SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LIMITED

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

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COMPANY INFORMATION

Board of Directors

D Brumpton
P L Hall
P Harrison
P Hetherington
A Lorenzo
D Mackechnie
J C Ripley
A Seale
S W Sinclair

Company Secretary

K V Raman

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
2 Glass Wharf
Bristol
BS2 0FR

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Number

11722485

STRATEGIC REPORT

The Directors present their strategic report on Scottish Widows Schroder Wealth Holdings Limited ("the Company") for the period ended 31 December 2019.

The Strategic report provides a review of the business for the financial period and describes how the directors manage risks and opportunities.

Principal activities

The principal activity of the Company is as a holding company which holds the equity capital of UK registered subsidiary companies (the Group). Both of the Company's subsidiaries are regulated by the Financial Conduct Authority ("FCA").

The Principal activities of the Group are:

- Provision of regulated financial advice, arranging and managing investments, and;
- Acting as an Authorised Corporate Director for the management of Open Ended Investment Company ("OEIC") sub-funds.

Result for the period

The result of the Group for the period ended 31 December 2019 is a profit after tax of £6.6m.

At the end of the period the Group had net assets of £271.6m including a cash balance of £101.6m. £205m of intangibles including goodwill were recognised as a result of the bussines combination in the period.

The Company did not trade and had net assets of £372m at the end of the period.

Review of the business

The Company was incorporated on 11th December 2018. Its subsidiary companies commenced trading in 2019

Scottish Widows Schroder Personal Wealth Limited – 1 June 2019
Scottish Widows Schroder Personal Wealth (ACD) Limited – 9 December 2019

Key performance indicators

In order to understand the development, performance and position of the business of the Company the directors regularly review management information. Focus is given to the following key performance indicators:

Income Statement
The Group's income statement is considered to be the principal indicator of performance, specifically profit before tax.

Capital Resources
The Directors believe that the Company has adequate capital resources and will continue to do so in the foreseeable future.

Liquidity
The Company regularly monitors its liquidity position to ensure that even under stressed conditions the company has sufficient liquidity to meet its obligations and remains within the approved risk appetite.

Outlook

The directors consider that the Company's principal activities will continue unchanged in the foreseeable future and that the Group will continue to grow its headcount and customer book in the coming years.

Principal risks and uncertainties

The Company is a holding company. Its exposure to risks reflects the risks of its subsidiaries. The management of the business and the execution of their strategies were subject to a number of risks. The key operational and conduct risks identified related to cyber and information security, application of conduct standards, execution of change and delivering a customer focussed and compliant customer proposition. More information on risk management are included in note 23.

Covid -19

Since the balance sheet date we have experienced volatility in our assets under management driven by the global outbreak of Covid-19. In addition we are exposed to the risk that our business operations may be disrupted should Covid-19 become further widespread in the UK, for example, should our employees or those who work in our supply chains become unwell, or travel restrictions are put in place.

There is clearly uncertainty around Covid-19 and at this stage it is difficult to quantify the potential impact. We have already taken initial actions to adopt our business operations and have established management procedures to respond to the further changes.

STRATEGIC REPORT (Contiuned)

Section 172 (1) Statement and Statement of Engagement with Other Stakeholders

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), for the period ended 31 December 2019, the Directors provide the following statement describing how they have had regard to the matters set out in section 172 (1) of the Act, when performing their duty under section 172. In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interest of customers and suppliers.

The Directors acknowledge that one of the primary responsibilities of the Board is to ensure the strategy of the Group achieves long-term success and generates sustainable returns, central to which is ensuring engagement with stakeholders, and considering in all instances the long-term implications of decisions made, acting at all times to maintain the highest possible standards of conduct. This approach has during the course of the period been central to the activities of the Directors, as discussed below.

Customers
The Directors ensure the Group works to treat all customers fairly, and make it easy for customers to find, understand and access products that are right for them. To ensure Directors truly understand the needs of customers, every opportunity is taken to consider direct customer feedback and related management information, including as part of the Directors' strategic decision making process. The Directors ensure the Group plays an active part wider customer ambitions, which during the course of the period has included the ongoing development of market leading digital propositions, more personalised customer propositions and better experience for customers across all channels.

Shareholders
The Group is a Joint Venture and its ultimate parent companies are Lloyds Banking Group plc ("LBG") (who own 50.1%) and Schroders plc ("Schroders") (who own 49.9%).

Communities and the environment
As a new business we are committed to creating confidence in financial futures. We will do this by investing in financial education programmes in communities and non-financial institutions. On a wider basis our focus is to engage and build long lasting local and national relationships, ensuring our environmental and sustainability support is appropriate to regional development needs.

The Group has a Charity partnership with Alzheimer's Research UK and will work together across awareness and fundraising activities to support their aim of making breakthroughs possible. We encourage all colleagues to engage in a range of volunteering activities, including skills based support in the communities in which we operate and offer a minimum of one volunteering day a year to enable a positive community impact.

Suppliers
Supplier management is delivered to the Group through a transitional service agreement ("TSA") with LBG. LBG work with around 3,100 active suppliers of varying sizes, most in professional services sectors such as IT, cyber, operations, management consultancy, legal, HR, marketing and communication.

Suppliers are required to adhere to relevant LBG policies and comply with LBG's Code of Supplier Responsibility. This defines expectations for responsible business behaviour, underpinning the efforts of the Group and LBG to share and extend good practice. All material contracts are subject to rigorous cost management governance with regular review of key supplier risks.

Regulators
We have a good relationship with our regulators and other government authorities and liaise regularly as part of the Group's wider regulatory relationship management. Key areas of focus have included the Group subsidiaries obtaining FCA authorisation, ensuring the fair treatment of customers, adapting to changes in regulatory requirements, and providing updates on the process of changing Investment Managers.

The Board has received regular updates on regulatory interaction, providing a view of key areas of focus, alongside progress made on delivering regulatory change. During 2019 Schroders Personal Wealth ("SPW") colleagues had regular meetings with the regulators, representing the interests of the Group as required. We continue to closely monitor the status of our regulatory relationship, enhancing proactive engagement across key regulatory changes and areas of focus. Looking ahead to 2020, we will continue to adapt our engagement strategy, ensuring alignment with emerging areas of focus and the regulators' business plans.

