Schroders

Annual Report and Accounts

Schroder Corporate Services Limited

Year Ended 31 December 2020

Registered Number: 08816671

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Officers and professional advisers

Directors

Christopher Austin
Paul Chislett
Graham Staples
Alison Rankin

Company Secretary

Matthew Buckland

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 Corporate Services Limited (the Company) for the year ended 31 December 2020.

Results and review of the business

The loss for the year after tax was £13,190k (2019 profit: £4,822k).

The Company's principal activities are to provide corporate and operational services for the Schroders plc Group (the Group), which principally comprise managing land and buildings and related items, fund operations and associated reporting. In 2018, the company acquired land and property which is intended to be used by the Schroders group as well as be sub-let to third party tenants. In 2019, the Company became an employing entity for a number of Schroders employees based in Horsham. The Company's operating principles are expected to remain unchanged.

The Directors consider the results and the Company's financial position at 31 December 2020 to be satisfactory. The loss in the year and negative equity position within the Statement of financial position is solely driven by non-recurring exceptional costs in relation to Copthall and Horsham. Disregarding these items the Company would have remained in a profit making and positive equity position.

The COVID-19 pandemic had an effect on nearly every aspect of our lives, impacting investor sentiment and leading to market volatility. The response of the Group demonstrated the resilience of its employees, the strength of the infrastructure supporting its business processes and its business model. There was no significant impact on business operations despite 99% of staff working remotely. The effects of the pandemic are likely to be felt for a number of years and the Company as part of the Group is well placed to weather those challenges.

The UK left the European Union (EU) on 31 January 2020 and entered a 'transition period' while the UK Government negotiated its future relationship with the EU. On 24 December 2020, both parties announced that they had reached agreement on a free trade agreement, the UK-EU Trade and Cooperation Agreement, with its terms taking effect immediately after the transition period concluded on 31 December 2020. As widely anticipated, the trade agreement does not make provision for financial services firms in the UK to continue to access the EU single market and, as a result, those firms lost their passporting rights.

The Group was well positioned for such a no-deal scenario for financial services. Its diversified business model and significant presence in the EU means that it is well placed to respond to any challenges arising without making significant changes to its operating models. The Group continues to closely monitor future negotiations and regulatory developments with respect to financial services including any frameworks for regulatory cooperation between the UK and the EU that might affect its business or clients. The Company is well placed to weather these challenges and adapt to ongoing changes in the political, economic and regulatory environment.

Directors' duties – compliance with section 172 of the Companies Act 2006

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

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

Strategic report (continued)

Directors' duties - compliance with section 172 of the Companies Act 2006 (continued)

- need to act fairly as between members of the company

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

The Board made a number of key decisions during the year. The Board approved the participation of the Company in the Schroder Investment Management Limited Critical Illness Scheme (the Scheme). The Scheme provides its members with a lump sum should they be diagnosed with one of a range of serious illnesses or conditions or undergo one of the insured operations,. In making its decision the Board considered the benefits of the Scheme to its employees' wellbeing particularly against the backdrop of the Covid-19 pandemic. It was decided that participation in the Scheme would strengthen the Company's healthcare support to its employees by prioritising their wellbeing during the pandemic.

The Board agreed to the five-year extension of the contract held by the Company that governed the Group's front office technology platform. The Board considered the key terms of the extended contract which included a newly-established authority to run test beta versions prior to a material system change of major model releases. The Board also considered the enhancements of the external service provider's review and service capabilities and the extensive support provided to the Group as a whole. It was considered that entering into the extended contract was in the best interests of the Group and stakeholders.

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" section of the Strategic Report and "Risk and internal controls" within the Governance section of the Schroders plc annual report and accounts for the year ended 31 December 2020 (the Schroders Report). The Schroders Report does not form part of this report.

Key performance indicators

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

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

Matthew Buckland
Company Secretary
5 March 2021

Directors' report

The Directors present their report and the audited financial statements for the Company for the year ended 31 December 2020. 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.

Dividend

During the year no dividends were paid or proposed (2019: nil).

