SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH (ACD) LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

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COMPANY INFORMATION

Board of Directors

J C Ripley
P Hetherington
M Brookes
A Seale
J Walker-Hazel
D Brumpton
J Black

Company Secretary
K V Raman

Independent Auditors

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

Registered Office

25 Gresham Street,
London
United Kingdom
EC2V 7HN

Company Registration Number

11722973

STRATEGIC REPORT

Strategic Report

The directors present their report and the audited financial statements of Scottish Widows Schroder Personal Wealth (ACD) Limited ("the Company") for the period ended 31 December 2019. The Strategic report provides a review of the business for the financial period and describes how the directors manage risks and opportunities.

Principal activates

The principal activity of the Company is to act as an Authorised Corporate Director for the management of Open Ended Investment Company ("OEIC") sub-funds.

Result for the period

The result of the Company for the period ended 31 December 2019 is a profit after tax of £0.9m.

At the end of the period the Company had net assets of £218.9m including a cash balance of £25.7m.

£205m of intangibles including goodwill were recognised as a result of the business combination in the period.

Review of the business

The company was incorporated on 11th December 2018.

The company was authorised by the Financial Conduct Authority on 4th October 2019 for the activities of managing Undertakings for the Collective Investment in Transferable Securities ("UCITS") and Alternative Investment Funds ("AIF").

On 9 December 2019 the Company acquired 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 ("LBG") and commenced its authorised activities. In exchange for the transfer of the investment management agreements relating to these funds, the Company paid £192.1m in cash consideration

Key performance indicators

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

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

Funds Under Management
As at 31st December 2019, Funds managed by the company on behalf of customers were £10.2bn.

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

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

Outlook

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

Principal risks and uncertainties

The company commenced authorised activities on 9th December 2019. The management of the business and the execution of the company's strategy were subject to a number of risks, which were assessed using the company's risk management framework. The key operational and conduct risks identified related to cyber and information security, application of conduct standards and delivering a customer focussed and compliant investment proposition. More information on risk management are included in note 16.

Covid -19

Since the balance sheet date we have experienced volatility in our assets under management driven by the global outbreak of Covid-19. In addition we are exposed to the risk that our business operations may be disrupted should Covid-19 become further widespread in the UK, for example, should our employees or those who work in our supply chains become unwell, or travel restrictions are put in place. There is clearly uncertainty around Covid-19 and at this stage it is difficult to quantify the potential impact. We have already taken initial actions to adopt our business operations and have established management procedures to respond to the further changes.

STRATEGIC REPORT (CONTINUED)

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

In accordance with the Companies Act 2006 (the 'Act') (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), for the period ended 31 December 2019, the Directors provide the following statement describing how they have had regard to the matters set out in section 172 (1) of the Act, when performing their duty under section 172.

In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), the following statement also provides details of how the Directors have engaged with and had regard to the interest of customers and suppliers.

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

Customers
The Directors ensure the 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. The Directors ensure the Company plays an active part wider customer ambitions, which during the course of the period has included the ongoing development of market leading digital propositions, more personalised customer propositions and better experience for customers across all channels.

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

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

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

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

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

Regulators
We have a good relationship with our regulators and other government authorities and liaise regularly as part of the Group's wider regulatory relationship management. Key areas of focus have included obtaining FCA authorisation, 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 2019 Schroders Personal Wealth ("SPW") colleagues had regular meetings with the regulators, representing the interests of the Company as required. We continue to closely monitor the status of our regulatory relationship, enhancing proactive engagement across key regulatory changes and areas of focus. Looking ahead to 2020, we will continue to adapt our engagement strategy, ensuring alignment with emerging areas of focus and the regulators' business plans.

On behalf of the board

Joel Ripley

J C Ripley
Director
3 April 2020

DIRECTORS' REPORT

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

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

Result and dividend

The result of the Company for the period ended 31 December 2019 is a profit before after tax of £0.9m

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

The directors do not recommend the payment of a dividend in respect of the period ended 31 December 2019.

Company Secretary

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

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

Directors

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

J C I Rainbow	(appointed 11th December 2018, resigned 29th November 2019)
J C Ripley	(appointed 11th December 2018)
D Brumpton	(appointed 4th October 2019)
M Brookes	(appointed 4th October 2019)
A Seale	(appointed 4th October 2019)
P Hetherington	(appointed 29th November 2019)
J Walker Hazell	(appointed 5th December 2019)
J Black	(appointed 2nd April 2020)

Particulars of the Directors' emoluments are given in note 17.

