SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH (ACD) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS **PAGE(S)**

COMPANY INFORMATION

Board of Directors

J C Ripley

M Duckworth
A Seale
J Walker-Hazell
D Brumpton
J Black
P Simpson

Company Secretary

K V Raman

Independent Auditors

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Company Registration Number

11722973

STRATEGIC REPORT

The Directors present their report and the audited financial statements of Scottish Widows Schroder Personal Wealth (ACD) Limited ("the Company") 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 to act as an Authorised Corporate Director ("ACD") for the management of Open Ended Investment Company ("OEIC") sub-funds. The Company is regulated by the Financial Conduct Authority (FCA) and holds the relevant Client Asset (CASS) permissions for the safeguarding of client money.

Review of the business

The Company's revenue for the year is £38.3m (2021: £38.2m). The revenue is unchanged versus prior year as operational and performance improvements offset the impact of adverse markets.

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 AUM of circa £3bn by the end of 2021.

Assets Under Management("AUM") at year end were £11.8bn (2021: £13.1bn). 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. Despite this, the Company's financial position has remained resilient.

At the end of the year the Company had net assets of £199.9m (prior year £214.8m) including a cash balance of £30.8m (prior year £39.4m). The year on year decrease in cash was due to the payment of a £20m interim dividend (£20,000 per ordinary share).

Capital and liquidity

The Company is classified as a Collective Portfolio Management ("CPM") firm. The regulatory capital position has been prepared under the prudential capital requirements set out in the Financial Conduct Authority's ("FCA") Interim Prudential Sourcebook for Investment Businesses ("IPRU-INV"). The Directors believe that the Company has adequate capital resources and will continue to do so in the foreseeable future. See note 15 for details. The Company met minimum capital requirement during the period under review.

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

An interim dividend of £20m 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 Company's principal activities will be unchanged for the foreseeable future. The Company will remain focused on growing its client book and AUM in the coming years, including reviewing our fund range to ensure it is fit for our client base. As the Company 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.

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 that 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.

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The Company is a holding company. Its exposure to risks reflects the risks of its subsidiaries. The management of the business and the execution of their strategies 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 15.

Non-financial risks

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 Company, 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 Company 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 Company 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.

STRATEGIC REPORT (continued)

• 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 Company.

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 (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.

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 Group 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.

STRATEGIC REPORT (continued)

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 Russian invasion of Ukraine, although some small holdings remain due to the restrictions that were imposed. We will not be investing further in Russian and/or Belarusian 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

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 have been no significant impacts on supply chains or the Company'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 Company achieves longterm 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 Company 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 Company we aim to provide customers 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.

Further information about how the Directors make an assessment of value of the ACD fund range is published annually. A copy can be found on the company's website.

Shareholders

STRATEGIC REPORT (continued)

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

The Company is independently governed and is aligned where appropriate to the interests of LBG and Schroders. This is managed through the Board containing representatives of both shareholders.

Communities and the environment

The Company 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 Company 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.

served and their families, whether that be finding employment, raising awareness, volunteering and raising funds for Armed Forces charities.

The Company renewed our accredited membership of The Good Business Charter (GBC) 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 Company 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 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 Company has an independent, Third-Party Management ("TPM") framework. The Company undertakes due diligence on all its suppliers setting out the accountability for on-going performance measurement to monitor, review and manage these relationships. The Company operates two lines of defence as part of its Supplier Management Framework – a) Pre-engagement Due Diligence and b) Ongoing Supplier Monitoring. The Company 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 Company's wider regulatory relationship management. Key areas of focus have included ensuring the fair treatment of customers and adapting to changes in regulatory requirements.

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 Company had regular correspondence with the regulators, representing the interests of the Company as required. The Company continues to closely monitor the status of its regulatory relationship, enhancing proactive engagement across key regulatory changes and areas of focus.

On behalf of the Board

Joel Ripley

STRATEGIC REPORT (continued)

J C Ripley
Director
24 April 2023

DIRECTORS' REPORT

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

The Company is a wholly owned subsidiary of Scottish Widows Schroder Wealth Holdings Limited.

Information included in the Strategic report

The disclosures for Principal risks and uncertainties, key performance indicators and statements on engagement with suppliers, customers and others that would otherwise be required to be disclosed in the Directors' report can be found in the Strategic report on page 4.

Result and dividend

The result of the Company for the year ended 31 December 2022 is a profit after tax of £5.1m (prior year profit after tax of £6.2m).

Further information on the result can be found in the strategic report on pages 4 - 8.

