SCOTTISH WIDOWS SCHRODER PERSONAL WEALTH LIMITED

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

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COMPANY INFORMATION

Board of Directors

P Hetherington
J C Ripley

Company Secretary

K V Raman

Independent Auditors

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

Registered Office

25 Gresham Street
London
EC2V 7HN

Company Number

11722983

STRATEGIC REPORT

The directors present their report and the audited financial statements of Scottish Widows Schroder Personal Wealth Limited ("the Company") for the period ended 31 December 2019.

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

Principal activities

The principal activities of the Company are the provision of regulated financial advice, arranging and managing investments.

Result for the period

The result of the Company for the period ended 31 December 2019 is a profit after tax of £5.6m.

At the end of the period the Company had net assets of £56.6m including a cash balance of £73.9m.

Review of the business

The company was incorporated on 11th December 2018 and was authorised to conduct regulated activity by the Financial Conduct Authority on 30th May 2019.

On the 1st June 2019 the company acquired the business that comprise its principal activities from Lloyds Bank Plc and commenced its authorised activities.

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 Company'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 £11.1bn.

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 headcount and customer book in the coming years.

Principle Risks and uncertainties

The company commenced authorised activities on 1st June 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, execution of change and delivering a customer focussed and compliant customer proposition. More information on risk management are included in note 20.

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 Company through a transitional service agreement ("TSA") with Lloyds Banking Group ("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 Company's wider regulatory relationship management. Key areas of focus have included obtaining FCA authorisation, ensuring the fair treatment of customers, adapting to changes in regulatory requirements, and providing updates on the process of changing Investment Managers.

The Board has received regular updates on regulatory interaction, providing a view of key areas of focus, alongside progress made on delivering regulatory change. During 2019 Schroders Personal Wealth ("SPW") colleagues had regular meetings with the regulators, representing the interests of the 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 of Directors

Joel Ripley

J C Ripley
Director
3 April 2020

DIRECTORS' REPORT

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

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

Results and dividend

The result of the Company for the period ended 31 December 2019 is a profit after tax of £5.6m

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

The directors recommend the payment of a final dividend of £5.6m 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 11 December 2018, resigned 24 September 2019)
K V Raman	(appointed 24 September 2019)

Directors

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

J C I Rainbow	(appointed 11 December 2018, resigned 29 November 2019)
J C Ripley	(appointed 11 December 2018)
P Hetherington	(appointed 29 November 2019)

Particulars of the Directors' emoluments are given in note 21.

Information included in the Strategic report

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

Going concern

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

Disclosure of information to auditors

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

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

Independent auditors

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

Future developments

Details of future developments are provided in the Strategic Report.

DIRECTORS' REPORT (CONTINUED)

Financial risk management

Disclosures relating to financial risk management are included in note 20 to the financial statements and are therefore incorporated into this report by reference.

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial 55 week period. Under that law the directors have prepared the 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

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

Report on the audit of the financial statements

Opinion

In our opinion, Scottish Widows Schroder Personal Wealth 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 profits and cash flows for the 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 Annual Report and Financial Statments (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the statement of profit and loss, the statement of other 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.

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

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

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 PROFIT AND LOSS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	2019 £000
Revenue	3	61,908
Cost of sales	4	(8,404)
Gross Profit		53,504
Other Income	5	350
Other provision – charge for the period	19	(453)
Administration expenses	6	(46,470)
Net interest income	9	1
Profit before tax		6,932
Taxation	10	(1,318)
Profit after tax		5,614

The notes set out on pages 15 to 29 are an integral part of these financial statements.

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

	Note	2019 £000
Profit for the period:		5,614
Other comprehensive income		
Business acquisition – predecessor accounting	26	(107,000)
Other comprehensive income for the period		**(107,000)**
Total comprehensive income		**(101,386)**

The notes set out on pages 15 to 29 are an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	2019 £000
ASSETS		
Cash and cash equivalents	14	73,916
Trade and other receivables	13	52,137
Property, plant and equipment:	11	9,796
Intangible assets	12	1,960
Deferred tax asset	16	12
Total assets		137,821
LIABILITIES		
Trade and other payables	17	72,649
Provision for liabilities and charges	19	453
Lease Liability	18	6,775
Current tax liability	16	1,330
Total liabilities		81,207
EQUITY		
Share capital	15	51,000
Retained earnings		5,614
Total equity		56,614
Total equity and liabilities		137,820

Retained earnings are set out on page 14.

The notes are set out on pages 15 to 29 are an integral part of these financial statements.

