SCOTTISH WIDOWS SCHRODER WEALTH HOLDINGS LIMITED

ANNUAL REPORT

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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COMPANY INFORMATION

Board of Directors

D Brumpton
M Duckworth
P L Hall
P Harrison
A Lorenzo
D Mackechnie
J C Ripley
A Seale
J Harris

Company Secretary

K V Raman

Independent Auditors

Deloitte LLP
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Leeds
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Registered Office

25 Gresham Street
London
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Company Number

11722485

STRATEGIC REPORT

The Directors present their Strategic report on Scottish Widows Schroder Wealth Holdings Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2022.

The Strategic report provides a review of the business for the financial year 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. Both of the Group'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.

Review of the business

The Group holding company did not trade and had net assets of £357.6m at the end of the year (2021: £382.6m).

The Group's subsidiary companies traded throughout the year. Its subsidiary companies are:

Scottish Widows Schroder Personal Wealth Limited ("OpCo")
Scottish Widows Schroder Personal Wealth (ACD) Limited ("ACD")

Key performance indicators

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

The Group's key performance indicators were as below:

	2022	2021
Revenue (£000)	138,485	138,353
EBITDA (£000)	14,312	29,190
Profit after tax (£000)	1,326	16,356
Consolidated Assets Under Management ("AUM") (£m)	13,300	14,700
Average number of employees	793	742

The Group reports revenue of £138.5m (2021: £138.4m). Group revenue is unchanged versus the prior year as operational and performance improvements offset the impact of adverse markets.

The OpCo has continued to focus on the delivery of financial planning advice and discretionary fund management. New business revenue grew 35% to £10.5m and new business AUM inflow grew 47% to £468m (net). On platform clients have grown to 52k in 2022 (2021: 47k).

The ACD's financial performance was resilient in the face of adverse markets in 2022. This was largely attributable to the full benefit of new multi manager funds launched throughout 2021. These fund changes led to an increase in ACD AUM of circa £3bn by the end of 2021.

The Group made a profit for the year of £1.3m compared to a profit in the prior year of £16.4m, with EBITDA decreasing from £29.2m to £14.3m. This decrease was largely due to the cessation of certain related party contracts.

Consolidated AUM fell by £1.4bn to £13.3bn. This was principally driven by adverse conditions in global security markets, as a result of higher energy prices and other impacts of the Ukraine conflict.

At the end of the year the Group had net assets of £261.8m including a cash balance of £81.6m (2021 net assets of £285.5m and cash of £114.8m). The year-on-year decrease in cash was due to the payment of a £25m interim dividend (£12,500 per ordinary share).

(continued)

STRATEGIC REPORT

Capital and Liquidity

The Group is classified as a MIFDPRU investment firm due to having MIFIDPRU investment firm in the group. This is due to SPW OpCo being a MIFIDPRU 75k investment firm authorised and regulated by the Financial Conduct Authority ("FCA"). The 2021 regulatory capital position was prepared under the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU") and General
Prudential Sourcebook for Banks, Building Societies, Insurers and Investment Firms ("GENPRU") requirements. Due to change of the prudential regime on the 1st of January 2022 to the Investment Firms Prudential Regime ("IFPR"), the 2022 regulatory position is prepared under the Prudential Sourcebook for MIFID Investment Firms ("MIFIDPRU"), which replaces the BIPRU/GENPRU rules.

The Directors believe that the Group and Company have adequate capital resources and will continue to do so in the foreseeable future. See note 21 for details. The Group has met all Internal Capital adequacy and risk assessment ("ICARA") minimum capital requirement during the period under review.

The Group regularly monitors its liquidity position to ensure that even under stressed conditions they have sufficient liquidity to meet their obligations and remains within the approved risk appetite.

An interim dividend of £25m has been paid in 2022 (2021: £nil). To ensure there were no impediments restricting the dividend proposal, an assessment of the legal entity minimum standards was completed encompassing legal, regulatory and taxation. No legal, regulatory or operational impediments to the payment of the dividend were identified. The directors have not recommended a final dividend (2021: £nil).

Future developments and outlook

The Directors consider that the Group's principal activities will be unchanged for the foreseeable future and that the Group will remain focused on growing its client book and AUM in the coming years, through improved adviser productivity. As the Group matures and adapts to the external environment, the directors will continue to consider how to optimise strategy delivery, including revenue diversification and enhanced operational resilience. Within the ACD, we will continue to review our fund range regularly to ensure it is fit for our client base.

Responsible business strategy

Responsible business strategy – corporate

We are committed to reducing our carbon footprint and aim to achieve net zero carbon operations by 2030. To do this we will need to reduce the emissions associated with the buildings which we occupy and business travel. Initiatives undertaken to date include using ISO 14001 as a framework to assess environmental impacts, performance improvement opportunities, and identify actions to reduce Scope 1 and Scope 2 emissions and to promote good site management. In addition, we have updated our corporate travel policy.

Responsible business strategy – investments

To ensure that all environmental, social and governance considerations in investment portfolios are assessed when managing our client's investments, we have implemented a responsible investing approach to our portfolios as of the end of 2022. In addition, we are excluding companies from our directly invested Multi-Manager funds that generate notable revenues from activities that are likely to do material, social or environmental harm and, at this time, show little or no scope for improvement in this respect.

Principal risks and uncertainties

The Group 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 are subject to a number of risks. The key operational and conduct risks identified relate to cyber and information security, application of conduct standards, execution of change and delivering a customer focussed and compliant customer proposition and are set out below. For the key financial risks refer to note 21.

Non-financial risks

STRATEGIC REPORT (continued)

Our non-financial risks, should they crystallise, would result in potential harm to clients as well as to our firm. The primary non-financial risk categories are:

Business risk

Business risk is defined as the risk of failing to achieve strategic objectives. This could result 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, inadequate product management and servicing activities; 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 loss or adverse outcomes from failed or inadequate investment management processes. This could include 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 the Group, clients and colleagues' data privacy 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 the Group 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 the Group 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.

- 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 change initiatives to deliver our strategy, business plan and target operating model.

How we manage risk

Managing risk is central to the delivery of Schroders Personal Wealth's ("SPW") strategic objectives and whilst we accept the risks inherent in our core business model and strategy, our Risk Management Framework (RMF) aims to ensure a robust and consistent approach to controlling risk and avoiding harm across the group.

The Risk Management Framework consists of components that help our business to manage and govern risks in a structured and holistic way across the company whilst striving to achieve our goals. These components incorporate our culture, governance and organisation arrangements including our 3 lines of defence model, risk appetite setting & policies, risk & control assessments, risk event tracking

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(operational losses and near misses), scenario analysis, key risk indicator monitoring and enterprise wide risk reporting. These components are underpinned by risk management technology applications.

SPW Culture

Across the SPW Group there is a responsible, inclusive, open and transparent culture, which ensures 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.

STRATEGIC REPORT (continued)

Risk Governance & 3 Lines of Defence Model

SPW has a single integrated risk management framework, which is applied consistently across the Group and its subsidiaries. The SPW Board is the ultimate authority in the oversight of risk management and control. It is supported by the board level committees. 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 the executive-level committees.

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 owns the RMF. 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, a separate independent function from the second line, under the supervision of the SPW Chief Internal Auditor ("CIA"). The Internal Audit function provides independent assurance over SPW's activities.

