Schroders

Annual Report and Accounts 2019

Schroder Unit Trusts Limited

Year Ended 31 December 2019

Registered Number: 04191730

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Officers and professional advisers

Directors

Calum Thomson (non-executive)
Carolina Minio Paluello (appointed 19 December 2019)
Howard Williams (non-executive)
James Rainbow (appointed 19 December 2019)
Paul Chislett
Paul Michael Truscott (appointed 4 July 2019)
Stephen John Reedy (appointed 19 December 2019)

Company Secretary

Schroder Corporate Services Limited

Registered office

1 London Wall Place
London
EC2Y 5AU

Independent auditors

Ernst & Young LLP
Chartered Accountants and Statutory Auditors
25 Churchill Place
London E14 5EY

Strategic report

The Directors present their Strategic report on Schroder Unit Trusts Limited (the Company) for the year ended 31 December 2019.

Results and review of the business

The profit for the year, after tax, was £63,159,000 (2018: £61,989,000 profit after tax). This represents a return on net assets of 69 % (2018: 63%).

The Company acts as the manager and authorised corporate director of unit trusts and open ended investment companies (Undertakings for the Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds respectively), Non-UCITS Retail Schemes and Charity Authorised Investment Funds. The Company's principal business activities encompass the development and marketing of these products via a number of distribution channels. The Company has no subsidiaries and is authorised by the Financial Conduct Authority to carry on certain regulated activities as detailed in the Financial Conduct Authority register.

The Directors consider the results and the Company's financial position at 31 December 2019 to be satisfactory.

As a UK-listed business, the Schroders plc Group (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 2019, 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.

Directors' duties – compliance with s172 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
- 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. In considering the need to foster the company's business relationships with suppliers, customers and others, the interests of stakeholders both internal and external to the Schroders Group were taken into account.

One of the key matters considered by the Board during the year has been implementation of the Financial Conduct Authority's Assessment of Value requirements, which oblige authorised fund managers such as the Company to assess the overall value that their authorised funds deliver to investors, and to publish a summary of these assessments annually. In preparation for the Company publishing its first set of value assessments in April 2020, the Board has comprehensively considered, and refined over an extended period, the methodology to be utilised in the assessments, with an emphasis on ensuring that the best interests of investors are taken into account at all stages of the process.

In light of the implementation of the Financial Conduct Authority's Senior Managers & Certification Regime in December 2019, the Board approved changes to its composition during the year, as well as the allocation of senior management functions to individuals performing key roles, the allocation of prescribed responsibilities, and the

Strategic report (continued)

Directors' duties – compliance with s172 of the Companies Act 2006 (continued)

certification of individuals carrying out certain regulated activities for the Company. In considering these matters, specific attention was given to maintaining the Company's reputation for maintaining high standards of business conduct to the benefit of all stakeholders.

In respect of the Company's branch in South Africa, the Board considered its transfer to another entity within the Group with a presence in South Africa. This was considered beneficial in order to streamline the Group's operations in the region. In agreeing to the transfer, the Board took into account the likely long-term consequences of its decision and the interests of all stakeholders: in particular customers and suppliers in South Africa.

The Board also approved the payment of a dividend by the Company to its parent. The directors considered the long term consequences of paying up from its distributable reserves, noted that the resulting regulatory capital position of the Company would remain within its capital management policy limits, and considered that the payment was in the best interests of it stakeholders as a whole.

Due to the structure of the Group, stakeholder engagement also took place using Group resources, in line with agreed delegations. For details of the engagement that takes place with the Company's stakeholders at Group level, please refer to the Schroders plc annual report and accounts for the year ended 31 December 2019 ('the Schroders Report').

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 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 2019 (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:

Ria Vavakis, Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
4 March 2020

Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2019. The information contained in the Strategic report and the Statement of Directors' responsibilities forms part of this Directors' report.

General information

The Company is a private limited company, limited by shares incorporated and domiciled in England and Wales. The Company's ultimate parent undertaking and controlling entity is Schroders plc, which together with the Company and Schroders plc's other subsidiary undertakings, form the Group.

The Company had a branch office during the year in South Africa. This is scheduled to transfer to Schroder Investment Management Limited, another entity within the Group, during the financial year ending 31 December 2020.

Future developments

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

Dividends

During the year the Directors declared a dividend of £70.0 million in respect of the year ended 31 December 2018 which was paid to the member of the Company on 27 March 2019.

The Directors have declared a dividend in respect of the year ended 31 December 2019 totalling £28.2 million payable on 27 March 2020 to the shareholder on the register of members on that date.

Risk management and use of financial instruments

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in 'Key risks and mitigations' in the Strategic report and 'Risk and internal controls' within the Governance section of the Schroders Report. The Company's specific risk exposures to financial instruments are explained in note 13 to the financial statements.

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. 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, except where listed below, are listed on page 1. Between 1 January 2019 and 3 March 2020, the following changes have taken place:

Director	Appointed	Resigned
Guy Henriques		26 September 2019
Julian Walker-Hazell		4 November 2019
James Barker		8 December 2019
Philip Middleton		8 December 2019
Paul Michael Truscott	4 July 2019	
James Rainbow	19 December 2019	
Carolina Minio Paluello	19 December 2019	
Stephen John Reedy	19 December 2019	

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.