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" section and "Risk and internal controls" within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 14 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 12 months from the date that the Annual Report and Accounts are signed. The loss and negative equity position is solely driven by non-recurring exceptional costs. Disregarding these items the Company would have remained in a profit making and positive equity position. Additionally, a letter of comfort has been obtained from Schroder Financial Services Limited to support the Company's financial position. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Directors

The Directors of the Company who have served throughout the year and up to the point of signing are set out on page one.

Directors' and Officers' 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.

Directors' report (continued)

Streamlined Energy and Carbon Reporting (SECR)

The Schroders Report includes the energy and carbon information for the Group, including the Company as a subsidiary undertaking under the SECR framework.

Employee engagement

The Company has a policy of regularly providing employees with information on matters of interest to them in relation to the business of the Company and the Group.

Employees are consulted via email, an intranet site and an employee forum (the Forum). The Senior Independent Director of Schroders plc attends the Forum in order to gather feedback and hear the issues that concern employees. The Forum consists of employees elected by their peers, and members of the Forum meet regularly with management as part of a Joint Consultative Group which discusses employee-related matters and provides feedback and recommendations to the senior management team of the Group.

Financial and economic factors affecting the performance of the Group are set out in the Schroders Report which is made available to all employees. Through the Share Incentive Plan, employees are encouraged to participate in the success of the Group.

Employment policy

The Company is committed to equal opportunities for both existing employees and applicants seeking employment. It is the Company's policy to give appropriate consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. For the purpose of training, career development and promotion, disabled employees, including any who become disabled in the course of their employment, are treated on equal terms with other employees.

Independent auditors and disclosure of information to independent auditors

In accordance with section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, the current auditors, Ernst & Young LLP ("EY"), are 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 auditors are aware of such information.

Statement of corporate governance arrangements

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

Statement of directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Directors' report (continued)

Statement of director's responsibilities (continued)

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 in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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
Company Secretary
5 March 2021

Registered Office:
1 London Wall Place
London EC2Y 5AU

Registered in England and Wales No 08816671

Independent auditor's report to the member of Schroder Corporate Services Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Schroder Corporate Services Limited (the 'Company') for the year ended 31 December 2020 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 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; 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

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. To evaluate the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting, we have:

- through enquiry of management and inspection of documentation, understood the process for management's assessment of going concern for the Schroders plc group, which incorporates the activities of the Company including considerations of capital, liquidity and profitability, and assessed the appropriateness of the conclusions drawn;
- performed enquiries of management and those charged with governance to identify risks or events that may impact the Company's ability to continue as a going concern. We also reviewed minutes of meetings of the Board, and made enquiries as to the impact of COVID-19 on the business; and
- assessed the appropriateness of the going concern disclosures by comparing the consistency with management's assessment and for compliance with the relevant reporting requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for twelve months from the date the Annual Report and Accounts is signed.

Independent auditor's report to the member of Schroder Corporate Services Limited (continued)

Conclusions relating to going concern (continued)

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained with the Annual Report and Accounts.

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.

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 course of 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 themselves. 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.

Independent auditor's report to the member of Schroder Corporate Services Limited (continued)

Matters on which we are required to report by exception (continued)

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 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Independent auditor's report to the member of Schroder Corporate Services Limited (continued)

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the international accounting standards adopted in conformity with the requirements of the Companies Act 2006 and relevant tax compliance regulations.

- We understood how Schroder Corporate Services Limited is complying with those frameworks by making enquiries of senior management. We corroborated our understanding through our review of board meeting minutes.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how senior management monitors these controls.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; and enquiries of senior management.

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.

