

*Arrowstreet Capital Europe
Limited*

*Annual Report and Financial
Statements*

For the year ended
31 December 2021

Company registration number
07233286 (England and Wales)

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Company Information

<i>Directors</i>	Anthony W. Ryan Ashley Shaw
<i>Registered office</i>	Nova North 11 Bressenden Place London SW1E 5BY
<i>Registered number</i>	07233286 (England and Wales)
<i>Independent auditors</i>	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY
<i>Bankers</i>	HSBC Bank Plc 16 King Street Covent Garden London WC2E 8JF

Directors' Report

The Directors present their report and financial statements of Arrowstreet Capital Europe Limited (the "Company") for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is to provide marketing services. The Company is regulated by the Financial Conduct Authority.

Business review and results

As the Company qualifies as "small" under the provisions of the Companies Act 2006, the Directors have utilised the exemption under section 417(1) of the Companies Act 2006 so as not to prepare and include an enhanced business review in this Directors' report.

Results and Dividends

A summary of the results for the year ended 31 December 2021 is given on page 8 of the financial statements.

Dividends declared and paid during the year ended 31 December 2021 were nil (31 December 2020: nil).

Risks and uncertainties

The risks and uncertainties faced by the Company are those inherent within the financial services industry. A brief description of the financial risks which may impact the Company have been disclosed within note 14 to the financial statements. In addition, the Company is exposed to regulatory risk such as changes in the laws, regulations, policies and interpretations and certain accounting standards in the markets in which it operates.

Policy and practice on payment of Creditors

The Company has a policy to pay all amounts due to creditors in accordance with the terms and conditions agreed with those creditors.

Directors

The following individuals served as a Director of the Company during the period 1 January 2021 through and including 16 March 2022:

Name	Date of Appointment	Date of Resignation (if applicable)
Anthony W. Ryan	1 May 2015	N/A
Ashley Shaw	28 April 2020	N/A

The Company is wholly owned by Arrowstreet Capital Holding LLC and the above Directors do not have any direct interest in the Company.

Directors' Report (continued)

Disclosure of information to auditor

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware, and each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

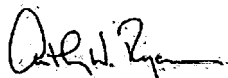
Auditor

Ernst & Young LLP were the auditor for the year ended 31 December 2021. Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

COVID-19

The Directors are mindful of the effects of the outbreak of COVID-19 ("Coronavirus") on the economies of various nations, individual companies and the global markets and note that the impact of this pandemic continues. Due to the cost-plus nature of the remuneration structure, there will be a decrease in travel related costs and a proportional decrease in revenue due to the lack of employee related travel costs for the duration of the pandemic. The Directors do not foresee an impact on the entity's ability to continue as a Going Concern and the Parent Company has committed to providing additional funding in the event that it is required to fund the Company's continuing operations.

This report was approved by the Board on 16 March 2022 and signed on its behalf:



Anthony W. Ryan
Director

16 March 2022

Directors' responsibilities Statement

The Directors are responsible for preparing 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, they have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards ("IAS-UK") and applicable law.

Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IAS-UK;
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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARROWSTREET CAPITAL EUROPE LIMITED

Opinion

We have audited the financial statements of Arrowstreet Capital Europe Limited (the 'Company') for the year ended 31 December 2021 which comprise statement of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted 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 2021 and of its profit for the year then ended;
- ▶ have been properly prepared in accordance with UK-adopted international accounting standards; 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 a period to 16 March 2023 being twelve months from when the financial statements are authorised for issue.

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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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 this gives to 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the directors' report has 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 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
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, 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.

Responsibilities of directors (continued)

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.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are UK-adopted international accounting standards and the Companies Act 2006. In addition, we concluded that there are significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being Financial Conduct Authority ('FCA') rules and regulations.
- We understood how the Company is complying with those frameworks by making enquiries with those charged with governance and Chief Financial Officer. We corroborated our understanding through our review of board minutes, and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by holding discussions with management to understand where they considered there was susceptibility to fraud and from our knowledge of the client's business.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: enquiries of senior management and detailed testing in respect of journal entries processed within the financial records.

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.