Employment policy

The Company had no employees during the year. All staff related expenses of the Company relate to individuals who are substantially engaged in the Company's business but have contracts of service with and receive their emoluments from another Group company. These are recharged in their entirety to the Company.

Directors' report (continued)

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, 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 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.

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

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

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

The directors 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:

Ria Vavakis, Authorised signatory for
Schroder Corporate Services Limited
Company Secretary
4 March 2020

Registered Office:
1 London Wall Place
London EC2Y 5AU
Registered in England and Wales No.04191730

Independent auditors' report to the member of Schroder Unit Trusts Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Schroder Unit Trusts Limited (the 'Company') for the year ended 31 December 2019 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 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 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 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.

Independent auditors' report to the member of Schroder Unit Trusts Limited (continued)

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.

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
4 March 2020

Income statement

for the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	309,231	333,227
Cost of sales	3	(176,578)	(195,330)
Net operating revenue		**132,653**	137,897
Net gains on financial instruments and other income	4	543	586
Net income		**133,196**	138,483
Operating expenses	5	(55,017)	(61,687)
Profit before income tax		**78,179**	76,796
Income tax expense	6	(15,020)	(14,807)
Profit after tax		**63,159**	61,989

Statement of comprehensive income

for the year ended 31 December 2019

	2019 £'000	2018 £'000
Profit after tax	**63,159**	61,989
Total comprehensive income for the year, net of tax	**63,159**	61,989

Statement of financial position

as at 31 December 2019

	Notes	**2019 £'000**	2018 £'000
Assets			
Cash and cash equivalents	8	32,529	34,721
Trade and other receivables	9	245,961	288,485
Deferred tax	10	582	439
Plant, property and equipment	11	-	41
Financial assets		23	23
Total assets		**279,095**	323,709
Liabilities			
Trade and other payables	12	172,585	210,667
Current tax		15,041	14,786
Total liabilities		**187,626**	225,453
Net assets		**91,469**	98,256
Total equity		**91,469**	98,256

The notes on page 12 to 33 form an integral part of the financial statements.

The financial statements on pages 8 to 33 were approved by the Board of Directors on 4 March 2020 and were signed on its behalf by:

Paul Chislett
Director _____

Registered Number: 04191730

Statement of changes in equity

for the year ended 31 December 2019

	Share capital[1] £'000	Retained earnings[2] £'000	Total equity £'000
At 1 January 2019	9,000	89,256	98,256
Total comprehensive income for the year net of tax	-	63,159	63,159
Tax credit on items taken directly to equity	-	54	54
Transactions with shareholders:			
Dividends	-	(70,000)	(70,000)
At 31 December 2019	**9,000**	**82,469**	**91,469**

	Share capital[1] £'000	Retained earnings[2] £'000	Total equity £'000
At 1 January 2018	9,000	72,379	81,379
Restatement on adoption of IFRS 9	-	(78)	(78)
At 1 January 2018 (restated)	9,000	72,301	81,301
Total comprehensive income for the year net of tax	-	61,989	61,989
Tax (charge) on items taken directly to equity	-	(34)	(34)
Transactions with shareholders:			
Dividends	-	(45,000)	(45,000)
At 31 December 2018	**9,000**	**89,256**	**98,256**

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

[2]The retained earnings reserve represents profits brought forward, the profit for the year together with transactions with shareholders.

Cash flow statement

for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Operating activities			
Profit before income tax		78,179	76,796
Adjustments for statement of financial position movements:			
Decrease/(increase) in trade and other receivables		42,524	(41,100)
(Decrease)/increase in trade and other payables		(38,082)	28,225
Adjustments for income statement non-cash movements:			
Depreciation of plant, property and equipment		10	31
Adjustments for which cash effects are investing activities:			
Interest received		(545)	(471)
Cash from operating activities		**82,086**	63,481
United Kingdom corporation tax paid		(14,847)	(15,550)
Overseas tax (expense)/credit		(7)	22
Net cash from operating activities		**67,232**	47,953
Investing activities			
Gain on Financial assets		-	2
Proceeds from sale of plant, property and equipment		31	80
Interest received		545	471
Net cash from investing activities		**576**	553
Financing activities			
Dividends paid		(70,000)	(45,000)
Net cash used in financing activities		**(70,000)**	(45,000)
Net (decrease)/increase in cash and cash equivalents		**(2,192)**	3,506
Opening cash and cash equivalents		34,721	31,215
Net (decrease)/increase in cash and cash equivalents		(2,192)	3,506
Closing cash and cash equivalents	8	**32,529**	34,721

Notes to the financial statements

for the year ended 31 December 2019

1. Presentation of the financial statements

Financial information for the year ended 31 December 2019 is presented in accordance with International Accounting Standard ('IAS') 1 Presentation of Financial Statements.

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, 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 that are available-for-sale.

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

New accounting standards and interpretations

The Company has applied IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23) from 1 January 2019.