The Directors recommended, declared and paid a dividend of £20m in 2022 (2021: £nil)

Company Secretary

K V Raman

Directors

The directors of the Company who were in office during the year and to the date of this report were:

J C Ripley
D Brumpton
A Seale
J Walker-Hazell
J Black
M Duckworth
P Simpson
S W Sinclair (resigned 12 May 2022)
M Brookes (resigned 28 February 2022)

The Company 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 16.

Going concern

The financial statements have been prepared on the basis that the Company 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 Company 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 Company 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:

DIRECTORS' REPORT (continued)

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

Independent auditors

Deloitte LLP have been reappointed auditors for the year ending 31 December 2022 by the shareholders of the 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 on pages 4 – 8.

Financial risk management

Disclosures relating to financial risk management are included in note 15 and are therefore incorporated into this report by reference.

Streamlined Energy and Carbon Reporting ("SECR")

For the purpose of the SECR requirements the Company is a qualifying subsidiary of Scottish Widows Schroder Wealth Holdings Limited. The Company's operational costs are incurred mainly at group level by the Opco, of which a proportion relates to and is recharged to the ACD. The total emissions incurred by the group are reported below.

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:

	2022	2021 Restated	2021 Reported
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 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.
- Scope 3 are all the emissions the entity is indirectly responsible for as a result of its end to end value chain.

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 Company will fall within the scope of Country Climate and Development Reports ("CCDR") and Taskforce Climate Financial Disclosures ("TCFD") requirements 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 Company's Responsible business strategy is discussed in the Strategic report page 4.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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.

DIRECTORS' REPORT (continued)

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.

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 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 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 PERSONAL WEALTH (ACD) LIMITED

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Scottish Widows Schroder Personal Wealth (ACD) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit and loss;
- the statement of other comprehensive income;
- the statement of financial position;
- the statement of cash flows;
- the statement of changes in equity; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Scottish Widows Schroder Personal Wealth (ACD) 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.

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 company's industry and its control environment, and reviewed the company'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 / company] 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 company's ability to operate or to avoid a material penalty. These included the company's operating licence and regulatory solvency requirements, 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 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH (ACD) LIMITED (CONTINUED)

Independent auditor's report to the members of Scottish Widows Schroder Personal Wealth (ACD) 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 2022 £'000	Year ended 2021 £'000
Revenue	2	38,260	38,176
Cost of sales	3	(5,607)	(7,293)
Gross profit		**32,653**	**30,883**
Administrative expenses	4	(26,409)	(19,263)
Exceptional income	4	-	176
Net finance expense	6	(111)	(119)
Profit before tax		**6,133**	**11,677**
Taxation charge	7	(985)	(5,498)
Profit after tax		**5,148**	**6,179**

There are no items of comprehensive income which have not already been presented in arriving at the profit for the year. Accordingly, a separate statement of other comprehensive income has not been presented. The results all relate to continuing operations.

The notes set out on pages 20 to 30 are an integral part of these Financial Statements.

SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH (ACD) LIMITED (11722973)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
NON-CURRENT ASSETS			
Goodwill	9	129,542	129,542
Intangible assets	9	56,248	62,497
Total non-current assets		**185,790**	**192,039**
CURRENT ASSET			
Trade and other receivables	10	21,835	26,882
Cash and cash equivalents	11	30,843	39,426
Total assets		**238,468**	**258,347**
NON-CURRENT LIABILITIES			
Deferred tax liabilities	8	13,965	15,153
Total non-current liabilities		**13,965**	**15,153**
CURRENT LIABILITIES			
Trade and other payables	13	22,422	25,028
Current tax liabilities	7	2,172	3,406
Total liabilities		**38,559**	**43,587**
EQUITY			
Share capital	12	1	1
Retained earnings		199,908	214,759
Total equity		**199,909**	**214,760**
Total equity and liabilities		**238,468**	**258,347**

Retained earnings are presented on page 18.

The notes set out on pages 20 to 30 are an integral part of these Financial Statements.

The Financial Statements on pages 16 to 30 were approved by the Board on 19 April 2023 and signed on its behalf.

Joel Ripley

J C Ripley
Director

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

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance as at 1 January 2021	**1**	**208,580**	**208,581**
Profit and total comprehensive income for the year	-	6,179	6,179
Balance as at 31 December 2021	**1**	**214,759**	**214,760**

	Share capital	Retained earnings	Total equity
	£000	£000	£000
Balance as at 1 January 2022	**1**	**214,759**	**214,760**
Dividend paid	-	(20,000)	(20,000)
Profit and total comprehensive income for the year	-	5,148	5,148
Balance as at 31 December 2022	**1**	**199,908**	**199,909**

The notes set out on pages 20 to 30 are an integral part of these Financial Statements.

