contract; allocating the consideration to each performance obligation; and earning the revenue as the performance obligations are satisfied.

The Company has undertaken a comprehensive review of its contracts with customers and concluded that there is no material impact on the way in which the Company recognises its revenues. The Company has applied IFRS 15 retrospectively although no restatements were required. The Company did not apply any of the practical expedients available under the full retrospective method.

Notes to the accounts

for the year ended 31 December 2018

2. Adoption of new and revised standards (continued)

(b) Future accounting developments

The Company did not implement the requirements of any other standards or interpretations which were in issue but were not required to be adopted by the Company at the year end date. The standards and interpretations relevant to the Company that had been issued but not yet adopted at the year end were:

- IFRIC 23 Uncertainty over Income Tax Treatments

The expected impact of this standard on the Company is set out below. No other standards or interpretations have been issued that are expected to have an impact on the Company's accounts.

(iii) IFRIC 23 Uncertainty over Income Tax Treatments

On 7 June 2017, the IASB issued 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.

3. Significant accounting policies

Financial information for the year ended 31 December 2018 is presented in accordance with International Accounting Standard (IAS) 1 'Presentation of Financial Statements'. The statement of financial position is shown in order of liquidity. The classification between current and non-current is set out in the notes.

(a) Basis of preparation

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

The accounts have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The following accounting policies are applicable under IFRS and have been applied consistently throughout the year and the previous period.

(b) Going concern

The Directors have, at the time of approving the accounts, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis in preparing the accounts.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and VAT.

Revenue comprises management fees from discretionary investment management generated through investment agreements and based on an agreed percentage of the valuation of assets under management. Revenue is recognised over time as the service is provided and it is highly probable that the fee will be collected.

Notes to the accounts (continued)

for the year ended 31 December 2018

3. Significant accounting policies (continued)

(d) Foreign currencies

The functional and presentational currency of the Company is pounds sterling because that is the currency of the primary economic environment in which the Company operates. In preparing the accounts, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise.

(e) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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 at the statement of financial position date 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 profit 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 statement of financial position 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.

Notes to the accounts (continued)

for the year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The Company initially records all financial assets at fair value, which is the cost of acquiring the asset, including transaction costs. The Company's financial assets comprise cash and cash equivalents and trade and other receivables.

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 holds all financial assets at amortised cost, which is the amount determined based on moving the initial amount recognised for the financial instrument to the maturity value on a systematic basis using a fixed interest rate (effective interest rate), taking account of repayment dates and initial premiums or discounts, except for short-term receivables when the recognition of interest would be immaterial.

All of the Company's financial assets are measured at amortised cost as their contractual cash flows represent solely payments of principal and interest and they are held within a business model designed to collect contractual cash flows. Financial assets at amortised cost are the same under IFRS 9 as they were under IAS 39, with the main difference being adjustments for impairments. Under IFRS 9, the carrying value of financial assets measured at amortised cost is adjusted for impairments under the expected loss model (see note 15 (d)), where impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. Under IAS 39, the carrying value of financial assets measured at amortised cost is adjusted for impairments in accordance with the incurred loss model (see note 15 (d)) and are normally determined based on an assessment of the estimated future cash flows on a discounted basis using the original effective interest rate compared with the contractual amounts. There were no material impairment losses in 2018 under IFRS 9 or in 2017 under IAS 39.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Notes to the accounts (continued)

for the year ended 31 December 2018

3. Significant accounting policies (continued)

(f) Financial instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the value of proceeds received.

Financial liabilities

The following liabilities are categorised as other financial liabilities: trade and other payables, excluding social security.

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

(g) Employee benefits

Retirement benefit costs

For defined contribution schemes the amount charged to operating loss, in respect of pension costs, is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Short-term benefits

Short-term employee benefits are recognised as an undiscounted expense and liability as the employee renders services during an accounting period. Bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

Notes to the accounts (continued)

for the year ended 31 December 2018

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors do not consider there to be any critical accounting judgements, estimates or assumptions.

5. Operating expenses

	2018 £'000	09.05.17 to 31.12.17 £'000
Wages and salaries	942	892
Share-based payments	135	32
Social security costs	152	115
Other pension costs (see note 14)	27	11
Staff related expense	**1,256**	1,050
Fees payable for the audit of the Company	13	13
Fees payable to the auditor for other assurance services	6	-
Other operating expenses	380	519
Operating expenses	**1,655**	1,582

All staff related expenses of the Company relate to individuals who are substantially engaged in the Company's business but have contracts of service with and receive their emoluments from another Group company. These are recharged in their entirety to the Company.