(i) IFRIC 23 Uncertainty over Income Tax Treatments

On 7 June 2017, the IASB issued IFRIC 23 which became effective on 1 January 2019. The interpretation provides clarification as to how the recognition and measurement requirements of IAS 12 Income Tax should be applied. IFRIC 23 does not have a material impact on the Company's financial statements.

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.

Estimates and judgements

Estimates and judgements used in preparing the financial statements are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The resulting accounting estimates will seldom equal the related actual results.

Notes to the financial statements

for the year ended 31 December 2019

2. Revenue

The Company's primary source of revenue is fee income from investment management activities. The fees are generally based on an agreed percentage of the valuation of the assets under management and are recognised as the service is provided and it is probable that the fee will be received.

Performance fees are earned from some structured entities when contractually agreed performance levels are exceeded within specified performance measurement periods. They are only recognised at the end of these performance periods, when a reliable estimate can be made and it is almost certain that it will be received.

Administration and Other Fees are earned through related operational activity performed by the Company. They primarily consist of administration fees, which are recognised as the services are provided.

Revenue comprises:

	2019	2018
	£'000	£'000
Management fees	265,950	287,807
Performance fees	2,830	2,140
Administration and other fees	40,451	43,280
Revenue	**309,231**	333,227

3. Cost of sales

Cost of sales principally comprises commissions, investment management and distribution fees payable to third parties and other Group companies, recognised over the period for which the service is provided.

4. Net 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.

Interest comprises amounts due on loans to other companies within the Schroders Group and temporary surpluses or deficits in the Company's cash accounts held with banks. Interest receivable is recognised using the effective interest method.

Notes to the financial statements

for the year ended 31 December 2019

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

Net gains on financial instruments and other income comprise:

	2019	2018
	£'000	£'000
Net (losses)/gains on financial instruments:		
Net (losses)/gains on foreign exchange	(2)	117
Net (losses) on seed capital	-	(2)
Interest receivable on financial assets not at fair value through profit or loss:		
Interest income on loans to related parties	518	442
Interest income on short term deposits	27	29
Net gains on financial instruments and other income	**543**	**586**

5. Operating expenses

Operating expenses are recognised on an accruals basis as services are provided. Included within total operating expenses are recharges from other Group companies in relation to employee benefit expenses including employee share-based payments and deferred cash awards. Deferred cash awards take the form of notional investments in funds operated by the Group and the liability is recorded at fair value. The accounting policy in respect of employee share-based payments is set out in note 16.

The Deferred cash awards are accounted for as a financial liability. These awards are charged to 'Operating expenses' within the income statement over the performance period and the vesting period of the awards. Awards that lapse are credited to the income statement, again within 'Operating expenses', in the year which they lapse.

Pension costs are determined in accordance with IAS 19 requirements and are explained in note 15.

	2019	2018
	£'000	£'000
Salaries, wages and other remuneration	10,715	13,901
Social security costs	1,405	1,418
Other pension costs (see note 15)	907	949
Employee benefit expense	**13,027**	16,268
Fees payable for the audit of the Company	116	113
Fees payable for audit-related assurance services	109	106
Audit and non-audit fees	225	219
Other operating expenses	41,765	45,200
Operating expenses	**55,017**	61,687

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

Notes to the financial statements

for the year ended 31 December 2019

5. Operating expenses (continued)

Directors' emoluments

The amounts set out below are in respect of 5 (2018: 6) Directors whose emoluments were charged either in part or in full to the Company during the year. These Directors have contracts 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 6 (2018: 4) 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.

	2019	2018
	£'000	£'000
Aggregate emoluments	589	1,212
Company pension contributions to the defined contribution scheme	15	33
	604	1,245

In addition to the emoluments detailed, deferred amounts conditionally receivable by current Directors were £147,000 (2018: £413,000). Retirement benefits have accrued to no (2018: none) Directors under a defined benefit scheme and to 4 (2018: 4) Directors under a defined contribution pension scheme.

During the year, 3 (2018: 4) Directors became entitled to shares under the Group's Equity Compensation Plan, 3 (2018: n/a) Directors became entitled to shares under the Group's Deferred Awards Plan and 1 Director (2018: 1) became entitled to shares under the Group's Equity Incentive Plan. Total compensation for loss of office payable to Directors was £nil (2018: £nil).

In respect of the highest paid Director, the aggregate emoluments and the amounts (excluding shares) received under the deferred incentive plans were £585,000 (2018: £738,000). In 2019 the Director did (2018: did) become entitled to shares under the Group's Equity Compensation Plan and did (2018: n/a) become entitled to shares under the Group's Deferred Awards Plan. The Director did (2018: did not) become entitled to shares under the Group's Equity Incentive Plan. The accrued annual pension under the Schroders Retirement Benefits Scheme, a defined benefits scheme, at the end of the year was £nil (2018: £nil). The contribution to a defined contribution scheme was £6,000 (2018: £10,000).

6. Income tax expense

The Company is based in the UK and pays taxes according to the rates applicable in the jurisdictions in which it operates. Most taxes are recorded in the income statement (see part (a) of this note below) and relate to profits earned in the reporting year (current tax) but also adjustments due to timing differences between the accounting recognition of profits and the tax recognition (deferred tax). Deferred tax is explained in note 10. Some current and deferred tax - mainly relating to changes in the intrinsic value of employee share awards - is recorded directly in equity (see part (b) below).