Ernst & Young LLP

Denise Davidson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
17 March 2022

Statement of Comprehensive Income
For the year ended 31 December 2021

		For the Year ended 31 December 2021 £	For the Year ended 31 December 2020 £
	Note		
Service fee & other revenues	13	720,394	801,241
Administrative expenses	4	<u>(667,026)</u>	<u>(741,819)</u>
Profit before tax		53,368	59,422
Income tax expense	6	<u>(10,140)</u>	<u>(11,300)</u>
Profit for the year		43,228	48,122
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>43,228</u>	<u>48,122</u>

All of the Company's activities were derived from continuing operations.

The notes on pages 13 to 21 form an integral part of the financial statements.

Company Registration No: 07233286

Statement of Financial Position
As at 31 December 2021

	Note	31 December 2021 £	31 December 2020 £
ASSETS			
Non-current assets			
Right-of-use-asset	8	-	32,748
		-	32,748
Current assets			
Deferred Tax Asset		-	66
Short-term deposits		-	7,800
VAT receivable		2,115	3,351
Prepaid rent		-	3,970
Prepaid insurance		1,565	2,460
Due from a related party	13	186,369	217,803
Cash	7	594,267	500,939
Total current assets		784,316	736,389
Total assets		784,316	769,137
EQUITY AND LIABILITIES			
Capital and reserves attributable to the shareholder of the Company			
Share capital	9	64,417	64,417
Retained earnings	10	425,113	381,885
Total equity		489,530	446,302
Current liabilities			
Lease liabilities		-	38,044
Accrued liabilities	11	294,786	284,791
		294,786	322,835
Total liabilities		294,786	322,835
Total equity and liabilities		784,316	769,137

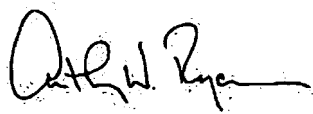
The notes on pages 13 to 21 form an integral part of the financial statements.

Statement of Changes in Equity
For the year ended 31 December 2021

	Share capital £	Retained earnings £	Total £
Balance at 1 January 2020	64,417	333,763	398,180
Total comprehensive income for the year	-	48,122	48,122
Balance attributable to shareholder of the Company as at 31 December 2020	64,417	381,885	446,302
Total comprehensive income for the year	-	43,228	43,228
Balance attributable to shareholder of the Company as at 31 December 2021	64,417	425,113	489,530

The notes on pages 13 to 21 form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 16 March 2022 and signed on its behalf on 16 March 2022 by:



Anthony W. Ryan
Director

Statement of Cash Flows

For the year ended 31 December 2021

		Year ended 31 December 2021 £	Year ended 31 December 2020 £
	Note		
Operating activities			
Profit before tax		53,368	59,422
Taxation		(11,280)	(11,092)
Changes in operating assets and liabilities:			
Decrease/(Increase) in right-of-use asset		32,748	39,298
Decrease/(Increase) in VAT receivable		1,236	424
Decrease/(Increase) in prepaid rent		3,970	(225)
Decrease/(Increase) in short-term deposits		7,800	(450)
Decrease/(Increase) in prepaid insurance		895	(42)
Decrease/(Increase) in due from related party		31,434	347,680
(Decrease)/Increase in accrued liabilities (net of taxation)		11,201	19,461
(Decrease)/Increase in lease liabilities		(38,044)	(42,304)
Net cash flows from operating activities		93,328	412,172
Net increase in cash		93,328	412,172
Cash at beginning of year		500,939	88,767
Cash at end of year	7	594,267	500,939

The notes on pages 13 to 21 form an integral part of the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2021

1. Corporate information

Arrowstreet Capital Europe Limited (the "Company") is a private limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The Company's immediate parent company is Arrowstreet Capital Holding LLC ("the Parent Company"), a Delaware Limited Liability Company formed in the United States of America. The principal activity of the Company is the marketing of investment advisory services performed by Arrowstreet Capital, Limited Partnership in the United Kingdom and Europe. Arrowstreet Capital, Limited Partnership is a Massachusetts Limited Partnership, and an investment advisor registered with the United States Securities and Exchange Commission whose principal business activity is to engage in the investment advisory and management business.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Company have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards ("IAS-UK") in conformity with the requirements of the Companies Act 2006. The Directors have considered forecasts and economic conditions for the foreseeable future and believe the Company will be able to meet its obligations as they fall due in the normal course of business.