DocuSigned by:

Ernst & Young LLP

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James Beszant (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
5 March 2021

Income statement

for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Operating revenue	2	76,800	65,831
Net finance charges	3	(555)	(3,583)
Net (losses) / gains on financial instruments and other income	4	(37)	103
Net income		**76,208**	**62,351**
Operating expenses	5	(89,449)	(55,432)
(Loss)/profit before tax		**(13,241)**	**6,919**
Income tax credit/(charge)	6	51	(2,097)
(Loss)/profit after tax		**(13,190)**	**4,822**

Statement of comprehensive income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
(Loss)/profit for the year	(13,190)	4,822
Total comprehensive income for the year, net of tax	**(13,190)**	**4,822**

Statement of financial position

as at 31 December 2020

	Note	2020 £'000	2019 £'000
Property, plant and equipment	7	420,423	464,687
Intangible assets	8	64,841	84,414
Trade and other receivables	9	38,175	26,699
Current tax		627	-
Total assets		**524,066**	**575,800**
Deferred tax	10	5,695	5,873
Trade and other payables	11	245,955	274,948
Current tax		-	515
Provisions	12	13,969	11,595
Lease Liability	13	266,590	277,847
Total liabilities		**532,209**	**570,778**
Net assets		**(8,143)**	**5,022**
Total equity		**(8,143)**	**5,022**

The related notes on pages 15 to 34 form an integral part of the financial statements.

The financial statements on pages 11 to 34 were approved by the Board of Directors on 5 March 2021 and were signed on its behalf by

Director
Paul Chislett

Statement of changes in equity

for the year ended 31 December 2020

	2020		
	Share capital[1]	**Profit and loss reserve**	**Total**
	£'000	**£'000**	**£'000**
At 1 January 2020	-	5,022	5,022
Total comprehensive income for the year, net of tax	-	(13,190)	(13,190)
Tax credit on items taken directly to equity		25	25
At 31 December 2020	**-**	**(8,143)**	**(8,143)**

	2019		
	Share capital[1]	Profit and loss reserve	Total
	£'000	£'000	£'000
At 1 January 2019	-	1,390	1,390
Restatement on adoption of IFRS 9	-	(1,439)	(1,439)
At January 2019 (restated)	-	(49)	(49)
Total comprehensive income for the year, net of tax	-	4,822	4,822
Tax credits on items taken directly to equity	-	249	249
At 31 December 2019	**-**	**5,022**	**5,022**

[1] Share capital represents ordinary shares issued at a par value of £1 each. See note 15.

Cash flow statement

for the year ended 31 December 2020

	2020 **£'000**	2019 £'000
Operating activities		
(Loss)/profit before income tax	(13,241)	6,919
Adjustments for statement of financial position movements:		
(Increase) in trade and other receivables	(11,476)	(14,596)
(Decrease)/increase in trade and other payables	(28,993)	55,900
Provision increase	2,374	10,892
Adjustments for income statement non-cash movements:		
Depreciation of plant, property and equipment	23,612	13,083
Disposal of plant, property and equipment	244	2,405
Amortisation of intangibles	19,575	4,787
Depreciation of ROU asset	17,997	21,545
Movement in IFRS 16 lease liability	(8,201)	(8,272)
Revaluation of ROU asset	7,081	-
Revaluation of lease liability	(6,536)	-
Cash from operating activities	**2,436**	**92,664**
Tax paid	-	2,548
Net cash generated from operating activities	**2,436**	**95,212**
Investing activities		
Purchase of plant, property and equipment	(4,252)	(20,332)
Transfer from Group companies of intangible assets	(2)	(77,134)
Net cash used in investing activities	**(4,254)**	**(97,466)**
Financing activities		
Lease cash payments	1,818	2,254
Net cash from financing activities	**1,818**	**2,254**
Net change in cash and cash equivalents	**-**	**-**
Opening cash and cash equivalents	-	-
Net change in cash and cash equivalents	-	-
Closing cash and cash equivalents	**-**	**-**

Notes to the financial statements

for the year ended 31 December 2020

1. Presentation of the financial statements

Financial information for the year ended 31 December 2020 is presented in accordance with International Accounting Standard (IAS) 1 Presentation of Financial Statements.

At 31 December 2020, the Company was a wholly owned subsidiary of Schroders plc, a company incorporated in England and Wales that publishes group consolidated financial statements. In accordance with Section 401 of the Companies Act 2006, the Company is therefore not required to produce consolidated accounts.

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.

Basis of preparation

The financial statements are prepared in accordance with international accounting standards in conformity with the requirements of Companies Act 2006.