Notes to the financial statements

for the year ended 31 December 2019

6. Income tax expense (continued)

(a) Analysis of charge in the year

	2019	2018
	£'000	£'000
Current tax:		
Corporation tax	15,047	14,649
Overseas tax	7	-
Adjustments in respect of prior years	55	111
Total current tax charge for the year	**15,109**	**14,760**
Deferred tax:		
Origination and reversal of temporary differences	(102)	55
Adjustments in respect of prior years	(21)	(8)
Effect of changes in UK corporation tax rate	34	-
Total deferred tax	**(89)**	**47**
Total tax charge for the year	**15,020**	**14,807**

(b) Analysis of (credit)/charge reported in equity

	2019	2018
	£'000	£'000
Current tax on Equity Compensation Plan & share options awards	-	(31)
Deferred tax on Equity Compensation Plan & share options awards	(54)	65
Deferred tax effect of changes in corporation tax rate	-	-
Tax (credit)/charge reported in equity	**(54)**	**34**

(c) Factors affecting tax charge for the year

The UK standard rate of corporation tax is 19% (2018: 19%). The tax charge for the year is higher (2018: higher) than the UK standard rate of corporation tax for the period of 19%. The differences are explained below:

	2019	2018
	£'000	£'000
Profit before income tax	78,179	76,796
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2018: 19%)	14,854	14,591
Effects of:		
Non deductible expenses	91	113
Non taxable income	34	-
Adjustments in respect of prior year	34	103
Other overseas taxes	7	-
Total tax charge for the year	**15,020**	**14,807**

Notes to the financial statements

for the year ended 31 December 2019

7. Dividends payable

Dividends payable are recognised when the dividend is paid or approved by shareholders, whichever is earlier.

	2019		2018	
	£'000	**Pence per share**	£'000	Pence per share
Dividend paid	**70,000**	**777.8**	45,000	500.0

8. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank. For the purposes of the cash flow statement, cash and cash equivalents consist of cash at bank, net of outstanding bank overdrafts where such facilities form an integral part of the Company's cash management.

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

	2019	2018
	£'000	£'000
Cash at bank	**32,529**	34,721

As part of the Group's process to manage surplus cash and investment returns effectively, surplus cash of £ 76,983,000 (2018: £ 88,298,000) was swept to a central bank account held by Schroder Financial Services Limited, a related party. These balances are shown in trade and other receivables within amounts owed by related parties.

Notes to the financial statements

for the year ended 31 December 2019

9. Trade and other receivables

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

Apart from prepayments, this represents amounts the Company is due to receive from third parties, including related parties, in the normal course of business. This includes fees as well as settlement accounts (redemption proceeds due from funds or fund subscriptions due from investors). These receivables are normally derecognised on receipt of cash. Trade and other receivables are stated after the deduction of provisions for bad and doubtful debts. Prepayments arise where the Company pays cash in advance for services not yet received. As the service is provided, the prepayment is recorded in the income statement as an operating expense.

The gross carrying value for trade and other receivables is £246,053,000 (2018: £288,590,000) and expected credit losses are £92,000 (2018: £105,000).

The Company has interests in structured entities as a result of the management of assets on behalf of its clients. Assets under management are managed within structured entities, typically unitised vehicles which entitle unit holders to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units (or other similar ownership entitlements in the entities) by investors.

The Company earns a management fee from the structured entities it provides management services to, based on a percentage of the entity's net asset value and, where contractually agreed, a performance fee, based on outperformance against predetermined benchmarks. The business activity of all structured entities is the management of assets in order to maximise investment returns from capital appreciation and/or investment income.

	2019		2018	
	Current £'000	**Total £'000**	Current £'000	Total £'000
Financial assets:				
Settlement accounts	128,320	128,320	160,577	160,577
Amounts owed by related parties (see note 17)	83,380	83,380	94,019	94,019
Accrued income	28,511	28,511	26,444	26,444
Fee debtors	410	410	337	337
Other debtors	4,617	4,617	6,308	6,308
	245,238	**245,238**	287,685	287,685
Non-financial assets:				
Prepayments	723	723	800	800
	245,961	**245,961**	288,485	288,485

Notes to the financial statements

for the year ended 31 December 2019

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 year-end date and their carrying amounts for financial reporting purposes.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax relating to items recognised directly in the statement of changes in equity is not recognised in the income statement.

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 asset is realised (2018: 17%).

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

	2019	2018
	£'000	£'000
At 1 January	439	551
Income statement credit/(charge)	89	(47)
Credit/(charge) taken directly to equity	54	(65)
At 31 December	**582**	439

	2019			2018		
	Share options and award schemes £'000	**Accelerated capital allowances £'000**	**Total £'000**	Share options and award schemes £'000	Accelerated capital allowances £'000	Total £'000
At 1 January	438	1	439	506	45	551
Credited/(charged) to income statement	73	16	89	(3)	(44)	(47)
Credited/(charged) to equity	54	-	54	(65)	-	(65)
At 31 December	**565**	**17**	**582**	**438**	**1**	**439**

Notes to the financial statements

for the year ended 31 December 2019

11. Plant, property and equipment

The Company's plant, property and equipment principally comprised of cars. Property, plant and equipment were held at historic cost less accumulated depreciation. 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 provided on the cost less the estimated residual value at the end of their useful economic life on a straight-line basis at 20 per cent per annum over 5 years. Depreciation rates and methods, as well as the residual values at the end of the useful economic life, underlying the calculation of depreciation of items of property, plant and equipment are regularly reviewed for any change in circumstances. Depreciation of property, plant and equipment is recorded in the income statement as an operating expense.