On behalf of the Board of Directors

Joel Ripley

J C Ripley
Director
3 April 2020

DIRECTORS' REPORT

The Directors present the audited financial statements of the Company. The Company is a limited company, domiciled and incorporated in the United Kingdom.

The Company is a Joint Venture. Its ultimate parent companies are Lloyds Banking Group plc (who own 50.1%) and Schroders plc (who own 49.9%).

Results and dividend

The result of the Group for the period ended 31 December 2019 is a profit after tax of £6.6m.

Further information on the results can be found in the strategic report.

The directors recommend the payment of a final dividend of £6.0m in respect of the period ended 31 December 2019 on the Ordinary A shares.

Company Secretary

Changes in company secretary during the period and since the end of the period are as follows:

P Gittens	(appointed 11 December 2018, resigned 24 September 2019)
K V Raman	(appointed 24 September 2019)

Directors

The names of the current Directors are listed on page 3. Changes in directorships during the period and since the end of the period are as follows:

B E Gilligan	(appointed 30 May 2019, resigned 29 July 2019)
J C I Rainbow	(appointed 11 December 2018, resigned 29 November 2019)
A T Rougier	(appointed 11 December 2018, resigned 30 May 2019)

Appointed Directors during the reporting period

D Brumpton	(appointed 24 June 2019)
P L Hall	(appointed 4 October 2019)
P Harrison	(appointed 4 October 2019)
P Hetherington	(appointed 29 November 2019)
A Lorenzo	(appointed 30 May 2019)
D Mackechnie	(appointed 30 May 2019)
J C Ripley	(appointed 11 December 2018)
A Seale	(appointed 4 October 2019)
S W Sinclair	(appointed 24 September 2019)

Particulars of the Directors' emoluments are given in note 24.

Information included in the Strategic Report

The disclosures for Principal risks and uncertainties and Key performance indicators that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 4.

Going Concern

The accounts have been prepared on the basis that the Company will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Company's budget for 2020 and outline projections for the subsequent period, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Company is in a good financial position with cash facilities and will therefore be able to meet the Company's foreseeable cash requirements.

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, in the case of each Director in office at the date the report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

DIRECTORS' REPORT (CONTINUED)

Independent auditors

PricewaterhouseCoopers LLP are deemed to be appointed under section 487(2) of the Companies Act 2006.

Future developments

Details of future developments are provided in the Strategic Report.

Financial risk management

Disclosures relating to financial risk management are included in note 23 to the financial statements and are therefore incorporated into this report by reference.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial 55 week period. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

On behalf of the Board of Directors

Joel Ripley

J C Ripley
Director
3 April 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Widows Schroder Wealth Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and the group's and the company's cash flows for the 55 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company Balance Sheets as at 31 December 2019; the consolidated statement of profit and loss, the consolidated statement of other comprehensive income, consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the 55 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
- We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Neil Riches

Neil Riches (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
3 April 2020

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Group 2019 £000
Revenue	3	63,922
Cost of Sales	4	(8,721)
Gross profit		**55,201**
Other income	5	350
Other Provisions – Charge for the period	21	(454)
Administrative Expenses	6	(46,996)
Interest Income	9	(3)
Profit before tax		**8,099**
Taxation	10	(1,545)
Profit after tax		**6,554**

The notes are set out on pages 18 to 37 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Group 2019 £000
Profit for the period:		6,554
Other comprehensive income		
Acquisition Cost	28	(107,000)
Other comprehensive loss for the period		**(107,000)**
Total comprehensive loss		**(100,446)**

The notes are set out on pages 18 to 37 are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	Group 2019 £000
ASSETS		
Cash and cash equivalents	16	101,611
Trade and other receivables	15	77,896
Property, plant and equipment	11	9,796
Intangible assets	12	76,985
Goodwill	13	129,542
Total assets		**395,830**
EQUITY AND LIABILITIES		
Capital and reserves attributable to Company's equity shareholders		
Called up share capital	17	1
Retained earnings		271,561
Total equity		**271,562**
Liabilities		
Trade and other payables	19	102,673
Provision for liabilities and charges	21	454
Lease liability	20	6,776
Current tax liability	18	1,623
Deferred tax liability	18	12,742
Total liabilities		**124,268**
Total equity and liabilities		**395,830**

Retained earnings are set out on page 16.

The notes are set out on pages 18 to 37 are an integral part of these financial statements.

The financial statements on pages 10 to 37 were approved by the Board on 3 April 2020, and signed on its behalf by

Joel Ripley

J C Ripley
Director
3 April 2020

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	Company 2019 £000
ASSETS		
Cash and cash equivalents	16	2,000
Investments in subsidiary undertakings	14	376,000
Total assets		**378,000**
EQUITY AND LIABILITIES		
Capital and reserves attributable to Company's equity shareholders		
Called up share capital	17	1
Retained earnings		372,007
Total equity		372,008
Liabilities		
Trade and other payables (Final Dividend)	19	5,992
Total liabilities		**5,992**
Total equity and liabilities		**378,000**

Retained earnings are set out on page 17.

The notes are set out on pages 18 to 37 are an integral part of these financial statements.

The financial statements on pages 10 to 37 were approved by the Board on 3 April 2020, and signed on its behalf by

Joel Ripley

J C Ripley
Director
3 April 2020

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Group 2019 £000
Cash flows from operating activities		
Operating profit before tax		8,099
Adjusted for:		
Depreciation of property, plant and equipment	11	243
Increase in provision for liabilities and charges	21	454
Amortisation of intangible assets	12	492
Net increase in trade and other receivables	15	(77,896)
Net increase in trade and other payables	19	96,682
Net cash inflow from operating activities		**28,074**
Cash flows from investing activities		
Purchase of intangible assets	12	(2,077)
Purchase of property, plant and equipment	11	(3,264)
Acquisition of business'	28	(299,122)
Net cash outflow from investing activities		**(304,463)**
Cash flows from financing activities		
Capital injection	17	378,000
Net cash inflows from financing activities		**378,000**
Net movement in cash and cash equivalents		**101,611**
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	16	**101,611**

The notes set out on pages 18 to 37 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Company 2019 £000
Cash flows from operating activities		
Operating profit before tax		-
Adjusted for:		
Net cash flow operating activities		-
Cash flows from investing activities		
Investment in subsidiaries	14	(376,000)
Net cash flows used in investing activities		**(376,000)**
Cash flows from financing activities		
Capital injection	17	378,000
Net cash flows generated from financing activities		**378,000**
Net movement in cash and cash equivalents		2,000
Cash and cash equivalents at the beginning of the period		
Cash and cash equivalents at the end of the period	16	**2,000**