On 31 January 2020, the UK left the European Union (EU) but remained subject to EU rules during the transition period ending 31 December 2020 at 11 pm, UK time. Consequently, post the end of transition period, the Company is required by the Act to prepare its financial statements as per the IAS-UK. However, the financial statements of the Company for the prior years ended 31 December 2020 were prepared in accordance with the International Financial Reporting Standards as adopted by the EU ("EU-adopted IFRS" or "IFRS") in conformity with the requirements of the Act. However, the UK adopted all the EU-adopted IFRS as at the end of the transition period within its framework. Subsequently, any new IFRS or amendments to IFRS adopted by EU will require independent endorsement in the UK by UK Endorsement Board ("UKEB"). Consequently, the Directors of the Company have noted that there were no differences between IAS-UK and IFRS as at the end 31 December 2020 and accordingly, no transitional adjustments were required to be made in the financial statements of the Company and the financial statements of the Company for the year were comparable with the prior period.

2.2 Going Concern

The financial statements are prepared on a going concern basis under the historical cost convention modified to include the measurement at fair value of financial assets through profit & loss.

On January 30, 2020, the World Health Organization declared the outbreak of coronavirus ("COVID-19") to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries, states, cities and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

Management continues to monitor the impact that the COVID-19 pandemic has on the Company, the asset management industry and the economies in which the Company operates. Management has performed a COVID-19 impact analysis as part of their going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's operations, liquidity, solvency and regulatory capital position as well as relevant stress tests to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and includes an assessment of any relevant mitigations management have within their control to implement.

Notes to the Financial Statements

For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.2 Going Concern (continued)

The Company provides services to Arrowstreet Capital, Limited Partnership and receives a service fee based on the reimbursement of its costs plus a mark-up. The Board does not expect COVID-19 to have a material impact on the Company's future operations, ability to continue trading or future profitability. The Company is dependent on the ability of the entity to which it provides services to continue to pay the service fees due. The most likely expected financial impact on Arrowstreet Capital, Limited Partnership is in respect of its future management fee income as this is calculated largely based on a percentage of assets under management. The Directors of the Company have determined that Arrowstreet Capital, Limited Partnership has sufficient financial resources to continue paying the service fee due to the Company, on time, and Arrowstreet Capital, Limited Partnership has a number of actions that it is able to take to protect its profitability and solvency. The Company also has sufficient financial resources to meet its short-term liabilities as they arise.

Having performed this analysis management believes regulatory capital requirements continue to be met, and the Company has sufficient liquidity to meet its liabilities for at least next 12 months, and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

2.3 Basis of measurement

The financial statements are prepared on the historical cost basis.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IAS-UK requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Company could not readily determine the interest rate implicit in the lease, therefore, it used its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflected what the Company 'would have to pay', which required estimation when no observable rates were available or when they needed to be adjusted to reflect the terms and conditions of the lease. The Company estimated the IBR using observable inputs (such as market interest rates) when available and was required to make certain entity-specific adjustments (to reflect the terms and conditions of the lease).

2.5 Revenue

Revenue is recognised to the extent it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Revenue arises from a service agreement with Arrowstreet Capital, Limited Partnership under which the Company receives a service fee equal to 108% (2020: 108%) of the expenses incurred in the period.

2.6 Expenses

Expenses are charged to the Statement of Comprehensive Income on an accrual basis.

2.7 Income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income when it excludes items of income or expenses which are taxable or deductible in other years and it further excludes items which are never taxable or deductible.

Notes to the Financial Statements
For the year ended 31 December 2021

2. Summary of significant accounting policies (continued)

2.8 Deferred tax

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 reporting date.

2.9 Receivables

Receivables are recognised at fair value less a provision for impairment, if any.

2.10 Accruals

Accrued liabilities are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and are classified as current liabilities as payment is due within one year or less.

2.11 Cash

Cash includes cash deposits held on call with banks.

2.12 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statement. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statement of the Company.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2021

Summary of significant accounting policies (continued)

2.13 Foreign currency

i. Functional and presentation currency

The financial statements are presented in Pounds Sterling ("GBP" or "£"), which is the Company's functional and presentation currency.

ii. Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency at the closing rate of exchange for the period. The Company recognised foreign currency transaction loss amounting to £1,328 during the year ended 31 December 2021 (2020: loss of £37,225) which is recorded in the Statement of Comprehensive Income within Administrative Expenses.

