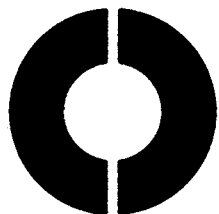


Schroders



Annual Report and Accounts 2018

**Schroder Corporate Services
Limited**

Year Ended 31 December 2018



Registered Number: 08816671

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Officers and professional advisers

Directors

Christopher Austin
Wayne Mepham
Alison Rankin
Graham Staples

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 2018.

Results and review of the business

The profit for the year after tax was £523k (2017: £603k).

The Company's principal activity is to provide corporate services for the Schroder Group which principally comprise managing land and buildings and software costs relating to the development of the Schroders plc Group front office technology platform. During the year, the Company invested further in land and property which is intended to be used by the Schroders group as well as being sub-let to third party tenants and completed the development of the front office technology platform. The Company's operating principles are expected to remain unchanged in 2019.

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

As a UK-listed business, the Group have been closely monitoring the progress of the Brexit negotiations between the UK and other members of the EU. We already have a strong presence in continental Europe and we do not expect Brexit to have a significant impact on our operating activities, although we are prepared to make necessary changes where these may be required. In 2018, we have taken steps to develop our corporate structure and regulatory profile. These changes will ensure we have the operational structures necessary to operate should the negotiations fail to deliver appropriate co-operation agreements to facilitate the passporting of asset management services from continental Europe to the UK. The impact of Brexit on the Company is expected to be minimal due to its activities being solely based in the UK.

Principal risks and uncertainties

From the perspective of the Directors, 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 1 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 2018 (Schroders Report). The Schroders Report does not form part of this report.

Key performance indicators

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

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



Matthew Buckland
Company Secretary
7th March 2019

Directors' report

The Directors present their report and the audited financial statements for 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 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 (2017: 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 12 to the financial statements. The Schroders Report does not form part of this report.

Going concern

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

Directors

The Directors of the Company who have served throughout the year, except where listed below, are set out on page two.

Director	Appointed	Resigned
Philip Betteridge	-	26 November 2018
Alison Rankin	27 November 2018	-

Directors' liability insurance

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

Directors' report (continued)

Employee policy

The Company had no employees during the year (2017: nil). Employee expenses recharged from other Group companies are included within operating expenses (see note 4).

Auditors and disclosure of information to auditors

During the year, Ernst & Young LLP (EY) was appointed as external auditor of the Company in accordance with section 487 of the Companies Act 2006. In accordance with section 487(2) of the Companies Act 2006 and in the absence of a notice proposing that the appointment be terminated at a general meeting, EY will be deemed to be reappointed for the next financial year.

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

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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
7th March 2019

Registered Office:
1 London Wall Place
London
EC2Y 5AU

Registered in England and Wales No 08816671

Independent auditors' 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 2018 which comprise the Income Statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, the Cash flow statement and the related notes 1 to 16, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('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 profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Other information

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

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

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

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

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, 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

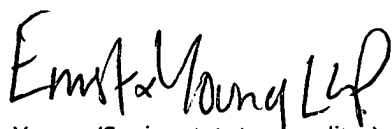
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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

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

Use of our report

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



Julian Young (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
12th March 2019

Income statement

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Operating revenue	2	29,475	6,427
Net finance charges		(3,115)	(806)
Net (losses)/gains on financial instruments and other income	3	(16)	12
Net income		26,344	5,633
Operating expenses	4	(26,026)	(5,230)
Profit before income tax		318	403
Income tax (credit)	5	205	200
Profit after tax		523	603

Statement of comprehensive income

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	523	603
Total comprehensive income for the year, net of tax	523	603