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		6,133	11,677
Net finance expense		111	119
Operating cash flows before movements in working capital		**6,244**	**11,796**
- Amortisation of intangible assets	9	6,249	6,250
- Net decrease/(increase) in Trade and other receivables	10	5,047	(5,051)
- Net decrease in Trade and other payables	13	(2,606)	(2,095)
Cash generated from operations		**14,934**	**10,900**
Group tax relief payment		(3,406)	(1,753)
Net cash flows generated from operating activities		**11,528**	**9,147**
Cash flows from financing activities			
Dividends paid	14	(20,000)	(10,000)
Interest paid	6	(111)	(119)
Net cash outflows used in financing activities		**(20,111)**	**(10,119)**

Net increase in cash and cash equivalents (8,583) (972) Cash and cash equivalents at the beginning of the year 39,426 40,398 **Net cash and cash equivalents at the end of the year 11 30,843 39,426**

The notes set out on pages 20 to 30 are an integral part of these Financial Statements and all relate to continuing operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Scottish Widows Schroder Personal Wealth (ACD) Limited (the Company) 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 in the strategic report on page 4.

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

1. Accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared:

(1) in accordance with 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 Company has adequate resources to continue in business for the foreseeable future. Accordingly, the financial statements of the Company have been prepared on a going concern basis. 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 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 balance sheet are presented in accordance with management's estimated order of liquidity. Analysis of the assets and liabilities of the Company into amounts expected to be received or settled within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

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 Company. The impact of these standards is not expected to be material to the Company:

- 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'

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

Standards and interpretations effective in 2022

The Company 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 Company:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

- 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

1. Accounting policies (continued)

- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to IAS8 'Definitions of Accounting Estimates' and
- Amendments of IAS 12 'Deferred Tax relate to Assets and Liabilities arising from a Single Transaction'.

Revenue recognition

Revenue

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 and investment management 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.

VAT

All revenue is recognised net of Value added tax("VAT") where applicable.

Administrative 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 balance sheet, 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 Company's business model for managing the financial assets and whether the cash flows represent solely payments of principal and interest.

The Company initially recognises financial assets and liabilities when the Company becomes a party to the contractual provisions of the instrument.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Trade and other receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

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 Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Goodwill

On 9 December 2019 Scottish Widows Schroder Personal Wealth (ACD) Limited acquired the investment agreements relating to the Investment Portfolio ICVC and Multi-Manager ICVC from Scottish Widows Unit Trust Managers Limited a subsidiary of LBG. The Company started to act as the ACD for these from 9 December 2019. As a result of this acquisition, a business combination under common control, the consideration was allocated based on the fair value of the identifiable assets and liabilities being Customer Intangibles (£75.4m), Deferred Tax Liability (£12.8m) and Goodwill (£129.5m) in the Company's Statement of Financial Position. Goodwill consisted largely of the expected future growth from the transfer of the business.

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. See note 9 Goodwill and intangible assets for details on the impairment review.

Intangible assets

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. See note 9 Goodwill and intangible assets for details on the impairment review.

Impairment

Financial assets

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

Non-financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. **Accounting policies (continued)**

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 period, outside The Statement of Comprehensive Income (either in other comprehensive income, directly in equity, or through a business combination), in which case the tax appears in the same statement as the transaction that gave rise to it.

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

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

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

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

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

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

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.

Provisions for other liabilities and charges

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies (continued)

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

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

Bank borrowings and other unpresented items

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

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.

1.

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 Company made no critical accounting judgments when preparing the financial statements in the current and prior years.

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:

Critical accounting estimates

Note 9 – Goodwill and intangible assets

The Company 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 9.

2. Revenue

	Year ended 2022 £000	Year ended 2021 £000
Annual management fees	30,825	31,403
Registration & investment management fees	7,435	6,773
Total	**38,260**	**38,176**

All the revenue above is recognised over time.

3. Cost of sales

	Year ended 2022 £000	Year ended 2021 £000
Investment fees and other selling cost	5,607	7,293
Total	**5,607**	**7,293**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Accounting policies (continued)

4. Administrative expenses

	Year ended 2022 £000	Year ended 2021 £000
Recharges from other group companies	19,089	12,057
Amortisation of intangibles	6,250	6,250
Professional services fees and other	1,045	937
Operational losses	25	19
Total	**26,409**	**19,263**
Exceptional income	-	(176)

Administrative expenses relate to the costs incurred in the administration and investment management of funds.