The notes set out on pages 18 to 37 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 11 December 2018		-	-	-	-
Share capital injection	17	1	377,999	-	378,000
Acquisition cost	28	-	-	(107,000)	(107,000)
Share capital reduction	17		(377,999)	377,999	-
Profit for the period			-	6,554	6,554
Dividend declared	22		-	(5,992)	(5,992)
Balance as at 31 December 2019		**1**	**-**	**271,561**	**271,562**

The notes set out on pages 18 to 37 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 11 December 2018		-	-	-	-
Share capital injection	17	1	377,999	-	378,000
Capital reduction	17	-	(377,999)	377,999	-
Dividend declared	22	-	-	(5,992)	(5,992)
Balance as at 31 December 2019		**1**	**-**	**372,007**	**372,008**

The notes set out on pages 18 to 37 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

1. Accounting policies

The accounting policies adopted in the preparation of the financial statements are set out below.

Basis of preparation

The financial statements of the Company have been prepared:

(1) in accordance with the International Accounting Standards ("IASs") and IFRSs issued by the International Accounting Standards Board and the Standards and Interpretations Commitee ("SICs") and International Financial Reporting Interpretations issued by its IFRS Interpretations Committee ("IFRS IC"), as endorsed by the European Union;

(2) in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs; and

(3) under the historical cost convention.

The Directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities in the balance sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

Standards and interpretations effective in 2019

The Company has not adopted any new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2019 which have had a material impact on the Company.

The Company has early adopted IFRS 16 "Leases" from 11 December 2018. The impact of the adoption of IFRS 16 is in note 20.

Revenue recognition

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents investment management fees and commissions, financial planning income, custody fees and trade execution commissions receivable in the period. Revenue is recognised in the statement of comprehensive income as these services are provided. If the fees are for services to be provided in future years, these are deferred and recognised in the statement of comprehensive income as revenue as the service is provided.

Initial fees

The Company recognises initial fees in the period the related service is provided.

Ongoing and PDPS fee

The Company recognises PDPS and ongoing fees in the period the related service is provided. Where consideration is received in advance of the performance obligation being met consideration is deferred and recognised over the period the service is provided.

Other income

The Company recognises other income in the period the related service is provided and commissions are recognised when the transaction is performed.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

VAT

All revenue is recognised net of VAT when applicable.

The financial report fee, one initial fee, and ongoing fee do not incur VAT. These are VAT exempt financial intermediary services.

The PDPS discretionary fund management fee is subject to VAT at the standard rate (currently 20% but subject to change).

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

If specialist financial advice is required, that need will be discussed with the customer directly, and that service is subject to VAT at a standard rate.

Expenses and cost of sales

All expenses and costs are recognised in the statement of comprehensive income as they occur.

Financial assets and financial liabilities

Management determines the classification of its financial assets and financial liabilities at initial recognition. Management's policies for the recognition of specific financial assets and financial liabilities, as identified on the balance sheet, are set out under the relevant accounting policies.

On initial recognition, financial assets are classified as measured at amortized cost or fair value through profit or loss, depending on the Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument or there are specific and relevant contractual provisions.

Financial assets are derecognised when the contractual right to receive cash flows from those assets has expired or when the Company has transferred its contractual right to receive the cash flows from the assets and either: substantially all of the risks and rewards of ownership have been transferred; or the Company has neither retained nor transferred substantially all of the risks and rewards, but has transferred control.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts, both in the normal course of business and in the event of default, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair value methodology

Financial assets are classified at fair value through profit or loss where they do not meet the criteria to be measured at amortised cost.

Financial assets measured at fair value through profit or loss are recognised on the balance sheet at fair value, with fair value gains and losses recognised through net gains and losses in the statement of profit and loss.

All assets and liabilities carried at fair value, or for which a fair value measurement is disclosed, are categorised into a "fair value hierarchy" as follows:

Level 1

Valued using quoted prices (unadjusted) in active markets for identical assets and liabilities to those being valued. An active market is one in which arm's length transactions in the instrument occur with both sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar (but not identical) instruments in active markets;
- quoted prices for identical or similar instruments in markets that are not active, where prices are not current, or price quotations vary substantially either over time or among market makers;
- inputs other than quoted prices that are observable for the instrument (for example, interest rates and yield curves observable at commonly quoted intervals and default rates); and
- inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3

Valued using inputs for the asset or liability that include significant unobservable inputs (inputs not based on observable market data). Unobservable inputs may have been used to measure fair value where observable inputs are not available. This approach allows for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

the inputs to any valuation models). Unobservable inputs reflect the assumptions the Group considers that market participants would use in pricing the asset or liability.

Trade and other receivables

Trade and other receivables at amortised cost are financial assets, other than cash and cash equivalents that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest, a basic lending arrangement results in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. Where the contractual cash flows introduce exposure to risks or volatility unrelated to a basic lending arrangement such as changes in equity prices or commodity prices, the payments do not comprise solely principal and interest.

Trade and other receivables at amortised cost are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost, subject to impairment.

Accrued income and prepayments

Income receivable for services provided which have yet to be invoiced is accrued and recognised in the statement of comprehensive income as the service is provided.

Where income has been deferred in respect of services to be provided in future periods, associated expenses are prepaid and subsequently recognised in the statement of comprehensive income as the service is provided.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank balances. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Property, plant and equipment

Property, plant and equipment included at cost less accumulated depreciation. The value of land (included in premises) is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the difference between the cost and the residual value over their estimated useful lives, as follows:

Short leasehold premises; the shorter of 10 years and, if lease renewal is not likely, the remaining period of the lease for leasehold improvements;
- 10 to 20 years for fixtures and furnishings; and
- 2 to 8 years for other equipment.

Intangible assets

Goodwill

Goodwill is recognised as an asset at cost and is tested at least annually for impairment. If an impairment is identified the carrying value of the goodwill is written down immediately through the statement of comprehensive income.

The goodwill and intangible assets held on the Group's balance sheet is tested at least annually for impairment. For the purpose of impairment testing the goodwill and intangibles are allocated to the appropriate cash generating unit.