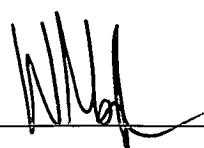
Statement of financial position

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Property, plant and equipment	6	198,887	110,249
Intangible assets	7	12,067	8,082
Total non-current assets		210,954	118,331
Current assets			
Trade and other receivables	9	12,103	17,522
Current tax asset		2,636	1,926
Total current assets		14,739	19,448
Total assets		225,693	137,779
Current liabilities			
Provisions	11	703	1,482
Trade and other payables	10	219,048	133,369
Total current liabilities		219,751	134,851
Non-current liabilities			
Deferred tax liability	8	4,552	2,060
Total non-current liabilities		4,552	2,060
Total liabilities		224,303	136,911
Net assets		1,390	868
Total equity		1,390	868

The financial statements on pages 9 to 25 were approved by the Board of Directors on 7th March 2019 and were signed on its behalf by:

Wayne Mepham
Director



Statement of changes in equity

for the year ended 31 December 2018

	Share capital ¹ £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	-	868	868
Restatement on adoption of IFRS 9	-	(1)	(1)
At 1 January 2018 (restated)	-	867	867
Total comprehensive income for the year net of tax	-	523	523
At 31 December 2018	-	1,390	1,390

	Share capital ¹ £'000	Retained earnings £'000	Total equity £'000
for the year ended 31 December 2017			
At 1 January 2017	-	265	265
Total comprehensive income for the year net of tax	-	603	603
At 31 December 2017	-	868	868

¹ Share capital represents one ordinary share issued at a par value of £1 each. See note 13.

Cash flow statement

for the year ended 31 December 2018

	2018 £'000	2017 £'000
Operating activities		
Profit before income tax	318	403
Adjustments for statement of financial position movements:		
Decrease/(increase) in trade and other receivables	5,419	(13,948)
Increase in trade and other payables	71,943	101,705
Provision increase	30	-
Adjustments for income statement non-cash movements:		
Depreciation of plant, property and equipment	4,797	94
Amortisation of intangibles	102	-
Cash from operating activities	82,609	88,254
Tax paid	2,360	294
Net cash generated from operating activities	84,969	88,548
Investing activities		
Purchase of plant, property and equipment	(81,529)	(84,340)
Purchase of intangible assets	(3,440)	(4,208)
Net cash used in investing activities	(84,969)	(88,548)
Net increase in cash and cash equivalents	-	-
Opening cash and cash equivalents	-	-
Net increase in cash and cash equivalents	-	-
Closing cash and cash equivalents	-	-

Notes to the financial statements

for the year ended 31 December 2018

1. Presentation of the financial statements

Financial information for the year ended 31 December 2018 is presented in accordance with International Accounting Standard ('IAS') 1 Presentation of Financial Statements.

At 31 December 2018, the Company was a wholly owned subsidiary of Schroders Plc, a company incorporated in England and Wales that publishes group consolidated accounts. In accordance with Section 400 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 Financial Reporting Standards (IFRS), which comprise Standards and Interpretations approved by either the International Accounting Standards Board or the IFRS Interpretations Committee or their predecessors, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information presented within these financial statements has been prepared on the going concern basis under the historical cost convention.

The Company's principal accounting policies have been consistently applied. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed within the notes below.

New accounting standards and interpretations

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 re-classified at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

The Company has applied IFRS 9 retrospectively, with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings, £1k. Comparatives were not restated.

IFRS 9 introduces an expected loss model for the assessment of impairment and replaces the incurred loss model in IAS 39. The impact on the Company's net assets at 1 January 2018 of £1k has been recognised as an adjustment to the opening profit and loss reserve in the Statement of changes in equity. The reduction in net assets is driven by the impairment requirements on financial assets measured at amortised cost (see note 9).

Notes to the financial statements

for the year ended 31 December 2018

1. Presentation of the financial statements (continued)

(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. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

No restatements were required following the adoption of IFRS 15.