Other operating expenses include £240,000 (09.05.17 to 31.12.17: £234,000) in relation to related parties (see note 16).

Notes to the accounts (continued)

for the year ended 31 December 2018

6. Tax

(a) Analysis of credit in year / period

Major components of the income tax credit for the year ended 31 December 2018 and for the period 9 May 2017 to 31 December 2017:

	2018 **£'000**	09.05.17 to 31.12.17 £'000
Current tax		
Current tax credit for the year / period	(155)	(291)
Deferred tax		
Origination and reversal of temporary differences	(9)	(9)
Total tax credit for the year / period	**(164)**	(300)

(b) Analysis of charge reported in equity

	2018 **£'000**	09.05.17 to 31.12.17 £'000
Current income tax on share-based payments	3	-
Tax charge reported in equity	**3**	-

(c) Factors affecting the tax credit for the year / period

The UK standard rate of corporation tax is 19% (09.05.17 to 31.12.17: 19%).

The tax credit for the year is lower (09.05.17 to 31.12.17: lower) than the UK standard rate of corporation tax for the year of 19% (09.05.17 to 31.12.17: 19%). The differences are explained below:

	2018 **£'000**	09.05.17 to 31.12.17 £'000
Loss before tax	(891)	(1,582)
Loss before tax multiplied by the UK standard corporation tax rate of 19% (09.05.17 to 31.12.17: 19%)	(169)	(301)
Effects of:		
Non deductible expenses	5	1
Total income tax credit for the year / period	**(164)**	(300)

Notes to the accounts (continued)

for the year ended 31 December 2018

7. Dividends

The Directors do not recommend an interim dividend in respect of the year ended 31 December 2018 (09.05.17 to 31.12.17: £nil).

8. Trade and other receivables

	2018	2017
	£'000	£'000
Current		
Fee debtors	1	-
Accrued income	247	-
Other receivables	-	9
Trade and other receivables	**248**	9

Accrued income represents unbilled revenue and is just dependant on the passage of time, it is not dependant on future performance. No interest was earned on receivables. There were no material impairment losses in 2018 or 2017.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

9. Deferred tax

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (09.05.17 to 31.12.17: 17%), reflecting the rate expected to be applicable at the time the deferred tax asset is realised.

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

	Accelerated capital allowances	**Share options and award schemes**	**Total**
	£'000	**£'000**	**£'000**
At 9 May 2017	-	-	-
Credited to income statement	1	8	9
At 31 December 2017	1	8	9
Credited to income statement	-	9	9
At 31 December 2018	**1**	**17**	**18**

Notes to the accounts (continued)

for the year ended 31 December 2018

10. Trade and other payables

	2018			2017	
	Non-current £'000	**Current £'000**	**Total £'000**	Current £'000	Total £'000
Financial liabilities at amortised cost:					
Amounts owed to related parties (see note 16)	-	302	302	717	717
Other payables	-	4	4	-	-
Social security	4	66	70	78	78
Accruals	-	589	589	578	578
Financial liabilities at fair value:					
Deferred cash awards	29	-	29	-	-
	33	**961**	**994**	1,373	1,373

The carrying amount of the financial liabilities at amortised cost approximates their fair value. Deferred cash awards derive their value from the fair value of units in funds to which the employee award is linked (fund awards).

11. Share capital

	2018 Number	**2018 £'000**	2017 Number	2017 £'000
Authorised, issued and fully paid ordinary shares of £1 each				
At 1 January / 9 May	2,000,001	2,000	1	-
Shares issued	2,000,000	2,000	2,000,000	2,000
At 31 December	**4,000,001**	**4,000**	2,000,001	2,000

On 16 March 2018, the Company issued 2,000,000 ordinary shares for £2,000,000.

On 15 June 2017, the Company issued 2,000,000 ordinary shares for £2,000,000.

Notes to the accounts (continued)

for the year ended 31 December 2018

12. Notes to the cash flow statement

Cash and cash equivalents

	2018	2017
	£'000	£'000
Cash and bank balances	**2,564**	1,782

Cash and cash equivalents comprise cash and short term bank deposits with an original maturity of 3 months or less. The carrying amount of these assets is approximately equal to their fair value.

13. Share-based payments

The Company makes share-based payments to key individuals through awards over ordinary shares of Schroders plc.