Information included in the Strategic report

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

Going concern

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

Independent auditors

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

Future developments

Details of future developments are provided in the Strategic Report.

Financial risk management

Disclosures relating to financial risk management are included in note 16 and are therefore incorporated into this report by reference.

DIRECTORS' REPORT (CONTINUED)

Statement of directors' responsibilities in respect of the financial statements

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

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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.

On behalf of the Board of Directors

Joel Ripley

J C Ripley
Director
3 April 2020

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Widows Schroder Personal Wealth (ACD) Limited's financial statements:

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

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

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

Reporting on other information

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

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

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Director's Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Neil Riches

Neil Riches (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
3 April 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	2019 £'000
Revenue	3	2,013
Cost of sales	4	(317)
Gross profit		1,696
Administrative expenses	5	(527)
Net finance expense	7	(3)
Profit before tax		1,166
Taxation charge	8	(227)
Profit after tax		939

There are no items of comprehensive income which have not already been presented in arriving at the profit for the period. Accordingly, the profit for the period is the same as total comprehensive income for the period.

The notes set out on pages 14 to 27 are an integral part of these Financial Statements.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £000
ASSETS		
Goodwill	10	129,542
Intangible assets	10	75,025
Financial assets:		
Trade and other receivables	11	25,910
Cash and cash equivalents	12	25,695
Total assets		256,172
EQUITY AND LIABILITIES		
Capital and reserves attributable to the Company's equity shareholder		
Share capital	13	218,000
Retained earnings		939
Total equity		218,939
Liabilities		
Current tax liabilities	14	293
Deferred tax liabilities	9	12,754
Financial liabilities:		
Trade and other payables	15	24,186
Total liabilities		37,233
Total equity and liabilities		256,172

Retained earnings is presented on page 13.

The notes set out on pages 14 to 27 are an integral part of these Financial Statements.

The Financial Statements on pages 10 to 27 were approved by the Board on 3 April 2020 and signed on its behalf.

Joel Ripley

J C Ripley
Director

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	2019 £000
Cash flows from operating activities		
Profit before tax		1,166
Amortisation of intangible assets	10	375
Net increase in other debtors and trade and other receivables	11	(25,910)
Net increase in trade and other payables	15	24,186
Net Interest	7	3
Net cash flows inflow from operating activities		(180)
Cash flows from investing activities		
Acquisition of business	21	(192,122)
Net cash outflow from investing activities		(192,122)
Cash flows from financing activities		
Capital injection		218,000
Interest paid	7	(3)
Net cash inflows from financing activities		217,997
Net increase / (decrease) in cash and cash equivalents		25,695
Cash and cash equivalents at the beginning of the period		-
Net cash and cash equivalents at the end of the period	12	25,695

The notes set out on pages 14 to 27 are an integral part of these Financial Statements.

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

	Share capital £000	Retained profits £000	Total equity £000
Balance as at 9 December 2019	-	-	-
Capital injection	218,000	-	218,000
Profit and total comprehensive income for the period	-	939	939
Balance as at 31 December 2019	218,000	939	218,939

The notes set out on pages 14 to 27 are an integral part of these Financial Statements.

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

1. Accounting policies

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

(a) Basis of preparation

The financial statements of the Company have been prepared:

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

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

(3) under the historical cost convention.

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

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

Standards and interpretations effective in 2019

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

The Company has early adopted IFRS 16 "Leases" from 11 December 2018. The adoption of IFRS 16 has not had an impact on the overall financial position of the Company.

(b) 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

The fees are recognised as revenue in the statement of comprehensive income in the period 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 period the service is provided.

VAT

All revenue is recognised net of VAT where applicable.

(c) Expenses and costs

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

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

1. Accounting policies (continued)

(d) Financial assets and financial liabilities

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

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

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

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

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

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

(e) 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.

(f) Accrued income and prepayments

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

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

(g) 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.

(h) 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.

(i) Intangible assets

Customer Intangible

The customer intangible asset arose on the acquisition of the investment agreements for the Investment Portfolio ICVC and

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

1. Accounting policies (continued)

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

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

(j) 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.