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

The Company's principal accounting policies have been consistently applied. The preparation of financial statements in conformity with international accounting standards 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.

Future accounting developments

The Company did not implement the requirements of any Standards or Interpretations which were in issue and which were not required to be adopted at the year end date. No other Standards or Interpretations have been issued that are expected to have an impact on the Company's financial statements.

Notes to the financial statements

for the year ended 31 December 2020

1. Presentation of the financial statements (continued)

Estimates and judgements

The preparation of the financial statements in conformity with international accounting standards 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 notes:

Note 8	Intangible assets
Note 12	Provisions
Note 13	Leases
Note 17	Share-based payments

2. Operating revenue

Operating revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured.

The Company's primary source of revenue is income from the recharge of costs to other entities within the Group and rental income generated from the property estate (see note 7). Lease expenses such as rent and business rates associated with the leases that the Company holds are recharged to other group entities in line with the Group space recharge methodology. Costs not capitalised are recharged to group entities at 5% mark up in line with their use of underlying assets.

Other property fees in 2019 included a one-off compensation fee received from the property agent for delays in the completion of the office building.

Other fees comprise revenues driven by provision of services to other companies, including mark-ups on allocations.

Operating revenue comprises:

	2020	2019
	£'000	£'000
Space recharge	49,850	43,569
Other property fees	-	7,402
Property rental income	1,640	1,016
Other fees	25,310	13,844
	76,800	65,831

Notes to the financial statements

for the year ended 31 December 2020

3. Net finance charges

The finance charges incurred are in relation to interest payments for the use of the SFS ("Schroder Financial Services Limited") overdraft facility.

	2020 **£'000**	2019 £'000
Net finance charges	(555)	(3,583)
	(555)	(3,583)

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

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

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

	2020 **£'000**	2019 £'000
Net (losses) / gains on foreign exchange	(37)	103
	(37)	103

Notes to the financial statements

for the year ended 31 December 2020

5. Operating expenses

Operating expenses are recognised on an accruals basis as services are provided. Included within operating expenses are recharges from other Group companies in relation to employee benefit expenses. Pension costs are determined in accordance with IAS 19 requirements.

Other operating expenses includes project management, consultancy fees and other maintenance expenses.

Operating expenses include:

	2020	2019
	£'000	£'000
Salaries, wages and other remuneration	11,209	2,888
Social security costs	1,211	234
Other pension costs	363	73
Employee benefit expense	**12,783**	**3,195**
Depreciation and amortisation expense	16,123	17,870
Fees payable for the audit of the Company	32	31
Property related expenses	7,008	8,581
Non-recurring IFRS16 write-down	4,352	-
Non-recurring fixed asset accelerated depreciation	7,489	-
Provision for post-vacancy exceptional costs	3,327	-
Non-recurring reimbursement for property delays	-	(13,338)
Depreciation right-of-use asset	17,997	21,545
Lease liability finance cost	8,201	8,272
Other operating expenses	13,870	34,055
Operating expenses	**91,182**	**80,211**
Capitalisation	(1,733)	(24,779)
Operating expenses net of capitalisation	**89,449**	**55,432**

The employee benefit expenses incurred by the Company are for employees that were substantially engaged in the Company's business for the year.

The average number of staff employed by the Company during the year was 148 (2019: 50).

Notes to the financial statements

for the year ended 31 December 2020

Directors emoluments

The amounts set out below are in respect of 1 (2019: 2) Director whose emoluments were charged either in part or in full to the Company during the year. This Director has a contract of service with and 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 3 (2019: 3) 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 these companies. These Directors therefore receive no incremental emoluments for their services to the Company.

	2020	2019
	£'000	£'000
Aggregate emoluments	2	2

In addition to the emoluments detailed, deferred amounts conditionally receivables by the Director was £282 (2019: £112).

Retirement benefits have accrued to no (2019: none) Directors under a defined benefit scheme and to 1 (2019: 2) Directors under a defined contribution pension scheme.