The recoverable amount of the goodwill and intangible assets has been based on a value-in-use calculation. The calculation uses pre-tax projections of future cash flows based upon budgets and plan approved by management covering a three-year period and a discount rate of 12.4%. The budgets and plans are based upon past experience of the acquired investments adjusted to take into account anticipated changes in strategy and margins having regard to expected market conditions and competitor activity. The discount rate is determined with reference to internal measures and available industry information.

Customer Intangible

The customer intangible asset arose on the acquisition of the investment agreements for the Investment Portfolio ICVC and Multi-Manager ICVC from Scottish Widows Unit Trust Managers Limited. The intangible was initially measured at fair value at the time of acquisition and is subsequently held at fair value less accumulated amortisation. The initial fair value was determined using the MEEM ("Multi-period excess earnings method") approach at the time of acquisition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

The asset is amortised using the straight-line method over its expected useful life of 12 years. The amortisation charge for the year is recognised through the statement of comprehensive income, within administrative expenses. The carrying value of the asset is tested for impairment at each reporting date.

Impairment

Financial assets

Where relevant an impairment charge is recognised for expected credit losses for financial assets held at amortised cost. Expected credit losses are calculated using the "simplified approach" under IFRS 9. Under the simplified approach the Company recognises lifetime expected losses on all financial assets without the need to identify significant increases in credit risk.

Non-financial assets

Assets that have an indefinite useful life, for example investments in subsidiaries, are not subject to depreciation or amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is charged to the relevant line in the statement of comprehensive income in the period in which it occurs. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Taxation, including deferred income taxes

Tax expense comprises current and deferred tax. Current and deferred tax are charged or credited in the statement of comprehensive income except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, outside the statement of comprehensive income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

Current tax is the amount of corporate income taxes expected to be payable or recoverable based on the profit for the period as adjusted for items that are not taxable or not deductible, and is calculated using tax rates and laws that were enacted or substantively enacted at the balance sheet date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or another tax authority, it is more likely than not that an economic outflow will occur. Provisions reflect management's best estimate of the ultimate liability based on their interpretation of tax law, precedent and guidance, informed by external tax advice as necessary. Changes in facts and circumstances underlying these provisions are reassessed at each balance sheet date, and the provisions are re-measured as required to reflect current information.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the balance sheet date, and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences but not recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint arrangements where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future. Deferred tax liabilities are not recognised on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognised in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax is not discounted.

Leases

Under IFRS 16, a lessor is required to determine whether a lease is a finance or operating lease. A lessee is not required to make this determination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

1. Accounting policies (continued)

As lessee, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Defined contribution

A defined contribution plan is a pension plan under which the Company pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The Company receives recharges in respect of a defined contribution plan operated by the Group based on the level of contributions paid in relation to staff providing services to this Company. These are charged to the Statement of comprehensive income in the period in which they fall due.

Share based payments

The value of the employee services received in exchange for equity instruments granted under these plans is recognised as an expense ovr the vesting period of instruments. This expense is determined by LBG by reference to the fair valye of the number of equity instruments that are expected to vest, and the appropaite proportion is recharged to, and recognised as an expense by the Company.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Dividends

Dividends payable on ordinary shares are recognised in equity in the period in which they are approved.

Trade and other payables

Trade and other payables are initially recognised at fair value less directly attributable transaction costs and subsequently measured at amortised cost. In practice, the carrying value of these balances equates to the fair value due to the short-term nature of the amounts included within trade and other payables.

Investments in Subsidiaries

The Company owns two subsidiaries as set out in note 14. Subsidiaries are held initially at cost, being the fair value of the consideration given to acquire the holding, then subsequently at cost subject to impairment. Further information on the Group's impairment policy is set out at policy (s).

Provisions for other liabilities and charges

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that the obligation will result in an outflow of resources to settle the obligation and when a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from contracts are less than the unavoidable costs of meeting the obligations under the contracts.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless the likelihood of possible obligations arising is remote.

Bank borrowings and other unpresented items

Borrowings are recognised initially at fair value, being the issue proceeds net of transaction costs incurred. In practice, due to the nature of these balances, being bank overdrafts and other unpresented items, the carrying value equates to the fair value of these liabilities as the borrowings are repayable on demand.

Business combinations

The acquisition method of accounting is used to account for business combinations by the Group. The consideration for the acquisition of a business is the fair value of the assets transferred and the liabilities incurred by the Group. Acquisition related costs are expensed

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

1. **Accounting policies (continued)**

as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Predessesor accounting
Business combinations under common control are accounted for under predessesor accounting with the consideration going to reserves. See note 28 for further detail.

2. **Critical accounting estimates and judgements in applying accounting policies**

The preparation of financial statements in conformity with IFRS 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 could differ from these estimates. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following areas:

Estimates

Acquired intangible assets

The initial fair value of the acquired Customer Intangible was determined using the MEEM ("Multi-period excess earnings method") approach at the time of acquisition. They were calculated by estimating the present value of future cash flows attributable to the intangible asset in excess of the returns required on the investment in the contributory assets necessary to realise those cash flows.

The key assumptions used in estimating the value of the acquired intangible are considered to be discount rate and growth rates

Further information on the estimates used in valuing the acquired intangible assets are included in note 28.

Judgements

Management do not consider that any judgements have a significant effect on the amounts recognised in the financial statements and as such no judgements are disclosed.

3. **Revenue**

	Group 2019 £000
Ongoing fees	55,357
Initial fees	3,469
Other income	5,096
Total	**63,922**

All revenue has been generated as a result of acquistions - see note 28.

4. **Cost of Sales**

	Group 2019 £000
Investment fees and other selling cost	8,406
Commissions payable and other selling costs	315
Total	**8,721**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

5. Other income

	Group 2019 £000
Other income	350
Total	**350**

Included in other income are movements relating to 'specific and relevant contractual provisions'.

The value of the financial assets on the balance sheet at the period end was nil.

The only financial assets recognised and settled during the period, were measured using significant unobservable inputs (level 3).

The following table presents the changes in level 3 items for the period ended 31 December 2019:

	Group 2019 £000
Opening balance	-
Gains recognised in profit and loss account	350
Settlement	(350)
Total	-

6. Administrative expenses

	Group 2019 £000
Staff costs (see note 7)	38,696
Depreciation (see note 11)	243
Other operating expenses	7,565
Amortisation of intangible assets (see note 12)	492
Total	**46,996**

7. Staff Costs

	Group 2019 £000
Wages and salaries	32,683
Share based payments	2,483
Redundancy costs	45
Pension costs – defined contribution plans	3,485
Total	**38,696**

The average monthly number of employees during the period was 528. All staff are located in the United Kingdom and provide management, administration and sales support.