	2019	2018
	Cars	Cars
	£'000	£'000
Cost		
At 1 January	105	279
Disposals	(105)	(174)
At 31 December	**-**	105
Accumulated depreciation		
At 1 January	(64)	(127)
Depreciation charge for the year	(10)	(31)
Disposals	74	94
At 31 December	**-**	(64)
Net book value at 31 December	**-**	41

12. Trade and other payables

Trade and other payables (excluding deferred income) represent amounts the Company is due to pay to third parties in the normal course of business. This includes expense accruals as well as settlement accounts (sales proceeds due to funds or investors in respect of fund redemptions). Trade payables are costs that have been billed, but not yet paid. Accruals represent costs including compensation, that are not yet billed or due for payment.

Trade payables, other than deferred cash awards, are recorded initially at fair value and subsequently at amortised cost. Deferred cash awards are recorded at fair value, with re-measurement at each year-end date and at settlement date.

Notes to the financial statements

for the year ended 31 December 2019

12. Trade and other payables (continued)

	2019			2018		
	Non-current £'000	**Current £'000**	**Total £'000**	Non-current £'000	Current £'000	Total £'000
Trade and other payables at amortised cost:						
Settlement accounts	-	128,349	128,349	-	164,770	164,770
Social security	-	769	769	-	844	844
Amounts owed to related parties (see note 17)	-	20,496	20,496	-	14,732	14,732
Accruals	-	9,990	9,990	-	12,297	12,297
Trade payables	-	11,713	11,713	-	12,720	12,720
Other payables	705	563	1,268	418	4,886	5,304
	705	**171,880**	**172,585**	418	210,249	210,667

13. Financial instrument risk management

The risk management processes of the Company are aligned with those of the Group as a whole. Details of the Group's risk management processes are outlined in the Business review section and in note 19 in the Schroders Report. Sensitivities are measured against market risk movements which the Group believes could reasonably occur within the next calendar year.

The Company's specific risk exposures are explained below.

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 include 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.

Fee debtors are monitored regularly. Historically, default levels have been insignificant, and, unless a client has withdrawn funds, there is an ongoing relationship between the Company and the client. Although the Company is usually managing client cash representing a large multiple of the amount owed to the Company by the client, the Company does not hold any of the assets it invests on behalf of its clients as collateral.

The credit risk attributable to settlement accounts is 100 per cent. of the nominal amount involved. However, the period of exposure is very short and the majority of the counterparties are unit trusts managed by the Group. The balances are monitored regularly and historically, default levels have been nil.

The Company's cash and cash equivalents is invested primarily in current accounts and on deposit with an A rated UK bank (2018: A rated).

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 Group's liquidity policy is to maintain sufficient liquidity to cover any cash flow funding, meet all obligations as they fall due and maintain solvency. The Company holds sufficient liquid funds to cover normal operating requirements. Outside the normal course of business the Company can request to borrow through intra-Group

Notes to the financial statements

for the year ended 31 December 2019

13. Financial instrument risk management (continued)

Liquidity risk (continued)

loans to maintain sufficient liquidity. Liquidity in the Group's capital overall (and for each entity) is monitored on a regular basis.

Capital management

The Company holds capital required to meet the Company's regulatory and working capital requirements. The Financial Conduct Authority (FCA) oversees the activities of the Company and imposes minimum capital requirements. The policy of the Company is to hold sufficient capital to meet regulatory requirements, keep an appropriate standing with counterparties and meet working capital requirements. Where this is surplus to immediate working capital requirements it is managed by the Group Treasury function and may be distributed to the shareholder.

The Company is regulated and authorised by the FCA. Its last submitted capital resources were £28.3 million (2018: £36.3 million) and the minimum capital requirement was £23.7 million (2018: £11.8 million). The Company has complied at all times with all of the externally imposed regulatory capital requirements.

Interest rate risk

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

The Company has interest bearing assets and liabilities which comprises of cash. The Company's cash balances are monitored by the Group's Treasury function. At 31 December 2019, if Bank of England interest rates had been 75 basis points higher or 50 basis points lower (2018: 50 basis points higher or 50 basis points lower) with all other variables held constant, it has been estimated that the post-tax profit for the year would have been £665,000 higher / £444,000 lower (2018: £498,000 higher / £498,000 lower), mainly as a result of higher/lower interest income on inter company loans and cash balances. Other components of equity would have been unaffected.

The underlying assumption made in the model used to calculate the effect on post-tax profits is that the fair values of assets and liabilities will not be affected by a change in interest rates.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value 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 this is considered part of the business. The Company currently does not hedge its investment in foreign operating companies but reconsiders its position from time to time.