Risk Appetite & Policies

Risk appetite is a core component of the RMF. It is defined as the amount and type of risk that our company is prepared to accept or tolerate. Risk appetite is holistic and statements have been defined for each of SPW's risk types including conduct risk, investment management risk, operational risk and financial risk. Corresponding Risk Appetite Metrics ("RAMs") have been aligned to the statements ensuring potential harms to our clients, our business (including shareholders and from a regulatory compliance perspective) and the wider market are adequately monitored.

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. Any breaches of SPW risk appetite are identified, escalated in a timely manner for senior management attention, acceptance and/or action as required.

Risk appetite is reviewed and set on at least an annual basis and is translated into mandatory requirements through policies, standards and procedures which the business must adhere to.

Continuous Risk Management & Reporting

SPW operates a continuous risk management approach in order to support business performance and capital management.

Risks are reviewed on an on-going basis to identify any changing and new threats to clients, our business objectives and the wider market. Risk data, including risk & control self-assessments, events, operational losses and near misses, broader risk appetite metrics and key risk indicators, is recorded in SPWs' Risk Management System. Where control weakness are identified remedial action plans are agreed and tracked by the Risk team.

Based on the risk and harms recorded in our Risk Management system, SPW formulates extreme but plausible scenarios to model and inform our risk-based capital requirement.

Enterprise wide risk reporting is produced centrally on a monthly basis and the SPW Risk Committee convenes on a quarterly basis at which Executives present their functional risk profiles for discussion, challenge and decision making.

Geopolitical tensions in Ukraine

We significantly reduced our exposure to Russia and Belarus at the start of the Russia invasion of Ukraine, although some small holdings remain due to the restrictions that were imposed. We will not be investing further in Russian and Belarus assets through our directly invested funds for the foreseeable future based on current sanctions, our ethical beliefs as a business and what we believe to be in the best interests of investors. Although global markets have recovered from the initial shock of the Ukraine war in February 2022, markets remain volatile.

COVID -19

STRATEGIC REPORT (continued)

Following the COVID-19 (Coronavirus) outbreak in 2020 we saw an adverse impact on global economies creating a continual period of volatility and uncertainty in financial markets. Some residual economic and market uncertainty exists globally. There has been no significant impacts on supply chains or the Group's ability to trade in the current and prior year.

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 year ended 31 December 2022, 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 year 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.

As a Group we aim to provide clients with clarity and transparency in everything we do. This includes using technology to explain how long-term financial planning can add value to people's lives and to give people access to information about their financial wellbeing.

Shareholders

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

The Group is independently governed and is aligned where appropriate to the interests of LBG and Schroders. This is managed through the board having representatives from both shareholding companies.

Communities and the environment

The Group continues to be committed to creating confidence in financial futures. We 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 aims to build an inclusive and diverse workforce, where everyone can bring their whole selves to work. We know that this is not only good for us as individuals, but also good for business. We have signed up to the InsideOut Charter. InsideOut is a social enterprise with a mission of ending the stigma of mental ill health in the workplace. We have also signed up to the 'We are Change' initiative, helping to bring more diversity in through newly trained advisers.

We continue to be committed to creating more inclusive and diverse opportunities within our business including participation in the #10,000BlackInterns programme. The programme encourages more black men and women to consider a career in the Investment Management sector, reduce the perceptions that it is not an industry for them and create more opportunities.

SPW is a committed, active & passionate member of the Armed Forces Covenant. It's our commitment to help those that serve, have served and their families, whether that be finding employment, raising awareness, volunteering and raising funds for Armed Forces charities.

The Group renewed our accredited membership of The Good Business Charter in August 2022. The Charter requires member firms to meet its standard in ten areas of business: real living wage, fairer hours and contracts, employee well-being, employee representation, diversity and inclusion, environmental responsibility, paying fair tax, commitment to customers, ethical sourcing, and prompt payment.

The Group formed a corporate charity partnership with Groundwork in 2022 and also continues to work closely with Alzheimer's Research UK, as well as forging relationships with local and regional charities and social enterprises, supporting through fundraising and

STRATEGIC REPORT (continued)

sponsorships. Physical volunteering has become popular following the pandemic with colleagues undertaking over 900 hours during 2022. We continue to creatively develop our volunteering commitment culture and all colleagues will continue to have access to both physical and online volunteering activities in the community.

Suppliers

The Group has an independent, Third Party Management ("TPM") framework.

The Group undertakes due diligence on all its suppliers setting out the accountability for on-going performance measurement to monitor, review and manage these relationships. The Group operates two lines of defence as part of its Supplier Management Framework – a) Preengagement Due Diligence and b) On-going Supplier Monitoring. The Group is signed up to the Prompt Payment Code, a voluntary code of practice for businesses, designed to encourage supplier payment in 30 to 60 days, depending on the supplier size.

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 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 2022 the Group had regular correspondence 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.

Employees

The Group continues to focus on creating its own distinct culture. Through engagement across all colleagues, including Executives, the Group is nurturing a culture encompassing behaviours aligned to our values.

Regular internal communications cover key information which is important to colleagues, these are in the form of emails and update calls led by the Executive team. There is also an online site where colleagues can raise topics they have questions or concerns about. We value colleagues' views and ask for their opinion before taking action, an example was a survey relating to how comfortable people feel returning to the office after lockdown, and we continue to use this feedback to support a hybrid working environment.

We remain committed to our reward package delivering fair outcomes, based on performance, not personal characteristics. We carefully consider total compensation outcomes through a gender and ethnicity lens during the year-end compensation review to monitor for any potential unconscious bias.

Our recruitment policy and approach is completely inclusive and we encourage applications from all minority groups. Our inclusive approach to hiring ensures our advertisements are framed positively to attract people with from different minority groups and those with disabilities. Training is accessible to everyone and we promote, develop and support all colleagues on merit, irrespective of any disability as all reasonable adjustments would be applied on an individual basis.

The culture at the Group encourages people to be open about any disability so that support can be understood and implemented. Workplace adjustments will be provided where required for any new or existing colleague.

We continue to promote a number of diversity networks open to all colleagues across the business, not just those who may associate with a particular network. These networks focus on building allies and broad awareness across the business, which we believe is vital for us to build an inclusive workforce.

On behalf of the Board of Directors

Joel Ripley

J C Ripley
Director
24 April 2023

DIRECTORS' REPORT

The Directors present the audited consolidated financial statements of the Group. The Group is a limited company, domiciled, incorporated and registered in England and Wales. It is a private company limited by shares as per Section 396 of the Companies Act 2006.

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

Information included in the Strategic Report

The disclosures for Principal risks and uncertainties, key performance indicators and statements on engagement with employees, suppliers, customers and others that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report.

Results and dividend

The result of the Group for the year ended 31 December 2022 is a profit after tax of £1.3m (2021: profit after tax of £16.4m).

At the end of the year, the Group held net assets of £261.8m (2021: £285.5m) and a cash balance of £81.6m (2021: £114.8m).

Further information on the results can be found in the Strategic report on pages 4 to 9.

During the year the directors recommended, approved and paid a dividend of £25m (2021: no dividend was declared)

Company Secretary

The Group secretary is K V Raman

Directors

The Directors in office during the year under review are:

M Duckworth	
PL Hall	(resigned 06 March 2023)
P Harrison	
D Brumpton	
A Lorenzo	
D Mackechnie	
J C Ripley	
A Seale	
S W Sinclair	(resigned 12 May 2022)
J Harris	(appointed 7 October 2022)

The Group has not made qualifying third party indemnity provisions during the year and this remains in force at the date of this report.