8. Auditors' remuneration

	Group 2019 £000
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	130
Fees payable to the Group's auditors and its associates for other services:	
Audit-related assurance services (CASS)	107
Total	**237**

£23k of Audit fees for 2019 were borne by another group entity and not recharged to the Group Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

9. Net Interest income

	Group 2019 £000
Finance costs	(81)
Finance income	195
Interest expense on leases	(117)
Total	**(3)**

10. Taxation

(a) Analysis of (credit) / charge for the period

	Group 2019 £000
Current tax:	
UK corporation tax	
- Current tax on taxable loss for the period	1,623
Total current tax charge	**1,623**
UK deferred tax:	
- Origination and reversal of timing differences	(84)
- Due to change in UK corporation tax rate	6
Total deferred tax credit	**(78)**
Total tax charge	**1,545**

Corporation Tax is calculated at a rate of 19.00% of the taxable profit for the period.

(b) Reconciliation of tax (credit) / charge

A reconciliation of the charge that would result from applying the standard UK corporation tax rate to the profit before tax to the actual tax charge for the period is given below:

	Group 2019 £000
Profit before tax	8,099
Tax charge at UK Corporation tax rate of 19.00%	**1,539**
Factors effecting charge:	
Effect of reduction in tax rate and related impacts	6
Tax charge on profit on ordinary activities	**1,545**
Effective Rate	**19.08%**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

11. Property, plant & equipment

	Group 2019 £000	Company 2019 £000
Office and other equipment	3,214	-
Right of use asset	6,582	-
Total	**9,796**	-

	Office and other equipment £000	Right of use assets £000	Group Total £000
Cost			
At 11 December 2018	-	-	-
Additions	3,267	6,772	10,039
At 31 December 2019	**3,267**	**6,772**	**10,039**
Accumulated Depreciation			
At 11 December 2018	-	-	-
Charge for the period (see note 6)	53	190	243
At 31 December 2019	53	190	**243**
Balance sheet amount at 31 December 2019	**3,214**	**6,582**	**9,796**

See Lease note 20 for description of the right of use asset.

12. Intangible assets

	Group 2019 £000	Company 2019 £000
Customer intangible	75,025	-
Software	1,960	-
Total	**76,985**	-

	Customer Intangible £000	Software £000	Total £000
Cost			
At 11 December 2018	-	-	-
Additions	75,400	2,077	77,477
At 31 December 2019	**75,400**	**2,077**	**77,477**
Accumulated amortisation and impairment			
At 11 December 2018	-	-	-
Amortisation during the period	375	117	492
At 31 December 2019	**375**	**117**	**492**
Carrying amount			
At 31 December 2019	**75,025**	**1,960**	**76,985**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

13. Goodwill

	Group 2019 £000	Company 2019 £000
Cost		
At 11 December 2018	-	-
Arising on business combination	129,542	-
Total	**129,542**	-

See note 28 for detail of the business combination in the period.

14. Investments in subsidiary undertakings

	Group 2019 £000	Company 2019 £000
Cost		
At 11 December 2018	-	-
Investment in subsidaires in the period	-	376,000
Total	-	**376,000**

The Company owns the whole of the ordinary share capital of the following subsidiaries at the reporting date:

Name	Class of stock	Percentage held	Country of incorporation	Nature of business
Scottish Widows Schroder Personal Wealth Limited	Ordinary	100	England & Wales	Wealth Management
Scottish Widows Schroder Personal Wealth (ACD) Limited	Ordinary	100	England & Wales	Authorised Corporate Director

The registered address of both subsidiaries is 25 Gresham Street, London, EC2V 7HN.

15. Trade and other receivables

	Group 2019 £000	Company 2019 £000
Trade receivables	667	-
Amounts due from group undertakings	48,854	-
Prepayments and accrued income	3,515	-
Other receivables	24,860	-
Total	**77,896**	-

All of the above balances are expected to be recovered within one year from the reporting date. None of the above balances are interest-bearing.

(a) Summarised ageing analysis of trade and other receivables past due but not impaired is as follows:

	Not overdue £000	Under 30 days overdue £000	Over 30 days but under 60 days £000	Over 60 days £000	Total £000
For the period to 31st December 2019:					
Trade receivables	419	136	23	89	**667**
Amounts due from group undertakings	8,139	-	-	-	**8,139**
Other receivables	24,860	-	-	-	**24,860**
Total	**33,418**	**136**	**23**	**89**	**33,666**

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

15. Trade and other receivables (continued)

(b) Reconciliation in loss allowance:

	Not overdue £000	Under 30 days overdue £000	Over 30 days but under 60 days £000	Over 60 days £000	Total £000
Expected credit loss rate	0%	1%	22%	81%	
Gross carrying amount	33,418	136	23	89	33,666
Lifetime expected credit loss	-	1	5	72	78

16. Cash and cash equivalents

	Group 2019 £000	Company 2019 £000
Cash at bank	101,611	2,000
Total	**101,611**	**2,000**

17. Called up share capital

	Group 2019 £	Company 2019 £
Allotted, called up and fully paid share capital:		
501 A ordinary shares of £0.75 each	376	376
499 B ordinary shares of £0.25 each	125	125
	501	**501**

On 21 May 2019 the Company placed 501 new A ordinary shares at £0.75 per share raising gross proceeds of £183.0 million. The difference between the issued shares and gross proceeds being share premium.

On 24 September 2019 the Company placed 499 new B ordinary shares at £0.75 per share raising gross proceeds of £195.0 million. The difference between the issued shares and gross proceeds being share premium.

On 26 September 2019, the Company issued ordinary share capital of £750 divided into 501 A ordinary shares of £0.75 each and 499 B ordinary shares of £0.75 each can be reduced by £249.50 to £500.50 divided into 501 A ordinary shares of £0.75 and 499 B shares of £0.25 by redesignating 499 B shares from £0.75 to £0.25 each.

On 26 September 2019, the company reduced the share premium reserves to nill by the cancellation of £378.0m share premium reserves and that reserve was credited to the retained earning reserve.