The Company has assets and liabilities denominated in non-GBP currencies, on which the exposure is immaterial.

Notes to the financial statements

for the year ended 31 December 2019

13. Financial instrument risk management (continued)

Pricing risk

Pricing risk is the risk that future cash flows will fluctuate because of changes in market prices other than those arising from interest rate risk or currency risk. The Company's fee income is principally determined on basis points of the fair value of assets under management. This risk cannot be easily mitigated but is addressed to some extent by on-going net sales.

14. Share capital

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

	2019 Number	2018 Number	**2019 £'000**	2018 £'000
Issued, called up and fully paid:				
Ordinary share of £1 each	**9,000**	9,000	**9,000**	9,000

15. Retirement benefit obligations

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

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

The charge for retirement benefit costs is as follows:

	2019 £'000	2018 £'000
Pension costs - defined contribution plans	**907**	949

The following disclosures relate to the Scheme as a whole and are not specific to this Company's contribution to the Scheme.

(i) Profile of the Scheme

The Scheme is administered by a Trustee company, Schroder Pension Trustee Limited (the Trustee). The board of the Trustee company comprises an independent chairman, three directors appointed by the employer and two directors elected by the Scheme members. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for setting the investment strategy and for the day to day administration of the benefits. The Trustee's investment committee comprises four of the Trustee directors and two representatives of the Group. This committee, which reports to the Trustee board, is responsible for making investment strategy recommendations to the board of the Trustee and for monitoring the performance of the investment manager.

Notes to the financial statements

for the year ended 31 December 2019

15. Retirement benefit obligations (continued)

Under the Scheme, employees are entitled to annual pensions on retirement based on a specified percentage of their final pensionable salary or, in the case of active members at 30 April 2011 (the date the DB section of the Scheme closed for future accrual), actual pensionable salaries at that date, for each year of service. These benefits are adjusted for the effects of inflation, subject to a cap of 2.5% for pensions accrued after 12 August 2007 and 5.0% for pensions accrued before that date.

As at 31 December 2019, there were no active members in the DB section (2018: nil) and 2,127 active members in the DC section (2018: 1,973). The weighted average duration of the Scheme's DB obligation is 18 years (2018: 18 years).

Membership details of the DB section of the Scheme as at 31 December are as follows:

	2019	2018
Number of deferred members	1,251	1,327
Total deferred pensions (at date of leaving Scheme)	£9.4m per annum	£10.0m per annum
Average age (deferred)	52	52
Number of pensioners	885	849
Average age (pensioners)	70	70
Total pensions in payment	£20.4m per annum	£19.6m per annum

(ii) Funding requirements

The last completed triennial valuation of the Scheme was carried out as at 31 December 2017. The funding level at that date was 115% on the technical provisions basis and no contribution to the Scheme was required (2017: nil). The next triennial valuation will be due as at 31 December 2020 and will be performed in 2021.

(iii) Risks of the Scheme

The Company and the Trustee have agreed a long-term strategy for reducing investment risk as and when appropriate. This includes, as detailed below, an asset-liability matching policy which aims to reduce the volatility of the funding level of the Scheme by investing in assets such as swaps which perform in line with the liabilities of the Scheme so as to protect against inflation and/or interest rates being higher than expected.

The most significant risks that the Scheme exposes the Company to are:

Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets underperform this yield, this may create a deficit. The Group manages this risk by holding 64.0% (2018: 51.6%) of Scheme assets in a liability driven investment (LDI) portfolio and the remainder in growth assets such as the Schroder Life Diversified Growth Fund and a Strategic Beta portfolio. This asset mix is designed to provide returns that match or exceed the unwinding of the discount rate in the long term, but which can create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.

Notes to the financial statements

for the year ended 31 December 2019

15. Retirement benefit obligations (continued)

Credit risk

The assets of the Scheme include LDI and other fixed income instruments that expose the Group to credit risk. A significant amount of this exposure is to the UK Government as a result of holding gilts and bonds guaranteed by the UK Government. Other instruments held include derivatives, which are collateralised daily to cover unrealised gains or losses. The minimum rating for any derivatives counterparty is BBB.

Interest rate risk

A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this should be partially offset by an increase in the value of the Scheme's LDI portfolio which comprises gilts and other LDI instruments. The LDI portfolio has been designed to mitigate interest rate exposures measured on a funding rather than an accounting basis. One of the principal differences between these bases is that the liability under the funding basis is calculated using a discount rate set with reference to gilt yields; the latter uses corporate bond yields. As a result, the LDI portfolio hedges against interest rate risk by purchasing instruments that seek to replicate movements in gilt yields rather than corporate bond yields. Movements in the different types of instrument are not exactly correlated, and it is therefore likely that a tracking error can arise when assessing whether the LDI portfolio has provided an effective hedge against interest rate risk on an accounting basis. At 31 December 2019, the LDI portfolio was designed to mitigate 83% (2018: 77%) of the Scheme's exposure to changes in gilt yields.