Particulars of the Directors' emoluments are given in note 22.

Going Concern

The financial statements have been prepared on the basis that the Group will continue to be a going concern for a period of at least 12 months from the date of this report and the foreseeable future. In forming this opinion, the Directors have reviewed the Group 4 Year Operating Plan ("4YOP"), which projects continued growth in new clients in line with our strategy. This has a positive impact on revenue and ultimately capital and liquidity. Sensitivities to the 4YOP have also been reviewed alongside this. Capital and liquidity are monitored on a daily basis with regular forecasts to ensure there is sufficient cash at all times. As part of the going concern review, management has considered current market conditions in the assessment and has concluded that these matters have no impact.

During 2022, as part of the ICARA process, we performed stress testing exercises to ensure we can maintain capital and liquidity at the minimum level required through management actions in a stress environment. As part of the 2022 cycle, capital stress testing on the 4YOP has been completed and signed off at Board Audit and Risk Committee, in all scenarios we have adequate capital and liquidity.

The Group has robust oversight processes relating to supplier management, which include horizon scanning and ongoing due diligence of existing suppliers.

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 Group'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 Group's auditors are aware of that information.

Independent auditors

Deloitte LLP have been reappointed auditors for the year ending 31 December 2022 by the shareholders of the Group company and its subsidiaries, in accordance with the Companies Act 2006. Deloitte LLP have expressed their willingness to continue in office as auditors and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Future developments

Details of future developments are provided in the Strategic Report pages 4 to 9.

Post balance sheet events

There are no post balance sheet events.

Financial risk management

Disclosures relating to financial risk management are included in note 21 to the financial statements and are therefore incorporated into this report by reference.

Streamlined Energy and Carbon Reporting ("SECR")

SPW is committed to acting on climate change on behalf of its colleagues, clients, and communities. Over the past two years SPW has been on a journey to determine its carbon footprint and develop a robust sustainability framework including data collection, reporting, and developing a plan to achieve net zero carbon operations by 2030, through decarbonisation across scope 1, scope 2 and scope 3 business travel, employee commuting and homeworking.

The scope definitions are:

- Scope 1 the Green House Gas ("GHG") emissions that an entity produces directly.
- Scope 2 are the indirect emissions made by an entity for example when the energy it purchases is being produced on its behalf.

Energy consumed (kWh)	384,862	495,733	495,733
Average FTE	793	742	742
Usage per average FTE	**485**	**668**	**668**
Scope 1 - Fuel (tCO2e)	87	98	101
Scope 2 - Electricity (tCO2e)	18	17	14
Scope 3 – business travel (tCO2e)	303	166	196
Scope 3 – Commuting (tCO2e)	224	129	-
Scope 3 – Homeworking (tCO2e)	476	443	-
Net Zero Plan (tCo2e)	**1,108**	**853**	**311**
Other Scope 3 Emissions (tCO2e)	9,450	9,226	-
Total Emissions (tCO2e)	**10,557**	**10,079**	**311**
Total Emissions per average FTE	**13.31**	**13.58**	**0.42**

Carbon emissions and energy data disclosed above is from 1st January 2021 to 31st December 2022 inclusive.

- Scope 3 are all the emissions the entity is indirectly responsible for as a result of its end to end value chain.

	2022	2021 Restated	2021 Reported

DIRECTORS' REPORT (continued)

2021 restatement

The regulatory and legal frameworks which define environmental reporting are in a period of development. SPW expects to continue to refine and evolve its approach. Further information on SPW's responsible business approach is available on the SPW website.

Over the past 12 months SPW has enhanced carbon emission reporting further through the identification and reporting of our scope 3 value chain. Following a detailed review of SPW's value chain it has been determined that scope 3 categories 1 - 8 and category 15 (not available at present) are applicable to SPW.

Other restatements that we have made to our data include:

- Scope 1 Fuel apportionment methodology has been improved by changing to a more appropriate methodology based on the square footage area of our offices replacing our previous service charge based method. Scope 2 Electricity has been updated to reflect improved utilisation data from metering improvements
- New Scope 3 data has been gathered to measure the impacts of both colleague commuting and homeworking.

SPW purchased 1,105 tCo2e of carbon credits from a third party, climate partner. SPW will complete a validation exercise with climate partner to verify its calculations to ensure carbon neutrality for scope 1, scope 2, business travel, commuting and homeworking.

SPW carbon emissions have been calculated in accordance with the Green House Gas "GHG" protocol scope calculation guidance. SPW have used the UK government GHG conversion factors for company reporting for 2021 and 2022. A location-based emissions methodology is used to calculate scope 2 emissions.

No initiatives were implemented in 2022 as our focus was to collate and understand our scope 1, 2 & 3 emissions data. In 2023, we have committed to a reduction in business travel of 10% YOY. Our travel policy has been updated to reflect this commitment. Our energy consumption dropped in 2022 due to our heating and cooling systems being operated during office hours every day from Q2 2022 for our Head Office sites. In prior years, our equipment was operated 24/7 due to covid restrictions being in place.

SPW is developing a supplier emission strategy. This strategy will work with 70% of our largest suppliers to understand their emissions and the plans they have in place to reduce their emissions.

The Group will fall within the scope of Country Climate and Development Reports ("CCDR" and Taskforce Climate Financial Disclosures ("TCFD") from June 2024. SPW is undertaking an in depth review of the climate disclosures in the second quarter of 2023 to ensure we are prepared for the 'go live' date.

The Group's Responsible business strategy is discussed in the Strategic report page 5.

Charitable and political donations

The Group made a total of £14k of charity donations in the year, no political donations were made. (2021: £118k of charity donations, no political donations).

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs). 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT (continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

On behalf of the Board of Directors

Joel Ripley

J C Ripley
Director
24 April 2023

Independent auditor's report to the members of Scottish Widows Schroder Wealth Holdings Limited

Report on the audit of the financial statements

Opinion
In our opinion:
- the financial statements of Scottish Widows Schroder Wealth Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the consolidated statement of profit and loss;
- the consolidated statement of other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity; • the consolidated company statements of cash flows; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions 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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 group's and parent company's ability to continue as a going concern for a period of at least 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.

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 our 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 rise 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In preparing the financial statements, the directors are responsible for assessing the group's and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Scottish Widows Schroder Wealth Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report to the members of Scottish Widows Schroder Wealth Holdings Limited (continued)

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 auditor's report.

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the operating licence and regulatory solvency requirements of the group's subsidiaries, as regulated by the Financial Conduct Authority.

We discussed among the audit engagement team including relevant internal specialists such as valuations specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address them are described below:

- Impairment of investments in subsidiaries, goodwill and intangible assets: in order to address the risk of fraud identified, we assessed the design and implementation of controls in place over the key assumptions applied by management within its forecasts and impairment assessments, tested the mechanical accuracy of management's impairment model, assessed the historical accuracy of management's forecasting process and engaged with internal valuation specialists in order to assess the reasonableness of assumptions applied.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Financial Conduct Authority.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.
Independent auditor's report to the members of Scottish Widows Schroder Wealth Holdings Limited (continued)

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Independent auditor's report to the members of Scottish Widows Schroder Wealth Holdings Limited (continued)

We have nothing to report in respect of these matters.

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.