During the year, 1 (2019: 2) Directors became entitled to shares under the Group's Equity Compensation Plan, 1 (2019: 1) Director became entitled to shares under the Group's Deferred Award Plan and no (2019: no) Directors became entitled to shares under the Group's Equity Incentive Plan.

Key management personnel remuneration

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:

	2020	2019
	£'000	£'000
Short-term employee benefits	3	3
Share-based payments	1	-
Total remuneration	**4**	3

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £183,000 (2019: £35,000) and net interest and fee income of £7,000 (2019: £6,000).

Notes to the financial statements

for the year ended 31 December 2020

6. Income tax (credit) / charge

(a) Analysis of (credit) / charge in the year

	2020 £'000	2019 £'000
Current tax:		
Corporation tax (credit)/charge	(609)	539
Adjustments in respect of prior years	704	9
Total current tax charge for the year	**95**	**548**
Deferred tax:		
Origination and reversal of temporary differences	(618)	1,478
Adjustments in respect of prior years / estimates	(246)	253
Effect of changes in UK corporation tax rate	718	(182)
Total deferred tax	**(146)**	**1,549**
Total current tax	**(51)**	**2,097**

(b) Analysis of (credit) reported in equity

	2020 £'000	2019 £'000
Current income tax charge / (credit)	7	(21)
Deferred income tax credit	(5)	(255)
Effect of changes in UK corporation tax rate	(27)	27
Total current tax	**(25)**	**(249)**

Notes to the financial statements

for the year ended 31 December 2020

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

The UK standard rate of corporation tax is 19 per cent (2019: effective tax rate of 19 per cent).

The tax credit for the year is lower (2019: higher) than the UK standard rate of corporation tax for the period of 19 per cent. The differences are explained below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(13,241)	6,919
(Loss)/profit before tax multiplied by corporation tax 19 per cent. (2019: 19 per cent.)	(2,516)	1,315
Non taxable income net of disallowable expenses	(111)	38
Permanently disallowed depreciation on fixed assets	1,400	664
Adjustments in respect of prior years	458	262
Effect of changes in UK corporation tax rate	718	(182)
Total income tax (credit) / charge for the year	**(51)**	**2,097**

Notes to the financial statements

for the year ended 31 December 2020

7. Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes both the original purchase price of the asset and any costs directly attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on a straight-line basis over its useful economic life, normally between three and five years but may be longer for other assets. Leasehold improvements depreciation is charged in line with the life of the leasehold contract. The building is depreciated using the straight-line basis over 33 years. The land component will not be depreciated as it has an indefinite useful life.

	2020			
	Leasehold improvements £'000	**Land and buildings £'000**	**Other assets £'000**	**Total £'000**
Cost				
At 1 January	148,158	20,312	52,668	221,138
Asset class transfer	(3,956)	-	3,956	-
Additions	1,541	1,359	1,664	4,564
Disposals	(244)	-	-	(244)
At 31 December	**145,499**	**21,671**	**58,288**	**225,458**
Accumulated depreciation				
At 1 January	(13,305)	(903)	(3,819)	(18,027)
Depreciation charge for the year	(15,103)	(2,421)	(6,088)	(23,612)
Disposals	105	-	-	105
At 31 December	**(28,303)**	**(3,324)**	**(9,907)**	**(41,534)**
Net book value as at 31 December	**117,196**	**18,347**	**48,381**	**183,924**
Right-of-use assets (see note 13)	**236,499**	**-**	**-**	**236,499**
Property, plant & equipment net book value as at 31 December 2020	**353,695**	**18,347**	**48,381**	**420,423**
Property, plant & equipment net book value as at 31 December 2019	396,430	19,409	48,848	464,687

At 31 December 2020, the Company had contractual capital commitments relating to the future lease obligations of 1 London Wall Place and relating to the fit out of the Land and Buildings (see note 16).

Notes to the financial statements

for the year ended 31 December 2020

8. Intangible assets

The costs of purchasing and implementing software, together with associated relevant expenditure, are capitalised where it is probable that future economic benefits that are attributable to the assets will flow to the Company and the cost of the assets can be measured reliably.

