Schroders

Annual Report and Accounts 2020

Schroder Unit Trusts Limited

Year Ended 31 December 2020

Registered Number: 04191730

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Officers and professional advisers

Directors

Paul Chislett
Carolina Minio Paluello
James Rainbow
Stephen Reedy
Calum Thomson (non-executive)
Paul Truscott
Howard Williams (non-executive)

Company Secretary

Schroder Corporate Services Limited

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 Unit Trusts Limited (the Company) for the year ended 31 December 2020.

Results and review of the business

The profit for the year, after tax, was £44,051,000 (2019: £63,159,000 profit after tax). This represents a return on net assets of 41% (2019: 69%).

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 2020 to be satisfactory.

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

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

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

Directors' duties – compliance with 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.

Strategic report (continued)

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

The Board made a number of key decisions on behalf of the Company during the year, including those discussed below. The impact on the Company's stakeholders was, and continues to be, considered throughout the Board's decision making process.

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. The Board 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. This culminated in the publication of the Company's first Assessment of Value report in April 2020 covering 86 funds in the Company's UK-domiciled retail and institutional investment range and its second Assessment of Value report in October 2020 covering 42 funds in the Company's UK-domiciled wealth management fund range. As part of this process, the board agreed to move to an "all-in fee" to make charging structures simpler and easier to understand and to implement scale discounts in retail share classes for every fund that is larger than £1 billion.

The board also considered the suspension of the Schroder UK Real Estate Fund (SREF) and the Schroder UK Real Estate Feeder Trust due to a material uncertainty clause that had been applied to its valuations (and the valuations of other open ended real estate funds across the sector). This was due to the unknown impact of Covid-19 on asset valuations. As a result, the net asset value of SREF could not be established with any certainty and the issue, cancellation, sale or redemption of shares or units in SREF and its feeder was suspended to ensure the fair treatment of investors. Subsequently, as the material uncertainty clause was lifted, the board considered and approved the lifting of the suspension which took effect from 1 October 2020.

The Board approved the payment of a dividend by the Company to its parent for £60,000,000 (2019: £28,200,000). 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.

Although not a signatory to the agreement, the board considered the migration of transfer agency services from SS&C Technologies Holdings, Inc to HSBC Bank plc and concluded that migration would be in the interests of all stakeholders.

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 2020 (the Schroders Report). The Schroders Report does not form part of this report.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are aligned 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 2020 (Schroders Report).

Strategic report (continued)

Key performance indicators

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

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

Ria Vavakis, authorised signatory for
Schroder Corporate Services Limited
Company Secretary
3 March 2021

Directors' Report

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2020. The information contained in the Strategic report and the Statement of Directors' responsibilities forms part of this Directors' report.

General information

The Company is a private limited company, limited by shares incorporated and domiciled in England and Wales. The Company's ultimate parent undertaking and controlling entity is Schroders plc, which together with the Company and Schroders plc's other subsidiary undertakings, form the Group. The Company had a branch office for part of the year in South Africa. This was transferred to Schroder Investment Management Limited, another entity within the Group, on 1 June 2020 at net book value.

Future developments

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

Dividends

During the year the Directors declared a dividend of £28.2 million in respect of the year ended 31 December 2019 which was paid to the member of the Company on 27 March 2020.

The Directors have declared a dividend in respect of the year ended 31 December 2020 totalling £60.0 million payable on 26 March 2021 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 factors into consideration, including the nature of the Company and its business, the Directors are satisfied that, at the time of approving the financial statements, there is a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date that these Annual Report and Accounts are signed. 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 are listed on page 1. Between 1 January 2020 and 3 March 2021, no changes have taken place.

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.
financial year.

Independent auditors and disclosure of information to independent auditor

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

Directors' report (continued)

Independent auditors and disclosure of information to independent auditor (continued)

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.