The recharge from other group companies includes £12.3m (2021: £8.3m) relating to staff costs from employees who are employed by another group Company but provide direct and indirect services to this Company.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

5. Auditors' remuneration

	Year ended 2022 £000	Year ended 2021 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	53	49
Audit-related assurance services (CASS)	119	100
Total	**172**	**149**

6. Net finance expense

	Year ended 2022 £000	Year ended 2021 £000
Finance costs	76	1
Seed Capital	35	118
Total	**111**	**119**

7. Taxation

Factors affecting the tax charge for the year

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:

	Year ended 2022 £000	Year ended 2021 £000
Profit before tax	6,133	11,677
Tax charge thereon at UK corporation tax rate of 19% (2021: 19%)	1,165	2,219
Factors affecting charge:		
Effect of change in tax rate and related impacts	-	3,279
Compensating adjustment on UK-UK transfer pricing transactions	(180)	
Tax charge on profit on ordinary activities	985	5,498
Effective rate	*16.1%*	*47.1%*

The effective tax rate is lower than the standard rate of 19%. This is due to a compensating adjustment on UK-UK transfer pricing transactions with Scottish Widows Schroder Personal Wealth Limited.

Analysis of charge/(credit) for the year

	Year ended 2022 £000	Year ended 2021 £000
UK Corporation tax:		
Current tax on taxable profit for the year	2,173	3,406
Adjustments in respect of prior years	-	-
Current tax charge	**2,173**	**3,406**
UK deferred tax:		
Origination and reversal of timing differences	(1,188)	(1,187)
Impact of deferred tax rate change	-	3,279
Deferred tax (credit)/charge	**(1,188)**	**2,092**
Tax charge	**985**	**5,498**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

Corporation Tax is calculated at a rate of 19.00% (2021:19.00%) of the taxable profit for the year.

8. Deferred tax liability

The movement in the Deferred Tax Liability is as follows:

	2022 £000	2021 £000
Brought forward	15,153	13,061
(Charge)/credit to profit and loss for the year	(1,188)	2,092
31 December 2022	**13,965**	**15,153**

The deferred tax credit in the year comprises the following temporary differences:

	Year ended 2022 £000	Year ended 2021 £000
Other temporary differences	(1,188)	2,092
31 December 2022	**(1,188)**	**2,092**

Deferred Tax Liability comprises:

	2022 £000	2021 £000
Other temporary differences	13,965	15,153
31 December 2022	**13,965**	**15,153**

The deferred tax liability has arisen in respect of intangible assets acquired when the business was launched, that are amortised over their useful life, for which there is no attributable tax value. It is valued at the rates it is expected to unwind over.

9. Goodwill and intangible assets

	Goodwill £000	Customer Intangible £000	Total £000
Cost			
At 31 December 2021	129,542	75,400	204,942
At 31 December 2022	**129,542**	**75,400**	**204,942**
Accumulated amortisation and impairment			
At 31 December 2020	-	6,653	6,653
Amortisation during the year	-	6,250	6,250
At 31 December 2021	-	12,903	12,903
Amortisation during the year	-	6,249	6,249
At 31 December 2022	**-**	**19,152**	**19,152**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

At 31				
Carrying amount				
At 31 December 2020		129,542	68,747	198,289
December 2020	129,542	75,400		
204,942				
At 31 December 2021		129,542	62,497	192,039
At 31 December 2022		129,542	56,248	185,790

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 24 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.

9. Goodwill and intangible assets (continued)

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.

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.

The sensitivity of these estimations are presented below:

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

Change in EBITDA	**- 5% £'m**	**-2.5% £'m**	**Actual £'m**
ACD - Carrying Value Headroom	(6.2)	(1.5)	3.2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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%.

10. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	18,559	23,119
Amounts due from group undertakings	-	99
Prepayments and accrued income	3,276	3,664
Total	21,835	26,882

All of the above balances are expected to be recovered within one year from the reporting date. None of the above balances are interestbearing. Amounts due from group undertakings received a month in arrears.

11. Cash and cash equivalents

Cash and cash equivalents for the purposes of the statement of cash flows include the following:

	2022 £000	2021 £000
Cash at bank	30,843	39,426
	30,843	39,426

Cash and cash equivalents do not include client monies held on deposit of £1.4m (2021: £0.7m). These amounts are similarly excluded from current liabilities.