Software and implementation fees are recorded initially at cost and then amortised over the useful life of the asset on a straight-line basis. The amortisation charge is recorded as an operating expense.

The software recorded below is fully developed, available for use and is being amortised over its useful economic life.

The transfer of intangibles from Group companies in 2019 was executed at net book value.

	2020	2019
	Software £'000	Software £'000
Cost		
At 1 January	89,303	12,169
Additions/Transfers from group companies	2	77,134
At 31 December	**89,305**	89,303
Accumulated amortisation		
At 1 January	(4,889)	(102)
Amortisation for the year	(19,575)	(4,787)
At 31 December	**(24,464)**	(4,889)
Net book value as at 31 December	**64,841**	84,414

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for the year ended 31 December 2020

9. Trade and other receivables

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

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

	2020	2019
	£'000	£'000
Financial assets:		
Amounts owed by related parties (see note 18)	21,381	2,184
Other debtors	13,366	22,308
	34,747	24,492
Non-financial instruments:		
Prepayments	3,428	2,207
	38,175	**26,699**

Gross carrying value for trade and other receivables is £38,190k (Jan 2020 £26,702k) and expected credit losses are £15k (Jan 2020: £2.7k).

10. 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 balance sheet date and their carrying amounts for financial reporting purposes. 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 calculated in full on temporary differences under the liability method using a tax rate of 19%, reflecting the rate expected to be applicable at the time the net deferred tax liability is realised (2019: 17%). On 11 March 2020, it was announced (and enacted on 22 July 2020) that the UK corporation tax rate would remain at 19% and not reduce to 17% (previously enacted rate) from April 2020. The UK deferred tax balances have been calculated with reference to the rate of 19%.

Notes to the financial statements

for the year ended 31 December 2020

10. Deferred tax (continued)

The movement on the deferred tax account is shown below:

	2020 £'000	2019 £'000
At 1 January	(5,873)	(4,552)
Income statement credit / (charge)	864	(1,736)
Credited to equity	5	255
Income statement (charge) / credit due to changes in UK tax rates	(718)	187
Equity credit due to changes in UK tax rates	27	(27)
At 31 December	**(5,695)**	**(5,873)**

	Temporary timing differences including bonuses £'000	**Accelerated capital allowances £'000**	**Total £'000**
At 1 January 2020	232	(6,105)	(5,873)
Charged to the income statement	(114)	260	146
Credited to equity	32	-	32
At 31 December 2020	**150**	**(5,845)**	**(5,695)**

	Accelerated tax depreciation £	Accelerated capital allowances £	Total £
At 1 January 2019	-	(4,552)	(4,552)
Charged to the income statement	4	(1,553)	(1,549)
Credited to equity	228	-	228
At 31 December 2019	**232**	**(6,105)**	**(5,873)**

Notes to the financial statements

for the year ended 31 December 2020

11. Trade and other payables

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

	2020 **£'000**	2019 £'000
Financial liabilities:		
Amounts owed to related parties (see note 18)	232,310	269,697
Accruals	13,645	5,251
	245,955	274,948

In order to meet its cash requirements the Company utilised an overdraft facility as at 31 December 2020 of £228,508k (2019: £224,191k) from a central bank account held by Schroder Financial Services Limited, a related party. The credit facility operates in line with the group netting policy with notional interest paid on a monthly basis to Schroder Financial Services. These balances are shown within amounts owed to related parties.

Notes to the financial statements

for the year ended 31 December 2020

12. Provisions

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and therefore usually require the use of estimates. They are recognised when three conditions are fulfilled: when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that the Company will incur a loss in order to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. They are recorded at the Company's best estimate of the cost of settling the obligation. Any differences between those estimates and the amounts for which the Company actually becomes liable are taken to the income statement as additional charges where the Company has underestimated and credits where the Company has overestimated.

Estimates and judgements

The timing and amount of settlement of each obligation is uncertain. The Company has performed an assessment of the timing and amount and periodically reviews this assessment. The Company makes a periodic assessment, including taking external advice where appropriate, to determine an appropriate provision. The Company has made provisions based on a reasonable expectation of likely outflows. However, the results of negotiations may result in different settlement.