David Heaton

David Heaton (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
24 April 2023

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 2022 £000	Year ended 2021 £000
Revenue	2	138,485	138,353
Cost of sales	3	(12,833)	(16,526)
Gross profit		**125,652**	**121,827**
Other income	4/22	-	12,395
Administrative expenses	5	(123,781)	(116,388)
Exceptional income	5	-	881
Net interest expense	8	(435)	(643)
Profit before tax		**1,436**	**18,072**
Taxation	9	(110)	(1,716)
Profit after tax		**1,326**	**16,356**

The notes set out on pages 24 to 41 are an integral part of these financial statements. The results all relate to continuing operations.

There were no unrecognised gains or losses in the current or previous periods other than the results for the period shown above. Accordingly, a separate statement of other comprehensive income has not been presented.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000

NON-CURRENT ASSETS			
Property, plant and equipment	10	4,230	4,572
Right of use asset	18	5,647	5,713
Goodwill	11	129,542	129,542
Intangible assets	11	63,056	67,818
Deferred tax asset	9	2,486	701
Total non-current assets		**204,961**	**208,346**
CURRENT ASSETS			
Cash and cash equivalents	15	81,585	114,752
Trade and other receivables	14	40,659	41,175
Deferred bonus asset	13	3,583	1,074
Current tax asset	9	-	400
Total assets		**330,788**	**365,747**
NON-CURRENT LIABILITIES			
Non-Current lease liability	18	5,483	6,442
Deferred bonus liability	13	1,520	464
Deferred tax liability	9	13,965	15,153
Total non-current liabilities		**20,968**	**22,059**
CURRENT LIABILITIES			
Trade and other payables	17	42,349	55,765
Provision for liabilities and charges	19	2,219	1,330
Lease liability	18	967	1,016
Deferred bonus liability	13	552	116
Current tax liability	9	1,946	-
Total liabilities		**69,001**	**80,286**
EQUITY			
Called up share capital	16	1	1
Share premium	16	5,000	5,000
Retained earnings		256,786	280,460
Total equity		**261,787**	**285,461**
Total equity and liabilities		**330,788**	**365,747**

Retained earnings are set out on page 20.

The notes set out on pages 24 to 41 are an integral part of these financial statements.

The financial statements on pages 17 to 41 were approved by the Board on 19 April 2023, and signed on its behalf by

Joel Ripley

J C Ripley
Director
24 April 2023

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
NON-CURRENT ASSETS			
Investments in subsidiary undertakings	12	357,600	382,600
CURRENT ASSETS			
Cash and cash equivalents	15	22	22
Total assets		**357,622**	**382,622**
EQUITY			
Capital and reserves attributable to Company's equity shareholders			
Called up share capital	16	1	1
Share premium	16	5,000	5,000
Retained earnings		352,621	377,621
Total equity		**357,622**	**382,622**
Total equity and liabilities		**357,622**	**382,622**

The company's profit for the year is £nil (2021: £nil).

Retained earnings are set out on page 21.

The notes set out on pages 24 to 41 are an integral part of these financial statements.

The financial statements on pages 17 to 41 were approved by the Board on 19 April 2023, and signed on its behalf by

J C Ripley
Director
24 April 2023

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2021		**1**	**5,000**	**264,104**	**269,105**
Profit and total comprehensive income for the year		-	-	16,356	16,356
Balance as at 31 December 2021		**1**		**280,460**	**285,461**
			5,000		

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2022		**1**	**5,000**	**280,460**	**285,461**
Profit and total comprehensive income for the year		-	-	1,326	1,326
Dividends paid	12/20	-	-	(25,000)	(25,000)
Balance as at 31 December 2022		1	5,000	256,786	261,787

The notes set out on pages 24 to 41 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2021		1	5,000	377,621	382,622
Profit and total comprehensive income for the year		-	-	-	-
Balance as at 31 December 2021		1	5,000	377,621	382,622

	Note	Called up share capital £000	Share Premium £000	Retained earnings £000	Total equity £000
Balance as at 1 January 2022		1	5,000	377,621	382,622
Profit and total comprehensive income for the year		-	-	-	-
Dividends paid	12/20	-	-	(25,000)	(25,000)
Balance as at 31 December 2022		1	5,000	352,621	357,622

The notes set out on pages 24 to 41 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 2022 £000	Year ended 2021 £000
Cash flows from operating activities			
Profit before tax		1,436	18,072
Adjusted for:			
Finance costs		435	643
Depreciation of property, plant and equipment	10/18	2,122	1,539
Amortisation of intangible assets	11	10,319	8,936
Adjustments to ROU asset	18	(1,262)	-
Operating cash flows before movements in working capital		**13,050**	**29,190**
Net decrease in trade and other receivables	14	516	4,142
Net (increase) in deferred bonus asset	13	(2,509)	(1,074)
Net (decrease) / increase in trade and other payables	17	(13,424)	3,861
Net increase in deferred bonus liability	13	1,492	580
Net increase /(decrease) in provision for liabilities and charges	19	889	(20,913)
Cash generated from operations		**14**	**15,786**
Tax paid		(737)	(2,168)
Net cash (outflows)/inflows from operating activities		**(723)**	**13,618**
Cash flows from investing activities			
Purchase of intangible assets	11	(5,557)	(3,226)
Purchase of property, plant and equipment	10	(452)	(22)
Net cash flows used in investing activities		**(6,009)**	**(3,248)**
Cash flows from financing activities			
Payment of Lease Liabilities	18	(1,324)	(1,087)
Dividends paid	12/20	(25,000)	-
Interest paid		(111)	(119)
Net cash flows used in financing activities		**(26,435)**	**(1,206)**

Net movement in cash and cash equivalents		**(33,167)**	**9,164**
Cash and cash equivalents at the beginning of the year		114,752	105,588
Cash and cash equivalents at the end of the year	15	**81,585**	**114,752**

The notes set out on pages 24 to 41 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 2022 £000	Year ended 2021 £000
Cash flows from operating activities			
Profit before tax		-	-
Adjusted for:			
Net (increase)/decrease in trade and other receivables	14	-	10,000
Net increase /(decrease) in trade and other payables	17	-	(10,000)
Net cash flows from operating activities		-	-
Cash flows from investing activities			
Repayment of initial investment	12/20	25,000	-
Net cash flows used in investing activities		25,000	-
Cash flows from financing activities			

Dividend paid	12/20	(25,000)	-
Net cash flows used in financing activities		**(25,000)**	-
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		22	22
Cash and cash equivalents at the end of the year	15	**22**	**22**

The notes set out on pages 24 to 41 are an integral part of these financial statements.

1. Accounting policies

Scottish Widows Schroder Wealth Holdings Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales. The address of the Company's registered office is shown on page 3.

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out below and in the Strategic report on pages 4 to 9.

These financial statements are presented in Sterling (£s), which is the currency of the primary economic environment in which the Group operates and are rounded to the nearest £'000.

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

Basis of preparation

The financial statements of the Group have been prepared:

(1) in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006

(2) under the historical cost convention

The Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Group have been prepared on a going concern basis. The financial statements have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion, the Directors have reviewed the Group 4 Year Operating Plan ("4YOP") which projects continued growth in new clients in line with our strategy. This has a positive impact on revenue and ultimately capital and liquidity. Capital and liquidity are monitored on a daily basis with regular forecasts to ensure there is sufficient cash at all times.