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. The Standards and Interpretations relevant to the Company that had been issued but not yet adopted at the year end were:

- IFRS 16 – Leases
- IFRIC 23 – Uncertainty over Income Tax Treatments

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

(i) IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases and is effective for annual periods beginning on or after 1 January 2019. Where the Company is a lessee, IFRS 16 requires operating leases to be recorded in the Company's statement of financial position. A right-of-use asset (ROU asset) will be recognised within property, plant and equipment and a lease liability will be recorded. The ROU asset and lease liability will be calculated based on the expected payments, requiring an assessment as to the likely effect of renewal options, and are discounted using the relevant incremental borrowing rate.

The ROU asset will be depreciated on a straight-line basis over the expected life of the lease. The lease liability will be reduced as lease payments are made with an interest expense recognised using the effective interest method as a component of finance costs. This will result in a proportion of the lease expense being recognised earlier in the life of the lease.

In preparation for transition to IFRS 16 the Company has reviewed all its leasing arrangements and assessed the estimated impact that the initial application of IFRS 16 will have on its financial statements. The Company intends to adopt IFRS 16 retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. Under this approach, the ROU asset will be measured on transition as if the new rules had always been applied, using the appropriate discount rate at 1 January 2019. Comparative information will not be restated. The Company expects to apply the optional exemptions contained within IFRS 16, which permit the cost of short-term (less than 12 months) and small-value leases to be expensed on a straight-line basis over the lease term. These leases are not material to the Company.

Notes to the financial statements

for the year ended 31 December 2018

1. Presentation of the financial statements (continued)

At 31 December 2018, the Company had non-cancellable operating lease commitments of £389.9m, see note 14. Consequently, on 1 January 2019 the Company will recognise additional lease assets and liabilities of approximately £277.1m and £271.8m respectively. This will result in an decrease in the Company's net assets of £1.45m, which will be recognised in the Statement of changes in equity. As the Company has recently renewed a number of lease arrangements the adoption of IFRS 16 will reduce the Group's profit before tax due to the earlier recognition of the lease expense. Based on the lease commitments existing at 31 December 2018, this would be expected to increase the Group's total expenses by around £4.4million in 2019.

(iv) 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.

Estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results.

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

Note 11 Provisions

2. 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 its property estate (see note 6).

Operating revenue comprises:

	2018	2017
	£'000	£'000
Property rental income	1,039	325
Administration and other fees	28,436	6,102
	29,475	6,427

Notes to the financial statements

for the year ended 31 December 2018

3. 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:

	2018 £'000	2017 £'000
Net (losses) / gains on foreign exchange	(16)	12
	(16)	12

4. 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.

Operating expenses include:	2018 £'000	2017 £'000
Wages and salaries	1,671	1,497
Social security costs	59	100
Other pension costs	54	73
Employee benefit expense	1,784	1,670
Depreciation and amortisation expense	4,899	161
Fees payable for the audit of the Company	12	16
Operating lease payments	8,398	2,180
Other operating expenses	108,294	91,954
Operating expenses	123,387	95,981
Capitalisation	(97,361)	(90,751)
Operating expenses net of capitalisation	26,026	5,230

Ernst & Young LLP (EY) replaced PricewaterhouseCoopers LLP (PwC) as the Group's principal auditor for the 2018 financial year.

Directors' emoluments

The amounts set out below are in respect of 1 (2017: none) Director whose emoluments were charged either in part or in full to the Company during the year. This Director has a contract of service with and receives their emoluments from another Group company. A charge is made by that Group Company in respect of the services it provides to the Company. The emoluments of 4 (2017: 4) Directors employed by and paid for by another Group

Notes to the financial statements

for the year ended 31 December 2018

4. Operating expenses (continued)

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.

	2018 £'000	2017 £'000
Aggregate emoluments	5	-

In addition to the emoluments detailed, deferred amounts conditionally receivable by the Director were £400 (2017: £nil).

Retirement benefits have accrued to no (2017: none) Directors under a defined benefit scheme and to 1 (2017) Director under a defined contribution pension scheme.