	2020 Dilapidations and onerous leases £'000	2019 Dilapidations and onerous leases £'000
Cost		
At 1 January	11,595	703
Provision utilised	(1,032)	(270)
Provision charged	3,406	11,595
Provision released	-	(433)
At 31 December	**13,969**	**11,595**

The provision is expected to mature in the following periods:

	2020 £'000	2019 £'000
Less than 1 year	1,163	-
More than 5 years	12,806	11,595
	13,969	**11,595**

Notes to the financial statements

for the year ended 31 December 2020

13. Leases

The Company's lease arrangements primarily consist of operating leases relating to its leased office space.

Where the Company is a lessee, IFRS 16 requires operating leases to be recorded in the Company's statement of financial position. A lease liability is recorded, reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Company's incremental borrowing rate. A right-of-use (ROU) asset is initially recorded at the value of the lease liability plus any directly related costs and estimated dilapidation expenses and is presented within property, plant and equipment (see note 7). Interest is accrued on the lease liability under the effective interest method to give a constant rate of return over the life of the lease whilst the balance is reduced as lease payments are made. The ROU asset is depreciated over the life of the lease as the benefit of the lease is consumed.

The Company applies judgement in evaluating whether the lease term should include options to extend or cancel the lease. All relevant factors that could create an economic incentive to exercise the option are considered and the option is included if it is reasonably certain to be exercised. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects the likelihood that it will exercise (or not exercise) the option.

	2020		2019	
	Right-of-use assets	**Lease liabilities**	Right-of-use assets	Lease liabilities
	£'000	£'000	£'000	£'000
At 1 January	261,577	(277,847)	283,122	(271,828)
Revaluation	(7,081)	6,536	-	-
Lease payments	-	12,922	-	2,254
Depreciation charge for the year	(17,997)	-	(21,545)	-
Interest expense for the year	-	(8,201)		(8,272)
At 31 December	**236,499**	**(266,590)**	261,577	(277,846)

The depreciation charge and interest expense relating to leases are recorded within operating expenses.

The Company's lease liabilities contractually mature in the following time periods:

	2020
	£'000
Less than 1 year	(13,118)
1-2 years	(21,086)
2-5 years	(58,231)
More than 5 years	(174,155)
Total	**(266,590)**

Notes to the financial statements

for the year ended 31 December 2020

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 the Schroders Report.

Sensitivities are measured against market risk movements which the Company believes could reasonably occur within the next calendar year. The Company's specific risk exposures are explained below.

Credit risk

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

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 have access to sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. Overall liquidity of the Group's capital (and for each entity) is monitored on a regular basis.

The Company has access to an overdraft facility provided by another Group company, Schroder Financial Services Limited, in order to meet its short and long term liquidity requirements.

Interest rate risk

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

The Company recharges all interest to other Group companies and therefore has no net exposure to interest rate risk.

Foreign exchange risk

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

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

The Company has a minimal foreign currency exposure through its trade and other payables balance and accordingly does not have a material exposure to foreign exchange risk.

Pricing risk

The Company does not hold any financial instruments and therefore is not exposed to pricing risk.

Notes to the financial statements

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15. Share capital

	2020 Number	2019 Number	**2020 £'000**	2019 £'000
Issued:				
Ordinary shares of £1 each	**1**	1	**-**	-

16. Commitments

The Company leases office space and equipment in the jurisdiction in which it operates. Lease agreements can commit the Company to significant future expenditure. The Company is also committed to paying for future services provided by a third party in relation to an investment platform currently used by the Group. Such commitments are not recorded on the Company's statement of financial position in advance of the period to which they relate.