Streamlined Energy and Carbon Reporting (SECR)

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

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 accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs in conformity with the requirements of the Companies Act 2006, have been followed subject to any material departures disclosed and explained in the financial statements;
- 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
3 March 2021

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 2020 which comprise of 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 Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

Conclusions relating to going concern (continued)

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In 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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the international accounting standards adopted in conformity with the requirements of the Companies Act 2006 and relevant tax compliance regulations. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Financial Conduct Authority FCA rules and regulations.
- We understood how Schroder Unit Trusts Limited is complying with those frameworks by making enquiries of management. We corroborated our understanding through our review of board meeting minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud, including in a remote-working environment; and how management monitors these controls.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations identified in the paragraphs above. Our procedures involved: journal entry testing, with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business; and enquiries of management.

Independent auditors' report to the member of Schroder Unit Trusts 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
3 March 2021

Income statement

for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	2	272,596	309,231
Cost of sales	3	(169,232)	(176,578)
Net operating revenue		**103,364**	132,653
Net gains on financial instruments and other income	4	5	543
Net income		**103,369**	133,196
Operating expenses	5	(49,126)	(55,017)
Profit before income tax		**54,243**	78,179
Income tax expense	6	(10,192)	(15,020)
Profit after tax		**44,051**	63,159

Statement of comprehensive income

for the year ended 31 December 2020

	2020 £'000	2019 £'000
Profit after tax	**44,051**	63,159
Total comprehensive income for the year, net of tax	**44,051**	63,159

Statement of financial position

as at 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Assets			
Cash and cash equivalents	8	22,237	32,529
Trade and other receivables	9	279,714	245,961
Deferred tax	10	555	582
Financial assets		46	23
Total assets		**302,552**	279,095
Liabilities			
Trade and other payables	12	184,972	172,585
Current tax		10,210	15,041
Total liabilities		**195,182**	187,626
Net assets		**107,370**	91,469
Total equity		**107,370**	91,469

The notes on page 15 to 35 form an integral part of the financial statements.

The financial statements on pages 11 to 35 were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Paul Chislett
Director _____

Registered Number: 04191730

Statement of changes in equity

for the year ended 31 December 2020

	Share capital[1] £'000	Retained earnings[2] £'000	Total equity £'000
At 1 January 2020	9,000	82,469	91,469
Total comprehensive income for the year, net of tax	-	44,051	44,051
Tax credit on items taken directly to equity	-	50	50
Transactions with shareholders:			
Dividends	-	(28,200)	(28,200)
At 31 December 2020	**9,000**	**98,370**	**107,370**

	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**

[1]Share capital represents issued and fully paid ordinary shares at a par value of £1 each.
[2]Retained earnings represents accumulated total comprehensive income for the year and prior periods together with transactions with shareholders

Cash flow statement

for the year ended 31 December 2020

	Note	**2020 £'000**	2019 £'000
Operating activities			
Profit before income tax		54,243	78,179
Adjustments for statement of financial position movements:			
(Increase)/decrease in trade and other receivables		(33,753)	42,524
Increase/(decrease) in trade and other payables		12,387	(38,082)
Adjustments for income statement non-cash movements:			
Depreciation of plant, property and equipment		-	10
Adjustments for which cash effects are investing activities:			
Interest received		(301)	(545)
Cash from operating activities		**32,576**	82,086
United Kingdom corporation tax paid		(14,946)	(14,847)
Overseas tax paid		-	(7)
Net cash from operating activities		**17,630**	67,232
Investing activities			
Seed capital investments		(23)	-
Proceeds from sale of plant, property and equipment		-	31
Interest received		301	545
Net cash from investing activities		**278**	576
Financing activities			
Dividends paid		(28,200)	(70,000)
Net cash used in financing activities		**(28,200)**	(70,000)
Net (decrease) in cash and cash equivalents		**(10,292)**	(2,192)
Opening cash and cash equivalents		32,529	34,721
Net (decrease) in cash and cash equivalents		(10,292)	(2,192)
Closing cash and cash equivalents	8	**22,237**	32,529

Notes to the financial statements

for the year ended 31 December 2020

1. Presentation of the financial statements

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

The results of the Company are consolidated in the Annual Report and Accounts of Schroders plc, copies of which can be obtained from www.schroders.com.