2.14 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i. Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of the right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

ii. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

3. Profit before tax

This is stated after charging:

	£ 2021	£ 2020
Auditor's remuneration – financial statement audit of the Company	27,580	28,516
Auditor's remuneration – audit-related assurance services	12,000	10,800
Auditor's remuneration – non-audit - taxation compliance services	11,343	10,503
Office rent	834	1,022
Depreciation of office space right-of-use asset	32,748	39,298
Interest expense on lease liability	704	2,479
	<u>85,209</u>	<u>92,618</u>

Notes to the Financial Statements
For the year ended 31 December 2021

4. Administrative expenses

	£ 2021	£ 2020
Employee benefits (Note 5, 12)	530,053	544,526
Office rent	834	1,022
Professional fees	78,820	77,619
Travel expenses	61	4,906
Insurance	3,366	3,456
Depreciation of right-of-use-asset	32,748	39,298
Interest expense on lease liability	704	2,479
Foreign currency loss	1,328	37,225
Other expenses	19,112	31,288
	<u>667,026</u>	<u>741,819</u>

5. Employee Benefits

The number of employees employed by the Company was as follows:

	2021	2020
Average number of employees	1	2

The aggregate costs of those employees were as follows:

	£ 2021	£ 2020
Wages and salaries	468,727	482,484
Tax and social security	59,130	59,853
Pension benefits*	2,196	2,189
	<u>530,053</u>	<u>544,526</u>

*The pension scheme adopted by the Company is a defined contribution scheme.

6. Taxation

	£ 2021	£ 2020
<i>Current income tax</i>		
Current tax	10,074	11,280
Adjustments in respect of current income tax of previous year	-	-
<i>Deferred tax</i>		
Origination and reversal of temporary differences	87	30
Effect of tax rate change on the opening balance	(21)	(10)
Total tax charge	<u>10,140</u>	<u>11,300</u>

Notes to the Financial Statements
For the year ended 31 December 2021

6. Taxation (continued)

The reconciliation between total tax expense and profit before tax for the year is as follows:

	£ 2021	£ 2020
Profit on ordinary activities before taxation	53,368	59,422
At domestic UK statutory income tax rate of 19% (2020: 19%)	10,140	11,290
Effects of:		
Expenses not deductible for domestic tax purposes	-	20
Differences caused by changes in tax rate	-	(10)
Total tax charge	10,140	11,300

There is no deferred tax asset or liability at 31 December 2021 (2020: £66). This is due to the employer's pension contributions being fully paid up at the year-end, and the IFRS 16 adjustment having been unwound during the year.

On 03 March 2021 it was announced that the UK corporation tax rate would increase from 19% to 25% from 01 April 2023 and the change in tax rate was substantively enacted on 24 May 2021. The new rate will impact future cash tax payable by the company.

7. Cash

Cash includes cash deposits held on call with banks.

8. Right-of-use-asset

	£ 2021	£ 2020
Gross carrying amount:		
Balance at beginning and end of year	32,748	72,046
Depreciation and impairment:		
Depreciation	32,748	39,298
Balance at end of year	32,748	32,298
Carrying amount at end of year	-	32,748

The following are the amounts recognised in profit or loss:

Depreciation expense on right-of-use asset	32,748	39,298
Interest expense on lease liability	704	2,479
Total cash outflows for leases	38,935	44,783

Notes to the Financial Statements
For the year ended 31 December 2021

8. Right-of-use-asset (continued)

The future minimum lease payments under non-cancellable leases are as follows:	£	£
	2021	2020
	-	38,748
Less than one year		
After one year but not more than five years	-	-

The operating lease for office space in London expired on 29 October 2021 and were not renewed or extended further.

9. Share capital

	£	£
	2021	2020
Authorised, issued and paid up capital	<u>64,417</u>	<u>64,417</u>

The Company issued 1 ordinary share on 23 April 2010, at par, to Arrowstreet Capital Holding LLC. On 21 July 2010, an additional 64,416 ordinary shares were issued at par to Arrowstreet Capital Holding LLC. No new shares were issued during the years ended 31 December 2021 and 31 December 2020.