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

(k) Taxation, including deferred income taxes

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

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

Current tax includes amounts provided in respect of uncertain tax positions when management expects that, upon examination of the uncertainty by Her Majesty's Revenue and Customs (HMRC) or 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.

(l) 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.

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

1. Accounting policies (continued)

(m) Dividends

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

(n) 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.

(o) Provisions for other liabilities and charges

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

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

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

(p) 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.

(q) 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.

2. Critical accounting estimates and judgements in applying accounting policies

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Information about significant areas of estimation uncertainty in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following areas:

(a) Estimates

Acquired intangible assets

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

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

Further information on the estimates used in valuing the acquired intangible assets are included in note 10.

Goodwill

The Company tests annually whether tangible and intangible fixed assets have suffered any impairment, based on discounted future cash flows of the assets. These calculations require the use of estimates, as detailed in note 10.

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

2. Critical accounting estimates and judgements in applying accounting policies (continued)

(b) Judgements

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

3. Revenue

	2019 £000
Annual management fees	1,769
Registration fees	244
Total	**2,013**

All revenue is derived as a result of the acquisition. See note 21.

4. Cost of sales

	2019 £000
Investment fees and other selling cost	317
Total	**317**

5. Administrative expenses

	2019 £000
Recharges from other group companies	152
Amortisation of intangibles	375
Total	**527**

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

The Company had no direct employees during the period and employee costs are incurred by a fellow group company.

6. Auditors' remuneration

	2019 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	40
Fees payable to the Company's auditors and its associates for other services:	
Audit-related assurance services (CASS)	75
Total	**115**

Audit fees for 2019 were borne by another group company and not recharged to the entity.

7. Net finance costs

	2019 £000
Finance costs	(21)
Finance income	18
Total	**(3)**

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

8. Taxation charge

(a) Current period tax charge

	2019 £000
Current tax:	
Current tax on taxable profit for the period	293
Total current tax	**293**
UK deferred tax:	
- Origination and reversal of timing differences	(71)
- Impact of deferred tax rate change	5
Deferred tax credit	**(66)**
Tax charge	**227**

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

(b) 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 period is given below:

	2019 £000
Profit before tax	**1,166**
Tax charge at UK corporation tax rate of 19.00%	**222**
Factors affecting charge:	
Effect of reduction in tax rate and related impacts:	5
Tax charge on profit	**227**

9. Deferred tax liability

The movement in the Deferred Tax Liability is as follows:

	2019 £000
Brought forward	-
Credit for the period	66
Arising on business combination	(12,820)
31 December 2019	**(12,754)**

The deferred tax credit in the period relates to "Other temporary differences".
There was no charges to equity in the period.
Deferred Tax Liability comprises:

	2019 £000
Other temporary differences	(12,754)
Total	**(12,754)**

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

Had this rate change been substantively enacted at 31 December 2019, the effect would have been to increase net deferred tax liabilities by £1,500k.

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

10. Goodwill and intangible assets

	Goodwill £000	Customer Intangible £000	Total £000
Cost			
At 11 December 2018	-	-	-
Arising on business combination	129,542	75,400	204,942
At 31 December 2019	**129,542**	**75,400**	**204,942**
Accumulated amortisation and impairment			
At 11 December 2018	-	-	-
Amortisation during the period	-	375	375
At 31 December 2019	**-**	**375**	**375**
Carrying amount			
At 31 December 2019	**129,542**	**75,025**	**204,567**

See note 21 for detail of the business combination in the period.

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

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

11. Trade and other receivables

	2019 £000
Trade receivables	23,717
Prepayments and accrued income	2,193
Total	**25,910**

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

12. Cash and cash equivalents

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

	2019 £000
Cash at bank	40,050
Bank overdraft	(14,355)
	25,695

Cash and cash equivalents does not include client monies held on deposit of £3m. These amounts are similarly excluded from current liabilities.

13. Share capital

	2019 £000
Authorised, allotted, called up and fully paid share capital:	
218,000,001 ordinary shares of £1 each	218,000
	218,000

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

14. *Current tax liabilities*

	2019 £000
Current tax liabilities	293
Total tax liabilities	**293**

15. Trade and other payables

	2019 £000
Trade payables	23,717
Amounts due to group undertakings	152
Accruals	317
Total	**24,186**

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.