During 2022, as part of the Internal Capital adequacy and risk assessment ("ICARA") process, we performed stress testing exercises to ensure we can maintain capital and liquidity at the minimum level required through management actions in a range of stressed environments, incorporating the Group's principal risks and uncertainties. As part of the 2022 cycle, capital stress testing on the 4YOP has been completed and signed off at Board Audit and Risk Committee. in all scenarios tested we had adequate capital and liquidity.

There are robust oversight processes relating to supplier management, with ongoing due diligence on existing suppliers.

In accordance with IAS 1 "Presentation of Financial Statements", assets and liabilities in the Statement of Financial Position are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Group 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.

New and revised IFRS Standards in issue but not yet effective

The following standards, interpretations and amendments to existing standard are not yet effective and have not been early adopted by the Group. The impact of these standards is not expected to be material to the Group:

- IFRS 17 'Insurance contracts' and Amendments to IFRS 17 'Insurance contracts'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current' and IFRS Practice Statement 2
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates' and Errors
- Amendments to IAS 12 'Income Taxes'

Standards and interpretations effective in 2022

The Group has adopted the following new standards, amendments to standards or interpretations of published standards which became effective for financial years beginning on or after 1 January 2022, none of which have had a material impact on the Group:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'
- Amendments to IFRS 3 'Reference to the Conceptual Framework'
- Amendments to IAS 16 'Property, Plant and Equipment-Proceeds before intended Use'
- Amendments to IAS 1 'Classification of Liabilities as Current or Non-Current'
- Amendments to IAS 37 'Onerous Contracts-Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Standard 2018-2020 – 'Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards IFRS 9 Financial Instruments and IFRS 16 Leases
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to IAS8 'Definitions of Accounting Estimates' and

1. **Accounting policies (continued)**

- Amendments of IAS 12 'Deferred Tax relate to Assets and Liabilities arising from a Single Transaction'.

Basis of consolidation

The method used is Full consolidation. The company has taken an exemption from preparing a separate profit and loss account in accordance with section 408 of the Companies act 2006. The company owns 100% of its subsidiaries.

Revenue

Revenue recognition

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 year. 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 Group recognises initial fees in the period the related service is provided. Initial fees are earned when one off service for financial advice is provided to clients.

Ongoing fees

Ongoing management and advice fees are earned when existing customers are contracted to get ongoing financial advice over a period of time. The Group recognises discretionary fund management and ongoing fees in the period the related service is provided.

Investment management income

Revenue, which arose wholly in the United Kingdom, represents the following:

- Fee remuneration from the management of shares in sub funds; and
- Other income, which includes registration fees

The fees are recognised as revenue in the Statement of Comprehensive Income in the year as the services are being provided. Where consideration is received in advance of the performance obligation being met consideration is deferred and recognised over the year the service is provided.

Other income

This is recognised on an accrual basis when the right to receive the income is established.

VAT

All revenue is recognised net of Value added tax("VAT"). VAT is charged on products and services, where applicable.

Expenses and cost of sales

All expenses and costs are recognised in the statement of comprehensive income as they occur. Cost of sales consist of direct costs such as investment management fees with indirect cost presented in Administrative expenses.

Exceptional costs

Expenditure is recognised as exceptional costs where management consider it to be material and one-off in nature.

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 Statement of Financial Position, are set out under the relevant accounting policies.

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

1. **Accounting policies (continued)**

The Group initially recognises financial assets and liabilities when the Group 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 Group 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 Group 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 Statement of Financial Position 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 Statement of Financial Position 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

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.

1. Accounting policies (continued)

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 years, 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 Group'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 year of the lease for leasehold improvements;
- 10 years for Property; and
- 2 to 8 years for Office and 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.

Goodwill is tested at least annually for impairment and other Intangibles assets are tested when there is an impairment indicator. For the purpose of impairment testing the goodwill and intangibles are allocated to the appropriate cash generating unit.

Customer intangible

The customer intangible asset arose in 2019 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 cost less accumulated amortisation and accumulated impairment losses . The initial fair value was determined using the MEEM ("Multi-year excess earnings method") approach at the time of acquisition.

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 if there is an indication of impairment.

Software

Software with finite useful lives that is acquired separately is carried at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over 3-5 years Amortisation is recognised on a straight-line basis over their estimated useful lives which is disclosed in note 11. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

Financial assets

1. Accounting policies (continued)

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 Group recognises lifetime expected losses on all financial assets without the need to identify significant increases in credit risk.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100 per cent against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable

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 year 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 year, 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 year 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 Statement of Financial Position date.

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by His 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 Statement of Financial Position 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 Statement of Financial Position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position 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 Statement of Financial Position 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.

1. Accounting policies (continued)

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. Where applicable any exemptions for short-term and/or low-value leases have been applied.

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 year so as to produce a constant yearly rate of interest on the remaining balance of the liability for each year. 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.

Deferred bonus scheme

The Deferred Bonus Scheme set up in 2021 in line with FCA guidance impacting both Material Risk Takers and Non Material Risk Takers based on the award value in the year.

At the inception of the scheme the funds deferred by colleagues will be paid into the SPW funds, this is to be accounted for under IFRS 9 as a financial asset and initially measured at fair value being the initial cash paid into the funds as there are no transaction costs applicable.

We consider that the most appropriate method of measurement is to measure the asset at Fair Value Through Profit or Loss ("FVTPL") as the financial assets are not held within a business model whose objective is to hold financial assets to correct contractual cashflows or whose objective is to collect contractual cash flows and sell financial assets.

At the end of each period end the financial asset will be revalued with any gain or loss on the asset going through the profit and loss account.

Under IAS 19 - Employee Benefits These employee benefits are recognised as "other long-term employee benefits". As the vesting of these benefits is contingent on an employee remaining employed by the group in the medium-term, the cost of the scheme is recognised on a straight-line basis over this period.

Defined contribution

A defined contribution plan is a pension plan under which the Group pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The Group 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 year in which they fall due.

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 year 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 Group owns two subsidiaries as set out in note 12. 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. Dividend receipts are treated as a repayment of initial investment where the substance of the receipt is considered a repayment of capital no longer required, otherwise it is recognised in the Profit and loss.

1. Accounting policies (continued)

Provisions for other liabilities and charges

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

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. The Board do not consider there to be any critical accounting judgements.

Critical accounting estimates

These are the critical accounting estimates the Board has considered while preparing financial statements. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years 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:

Note 11 - Goodwill & intangible assets & Note 12 – Investments in subsidiaries

The Group tests annually whether tangible and intangible fixed assets have suffered any impairment, based on discounted future cash flows of the assets and the total business of the Group. These calculations require the use of estimates of our forecasted Earnings before interest, tax, depreciation and amortisation ("EBITDA"), and the discount rate, as detailed in note 11 and 12.

2. Revenue **Year ended** **Year ended**

	2022 £000	2021 £000
Ongoing fees	84,414	85,395
Investment management income	38,260	38,176
Initial fees	10,524	7,777
Other	5,287	7,005
Total Revenue	**138,485**	**138,353**

1. **Accounting policies (continued)**

	2022 £000	2021 £000
Revenue recognised at a point in time	15,811	14,782
Revenue recognised over time	122,674	123,571
Total Revenue	**138,485**	**138,353**

3. **Cost of Sales**

	Year ended 2022 £000	Year ended 2021 £000
Investment fees and other selling costs	12,833	16,526
Total	**12,833**	**16,526**

4. **Other income**

	Year ended 2022 £000	Year ended 2021 £000
Other income	-	12,395
Total	-	**12,395**

Other income consists of one related party contract which ceased at the end of 2021. The value of the financial assets on the Statement of Financial Position at the year-end was nil. The only financial assets recognised and settled during the year, were measured using significant unobservable inputs (level 3). Refer to Note 22 Related party disclosures for further information.