Basis of preparation

The financial statements are prepared in accordance with International Accounting Standards in conformity with the requirements of Companies Act 2006

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

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

New accounting standards and interpretations

The Company did not implement the requirements of standards or interpretations that were in issue but were not required to be adopted by the Group at the year end date.

Future accounting developments

No other Standards or Interpretations have been issued that are expected to have a material impact on the Company’s financial statements.

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.

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

Note 10 Deferred tax

Note 16 Share-based payments

Notes to the financial statements

for the year ended 31 December 2020

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:

	2020	2019
	£'000	£'000
Management fees	234,925	265,950
Performance fees	4,588	2,830
Administration and other fees	33,083	40,451
Revenue	**272,596**	309,231

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 Group and temporary surpluses or deficits in the Company's cash accounts held with banks. Interest receivable is recognised using the effective interest method.

Net gains on financial instruments and other income comprise:

	2020	2019
	£'000	£'000
Net (losses) on financial instruments:		
Net (losses) on foreign exchange	(296)	(2)
Interest receivable on financial assets not at fair value through profit or loss:		
Interest income on loans to related parties	291	518
Interest income on short term deposits	10	27
Net gains on financial instruments and other income	**5**	**543**

Notes to the financial statements

for the year ended 31 December 2020

5. Operating expenses

Operating expenses are recognised on an accruals basis as services are provided. Included within 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.

	2020	2019
	£'000	£'000
Salaries, wages and other remuneration	8,385	10,715
Social security costs	1,027	1,405
Other pension costs (see note 15)	601	907
Employee benefit expense	**10,013**	**13,027**
Fees payable for the audit of the Company	119	116
Fees payable for audit-related assurance services	112	109
Audit and non-audit fees	**231**	**225**
Other operating expenses	38,882	41,765
Operating expenses	**49,126**	55,017

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 emoluments

The amounts set out below are in respect of 5 (2019: 5) Directors whose emoluments were charged either in part or in full to the Company during the year. The emoluments of 2 (2019: 6) Directors employed by and paid for by another Group company are included in the financial statements of that entity. Their emoluments are deemed to be wholly attributable to their services to these companies. These Directors therefore receive no incremental emoluments for their services to the Company.

	2020	2019
	£'000	£'000
Aggregate emoluments	285	589
Company pension contributions to the defined contribution scheme	3	15
	288	604

In addition to the emoluments detailed, deferred amounts conditionally receivable by current Directors were £82,000 (2019: £147,000). Retirement benefits have accrued to no (2019: none) Directors under a defined benefit scheme and to 3 (2019: 4) Directors under a defined contribution pension scheme.

Notes to the financial statements

for the year ended 31 December 2020

5. Operating expenses (continued)

Directors emoluments (continued)

During the year, 1 (2019: 3) Directors became entitled to shares under the Group's Equity Compensation Plan, 3 (2019: 3) Directors became entitled to shares under the Group's Deferred Awards Plan and no Director (2019: 1) became entitled to shares under the Group's Equity Incentive Plan. Total compensation for loss of office payable to Directors was £nil (2019: £nil).
In respect of the highest paid Director, the aggregate emoluments and the amounts (excluding shares) received under the deferred incentive plans were £221,000 (2019: £585,000). In 2020 the Director did not (2019: did) become entitled to shares under the Group's Equity Compensation Plan and did (2019: did) become entitled to shares under the Group's Deferred Awards Plan. The Director did not (2019: did) become entitled to shares under the Group's Deferred Awards Plan. The accrued annual pension under the Schroders Retirement Benefits Scheme, a defined benefits scheme, at the end of the year was £nil (2019: £nil). The contribution to a defined contribution scheme was £1,000 (2019: £6,000).