The financial statements on pages 10 to 29 were approved by the Board on 3 April 2020, and signed on its behalf by

Joel Ripley

J C Ripley
Director
3 April 2020

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	2019 £000
Cash flows generated from operating activities		
Operating Profit before tax		6,932
Adjusted for:		
Finance income	9	(177)
- Depreciation of Property, plant and equipment	11	243
- Increase in Provision for liabilities and charges	19	453
- Amortisation of intangible assets	12	117
- Net decrease in Other debtors and Trade and other receivables	13	(52,137)
- Net increase in Trade and other payables	17	72,649
Cash generated from operations		28,080
Interest received		177
Net cash inflow from operating activities		28,257
Cash flows used investing activities		
Purchase of intangible assets	12	(2,077)
Purchase of Property, plant and equipment	11	(3,264)
Acquisition of business	26	(107,000)
Net cash outflow from investing activities		(112,341)
Cash flows generatedfrom financing activities		
Capital injection	15	158,000
Net cash inflows from financing activities		158,000
Net movement in cash and cash equivalents		73,916
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	14	73,916
Cash and cash equivalents comprise		
Cash at bank		73,916
Cash and cash equivalents		73,916

The notes set out on pages 15 to 29 are an integral part of these financial statements.

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

	Called up share capital £000	Retained earnings £000	Total equity £000
Balance as at 11 December 2018	**-**	**-**	**-**
Share capital injection	158,000	-	158,000
Profit for the period		5,614	5,614
Other comprehensive income for the period	-	(107,000)	(107,000)
Share capital reduction	(107,000)	107,000	-
Balance as at 31 December 2019	**51,000**	**5,614**	**56,614**

The notes set out on pages 15 to 29 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 ("SICs") and International Financial Reporting Interpretations issued by its IFRS Interpretations Committee ("IFRS IC"), as endorsed by the European Union;

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

(3) under the historical cost convention.

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

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

Standards and interpretations effective in 2019

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

The Company has early adopted IFRS 16 "Leases" from 11 December 2018. The impact of the adoption of IFRS 16 is in note 18.

(b) Revenue recognition

Revenue

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

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

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

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

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

VAT

All revenue is recognised net of VAT when applicable.

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

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

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

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

1. Accounting policies (continued)

(c) Expenses and cost of sales

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

(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) Fair value methodology

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

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

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

Level 1

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

Level 2

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

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

Level 3

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

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

1. Accounting policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) Property, plant and equipment

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

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

(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) 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.

(l) Dividends

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

(m) 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)

(n) Taxation, including deferred income taxes

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

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

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

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

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

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

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

(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) Share Based Payments

One of the Joint owners of the Copmany operates a number of group wide, equity settled, share based compensation plans. The value of the employee services received in exchange for equity instruments granted under these plans is recognised as an expense over the vesting period of the instruments and is recharge to the Company. There are no management estiamtes relating to this charge.

(q) Business combinations

On 1st June 2019 the Company acquired the Redbox OpCo wealth business in cash from Lloyds Bank plc for total consideration of £107.0 million. The acquisition method of accounting is used to account for business combinations by the Company. The consideration for the acquisition of a business is the fair value of the assets transferred and the liabilities incurred by the Company. 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.

Predessesor accounting

Business combinations under common control are accounted for under predessesor accounting with the consideration going to reserves. See note 26 for further detail.

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

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.

Management do not consider that there are any material estimates or judgements in the financial statements.

3. Revenue

	2019 £000
Ongoing fees	53,344
Initial fees	3,469
Other income	5,095
Total	**61,908**

All of the revenue is derived as a result of the acquisition. See note 26.

4. Cost of sales

	2019 £000
Investment fees and other selling cost	8,404
Total	**8,404**

5. Other income

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

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

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

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

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

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

6. Administrative expenses

	2019 £000
Staff costs (see note 7)	38,696
Depreciation	243
Other operating expenses	7,414
Amortisation of Intangible assets	117
Total	**46,470**

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

7. Staff costs

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

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

8. Auditors' remuneration

	2019 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	67
Fees payable to the Company's auditors and its associates for other services:	
Audit-related assurance services	32
Total	**99**

9. Net Finance Income

	2019 £000
Finance costs	(59)
Finance income	177
Interest expense on lease	(117)
Total	**1**

Included within Interest income is £nil in respect of impaired financial assets.

10. Taxation

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

	2019 £000
Current tax:	
UK corporation tax	
- Current tax on taxable profit for the period	1,330
Total current tax charge	**1,330**
UK deferred tax:	
- Origination and reversal of timing differences	(13)
- Impact of deferred tax rate change	1
Total deferred tax credit	**(12)**
Total income tax charge	**1,318**

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

(b) Factors effecting the tax charge for the period

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
Operating profit before tax	6,932
Tax charge at UK Corporation tax rate of 19.00%	**1,317**
Factors effecting charge:	
Effect of reduction in tax rate and related impacts	1
Total charge on profit	**1,318**
Effective Rate	**19.00%**

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

11. Property, plant and equipment

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

The right of use asset is in relation to a property lease undr IFRS 16. See detail in note 18.