Ordinary shares, which have a par value of £1, carry one vote per share and carry a right to dividends.

10. Retained earnings

	£	£
	2021	2020
Beginning of the year	381,885	333,763
Profit for the year	<u>43,228</u>	<u>48,122</u>
At end of the year	<u>425,113</u>	<u>381,885</u>

11. Accrued liabilities

	£	£
	2021	2020
Accrued staff costs	214,825	220,945
Accrued expenses	69,887	52,566
Accrued income taxes	<u>10,074</u>	<u>11,280</u>
	<u>294,786</u>	<u>284,791</u>

12. Director's remuneration

	£	£
	2021	2020
Short-term employee benefits (Note 13)	412,717	335,262

The Company does not remunerate for Director services. The remuneration included herein, is related to services rendered by a Director as an employee of the Company in 2021 and 2020.

Notes to the Financial Statements
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13. Related party transactions

The related parties are comprised of shareholders and key management personnel of the Company. Key management also include the executive Directors. The total compensation paid to executive Directors, for their services as employees of the Company, during the years ended 31 December 2021 and 31 December 2020 is disclosed in note 12 to the financial statements.

On 3 May 2010, the Company entered into a services agreement with Arrowstreet Capital, Limited Partnership, whereby it has agreed to provide marketing and client services to Arrowstreet Capital, Limited Partnership in the United Kingdom and Europe in accordance with local applicable laws. Both the Company and Arrowstreet Capital, Limited Partnership are controlled by the Parent Company. Arrowstreet Capital, Limited Partnership pays the Company 108% of the expenses the Company incurs in providing these services (2020: 108%). Service fee revenue of the Company was £720,389 and £801,164 during the years ended 31 December 2021 and 31 December 2020, respectively. Service fees receivable from Arrowstreet Capital, Limited Partnership, a related party, were £186,369 and £217,803 at 31 December 2021 and 31 December 2020, respectively, and did not include any interest as these are interest free balances. Arrowstreet Capital, Limited Partnership also employs staff who provide certain ad hoc services to Arrowstreet Capital Europe Limited. The Company did not incur an expense during the year in respect of bad and doubtful debts from related parties, nor does it hold a provision for outstanding receivables from related parties.

14. Financial risk management

The risk disclosure enclosed in these notes are in accordance with IAS-UK. The Company has exposure to credit risk, liquidity risk and foreign currency risk from its use of financial instruments. The Company does not use any financial derivatives to manage these risks.

Credit risk

The Company's principal financial assets are cash and receivables. The credit risk on cash and bank balances is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Company has a significant concentration of credit risk as income is generated from only one customer who is a related party. The Directors review the credit exposure on a regular basis by reviewing the creditworthiness and financial position of its sole customer, Arrowstreet Capital, Limited Partnership.

At 31 December, the maximum exposure to credit risk was:

	£ 2021	£ 2020
Cash	594,267	500,939
Due from a related party	186,369	217,803
Short-term deposits	-	7,800
	<u>780,636</u>	<u>726,542</u>

At 31 December 2021 and 2020, the amount due from related party and receivables were neither past due nor impaired.

Notes to the Financial Statements
For the year ended 31 December 2021

14. Financial risk management (continued)

Liquidity risk

In order to maintain liquidity and to ensure that sufficient funds are available for meeting the working capital requirements, the Company maintains adequate cash to meet its obligations. The contractual maturities of the Company's financial assets, liabilities and commitments are generally expected to be less than one year.

Foreign currency risk

The Company enters into transactions that are denominated in US Dollars ("USD"). During the year, the Company's foreign currency transactions arose from billings to a related party. The following table demonstrates the sensitivity to a reasonably possible change in USD and GBP exchange rates to the Due from related party account, on the 31 December 2021 and 31 December 2020, all other variables held constant.

Foreign currency risk

	Change in USD rate	Effect on profit before Tax (£)
2021	+5%	9,318
	-5%	(9,318)
2020	+5%	10,890
	-5%	(10,890)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Directors do not consider that Market risk has a significant impact on the business.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends distributed, return capital, and/or issue new shares. The Company's capital resources amounted to £489,530 and £446,302 at 31 December 2021 and 31 December 2020, respectively.

15. Subsequent events

There are no subsequent events which require disclosure in the financial statements.