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).

(a) Analysis of charge in the year

	2020	2019
	£'000	£'000
Current tax:		
Corporation tax	10,224	15,047
Overseas tax	-	7
Adjustments in respect of prior years	(61)	55
Total current tax charge for the year	**10,163**	**15,109**
Deferred tax:		
Origination and reversal of temporary differences	35	(102)
Adjustments in respect of prior years	46	(21)
Effect of changes in UK corporation tax rate	(52)	34
Total deferred tax	**29**	**(89)**
Total tax charge for the year	**10,192**	**15,020**

(b) Analysis of (credit) reported in equity

	2020	2019
	£'000	£'000
Deferred tax on Deferred Award Plan & share options awards	(50)	(54)
Tax (credit) reported in equity	**(50)**	**(54)**

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for the year ended 31 December 2020

6. Income tax expense (continued)

(c) Factors affecting tax charge for the year

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

	2020	2019
	£'000	£'000
Profit before income tax	54,243	78,179
Profit before tax multiplied by corporation tax at the UK standard rate of 19% (2019: 19%)	10,307	14,854
Effects of:		
Non deductible expenses	(47)	91
Non taxable income	(16)	34
Adjustments in respect of prior year	(52)	34
Other overseas taxes	-	7
Total tax charge for the year	**10,192**	**15,020**

7. Dividends payable

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

	2020		2019	
	£'000	**Pence per share**	£'000	Pence per share
Dividend paid	**28,200**	**313.3**	70,000	777.8

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.

	2020	2019
	£'000	£'000
Cash at bank	**22,237**	32,529

As part of the Group's process to manage surplus cash and investment returns effectively, surplus cash of £101,486,000 (2019: £76,983,000) 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.

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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 £279,825,000 (2019: £246,053,000) and expected credit losses are £111,000 (2019: £92,000).

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.

	2020		2019	
	Current	**Total**	Current	Total
	£'000	**£'000**	£'000	£'000
Financial assets:				
Settlement accounts	132,596	132,596	128,320	128,320
Amounts owed by related parties (see note 17)	110,755	110,755	83,380	83,380
Accrued income	30,350	30,350	28,511	28,511
Fee debtors	1,973	1,973	410	410
Other debtors	3,295	3,295	4,617	4,617
	278,969	**278,969**	245,238	245,238
Non-financial assets:				
Prepayments	745	745	723	723
	279,714	**279,714**	245,961	245,961

Notes to the financial statements

for the year ended 31 December 2020

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 19%, reflecting the rate expected to be applicable at the time the net deferred tax asset is realised (2019: 17%).

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

	2020	2019
	£'000	£'000
At 1 January	582	439
Income statement (charge)/credit	(29)	89
Credit taken directly to equity	2	54
At 31 December	**555**	582

	2020			2019		
	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	565	17	582	438	1	439
(Charged)/credited to income statement	(28)	(1)	(29)	73	16	89
Credited to equity	2	-	2	54	-	54
At 31 December	**539**	**16**	**555**	**565**	**17**	**582**

Notes to the financial statements

for the year ended 31 December 2020

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.

	2020	2019
	Cars	Cars
	£'000	£'000
Cost		
At 1 January	-	105
Disposals	-	(105)
At 31 December	**-**	-
Accumulated depreciation		
At 1 January	-	64
Depreciation charge for the year	-	10
Disposals	-	(74)
At 31 December	**-**	-
Net book value at 31 December	**-**	-