4. Other income (continued)

The following table presents the changes in level 3 items for the year ended 31 December 2022:

	Year ended 2022 £000	Year ended 2021 £000
Opening balance	-	-
Gains recognised in profit and loss account	-	12,395
Settlement	-	(12,395)
Total	-	-

5. Administrative expenses Year ended Year ended

	2022 £000	2021 £000
Staff costs (see note 6)	84,970	76,217
Depreciation (see note 10 and 18)	2,122	1,539
Other operating expenses	26,370	29,696
Amortisation of intangible assets (see note 11)	10,319	8,936
Total	**123,781**	**116,388**
Exceptional income	-	(881)
Total	**123,781**	**115,507**

A restructuring provision was recognised in 2020 that wasn't required in full therefore the release in 2021 was presented as Exceptional items consistently with that of the initial charge.

6. Staff Costs Year ended Year ended

	2022 £000	2021 £000
Wages and salaries	79,939	67,506
Redundancy costs	30	(193)
Pension costs – defined contribution plans	5,001	8,904
Total	**84,970**	76,217

All employees are employed by the Opco entity. The average monthly number of employees during the year was 793 (2021:742). All staff are located in the United Kingdom and provide management 175 (2021:165), administration 124 (2021: 105) and client support 494 (2021:472). The credit in redundancy represents an immaterial release of prior year provisions which were not utilised in 2021. HoldCo had no employees in 2022 and 2021 and therefore incurred salary costs of nil in both years.

7. Auditors' remuneration Year ended Year ended

	2022 £000	2021 £000
Fees payable to the Group's auditors for the audit of the Group's annual financial statements	155	140
Fees payable to the Group's auditors and its associates for other services:		
Audit-related assurance services (CASS)	130	115
Total	**285**	255

All audit fees were borne by other group entities for 2022 and 2021.

8. Net Interest expense

2022 2021 £000 000	Year ended	Year ended
Finance costs	(159)	(82)
Finance income	75	-
Interest expense on leases	(316)	(443)
Seed capital	(35)	(118)
Total	**(435)**	**(643)**

9. Taxation Reconciliation of tax 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 year is given below:

2022 2021 £000 £000	Year ended	Year ended
Profit before tax	1,436	18,072
Tax charge at UK Corporation tax rate of 19%	(273)	(3,434)
Factors effecting charge:		
- Disallowed items	(71)	(43)
-Non-taxable items	-	2,355
- Adjustments in respect of prior years	164	2,444
- Effect of change in tax rate and related impacts	70	(3,279)
-Other	-	241
Tax charge on profit on ordinary activities	**(110)**	**(1,716)**
Effective Rate	*7.64%*	*9.49%*

The consolidated effective tax rate is lower than the standard rate of 19%. This is primarily due adjustments in respect of prior year.

Analysis of (charge)/credit for the year Year ended Year ended	**2022 £000**	**2021 £000**
Current tax:		
UK corporation tax:		
- Current tax charge on taxable profit for the year	(1,180)	(124)
- Adjustments in respect of prior years	(1,849)	-
- R&D Tax Credits	(54)	-
Total current tax charge	**(3,083)**	**(124)**
UK deferred tax:		
- Origination and reversal of timing differences	961	(1,127)
- Adjustments in respect of prior year	2,012	(465)
Deferred tax credit/(charge)	**2,973**	**(1,592)**

Tax charge	**(110)**	**(1,716)**

Corporation Tax is calculated at a rate of 19% (2021:19%) of the taxable profit for the year.

9. Taxation (continued)

The movement in the deferred tax liability in the statement of financial position is as follows:

	Year ended	**Year ended**
2022 2021 £000 £000		
Brought forward	(14,452)	(12,860)
Credit/(Charge) to profit and loss for the year	2,973	(1,592)
31 December	**(11,479)**	**(14,452)**

The deferred tax credit/(charge) included in the tax charge in the statement of profit and loss for the year comprises the following temporary differences:

	Year ended	**Year ended**
2022 2021 £000 £000		
Accelerated capital allowances	110	174
Accounting provisions disallowed	(207)	273
Tax losses carried forward	1,226	3,097
Other temporary timing differences	1,844	(5,136)
31 December	**2,973**	**(1,592)**

The deferred tax asset/(liability) on the statement of financial position comprises the following temporary differences:

	Year ended	**Year ended**
2022 2021 £000 £000		
Accelerated capital allowances	227	117
Accounting provisions disallowed	88	295
Other temporary timing differences	(11,794)	(14,864)
31 December	**(11,479)**	**(14,452)**

The £11,479,000 net amount as at 31 December 2022 consists of deferred tax asset of £2,486,000 (2021: £701,000) and a liability of £13,965,000 (2021: £15,153,000). The increase in deferred tax asset is as a result of other temporary differences related to tax losses that are expected to unwind over time, as the tax losses are utilised. The deferred tax liability in Scottish Widows Schroder Personal Wealth (ACD) Limited is in respect of intangible assets acquired when the business was launched, these are amortised over their useful life, for which there is no attributable tax value.

A deferred tax asset of £16,000 relating to £64,000 of realised and unrealised capital losses has not been recognised as there is insufficient evidence that there will be sufficient taxable gains in the future against which the deferred tax asset could be utilised.

Current tax assets and liabilities

	2022 £000	2021 £000
Current tax (liabilities)/asset	(1,946)	400

10. Property, plant & equipment

	Property £000	Office and other equipment £000	Total £000
Cost **At 1 January 2021**	**808**	**5,152**	**5,960**
Additions	12	10	22
At 1 January 2022	**820**	**5,162**	**5,982**
Additions	-	452	452
At 31 December 2022	**820**	**5,614**	**6,434**
Accumulated Depreciation			
At 1 January 2021	(7)	(652)	(659)
Charge for the year	(81)	(670)	(751)
At 1 January 2022	**(88)**	**(1,322)**	**(1,410)**
Charge for the year (see note 5)	(82)	(712)	(794)
At 31 December 2022	**(170)**	**(2,034)**	**(2,204)**
Net book value at 31 December 2022	**650**	**3,580**	**4,230**
Net book value at 31 December 2021	732	3,840	4,572

11. Goodwill and Intangible assets

	Goodwill £000	Customer Intangible £000	Software £000	Total £000

Cost				
At 1 January 2021	**129,542**	**75,400**	**6,296**	**211,238**
Additions		-	3,226	3,226
At 31 December 2021		**75,400**	**9,522**	**214,464**
Additions		-	**5,557**	**5,557**
At 31 December 2022	**129,542**	**75,400**	**15,079**	**220,021**
	-			
	129,542			
Accumulated amortisation and impairment				
At 1 January 2021	-	**(6,653)**	**(1,515)**	**(8,168)**
Amortisation during the year	-	(6,250)	(2,686)	(8,936)
At 31 December 2021	-	**(12,903)**	**(4,201)**	**(17,104)**
Amortisation during the year	-	(6,249)	(4,070)	**(10,319)**
At 31 December 2022	-	**(19,152)**	**(8,271)**	**(27,423)**
Net book value - at 31 December 2022	**129,542**	**56,248**	**6,808**	**192,598**
Net book value - at 31 December 2021	129,542	62,497	5,321	197,360

The Goodwill and customer intangible assets were recognised on the acquisition of the investment agreements relating to the Investment Portfolio ICVC and Multi-Manager ICVC from Scottish Widows Unit Trust Managers Limited - a subsidiary of Lloyds Banking Group - on 9 December 2019. These are balances were allocated to the cash generating unit ("CGU") of the Group's subsidiary Scottish Widows Schroder Personal Wealth (ACD) Limited ("ACD"). See note 1 Accounting policies on page 27 for supporting detail.