12. Share capital

	2022 £000	2021 £000
Authorised, allotted, called up and fully paid share capital:		
1,000 (2021: 1,000) ordinary shares of £1 each	1	1
	1	1

On 15 December 2020 the issued share capital was reduced by £217,999,001 from £218,000,001 divided into £1 each to 1,000 ordinary shares of £1.00 each by the cancellation of 217,999,001 ordinary shares of £1.00 each, and that the reserve thereby created to be credited to the retained earnings reserve of the Company.

13. Trade and other payables

	2022 £000	2021 £000
Trade payables	18,343	22,755
Amounts due to related undertakings	2,616	-
Accruals	1,463	2,273
Total	**22,422**	**25,028**

All of the above balances are expected to be settled within one year from the reporting date. None of the above balances are interestbearing. Amounts due to related undertakings paid a month in arrears.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

14. Dividend

An interim dividend of £20m has been recommended, approved and cash paid in 2022. This represents a dividend per share of £20,000 (2021: £nil). The directors have not recommended a final dividend (2021: £nil)

15. Risk management

Managing risk is central to the Company'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 Company Risk Management Framework (RMF) is designed to ensure a robust and consistent approach to controlling risk across the Company.

Types of risk inherent in our business model are:

Financial risks

During the year, the Company 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 Company is not exposed to direct market risk. The Company 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 Company 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.

15. Risk management (continued)

The following table indicates the timing of the contractual cash flows arising from the Company's financial liabilities, as required by IFRS 7:

As at 31 December 2022

Liabilities			Contractual cash flows (undiscounted)				
	Carryin g 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	18,343	-	18,343	-	-	-	-
Total	**18,343**	-	**18,343**	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

Interest risk

The Directors do not have any loans, the Directors currently do not consider interest rate risk to be a material risk to the Company.

Credit risk

The risk that parties with whom we have contracted, fail to meet their financial obligations. The Directors do not consider that the Company has any exposure to trade debtors at the year end and therefore there is no expected credit loss recognised in the year.

Capital risk

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

The Company 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 Company'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 Company's objectives when managing capital are:

- to have sufficient further capital to safeguard the Company'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 below table summarises the regulatory capital position of the Company as at 31 December 2022:

	2022 £000	2021 £000
Capital and Reserves (unaudited)	199,909	214,760
Deductions (unaudited)	(171,825)	(176,886)
Regulatory Capital (unaudited)	**28,084**	**37,874**

All minimum regulatory requirements were met during the year.

16. Related party transactions

Ultimate parent and shareholding

The Company is a wholly owned subsidiary of Scottish Widows Schroder Wealth Holdings Limited which is itself a Joint Venture owned by LBG Equity Investments Limited and Schroder Administration Limited. The Company does not have a single ultimate parent or shareholder.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

The parent undertaking which is the parent undertaking of the smallest and largest group to consolidate these financial statements is Scottish Widows Schroder Wealth Holdings Limited.

Transactions and balances with related parties

The Company has entered into the following transactions with other related parties during the year and holds the following balances with other related parties at the end of the year:

	2022 £000	2021 £000
Amounts due from/(to) group and related undertakings		
Lloyds Banking Group	(13)	(81)
Scottish Widows Schroder Personal Wealth Limited	(1,734)	1,275
Schroders Investment Management	(900)	(898)
Leadenhall Securities Corporation Ltd	-	(114)
Scottish Widows Limited	6	(69)
Profit and Loss		
Interest income received from Lloyds Banking Group	-	-
Recharged from Scottish Widows Schroder Personal Wealth Limited	(19,089)	(12,818)
Charges from Schroders Investment Management	(1,750)	(881)
Charges from Leadenhall Securities Corporation Ltd	(36)	(118)
Bank charges paid to Lloyds Banking Group	(73)	(1)
Charges from Scottish Widows Limited	(468)	(1,478)
Cash		
Cash balance with Lloyds Banking Group	13,850	17,382

Transactions between the Company and Key Management

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

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

		2022 £000	2021 £000
Aggregate emoluments:			
Directors emoluments		1,117	1,187
Pension contributions		59	19
		1,176	**1,206**
Highest paid Director:	Directors emoluments	490	449
Pension contributions		25	-
		515	**449**

The compensation for the Companies directors are incurred by a fellow group Company and are not recharged to this Company.

No shares were received by the directors in the year.

17. Contingent liabilities and capital commitments

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

18. Events after the reporting date

Management consider there to be no material post balance sheet events.