During the year, 1 (2017: 1) Director became entitled to shares under the Group's Equity Compensation Plan and no (2017: no) Directors became entitled to shares under the Group's Equity Incentive Plan or Long Term Incentive Plan.

5. Income tax (credit) / charge

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

Major components of the income tax (credit) / charge for the year ended 31 December 2018:

	2018 £'000	2017 £'000
Current tax:		
Corporation tax charge	(2,492)	(1,926)
Adjustments to group relief in respect of prior years	(205)	(369)
Total current tax (credit) for the year	(2,697)	(2,295)
Deferred tax:		
Origination and reversal of temporary differences	2,283	1,740
Adjustments in respect of prior years / estimates	209	355
Total deferred tax charge for the year	2,492	2,095
Total current tax (credit) for the year	(205)	(200)

(b) Factors affecting the tax (credit) for the year

The UK standard rate of corporation tax is 19% (2017: effective tax rate of 19.25%). The tax charge for the year is lower (2017: higher) than the UK standard rate of corporation tax for the period of 19%. The differences are explained below:

Notes to the financial statements

for the year ended 31 December 2018

5. Income tax (credit) / charge (continued)

	2018 £'000	2017 £'000
Profit before tax	318	403
Profit before tax multiplied by corporation tax 19% (2017: 19.25%)	60	78
Non taxable income net of disallowable expenses	-	5
Prior year adjustments	4	(15)
Deferred tax adjustments in respect of changes in UK tax rates	(269)	(268)
Total income tax (credit) for the year	(205)	(200)

6. 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 leasehold improvements that are under construction for the new leased premises at 1 London Wall Place and Copthall Avenue, depreciation started during the year as the properties became available for use. Land and buildings acquired in the prior and current year with the purpose of housing Group employees as well as sub-letting to third parties. The building will be depreciated using the straight-line basis over 33 years. The freehold land component will not be depreciated as it has an indefinite useful life.

	2018				2017		
	Leasehold Improvements £'000	Land and buildings £'000	Office & Hardware £'000	Total £'000	Leasehold improvements £'000	Land and buildings £'000	Total £'000
Cost							
At 1 January	91,421	19,011	10	110,442	22,805	-	22,805
Additions	72,805	637	19,993	93,435	68,626	19,011	87,637
At 31 December	164,226	19,648	20,003	203,877	91,431	19,011	110,442
Accumulated depreciation							
At 1 January	(126)	(67)	-	(193)	(99)	-	(99)
Depreciation charge for the year	(3,462)	(419)	(916)	(4,797)	(27)	(67)	(94)
At 31 December	(3,588)	(486)	(916)	(4,990)	(126)	(67)	(193)
Net book value as at 31 December	160,638	19,162	19,087	198,887	91,305	18,944	110,249

At 31 December 2018 no assets were held under finance leases (2017: nil). At 31 December 2018, the Company had contractual capital commitments relating to the future lease obligations of 1 London Wall Place and Copthall Avenue office and relating to the fit out of the Land and Buildings (see note 14).

Notes to the financial statements

for the year ended 31 December 2018

7. 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.

	2018	2017
	Software £'000	Software £'000
Cost		
At 1 January	8,082	2,122
Additions	4,087	5,960
At 31 December	12,169	8,082
Accumulated amortisation		
At 1 January	-	-
Amortisation for the year	(102)	-
At 31 December	(102)	-
Net book value as at 31 December	12,067	8,082

8. 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 17%, reflecting the rate expected to be applicable at the time the net deferred tax liability is realised (2017: 17%).