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 2020

12. Trade and other payables (continued)

	2020			2019		
	Non-current £'000	**Current £'000**	**Total £'000**	Non-current £'000	Current £'000	Total £'000
Trade and other payables at amortised cost:						
Settlement accounts	-	129,620	129,620	-	128,349	128,349
Social security	-	780	780	-	769	769
Amounts owed to related parties (see note 17)	-	36,244	36,244	-	20,496	20,496
Accruals	-	5,678	5,678	-	9,990	9,990
Trade payables	-	11,269	11,269	-	11,713	11,713
Other payables	711	670	1,381	705	563	1,268
	711	**184,261**	**184,972**	705	171,880	172,585

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 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 (2019: 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 2020

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 £63.3.0 million (2019: £28.3 million) and the minimum capital requirement was £23.0 million (2019: £23.7 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 2020, if Bank of England interest rates had been 15 basis points higher or 35 basis points lower (2019: 75 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 £150,000 higher / £351,000 lower (2019: £665,000 higher / £444,000 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.

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14. Share capital

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

	2020 Number	2019 Number	**2020 £'000**	2019 £'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:

	2020 £'000	2019 £'000
Pension costs - defined contribution plans	**601**	907

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 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.

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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 2020, there were no active members in the DB section (2019: nil) and 2,159 active members in the DC section (2019: 2,127). The weighted average duration of the Scheme's DB obligation is 18 years (2019: 18 years).

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

	2020	2019
Number of deferred members	1,199	1,251
Total deferred pensions (at date of leaving Scheme)	£8.2m per annum	£9.4m per annum
Average age (deferred)	52	52
Number of pensioners	937	885
Average age (pensioners)	70	70
Total pensions in payment	£20.8m per annum	£20.4m 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 (2019: nil). The next triennial valuation will be due as at 31 December 2021 and will be performed in 2022.

(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 33% (2019: 64%) 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 2020

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 2020, the LDI portfolio was designed to mitigate 83% (2019: 83%) 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 2020, the LDI portfolio was designed to mitigate 83% (2019: 83%) 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 2020

15. Retirement benefit obligations (continued)

(iv) Reporting at 31 December 2020

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

	2020 %	2019 %
Discount rate	1.4	2.1
RPI Inflation rate	2.8	3.1
CPI inflation rate	2.2	2.2
Future pension increases (for benefits earned before 13 August 2007)	2.7	3.0
Future pension increases (for benefits earned after 13 August 2007)	2.0	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	28	29
Women	29	30

The net interest for pension costs is determined by applying the corporate bond 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 should be 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% (2019: 1.0%) per annum. An additional adjustment, an "A parameter" set to 0.25% (2019: 0.5%) per annum, allows for the typically higher rate of mortality improvement among members of the Scheme compared to general population statistics.

The latest base mortality tables have been adopted with no scaling (2019: previously latest available base tables scaled back by 2.5% for men and 7.5% for women) following a scheme specific review of the membership data.

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 2020.

Notes to the financial statements

for the year ended 31 December 2020

15. Retirement benefit obligations (continued)

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

		2020	
Assumption	**Assumption change**	**Estimated reduction/ (increase) in pension liabilities £m**	**Estimated reduction/ (increase) in pension liabilities %**
Discount rate	Increase by 0.5% per annum	78.1	8.6
Discount rate	Decrease by 0.5% per annum	(87.7)	(9.6)
Expected rate of pension increases	Increase by 0.5% per annum	(80.7)	(8.9)
Expected rate of pension increases	Reduce by 0.5% per annum	62.3	6.9
Life expectancy	Increase by one year	(45.4)	(5.0)
Life expectancy	Reduce by one year	44.6	4.9

		2019	
Assumption	Assumption change	Estimated reduction/ (increase) in pension liabilities £m	Estimated reduction/ (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	Reduce by 0.5% per annum	67.3	7.8
Life expectancy	Increase by one year	(37.9)	(4.4)
Life expectancy	Reduce by one year	37.5	4.3

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for the year ended 31 December 2020