Inflation risk

A significant proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. However, in most cases, caps on the level of inflationary increases are in place to protect against inflation. The majority of the growth assets are either unaffected by or not closely correlated with inflation, which means that an increase in inflation will also decrease any Scheme surplus. The LDI portfolio includes instruments such as index-linked gilts to provide protection against inflation risk. At 31 December 2019, the LDI portfolio was designed to mitigate 83% (2018: 77%) of the Scheme's exposure to inflation risk.

Life expectancy

The majority of the Scheme's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the liability.

Notes to the financial statements

for the year ended 31 December 2019

15. Retirement benefit obligations (continued)

(iv) Reporting at 31 December 2019

The principal financial assumptions used for the Scheme were as listed below:

	2019	2018
	%	%
Discount rate	2.1	2.9
RPI Inflation rate	3.1	3.3
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	3.0	3.2
Future pension increases (for benefits earned after 13 August 2007)	2.2	2.2
Average number of years a current pensioner is expected to live beyond age 60:		
Men	28	28
Women	29	29
Average number of years future pensioners currently aged 45 are expected to live beyond age 60:		
Men	29	29
Women	30	30

Net interest income is determined by applying the discount rate to the opening net surplus in the Scheme. The Group determines the appropriate discount rate at the end of each year. This is the interest rate that is used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality, long dated corporate bonds that are denominated in the currency in which the benefits will be paid.

Estimates and judgements

The Group estimates the carrying value of the Scheme through applying judgement to determine the assumptions to determine the valuation of the pension obligation using member data and applying the Scheme rules. The Scheme assets are mainly quoted in an active market. The sensitivity to those assumptions is set out below. The most significant judgemental assumption relates to mortality rates which are inherently uncertain. The Group's mortality assumptions are based on standard mortality tables with Continuous Mortality Investigation core projection factors and a long-term rate of mortality improvement of 1.0% (2018: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.5% per annum, introduced this year, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics.

Mortality tables for male pensioners are scaled back by 2.5% (2018: 5%) and female pensioners are scaled back by 7.5% (2018: 10%) to reflect the history of longer life expectancy of the Group's employees. The Group reviews its assumptions annually in conjunction with its independent actuaries and considers this adjustment appropriate given the geographic and demographic profile of Scheme members. Other assumptions for pension obligations are based in part on current market conditions.

The financial impact of the Scheme on the Group has been determined by independent qualified actuaries, Aon Hewitt Limited, and is based on an assessment of the Scheme as at 31 December 2019.

Notes to the financial statements

for the year ended 31 December 2019

15. Retirement benefit obligations (continued)

(iv) Reporting at 31 December 2019 (continued)

The sensitivity of the Scheme pension liabilities to changes in assumptions is as follows:

		2019	
Assumption	**Assumption change**	**Estimated decrease/ (increase) in pension liabilities £m**	**Estimated decrease/ (increase) in pension liabilities %**
Discount rate	Increase by 0.5% per annum	71.7	8.3
Discount rate	Decrease by 0.5% per annum	(84.0)	(9.7)
Expected rate of pension increases	Increase by 0.5% per annum	(65.3)	(7.5)
Expected rate of pension increases	Decrease by 0.5% per annum	67.3	7.8
Life expectancy	Decrease by one year	37.5	4.3

		2018	
Assumption	Assumption change	Estimated decrease/ (increase) in pension liabilities £m	Estimated decrease/ (increase) in pension liabilities %
Discount rate	Increase by 0.5% per annum	65.8	8.3
Discount rate	Decrease by 0.5% per annum	(72.1)	(9.1)
Expected rate of pension increases	Increase by 0.5% per annum	(56.3)	(7.1)
Expected rate of pension increases	Decrease by 0.5% per annum	52.6	6.6
Life expectancy	Decrease by one year	33.5	4.2

Notes to the financial statements

for the year ended 31 December 2019

15. Retirement benefit obligations (continued)

Movements in respect of the assets and liabilities of the Scheme are:

	2019 £m	2018 £m
At 1 January	951.2	1,029.2
Interest on assets	27.1	26.1
Remeasurement of assets	54.6	(56.8)
Benefits paid	(31.4)	(47.3)
Fair value of plan assets	**1,001.5**	951.2
At 1 January	(795.6)	(866.3)
Interest cost	(22.6)	(21.9)
Actuarial gains due to change in demographic assumptions	6.4	18.3
Actuarial gains/(losses) due to change in financial assumptions	(90.4)	36.3
Actuarial (losses) due to experience	5.6	(9.3)
Benefits paid	31.4	47.3
Present value of funded obligations	**(865.2)**	(795.6)
Net asset	**136.3**	155.6

The Group has not materially changed the basis of any of the principal financial assumptions underlying the calculation of the Scheme's net financial position during 2019, although such assumptions have been amended where applicable to reflect current market conditions and expectations.

Administration expenses and the levy payable to the Pension Protection Fund are met directly by the Group.