Awards over ordinary shares made under the Group's 2011 Equity Compensation Plan are charged at fair value as operating expenses in the income statement. There are no performance conditions attached to the awards. The fair value of an award is calculated using the market value of the shares on the date of grant. The fair value charges, adjusted to reflect actual levels of vesting, are spread over the performance period and the vesting period of the awards. The award is structured as a nil cost option.

Awards that lapse or are forfeited result in a credit to the income statement (reversing the previous charge) in the year in which they lapse or are forfeited.

The Company has the following share-based payment arrangements:

2011 Equity Compensation Plan: Under this scheme, key individuals receive deferred bonus awards over ordinary shares in Schroders plc, normally structured as rights to acquire shares at nil cost. These awards are subject to forfeiture and will vest on the third anniversary provided the participant continues to be employed within the Group.

The above share-based payment arrangement involves a maximum term of ten years for each option granted and are settled through the transfer of equity instruments of the Company's ultimate parent, Schroders plc to its individuals.

Share Incentive Plan: Under this scheme approved by HM Revenue & Customs, eligible individuals can purchase ordinary shares in Schroders plc each month up to £1,800 per taxation year from their gross salary. The Group matches individual share purchases up to £100 per month. These matching shares are effectively free shares awarded to the individual subject to their remaining in employment within the Group for one year.

The Company recognised total expenses of £135,000 (09.05.17 to 31.12.17: £32,000) arising from share-based payment transactions during the year.

Notes to the accounts (continued)

for the year ended 31 December 2018

13. Share-based payments (continued)

(a) 2011 Equity Compensation Plan

	2018 Ordinary shares Number	2017 Ordinary shares Number
Rights outstanding at 1 January / 9 May	4,009	-
Granted/Shares in lieu of dividends	1,513	4,009
Exercised	(2,511)	-
Rights outstanding at 31 December - unvested	**3,011**	4,009
Weighted average fair value of share granted (£)	33.47	34.52
Weighted average share price at dates of exercise (£)	25.72	-

There is no weighted average fair value for shares granted in lieu of dividends. The weighted average exercise price per share is nil.

A charge of £131,000 (09.05.17 to 31.12.17: £31,000) was recognised during financial the year.

(b) Share Incentive Plan

The monthly share purchase plan is open to most individuals and provides free shares in Schroders plc to match purchases up to a maximum of £100 per month. Pursuant to these plans 117 ordinary shares were granted in 2018 (09.05.17 to 31.12.17: 24), at a weighted average share price of £31.03 (09.05.17 to 31.12.17: £34.58). A charge of £4,000 (09.05.17 to 31.12.17: £1,000) was recognised during the financial year.

Notes to the accounts (continued)

for the year ended 31 December 2018

14. Retirement benefit obligations

The Company makes contributions on behalf of individuals to the Schroders Retirement Benefits Scheme (the Scheme) which is administered by a Trustee company, Schroder Pension Trustee Limited. It is a funded scheme comprising a defined benefit (DB) and a defined contribution (DC) section; all individuals are members of the DC section.

Pension contributions are charged as operating expenses to the income statement in the accounting period in which they arise.

The charge for retirement benefit costs is as follows:

	2018	09.05.17 to 31.12.17
	£'000	£'000
Pension costs - defined contribution plans	27	11

15. Financial instrument risk management

(a) Overview

The Company has exposure to the following risks from its use of financial instruments:

Capital risk
Market risk
Credit risk
Liquidity risk

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

Categories of financial instruments

	2018	2017
	£'000	£'000
Financial assets		
Amortised cost	2,812	1,791
Financial liabilities		
Amortised cost	(924)	(1,373)

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the accounts approximate their fair values.

Notes to the accounts (continued)

for the year ended 31 December 2018

15. Financial instrument risk management (continued)

(b) Capital risk management

The Company's capital comprises equity share capital and reserves. The Company maintains capital to meet its obligations as they fall due, regulatory capital requirements and business risk.

The Company is regulated by the FCA, effective from 11 September 2017, and is catergorised as a BIPRU Firm. The Company was in compliance with its capital requirements since authorisation throughout 2017 and 2018 without exception.

The Company is registered with the SEC as an Investment Advisor, effective from 2 August 2017.

(c) Market risk management

Market risk arises from adverse changes to the values of positions or portfolios arising from changes in market prices, interest rates or exchange rates.