18. Tax assets and liabilities

	Group 2019 £000	Company 2019 £000
Current tax liabilities	1,623	-
Deferred tax liabilities	12,742	-
Total tax liabilities	**14,365**	-

Deferred tax liabilities are considered to be due over more than 1 year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

18. Tax assets and liabilities (continued)

Deferred tax liability

The movement in the deferred tax liability is as follows:

	Group 2019 £000	Company 2019 £000
Brought forward	-	-
Additions		
Arising on business combination	(12,820)	-
Credit for the period	78	-
31 December 2019	**(12,742)**	-

The deferred tax credit in the period comprises the following:

	Group 2019 £000	Company 2019 £000
Accelerated capital allowances	(48)	-
Temporary differences on customer intangibles	66	
Other temporary differences	60	-
Total	**78**	-

The deferred tax liability comprises:

	Group 2019 £000	Company 2019 £000
Accelerated capital allowances	(48)	-
Temporary differences on customer intangibles	(12,754)	-
Other temporary differences	60	-
Total	(12,742)	-

Within the March 2020 budget, the UK government stated its intention to maintain the corporation tax rate at 19 per cent on 1 April 2020.

Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax liabilities by £1,555k.

19. Trade and other payables

	Group 2019 £000	Company 2019 £000
Amounts due to group undertakings	8,753	-
Accruals and deferred Income	63,596	-
Other tax and social security payable	174	-
Other payables	30,150	5992
Total	**102,673**	**5,992**

Trade and other payables include £1,989k which is due after more than one year. None of the above balances are interest-bearing.

The other payables in the Company is an accrual for a dividend declared pre period end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

20. Lease liability

	Group 2019 £000	Company 2019 £000
Lease liability	6,776	-
Total	6,776	-

The lease liability all relates to a property lease and is the corresponding liability for the right of use asset of £6,582 presented within Property, Plant and Equipment under IFRS 16.

Total depreciation on the right of use asset was £0.2m and interest charge for the lease is £0.1m. The lease has resulted in total cash outflow of £1.1m due to a refundable deposit payment. There is a break option in 2024.

	Within 1 year £000	1-5 years £000	Over 5 years £000	Total £000
Maturity of lease liability				
Expected unwinding of liabiltiy	(158)	2,850	4,084	6,776

21. Provision for liabilities and charges

	Group 2019 £000	Company 2019 £000
Provision for liabilities and charges	454	-
Total	454	-

	Bad debt £000	Other £000	Total £000
At 11 December 2018	-	-	-
Charge for the period	78	376	454
At 31 December 2019	78	376	454

Of the £454,000 provision as at 31 December 2019, it is expected that £25,000 will be utilised after more than 12 months. The Other provision includes a provision for dilapidation charges.

22. Dividend

In 2019, dividends totalling £11,959 per "A" share and £0 per "B" share were declared, representing total dividend of £5,991,523.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

23. Risk Management

The Company acts as a holding company for and tts exposure to risks reflects the risks of its subsidiaries.

Managing risk is central to SPW's goal to become the leading financial planning business in the UK and whilst we accept the risks inherent in our core business model and strategy including advice risk, investment management risk and other operational and financial risk, the SPW Risk Management Framework (RMF) is designed to ensure a robust and consistent approach to controlling risk across the Company.

How we manage risk

The Risk Management Framework consists of the components that set out the arrangements for designing, implementing, monitoring, reviewing and continuously improving risk management throughout our business. These components are vital to ensure we manage risks effectively in our day to day roles.

Client focused Risk Culture

Our responsible, inclusive, open and transparent culture ensures our colleagues consistently do the right thing for clients and feel empowered to challenge decisions or behaviours that are not in line with the way SPW wants to do business and manage risk. Senior leaders set a clear tone from the top and lead by example reflecting our values, encouraging a culture of intellectual curiosity and proactive risk management amongst all colleagues, welcoming and encouraging challenge throughout the business. Risk colleagues work in collaboration with the business to support effective risk management, understand root cause when things go wrong, share lessons learned and provide constructive challenge. Remuneration, performance management and succession planning support our core values and our client advice needs.

Governance

The SPW Board is the ultimate authority in the oversight of risk management and control. It is supported by 3 board level committees: the Board Audit & Risk Committee; the Board Remuneration Committee; and, the Board Nominations Committee. Below Board level all authority and accountability for risk decision-making is delegated to individuals in full compliance with the FCA's Senior Managers Regime. The CEO and Senior Management are supported in their decision-making responsibilities by the Executive Committee and four focused executive-level committees: the Customer, Product & Conduct Committee; the Investment Committee; the Operating Committee; and, the Risk Committee.

3 Lines of Defence Model

The SPW three lines of defence model distinguishes between risk management, risk oversight and assurance, enabling clear ownership and accountability for managing risk and ensuring we have the right risk resource and capabilities across the business.

- the first line of defence is the business. Senior Management in the business 'own' risk and must ensure effective controls are in place to manage risk appropriately within risk appetite. All colleagues have a responsibility for the management of risks within the Business.
- the second line of defence is the Risk Function. The Risk Function is a risk oversight function, supporting and challenging the first line of defence. It provides independent oversight of governance, risk management and controls across SPW operations to ensure significant risks are identified, managed and reported appropriately to the Board and executive management.
- third line of defence is the Audit function is a separate independent function from the second line, under the supervision of SPW's Chief Internal Auditor. The Internal Audit function provides independent assurance over SPW's activities.

Risk Appetite & Policy

Risk appetite is a core component of the Risk Management Framework. It is defined as the amount and type of risk that our company is prepared to seek, accept or tolerate. Risk appetite is holistic and the risk types currently in place for risk appetite include: business, conduct, investment management, operational and financial.

Risk appetite is set and reviewed at least annually based on joint proposals from the Business and Risk teams. The impact on the Company's risk appetite must be considered when determining desired business culture, strategy and business plans (including major change and acquisitions), competitive positioning in the market place and responses to events. No decision can be taken to breach company risk appetite without explicit prior approvals from the Board. Any breaches of SPW risk appetite are identified and escalated in a timely manner.

Risk appetite is translated into mandatory requirements within policies that the business must implement. For each of our primary risks SPW has one or more policies. Where necessary, more detailed requirements are set out in company standards and procedures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

23 Risk Management (continued)

Continuous Risk Management & Reporting

To allow colleagues to make informed risk decisions, the business must follow a continuous risk management approach which covers the risk cycle; starting with identifying risks (including consideration of external drivers (political, legal, regulatory) and business change plans), measuring risks (exposure v appetite, scenario analysis and stress testing, liquidity assessment, capital assessment, actual v expected losses), controlling risks (day to day preventative and detective control activities), monitoring risks (performance v risk appetite, risk metrics, action plan monitoring) through to producing appropriate, accurate and focused risk reporting (including risk profile, breaches and material events to the Executive, Board and the Regulator).