The customer intangible is being amortised over 144 months and has a remaining useful life of 107 months as of 31 December 2022.

The Group tests goodwill annually for impairment or more frequently if there are indications that intangibles might be impaired. Goodwill is tested for impairment by comparing the carrying amount of the ACD CGU with its recoverable amount.

The recoverable amount of the ACD CGU has been determined from a value in use ("VIU") calculation which has been estimated using discounted cash flow ("DCF") projections from a "Downside scenario". The downside scenario adjusts the Board approved forecasts to give a more conservative outlook, by reducing areas of growth in the 4YOP and extending the period of achieving that growth to 2027. These cash flows were extrapolated by 3 years, using a long-term growth rate of 1.8% (2021: 1.9%) before applying a terminal year ("TY"). The long-term growth rate used for the extrapolated period and the TY is consistent and is in line with the Economists Intelligence Unit's projected CPI for the UK.

11. Goodwill and Intangible assets (continued)

The "Downside scenario" takes the Board approved plan and removes areas of ambitious growth including growth in the conversion rate of referrals and market recovery. It uses historical trends to validate the assessment of future trends, together with the Group's views on the future achievable growth of the ACD business as it continues to mature.

Based on our assessment, the estimated recoverable amount of the goodwill and intangible of the ACD CGU, exceeds its carrying value by £3.2m (2021: £20.3m).

The key assumptions used in estimating the value of the investment recoverable amount are considered to be the discount rate and the EBITDA. The discount rate used is 14.0% (2021: 13.0%). The EBITDA, is driven by a number of factors such as number of referrals and conversion of these referrals to clients, AUM levels, which are impacted by the market, and cost performance.

Change in discount rate used	**- 1% £'m**	**+1% £'m**	**Actual £'m**
ACD - Carrying Value Headroom	21.5	(12.3)	3.2

Change in EBITDA	**Actual**

	- 5%	-2.5%	
	£'m	£'m	£'m
ACD - Carrying Value Headroom	(6.2)	(1.5)	3.2

The estimated recoverable amount of the goodwill and intangible falls below the carrying amount of £199.9m to £199.8m at a discount rate of 14.2% and if the change in EBITDA margin is minus 1.75%.

12. Investments in subsidiary undertakings

	Investment in subsidiaries £000	Total £000
Cost		
At 1 January 2021	382,600	382,600
At 31 December 2021	**382,600**	**382,600**

	Investment in subsidiaries £000	Total £000
Cost		
At 1 January 2022	382,600	382,600
Reduction in investment	(25,000)	(25,000)
At 31 December 2022	**357,600**	**357,600**

In 2022, £25m payments from the ACD (£20m) and OpCo (£5m) have been treated as repayments of the company's initial investments, due to the substance of the transaction being repayment of the surplus capital held at the subsidiary level. This has reduced the investment in subsidiaries to £357.6m comprising of the ACD at £188m and OpCo at £169.6m. The 2021 balance of £382.6m is comprised of the ACD at £208m and OpCo at £174.6m.

The Company owned 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.

The Company tests investments annually for impairment or more frequently if there are indications that they might be impaired.

12. Investments in subsidiary undertakings (continued)

The recoverable amount of the investment CGU has been determined from a value in use ("VIU") calculation which has been estimated using discounted cash flow ("DCF") projections from a "Downside scenario". The downside scenario adjusts the Board approved forecasts to give a more conservative outlook, by reducing areas of growth in the 4YOP and extending the period of achieving that growth to 2027. These cash flows were extrapolated by 3 years, using a long-term growth rate of 1.8% (2021: 1.9%) before applying a terminal year ("TY"). The long-term growth rate used for the extrapolated period and the TY is consistent and is in line with the Economists Intelligence Unit's projected CPI for the UK. With the exception of IFRS 16 related adjustments, all other assumptions were held consistent with the TY assumption over the extrapolated year.

The "Downside scenario" takes the Board approved plan and removes areas of ambitious growth including growth in the conversion rate of referrals and market recovery. It uses historical trends to validate the assessment of future trends, together with the Group's views on the future achievable growth of the OpCo and ACD businesses as it continues to mature.

Based on our assessment, the estimated recoverable amount of the investments, exceeds the carrying value by £200m (2021: £347m).

The key assumptions used in estimating the value of the investment recoverable amount are considered to be the discount rate and the EBITDA. The discount rate used is 15% for the OpCo (2021: 17%) and 14% for the ACD (2021: 13%). The EBITDA, is driven by a number of factors such as number of referrals and conversion of these referrals to clients, AUM levels, which are impacted by the market, and cost performance. The sensitivity of these estimations are presented below:

Change in discount rate used	**- 1% £'m**	**+1% £'m**	**Actual £'m**
Carrying value headroom:			
ACD	33	(1)	15
OpCo	215	159	185
Total	**248**	**158**	**200**

Change in EBITDA	**- 5% £'m**	**-2.5% £'m**	**Actual £'m**
Carrying value headroom:			
ACD	6	10	15
OpCo	166	176	185
Total	**172**	**186**	**200**

The estimated recoverable amount of the ACD component of the investment in subsidiaries falls below the carrying amount of £188m to £187m at a discount rate of 15% and if the change in EBITDA margin is minus 8.5%.

13. Deferred bonus asset and liability

	Group 2022 £	**Company 2022 £**	**Group 2021 £**	**Company 2021 £**
Deferred bonus asset	**3,583**	-	**1,074**	-
Deferred bonus liability at 31 December	**(2,072)**	-	**(580)**	-
Current liabilities	(552)	-	(116)	-
Non-current liabilities:				
-between one and five years	(1,520)	-	(464)	-
-greater than five years	-	-	-	-
Deferred bonus liability at 31 December	**(2,072)**	-	**(580)**	-

Financial assets and liabilities are recognised and settled during the year, measured using significant unobservable inputs (level 3).