Price risk management

Although investment objectives and restrictions are agreed with clients and, save breaches from those guidelines, the market movement risk affecting portfolios lies with clients, the Company's revenue is affected by the value of assets under management. This risk cannot be easily mitigated but is addressed to some extent by ongoing net new business. The Company does not guarantee returns on portfolios.

Interest rate risk management

The Company has exposure to interest rate risk through the interest earned on its cash balance. This deposit is actively managed to minimise liquidity risk and credit risk, and to maximise interest earned within these constraints.

The Company does not have any debt financing and is not exposed to interest rate risk on interest payable.

Interest rate sensitivity analysis

The interest earned on the Company's cash balance will vary in response to changes in interest rates. Based on the year end cash balance, a 0.5% increase/(decrease) in interest rates would change the loss after tax by £(10,000)/£10,000 (2017: £(7,000)/£7,000).

Foreign currency risk management

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

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

The Company has £661,000 (2017: £nil) monetary assets denominated in US dollars as at 31 December 2018. At 31 December 2018 a strengthening or weakening of 10% in US dollars, with all other variables held constant, would increase/decrease the post-tax loss by £54,000.

The Company has no foreign currency denominated monetary liabilities as at 31 December 2018 and 31 December 2017.

Notes to the accounts (continued)

for the year ended 31 December 2018

15. Financial risk management (continued)

(d) Credit risk management

Credit risk is the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due.

The Company is not exposed to high levels of credit risk, as it does not undertake any principal trading in relation to its own balance sheet, other than placing cash on deposit. The Company only places cash out on deposit with a fellow Group company.

To limit credit exposure, unless a client has withdrawn all funds, there is an ongoing relationship between the Company and the client.

The carrying amount of financial assets recorded in the accounts represents the Company's maximum exposure to credit risk as no collateral or other enhancements are held.

The Company adopted IFRS 9 on 1 January 2019. Under IFRS 9, expected credit losses are calculated on all the Company's financial assets that are measured at amortised cost. Prior to the adoption of IFRS 9, impairment was only recognised when a default occurred. 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. In accordance with the transition provision of IFRS 9, comparative information has not been restated.

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, 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. Under this approach, instruments are not categorised into three stages as expected credit losses are calculated based on the life of the instrument.

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.

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.

There are no material expected credit losses and no financial assets in stage 2 or 3.

Notes to the accounts (continued)

for the year ended 31 December 2018

15. Financial risk management (continued)

(e) Liquidity risk management

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 limited exposure to liquidity risk. The Company's cash is held on callable deposit and it does not have any borrowings. The Company is part of a larger group, and can draw upon the reserves of this group if necessary.

The Company manages liquidity risk by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows.

Liquidity risk table

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

	2018			2017	
	Less than 6 months	**2-3 years**	**Total**	Less than 6 months	Total
	£'000	**£'000**	**£'000**	£'000	£'000
Trade and other payables	**(895)**	**(29)**	**(924)**	(1,373)	(1,373)

16. Related party transactions

(a) Transactions between related parties

Transactions between the Company and its fellow Group undertakings, which are related parties of the Company, are disclosed below.

	2018			
	Revenues	**Expenses**	**Amounts owed by related parties**	**Amounts owed to related parties**
	£'000	**£'000**	**£'000**	**£'000**
Ultimate parent	-	-	-	(31)
Fellow Group undertakings	6	(240)	2,564	(271)
	6	**(240)**	**2,564**	**(302)**

	09.05.17 to 31.12.17		2017	
	Revenues	Expenses	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Fellow Group undertakings	-	(234)	1,782	(717)

Notes to the accounts (continued)

for the year ended 31 December 2018

16. Related party transactions (continued)

(b) Key management personnel remuneration

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

There was no remuneration expense for key management personnel during the year or in the prior period.

Included in the accounts of other subsidiaries of the Group, in relation to key management personnel of the Company, are amounts owed to related parties of £7,893,000 (2017: £10,088,000), amounts owed by related parties of £nil (2017: £2,219,000), net interest and fee income of £23,000 (2017: £6,000) and net interest expense of £29,000 (2017: £nil).

(c) Directors' emoluments

The emoluments of 5 (2017: 5) Directors employed by and paid for by another Group company are included in the accounts of that entity. The Directors have contracts of service with and receive their emoluments from another Group company. Their emoluments are deemed to be wholly attributable to their services to that company. These Directors therefore receive no incremental emoluments for their services to the Company.

17. Ultimate and immediate parent company

The Company's immediate parent company is Schroder Wealth Holdings 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.

18. Events after the year end

There have been no material events after the year end date.