Types of risk inherent in our business model are:

Non-Financial risks

The primary non-financial risk categories are:

Business Risk
Business Risk is defined as the risk of failing to achieve strategic objectives resulting from customer attrition and investment outflows (due to poor investment performance, uncompetitive propositions), ineffective data management, poorly executed transformational, regulatory or simplification change, and/or bad acquisitions.

Conduct Risk
Conduct risk is defined as the risk of customer detriment across the customer lifecycle including: failures in provision of advice to customers, product management and servicing activities; from other risks materialising, or other activities which could undermine the integrity of the market or distort competition, leading to unfair customer outcomes, regulatory censure, reputational damage or financial loss.

Investment Management
Investment management risk is defined as the risk of customer detriment resulting from portfolio models being inconsistent with mandates, client portfolios drifting beyond acceptable tolerance from model portfolios and investment performance being sub-standard (poor investment decisions, inappropriate model portfolio benchmarks).

Other Operational Risk
Operational risk is defined as the risk of loss from inadequate or failed internal processes, people and systems or from external events. As operational risk covers such a range of elements, there are secondary risk types within this area, including:

- Cyber and information security - The risk of financial loss, disruption or damage to the reputation of SPW from a malicious attack that impacts the confidentiality and/or integrity of electronic data or the availability of systems. The risk also includes the risk of loss resulting from ineffective security of information and data.

- IT Systems - The risk of failure in technology governance and the development, delivery and maintenance of effective IT solutions.

- Operational Resilience - Operational resilience risk covers the risk that SPW fails to design resilience into business operations, underlying infrastructure and controls (people, process, technical) so that it is able to withstand external or internal events which could impact the continuation of operations, and fails to respond in a way which meets stakeholder expectations and needs when the continuity of operations is compromised.

- Outsourcing Risk - Outsourcing risk covers the risk associated with the activity related to the agreement and management of services provided by third parties.

- People Risk - People risk is defined as the risk that SPW fails to provide an appropriate colleague and customer centric culture, supported by robust regard and wellbeing policies and processes; effective leadership to manage colleague resources; effective talent and succession management; and robust control to ensure all colleague-related requirements are met.

- Regulatory and Legal Risk - The risk of financial penalties, regulatory censure, criminal or civil enforcement action or customer detriment as a result of failure to identify, assess, correctly interpret, comply with, or manage regulatory and/or legal requirements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

23 Risk Management (continued)

- Financial crime - Financial crime is the risk of acts intended to bribe, corrupt, launder money, fund terrorist activity or circumvent sanctions intended for personal gain or to cause loss to another party, by customers/clients, suppliers, third parties or colleagues.

- Change risk – The risks arising from migrating from LBG architecture and change initiatives to deliver the end state operating model

Financial risks
During the period, the Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of financial risk are considered below:

Market risk
Market risk is defined as the risk that our capital or earnings profile is affected by adverse market rate. The Group does not hold any financial assets or financial liabilities at fair value through profit or loss and therefore is not exposed to direct market risk.

The Group does have an exposure to indirect market risk. This arises from the fact that the annual management charges collected and associated costs for the management of the funds fluctuate with the market movements impacting the value of customer funds. For example if the underlying market value of customer funds fell by 10%, revenue, at a high level, is estimated to reduce by approximately £12.9m on an annualised basis. These are classified as indirect market risks.

Interest risk
As the Group does not have any loans, the directors currently do not consider interest rate risk to be a material risk to the Group.

Credit risk
The risk that parties with whom we have contracted, fail to meet their financial obligations. The directors do not consider that the Group has any exposure to material credit risk given the nature of the assets held at the balance sheet date. The Group has an expected credit loss charge in the profit and loss account which is presented in note 15.

Liquidity risk
Liquidity risk is defined as the risk that the Group does not have sufficient financial resources to meet its commitments as they fall due, or can only secure them at excessive cost. Liquidity risk may result from either the inability to sell financial assets or from the inability to generate cash inflows as anticipated. Under our liquidity and risk framework we ensure we have appropaite liquidity at all times.

The following tables indicate the timing of the contractual cash flows arising from the Group's financial liabilities, as required by IFRS 7:

As at 31 December 2019

Liabilities		Contractual cash flows (undiscounted)					
	Carrying amount £000	**No stated maturity £000**	**Less than 1 month £000**	**1-3 months £000**	**3-12 months £000**	**1-5 years £000**	**More than 5 years £000**
Trade and other payables	8,753	-	8,753	-	-	-	-
Total	8,753	-	8,753	-	-	-	-

Remaining liabilities not included here do not have contractual cash outflows.

Capital risk
Capital risk is defined as the risk that the Group has a sub-optimal quantity or quality of capital or that capital is inefficiently deployed across the Group and that the Group has insufficient capital to meet its regulatory capital requirements.

The Group is required to comply with the Prudential Capital requirements set out in the FCA's Prudential Sourcebook.
Capital risk is regularly reviewed and owned by the board who must manage capital within the Board-approved capital risk appetites, where the minimum required capital must be maintained at all times throughout the year.
When recommending the Group's capital risk appetite and metrics, it must consider risks evaluated through its ICAAP and associated stress testing assessments along with business forecasts and competitive environment.

The Group's objectives when managing capital are:

- to have sufficient further capital to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholder and benefits for other stakeholders;
- to comply with the regulatory capital requirements set out by the FCA in the UK; and
- when capital is needed, to require an adequate return to the shareholder by pricing contracts according to the level of risk associated with the business written.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

23 Risk Management (continued)

The Group's capital comprises all components of equity, movements in which are set out in the statement of changes in equity.

The table below sets out the regulatory capital requirement and the required capital held at 31 December 2019. The current information is, in general, an estimate that will be updated once the FCA returns for the year are finalised.

	2019
	£'m
Regulatory capital held	77.3
Regulatory capital requirement	60.4

All minimum regulatory requirements were met during the period.