The fair value of the Scheme assets at the year end date is analysed as follows:

	2019		2018	
	Value £m	**Of which not quoted in an active market £m**	Value £m	Of which not quoted in an active market £m
Liability driven investments	643.3	-	491.3	12.9
Bonds (excluding those held as part of the liability driven portfolio)	-	-	78.8	-
Portfolio funds	345.6	6.1	348.0	7.8
Exchange-traded futures and over the counter derivatives	(7.8)	(8.1)	(5.7)	(4.2)
Cash	20.5	-	38.8	-
Total	**1,001.5**	**(1.9)**	951.2	16.5

Notes to the financial statements

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16. Share-based payments

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

Awards over ordinary shares made under the Group's 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 2000 Equity Compensation Plan the fair value of an award is calculated using the market value of the shares at the date of grant, discounted for the dividends forgone over the average holding period of the award. 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. Typically, one third of an award will vest and become exercisable on each of the first, second and third anniversaries of the grant date. Awards are structured as nil-cost options.

Awards over ordinary shares made under the Group's Equity Incentive Plan are charged at fair value to the income statement over a five year vesting period. Fair value is determined at the date of grant and is equal to the market value at that time. 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:

2000 Equity Compensation Plan and 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 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 typically, one third of an award will vest and become exercisable on each of the first, second and third anniversaries of the grant date provided the participant continues to be employed within the Group.

2008 Equity Incentive Plan: Under this scheme, eligible individuals 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 individual continues to be employed within the Group.

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 individuals.

Share Incentive Plan: Under this scheme approved by HM Revenue & Customs, eligible individuals can purchase ordinary shares in Schroders plc. each month up to £1,800 per taxation year from their gross salary. The Group matches 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.

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

Notes to the financial statements

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16. Share-based payments (continued)

The Company recognised total expenses of £693,000 (2018: £738,000) arising from share-based payment transactions during the year.

(a) 2000 Equity Compensation Plan and 2011 Equity Compensation Plan

	2019	2018
	Ordinary shares Number	Ordinary shares Number
Rights outstanding at 1 January	**33,934**	47,954
Granted / Shares in lieu of dividends	**9,728**	6,850
Forfeited	**-**	(963)
Exercised	**(9,291)**	(19,907)
Rights outstanding at 31 December	**34,371**	33,934
Vested	**13,429**	12,496
Unvested	**20,942**	21,438
Weighted average fair value of share granted (£)	**26.02**	33.47
Weighted average share price at dates of exercise (£)	**27.88**	33.94

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 £196,000 (2018: £201,000) was recognised during the financial year.

Notes to the financial statements

for the year ended 31 December 2019

16. Share-based payments (continued)

(b) Deferred Award Plan

	2019	2018
	Ordinary shares Number	Ordinary shares Number
Rights outstanding at 1 January	**9,492**	-
Granted / Shares in lieu of dividends	**19,036**	9,492
Exercised	**(2,636)**	-
Rights outstanding at 31 December	**25,892**	9,492
Vested	**524**	-
Unvested	**25,368**	9,492
Weighted average fair value of share granted (£)	**25.41**	33.47
Weighted average share price at dates of exercise (£)	**26.64**	-

There is no weighted average fair value for shares granted in lieu of dividends.

A charge of £283,000 (2018: £328,000) was recognised during the financial year.

(c) 2008 Equity Incentive Plan

	2019	2018
	Ordinary shares Number	Ordinary shares Number
Rights outstanding at 1 January	**29,483**	26,576
Granted / Shares in lieu of dividends	**5,740**	10,260
Exercised	**(11,765)**	(7,353)
Rights outstanding at 31 December - unvested	**23,458**	29,483
Weighted average fair value of share granted (£)	**32.34**	26.81
Weighted average share price at dates of exercise (£)	**31.73**	23.58

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 £147,000 (2018: £136,000) was recognised during the financial year.

(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 2,681 ordinary shares were granted (2018: 2,682), at a weighted average share price of £28.78 (2018: £30.88). A charge of £67,000 (2018: £73,000) was recognised during the financial year.

Notes to the financial statements

for the year ended 31 December 2019

17. Related party transactions

(a) Transactions between related parties

Transactions between the Company and its own subsidiaries, which are related parties of the Company, together with details of transactions between the Company and other related parties are disclosed below.

	2019					
	Finance income £'000	**Finance charges £'000**	**Revenues £'000**	**Expenses / dividends paid £'000**	**Amounts owed by related parties £'000**	**Amounts owed to related parties £'000**
Immediate parent	-	-	-	(70,000)	-	-
Other related companies	518	-	15,625	(140,576)	83,380	(20,496)

	2018					
	Finance income £'000	Finance charges £'000	Revenues £'000	Expenses / dividends paid £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Immediate parent	-	-	-	(45,000)	-	-
Other related companies	442	-	13,091	(149,634)	94,019	(14,732)

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

(b) Key management personnel compensation

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

The remuneration of key management personnel during the year was as follows:

	2019 £'000	2018 £'000
Short-term individuals benefits	658	1,351
Post-employment benefits	201	412
Other long term benefits	161	319
Share-based payments	15	33
	1,035	2,115

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £nil (2018: £1,006,000), net interest and fee income of £3,000 (2018: £34,000) and net interest and fee expenses of £1,000 (2018: £1,000).

Notes to the financial statements

for the year ended 31 December 2019

18. Ultimate and immediate parent company

The Company's immediate parent company is Schroder International Holdings Limited (incorporated in England and Wales), whose ultimate parent company and ultimate controlling party is Schroders plc (incorporated in England and Wales).