16. Risk management

Managing risk is central to SPW's goal to become the leading financial planning business in the UK and whilst we accept the risks inherent in our core business model and strategy including advice risk, investment management risk and other operational and financial risk, the SPW Risk Management Framework (RMF) is designed to ensure a robust and consistent approach to controlling risk across the SPW Group. In particular for SPW ACD it is designed in alignment with the Funds Prospectus and relevant FCA Handbook sections.

How we manage risk

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

Client focused Risk Culture

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

Governance

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

Three Lines of Defence Model

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

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

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

16. Risk management (continued)

- Third line of defence is the Audit function is a separate independent function from the second line, under the supervision of SPW's Chief Internal Auditor. The Internal Audit function provides independent assurance over SPW's activities.

Risk Appetite & Policy

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

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

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

Continuous Risk Management & Reporting

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

Types of risk inherent in our business model

Non-Financial risks:

The primary non-financial risk categories are:

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

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

Investment Management
Investment management risk is defined as the risk of customer detriment resulting from failure of the ACD to ensure their fiduciary duty of investor protection, including failure to adequately oversight its third parties to ensure regulatory compliance and governance, accurate fund accounting, transfer agency duties and tax reporting; failure to ensure the eligibility of assets, provide robust investment risk and liquidity risk monitoring; and, investment performance being sub-standard (poor investment decisions, inappropriate benchmarks).

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

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

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

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

16. Risk management (continued)

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

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

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

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

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

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

Financial risks:
During the period, the 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 does not hold any financial assets or financial liabilities at fair value through profit or loss and therefore is not exposed to direct market risk.

The 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. For example if the underlying market value of customer funds fell by 10%, AMCs are estimated to fall by £3.3m based on an annual basis. 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.

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

As at 31 December 2019

Liabilities		Contractual cash flows (undiscounted)					
	Carrying amount	**No stated maturity**	**Less than 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Current tax liability	293	-	-	-	293	-	-
Trade and other payables	24,186	-	24,034	152	-	-	-
Total	**24,408**	-	**24,034**	**152***	**293***	-	-

The contractual cash flow analysis set out above has been based on the earliest possible contractual date, regardless of the surrender penalties that might apply and has not been adjusted to take account of such penalties.

*Based on estimated cash flows as not contracted.

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

16. Risk management (continued)

Financial risks (continued):

Interest risk
As the Company does 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 period end and therefore there is no expected credit loss recognised in the period.

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 ICAAP 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; and
- when capital is needed, to require an adequate return to the shareholder by pricing contracts according to the level of risk associated with the business written.

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

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

	2019 £000
Regulatory capital held	26.3
Regulatory capital requirement	9.2

All minimum regulatory requirements were met during the period.

17. Related party transactions

(a) 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.

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

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

17. *Related party transactions (continued)*

(b) Transactions and balances with related parties

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

	2019 £000
Amounts due to group undertakings	
Scottish Widows Schroder Personal Wealth Limited	152
Interest income	
Received from Lloyds Bank	18
Other charges	
Paid to Lloyds Bank	21
Cash	
Cash balance with Lloyds Bank	(14,355)

(c) 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:

	2019 £000
Aggregate emoluments:	393
Directors emoluments	23
Pension contributions	**416**
Highest paid director:	192
Directors emoluments	13
Pension contributions	**205**

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 period.

18. Contingent liabilities and capital commitments

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

19. Future accounting developments

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

20. Events after the reporting date

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

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

20. Events after the reporting date (continued)

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

21. Business combination

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

Details of the purchase consideration are as follows:

	2019 £000
Initial consideration paid	192,122
Total	**192,122**

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

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

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

(a) Significant estimate: intangible assets

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

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

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

The sensitivity of these estimations are presented below:

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

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

21. Business combination (continued)

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

(b) Revenue and profit contribution

The acquired business contributed revenues of £2.0m and profit after tax of £0.9m to the Company for the period from 9 December 2019 to 31 December 2019. This profit includes amortisation of the acquired intangible assets.

(c) Net cash outflow of acquisition

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

(d) Acquisition-related costs

The company has not incurred any acquisition-related costs.