The movement on the deferred tax account is shown below:

	2018 £'000	2017 £'000
At 1 January	(2,060)	34
Income statement expense	(2,761)	(2,362)
Income statement credit due to changes in UK tax rates	269	268
At 31 December	(4,552)	(2,060)

Notes to the financial statements

for the year ended 31 December 2018

8. Deferred tax (continued)

	Accelerated deferred tax depreciation £'000	Total £'000
At 1 January 2018	(2,060)	(2,060)
Income statement expense	(2,492)	(2,492)
At 31 December 2018	(4,552)	(4,552)

	Accelerated deferred tax depreciation £'000	Total £'000
At 1 January 2017	34	34
Income statement expense	(2,094)	(2,094)
At 31 December 2017	(2,060)	(2,060)

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.

	2018 £'000	2017 £'000
Financial assets:		
Amounts owed by related parties (see note 15)	5,577	7,289
Other debtors	5,895	9,541
	11,472	16,830
Non-financial instruments:		
Prepayments	631	692
	12,103	17,522

All trade and other receivables are current.

Gross carrying value for trade and other receivables is £12,107.5k (1 January 2018: £5,582k) and expected credit losses are £4.5k (1 January 2018: £1k). Expected credit losses as a percentage of gross carrying value is 0.08% (1 January 2018: 0.08%).

Notes to the financial statements

for the year ended 31 December 2018

10. Trade and other payables

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

	2018 £'000	2017 £'000
Financial liabilities:		
Amounts owed to related parties (see note 15)	195,214	127,099
Accruals	23,834	6,270
	219,048	133,369

All trade and other payables are current.

In order to meet its cash requirements the Company was provided with an overdraft facility as at 31 December 2018 of £195,211k (2017: £100,368k) from a central bank account held by Schroder Financial Services Limited, a related party. These balances are shown within amounts owed to related parties.

11. 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.

	2018 Dilapidations and onerous leases £'000	2017 Dilapidations and onerous leases £'000
Cost		
At 1 January	1,482	1,482
Provision utilised	(809)	-
Provision charged	30	-
At 31 December	703	1,482

Notes to the financial statements

for the year ended 31 December 2018

11. Provisions (continued)

The provision is expected to mature in the following periods:

	2018 £'000	2017 £'000
Less than 1 year	703	1,482
1-5 years	-	-
	703	1,482

12. Financial risk management

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the Business review section and in note 19 of 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.

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.

Capital management

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

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for the year ended 31 December 2018

12. Financial risk management (continued)

Foreign exchange risk

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

The Company's policy in relation to revenue and expenditure currency exposure is not to hedge as 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.

13. Share capital

	2018 Number	2017 Number	2018 £	2017 £
Issued:				
Ordinary shares of £1 each	1	1	1	1

14. 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 under development for 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 2018, the Company had outstanding commitments for future minimum payments under non-cancellable contractual agreements which fall due as set out below:

	2018		
	Service fees £'000	Offices £'000	Total £'000
Not later than 1 year	12,000	17,237	29,237
Later than 1 year and not later than 5 years	46,500	74,811	121,311
Later than 5 years	-	239,401	239,401
Total	58,500	331,449	389,949

Notes to the financial statements

for the year ended 31 December 2018

14. Commitments (continued)

	2017		
	Service fees £'000	Offices £'000	Total £'000
Not later than 1 year	11,630	48,995	60,625
Later than 1 year and not later than 5 years	48,000	66,270	114,270
Later than 5 years	7,000	270,873	277,873
Total	66,630	386,138	452,768

15. Related party transactions

(a) 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
2018				
Ultimate parent	3,073		437	-
Other related companies within the Schroders Group	25,363	(3,164)	5,140	(195,214)
2017				
Ultimate parent	582	-	32	(802)
Other related companies within the Schroders Group	5,520	(826)	7,257	(126,297)

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

(b) Key management personnel 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:

	2018 £'000	2017 £'000
Short-term employee benefits	5	-
Share-based payments	1	-
Total remuneration	6	-

Notes to the financial statements

for the year ended 31 December 2018

15. Related party transactions (continued)

(b) Key management personnel remuneration (continued)

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

16. 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.