14. Trade and other receivables

	Group 2022 £000	**Company 2022 £000**	**Group 2021 £000**	**Company 2021 £000**
Trade receivables	19,152	-	23,353	-
Prepayments and accrued income	16,676	-	16,303	-
Other receivables	4,831	-	1,519	-
Total	**40,659**	-	**41,175**	-

14. Trade and other receivables (continued)

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

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 year ended 31st December 2021:					
Trade receivables	23,257	68	24	4	23,353
Other receivables	1,519	-	-	-	**1,519**
Total	**24,776**	**68**	**24**	**4**	**24,872**
For the year ended 31st December 2022:					
Trade receivables	19,056	68	24	4	19,152
Other receivables	4,831	-	-	-	**4,831**
Total	**23,887**	**68**	**24**	**4**	**23,983**

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 2021	0%	1%	22%	81%	
Gross carrying amount 2021	24,776	68	24	4	**24,881**
Lifetime expected credit loss 2021	-	1	5	3	9
Expected credit loss rate 2022	0%	1%	22%	81%	
Gross carrying amount 2022	38,971	68	24	4	39,077
Lifetime expected credit loss 2022	-	-	3	7	10

15. Cash and cash equivalents

	Group	Company	Group	Company
Cash at bank	81,585	22	114,752	22
	81,585	22	114,752	22

2022 2022 2021 2021 £000 £000 £000 £000

Total

16. Called up share capital and share premium

	2022 Number	2021 Number
Authorised: 1,002 A ordinary shares of £0.75 each	1,002	1,002
998 B ordinary shares of £0.25 each	998	998
	2,000	**2,000**

	£	£
Allotted, called up and fully paid share capital:		
1,002 A ordinary shares of £0.75 each	752	752
998 B ordinary shares of £0.25 each	249	249
	1,001	**1,001**

16. Called up share capital and share premium (continued)

Share premium	**2022 £**	**2021 £**
Share premium	5,000	5,000
Total	**5,000**	**5,000**

17. Trade and other payables

	2022 £000	**2021 £000**
Trade payables	19,914	28,252
Accruals and deferred income	20,286	24,551
Other tax and social security payable	2,110	1,772
Other payables	39	1,190
Total	**42,349**	**55,765**

The Company had no Trade and other payables as at 31st of December 2021 and 2022. All of the above balances are expected to be settled within one year from the reporting date. None of the above balances are interest-bearing.

18. Lease liability and Right of use asset

	2022 £000	**2021 £000**
Lease liability	6,450	7,458
Right of use asset	5,647	5,713

The lease liability all relates to property leases and is the corresponding liability for the right of use asset of £5.6m presented below. Total depreciation on the right of use asset was £1.3m (2021: £0.8m) and interest charge for the lease was £0.3m (2021: £0.4m).
The Company has no right of use asset or lease liabilities as at 31 December 2021 and 2022. The Group only has one class of lease, which is leased property.

	2022 £000	**2021 £000**
Lease liability at 1 January	**7,458**	**7,595**
Additions	-	508
Interest	316	442
Lease payments	(1,324)	(1,087)
Lease liability at 31 December	**6,450**	**7,458**
Current liabilities	967	1,016
Non-current liabilities: -between one and five years	4,080	4,172
-greater than five years	1,403	2,270
Lease liability at 31 December	**6,450**	**7,458**

Right of use asset

	£000
Cost	
At 1 January 2020	**6,645**
Additions	508
At 1 January 2021	**7,153**
Adjustments	**1,262**
At 31 December 2022	**8,415**
Accumulated Depreciation	
At 1 January 2020	**(652)**
Charge for the year	(788)
At 1 January 2021	**(1,440)**
Charge for the year (see note 5)	(1,328)
At 31 December 2022	**(2,768)**
Net book value at 31 December 2022	**5,647**
Net book value at 31 December 2021	5,713

19. Provision for liabilities and charges

	Other £000	Restructure Provision £000	Total £000
At 1 January 2021	**343**	**21,900**	**22,243**
Utilisation of provision	(9)	(20,000)	**(20,009)**
Additional provision in the year	201	-	**201**
Provision release	(224)	(881)	**(1,105)**
At 1 January 2022	**311**	**1,019**	**1,330**
Utilisation of provision	-	(393)	**(393)**
Additional provision in the year	676	610	**1,286**
Provision release	-	(4)	**(4)**
At 31 December 2022	987	1,232	2,219

Of the £2.2m provision as at 31 December 2022, it is expected that £1.0m will be utilised after more than 12 months. Other provisions relates to dilapidation charges expected to be incurred on the vacation of the Group's leased premises, expected to be utilised after more than 12 months. The remaining restructuring provision is expected to be utilised within 12 months.

20. Dividend

An interim dividend of £25m has been recommended, approved and cash paid in 2022 (2021: £nil). This represents a dividend per share of £12,500 (2021: £nil). The directors have not recommended a final dividend (2021: £nil)

21. Risk Management

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

Types of risk inherent in our business model are:

Financial risks

During the year 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 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.

These are classified as indirect market risks.

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 appropriate liquidity at all times.

The following table indicates the timing of the contractual cash flows arising from the Group's financial liabilities, all financial liabilities are held at amortised cost as required by IFRS 7:

21. Risk Management (continued)

As at 31 December 2022

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	42,349	-	42,349	-	-	-	-
Lease payments	6,450	-	57	244	666	4,080	1,403
Total	**48,799**	-	**42,406**	**244**	**666**	**4,080**	**1,403**

Remaining liabilities not included here do not have contractual cash outflows. The directors consider that the carrying amount of the trade and other payables and lease payments approximates to their fair value.

The Group's capital comprises all components of equity, movements in which are set out in the statement of changes in equity. The Group publishes its pillar 3 report annually which contain additional capital disclosures. A copy of this can be found on the Group's website. The below table summarises the regulatory capital position of the Group as at 31 December 2022:

Interest risk

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 Company has an expected credit loss charge in the profit and loss account which is presented in note 14.

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 ICARA 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.

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

The Company publishes additional capital disclosures annually. A copy of the Pillar 3/MIFIDPRU public disclosures can be found on the Company's website.

The table below sets out the regulatory capital requirement and the required capital held at 31 December 2022. The current information is, in general, an estimate that will be updated once the FCA returns for the year are finalised.

	2022 £000	2021 £000
Capital and Reserves (unaudited)	261,787	285,461
Deductions (unaudited)	(181,119)	(182,207)
Regulatory Capital (unaudited)	**80,668**	**103,254**

All minimum regulatory requirements were met during the year.

22. Related Party Disclosures

Ultimate parent and shareholding

The Group is a Joint Venture owned by LBG Equity Investments Limited (LEIL) and Schroder Administration Limited. The Group does not have a single ultimate parent or shareholder.

Transactions between the Group and related parties

The Group has entered into the following transactions with other related parties in the normal course of business during the year.

2022 2021 £000 £000

Amounts (to)/from group undertakings		
Net due (to)/from Lloyds Banking Group	354	(2,989)
Net due (to)/from Schroders Investment Management	(1,753)	(2,114)
Net due (to)/from Leadenhall Securities Corporation Ltd	-	(114)
Scottish Widows Ltd	6	(69)

Profit and Loss

Charges from Schroders Investment Management	(6,083)	(6,093)
Income received from Lloyds Banking Group	5,204	19,333
Seed capital interest expense from Leadenhall Securities Corporation Ltd	(36)	(118)
Scottish Widows Ltd	(468)	(1,478)
Cash		
Cash balance with Lloyds Banking Group	53,973	66,049

Income received from LBG includes the trust revenue and £1.6m that relates to a contract that ceased at the end of 2022. In 2021, income of £12.4m is in relation to a contract that ceased in December 2021.

Transactions between the Group and key management

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

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

	2022 £000	2021 £000
Consolidated aggregate emoluments:		
Directors emoluments	2,587	2,641
Pension contributions	140	19
	2,727	**2,660**
Highest paid director		
Directors emoluments	1,471	1,346
Pension contributions	75	-
	1,546	**1,346**

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 year.

23. Contingent liabilities and capital commitments

There were no contracted capital commitments or contingent liabilities at the Statement of Financial Position date.

24. Events after the reporting year

There are no material post Statement of Financial Position events.