15. Retirement benefit obligations (continued)

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

	2020 £m	2019 £m
At 1 January	1,001.5	951.2
Interest on assets	20.7	27.1
Remeasurement of assets	91.5	54.6
Benefits paid	(36.5)	(31.4)
Fair value of plan assets	**1,077.2**	1,001.5
At 1 January	(865.2)	(795.6)
Interest cost	(17.8)	(22.6)
Actuarial (losses)/gains due to change in demographic assumptions	(0.6)	6.4
Actuarial losses due to change in financial assumptions	(74.8)	(90.4)
Actuarial gains due to experience	12.9	5.6
Benefits paid	36.5	31.4
Present value of funded obligations	**(909.0)**	(865.2)
Net asset	**168.2**	136.3

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 2020, 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 are:

	2020		2019	
	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	762.4	-	643.2	-
Portfolio funds	286.9	38.8	345.6	6.1
Exchange-traded futures and over the counter derivatives	3.3	5.6	(7.8)	(8.1)
Cash	24.6	-	20.5	-
Total	**1,077.2**	**44.4**	1,001.5	(2.0)

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for the year ended 31 December 2020

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.

The Company recognised total expenses of £450,000 (2019: £693,000) arising from share-based payment transactions during the year.

Notes to the financial statements

for the year ended 31 December 2020

16. Share-based payments (continued)

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

	2020 Ordinary shares Number	2019 Ordinary shares Number
Rights outstanding at 1 January	**34,371**	33,934
Granted / Shares in lieu of dividends	**9,273**	9,728
Exercised	**(3,741)**	(9,291)
Rights outstanding at 31 December	**39,903**	34,371
Vested	**17,205**	13,429
Unvested	**22,698**	20,942
Weighted average fair value of share granted (£)	**23.61**	26.02
Weighted average share price at dates of exercise (£)	**28.17**	27.88

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 £130,000 (2019: £196,000) was recognised during the financial year.

(b) Deferred Award Plan

	2020 Ordinary shares Number	2019 Ordinary shares Number
Rights outstanding at 1 January	**25,892**	9,492
Granted / Shares in lieu of dividends	**18,995**	19,036
Forfeited	**(11,378)**	-
Exercised	**(8,593)**	(2,636)
Rights outstanding at 31 December	**24,916**	25,892
Vested	**1,523**	524
Unvested	**23,393**	25,368
Weighted average fair value of share granted (£)	**23.61**	25.41
Weighted average share price at dates of exercise (£)	**24.50**	26.64

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

A charge of £151,000 (2019: £283,000) was recognised during the financial year.

Notes to the financial statements

for the year ended 31 December 2020

16. Share-based payments (continued)

(c) 2008 Equity Incentive Plan

	2020	2019
	Ordinary shares Number	Ordinary shares Number
Rights outstanding at 1 January	**23,458**	29,483
Granted / Shares in lieu of dividends	**3,705**	5,740
Exercised	**(7,916)**	(11,765)
Rights outstanding at 31 December - unvested	**19,247**	23,458
Weighted average fair value of share granted (£)	**27.60**	32.34
Weighted average share price at dates of exercise (£)	**31.89**	31.73

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 £126,000 (2019: £147,000) 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 1,745 ordinary shares were granted (2019: 2,681), at a weighted average share price of £29.27 (2019: £28.78). A charge of £47,000 (2019: £67,000) was recognised during the financial year.

Notes to the financial statements

for the year ended 31 December 2020

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.

	2020					
	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	-	-	-	(28,200)	-	-
Other related companies	291	-	13,249	(150,029)	110,755	36,244

	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)

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:

	2020 £'000	2019 £'000
Short-term individuals benefits	318	658
Post-employment benefits	149	201
Other long term benefits	83	161
Share-based payments	3	15
	553	1,035

Included in the accounts of other subsidiaries of the Group are amounts owed to related parties of £nil (2019: £nil), net interest and fee income of £nil (2019: £3,000) and net interest and fee expenses of £nil (2019: £1,000).

Notes to the financial statements

for the year ended 31 December 2020

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).