At 31 December, the Company had outstanding commitments for future minimum payments under non-cancellable contractual agreements which fall due as follows:

	2020		
	Service fees £'000	**Offices £'000**	**Total £'000**
Not later than 1 year	12,000	17,518	29,518
Later than 1 year and not later than 5 years	22,500	21,040	43,540
Later than 5 years	-	229,708	229,708
Total	**34,500**	**268,266**	**302,766**

	2019		
	Service fees £'000	Offices £'000	Total £'000
Not later than 1 year	12,000	4,046	16,046
Later than 1 year and not later than 5 years	34,500	73,976	108,476
Later than 5 years	-	210,300	210,300
Total	**46,500**	**288,322**	**334,822**

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for the year ended 31 December 2020

17. Share-based payments

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

Awards over ordinary shares made under the Group's Equity Compensation Plans are charged at fair value as 'Operating expenses' in the income statement. There are no performance conditions attached to the awards. For the 2011 Equity Compensation Plan 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. Awards are structured as nil-cost options.

Awards over ordinary shares made under the Group's Deferred Award Plan are charged at fair value as 'Operating expenses' in the income statement. 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 periods of the awards. Awards are structured as nil-cost options.

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 these schemes, 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.

Deferred Award Plan: Under this scheme, certain employees 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 provided the participant continues to be employed within the Group. The vesting periods vary but typically participants have a right to one third of an award after each year of a three year vesting period.

2008 Equity Incentive Plan: Under this scheme, eligible employees receive awards of 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 fifth anniversary of the grant, provided the employee continues to be employed within the Group.

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 employee share purchases up to £100 per month. These matching shares are effectively free shares awarded to the individual subject to their remaining in employment for one year.

All of the above share-based payment arrangements involve a maximum term of ten years for each option granted and are settled through the transfer of equity instruments of its ultimate parent, Schroders plc to its employees.

The Company recognised total expenses of £468,999 (2019: £36,923) arising from share-based payment transactions during the year. These schemes are mainly equity settled share based payments and are settled through payments to Schroders plc or another Group company.

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for the year ended 31 December 2020

17. Share-based payments (continued)

(a) 2011 Equity Compensation Plan

	2020 Ordinary shares Number	2019 Ordinary shares Number
Granted / Shares in lieu of dividends	28,852	-
Exercised	(4,421)	-
Rights outstanding at 31 December - unvested	24,431	-
Weighted average fair value of share granted (£)	23.61	-
Weighted average share price at dates of exercise (£)	27.54	-

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 £105,632 (2019: £36,741) was recognised during the financial year.

(b) Deferred Award Plan

	2020 Ordinary shares Number	2019 Ordinary shares Number
Rights outstanding at 1 January	**4,365**	-
Granted / Shares in lieu of dividends	**712**	4,365
Rights outstanding at 31 December	**5,077**	4,365
Vested	**1,516**	-
Unvested	**3,561**	-
Weighted average fair value of share granted (£)	**23.61**	32.34

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for the year ended 31 December 2020

(c) 2008 Equity Incentive Plan

	2020 Ordinary shares Number	2019 Ordinary shares Number
Rights outstanding at 1 January	-	-
Granted / Shares in lieu of dividends	905	-
Rights outstanding at 31 December - unvested	905	-
Weighted average fair value of share granted (£)	27.60	-

(d) Share Incentive Plan

The employee monthly share purchase plan is open to UK permanent employees and provides free shares from the Group to match the employee purchase of shares up to a maximum of £100 per month. Pursuant to these plans 1,704 ordinary shares were granted in 2020 (2019: 6), at a weighted average share price of £29.72 (2019: £30.34). A charge of £50,502 (2019: £182) was recognised during the financial year.

18. Related party transactions

Transactions between related parties

Transactions between the Company and related parties are disclosed below:

	Revenues £'000	**Expenses £'000**	**Amounts owed by related parties £'000**	**Amounts owed to related parties £'000**
2020				
Ultimate parent	599	-	698	-
Other related companies within the Schroders Group	75,317	(2,933)	20,683	(232,310)
2019				
Ultimate parent	1,239	-	-	(385)
Other related companies within the Schroders Group	57,189	(3,488)	2,184	(269,312)

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for the year ended 31 December 2020

18. Related party transactions (continued)

Transactions between related parties (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.

19. Ultimate and immediate parent company

The Company's immediate parent company is Schroder Financial 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.