24. Related Party Disclosures

Ultimate parent and shareholding
The Company a Joint Venture owned by Lloyds Bank and Schroder Administration Limited. The Company does not have a single ultimate parent or shareholder.

Transactions between the Company and other LBG companies
The Company has entered into the following transactions with other related parties in the normal course of business during the period.

Transactions between the Company and key management
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company which, for the Company, are the Directors.

	2019 **£000**
Balance Sheet	
Net amounts due to from group undertakings	
Lloyds Bank	40,102
Cash	
Net Cash balance with Lloyds Bank	59,561
P&L	
Interest income	
Cash balance with Lloyds Bank	195
Other charges	
Paid to Lloyds Bank	37,905
Other income	
Received from Lloyds Bank	350
Other expenses	
Schroders (accrued investment management fees)	795

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

24. Related Party Disclosures (continued)

The Directors emoluments payable for services provided to the Group are set out below:

	Group 2019 £000
Aggregate emoluments:	
Scottish Widows Schroder Personal Wealth Limited	
Directors emoluments	349
Pension contributions	28
	377
Scottish Widows Schroder Personal Wealth (ACD) Limited	
Directors emoluments	393
Pension contributions	23
	416
Highest paid director:	
Scottish Widows Schroder Personal Wealth Limited	
Directors emoluments	179
Pension contributions	19
	198
Scottish Widows Schroder Personal Wealth (ACD) Limited	
Directors emoluments	192
Pension contributions	13
	205

No directors have received any remuneration directly for their directorship of the Company as it is considered to be a small part of their role.

No directors received shares in the period.

25. Future accounting developments

There are no standards or interpretations that are not yet effective and that would be expected to have a material impact on the Company.

26. Contingent liabilities and capital commitments

There were no contracted capital commitments or contingent liabilities at the balance sheet date.

27. Events after the reporting period

As referred to in the Strategic Report there has been a significant disruption to the global economy and markets since the balance sheet date due to the Covid-19 pandemic. There is a considerable uncertainty around Covid-19 and the potential impacts cannot be fully quantified at this stage, however there is a risk that revenue in the future financial period will be reduced due to lower volumes of new customers seeking financial advice, and because a material component of our total revenue is inherently linked to the value of our funds under management.

We also note that there could be a need to impair the acquired Intangible Assets and Goodwill in the subsequent financial period. Whether an impairment is required would depend on a number of factors, which cannot be quantified, such as the impact on our customer base and the amount of time that the markets take to recover post Covid-19.

28. Business Combinations

Acquisition of Lloyds Bank plc wealth business

On 1 June 2019 Scottish Widows Schroder Personal Wealth Limited acquired the wealth business from Lloyds Bank plc for total consideration of £107.0 million. This was satisfied by placing of 158,000,000 new ordinary shares at £1.00 per share (the Placing), to raise gross proceeds of £158.0 million.

The business' core activities cover a range financial planning offering ongoing advice and support from personal wealth advisors to over 30,000 customers.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

28. Business Combinations (continued)

Details of the purchase consideration are as follows:

	£000
Initial consideration paid	107,000
Total purchase consideration	**107,000**

No assets or liabilities were recognised as a result of the acquisition.

The acquisition took place when LBG owned 100% of SPW and has been accounted for under predessecor accounting with the purchase consideration being recognised directly in reserves.

There are no significant estimates in the accounting of the acquisition.

The acquired business contributed revenues of £62m and profit after tax of £5.6m to the Group for the period from 1 June 2019 to 31 December 2019.

There were no acquisition cost and the net cash outflow was the initial consideration paid.

Acquisition of Investment Portfolio ICVC and Multi-Manager ICVC from Scottish Widows Unit Trust Managers Limited

On 9 December 2019 Scottish Widows Schroder Personal Wealth (ACD) Limited acquired the investment agreements relating to the Investment Portfolio ICVC and Multi-Manager ICVC from Scottish Widows Unit Trust Managers Limited a subsidiary of LBG. The Company started to act as the ACD for these from 9 December. In exchange for the transfer of the investment management agreements relating to these funds, Scottish Widows Schroder Personal Wealth (ACD) Limited paid £192.1m in cash consideration.

Details of the purchase consideration are as follows:

	£000
Initial consideration paid	192,122
Total	**192,122**

There were no asset and liabilities acquired as a result of the acquisition and therefore the consideration has been allocated to Goodwill and Customer Intangibles.

	Book Value £000	Adjustment £000	Fair Value £000
Goodwill	-	129,542	129,542
Customer Intangible	-	75,400	75,400
Deferred Tax Liability	-	(12,820)	(12,820)
Total	**-**	**192,122**	**192,122**

The goodwill of £129.5m arising from the acquisition consists largely of the expected future growth from the transfer of business.

Significant estimate: intangible assets

The initial fair value of the acquired Customer Intangible was determined using the MEEM ("Multi-period excess earnings method") approach at the time of acquisition.

The fair value of the acquired intangible asset arising on the acquisition was calculated by estimating the present value of future cash flows attributable to the intangible asset in excess of the returns required on the investment in the contributory assets necessary to realise those cash flows.

The key assumptions used in estimating the value of the acquired intangible are considered to be discount rate and growth rates. The discount rate assumption was determined on a best-estimate basis and, as above, were based on recent actual experience and industry information where appropriate. The discount rate used was 12.4%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019 (CONTINUED)

28. Business Combinations (continued)

The sensitivity of these estimations are presented below:

Change in discount rate used

	- 1% £'000	Actual £'000	+1% £'000
Customer Intangible	78,700	75,400	72,200
Goodwill	126,801	129,542	132,196
Deferred tax	(13,379)	(12,820)	(12,274)
Total	**192,122**	**192,122**	**192,122**

Change in growth rate used

	- 5% growth £'000	Actual £'000	+5% growth £'000
Customer Intangible	57,700	75,400	103,800
Goodwill	144,231	129,542	105,968
Deferred tax	(9,809)	(12,820)	(17,646)
Total	**192,122**	**192,122**	**192,122**

Revenue and profit contribution

The acquired business contributed revenues of £2m and profit after tax of £0.9m to the Group for the period from 9 December 2019 to 31 December 2019. This profit includes amortisation of the acquired intangible assets.

Net cash outflow of acquisition

The net outflow of cash to acquire the investment agreements was the consideration of £192.1m. This outflow is presented in investing activities in the statement of cash flows.

Acquisition-related costs

The company has not incurred any acquisition-related costs.