12. Intangible assets

	Software Development £000	2019 Total £000
Cost		
At 11 December 2018	-	-
Additions	2,077	2,077
At 31 December 2019	2,077	2,077
Accumulated amortisation and impairment		
At 11 December 2018	-	-
Amortisation during the period	117	117
At 31 December 2019	117	117
Carrying amount		
At 31 December 2019	1,960	1,960

13. Trade and other receivables

	2019 £000
Trade receivables	667
Amounts due from group undertakings	49,007
Prepayments and accrued income	1,320
Other receivables	1,143
Total	52,137

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

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

	Not overdue £000	Under 30 days overdue £000	Over 30 days but under 60 days £000	Over 60 days £000	Total £000
For the period to 31st December 2019:					
Trade receivables	419	136	23	89	667
Amounts due from group undertakings	49,007	-	-	-	49,007
Other receivables	1,143	-	-	-	1,143
Total	50,569	136	23	89	50,817

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

13. Trade and other receivables (continued)

(b) Reconciliation in loss allowance:

	Not overdue £000	Under 30 days overdue £000	Over 30 days but under 60 days £000	Over 60 days £000	Total £000
Expected credit loss rate	0%	1%	22%	81%	
Gross carrying amount	50,569	136	23	89	**50,817**
Lifetime expected credit loss	-	**1**	**5**	72	**78**

14. Cash and cash equivalents

	2019 £000
Cash at bank	73,916
Total	**73,916**

15. Called up share capital

	2019 £000
Allotted, called up and fully paid share capital:	
51,000,001 ordinary shares of £1 each	51,000
	51,000

At 31 December 2019, the authorised share capital of the Company was £51,000,001 divided into 51,000,001 ordinary shares of £1 each.

All ordinary shares rank pari passu in all respects including the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company.

On 21st May 2019 the Company placed 158,000,000 new ordinary shares at £1.00 per share raising gross proceeds of £158.0 million. On 26th September 2019 the issued share capital was reduced by £107.0m from £158,000,001 divided into 158,000,001 ordinary shares of £1.00 each to £51,000,001 divided into 51,000,001 ordinary shares of £1.00 each by the cancellation of 107,000,000 ordinary shares of £1.00 each and that the reserve thereby created to be credited to the retained earnings reserve of the Company.

16. Tax assets and liabilities

	2019 £000
Deferred tax assets	12
Total tax assets	**12**
Current tax liabilities	1,330
Total tax liabilities	**1,330**

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

16. Tax assets and liabilities (continued)

Recognised deferred tax

The movement in the deferred tax is as follows:

	2019 £000
Brought forward	-
Credit for the period (see below)	12
Total	**12**

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

	2019 £000
Other temporary differences	59
Accelerated capital allowances	(47)
Total	**12**

Deferred tax asset comprises

	2019 £000
Other temporary differences	59
Accelerated capital allowances	(47)
Total	**12**

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.

The effect of this proposed rate change on the Company's deferred tax balances has been assessed and is not significant.

17. Trade and other payables

	2019 £000
Amounts due to group undertakings	8,753
Other payables	441
Other tax and social security payable	173
Accruals and deferred income	63,282
Total	**72,649**

From the above, £2m is expected to be settled over one year after the reporting date.

18. Lease liability

	2019 £000
Lease liability	6,775
Total	**6,775**

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

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

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

18. Lease liability (continued)

	Within 1 year £000	1-5 years £000	Over 5 years £000	2019 Total £000
Maturity of lease liability				
Expected unwinding of liabiltiy	(158)	2,850	4,083	6,775

19. Provision for liabilities and charges

	Bad debt £000	Other £000	2019 Total £000
At 11 December 2018	-	-	-
Charge for the period	78	375	453
At 31 December 2019	78	375	453

Of the £453,000 provision as at 31 December 2019, it is expected that £25,000 will be utilised after more than 12 months. The Other provision includes a provision for dilapidation charges.

20. 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 Company.

How we manage risk

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

Client focused Risk Culture

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

Governance

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

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)

20. Risk Management (continued)

iii. • 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 are:

Non-Financial risks

The primary non-financial risk categories are:

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

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

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

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

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

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

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

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

20. Risk Management (continued)

- 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%, the AMCs are estimated to fall by £9.6m based on annualised values. 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 appropaite 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 £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	31,933	-	9,465	11,411	9,057	2,000	-
Total	**31,933**	**-**	**9,465**	**11,411**	**9,057**	**2,000**	**-**

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

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 material credit risk given the nature of the assets held at the balance sheet date. The Company has an expected credit loss charge in the profit and loss account which is presented in note 13.

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.

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

20. Risk Management (continued)

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 2019. The current information is, in general, an estimate that will be updated once the FCA returns for the year are finalised.

	2019
	£'m
Regulatory capital held	49.0
Regulatory capital requirement	30.1

All minimum regulatory requirements were met during the period.

21. 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 Lloyds Bank 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)

21. Related party transactions (continued)

Transactions between the Company and related parties

Below are transactions that the Company has entered into with other related parties in the normal course of business during the period.

	2019 £000
Balance sheet	
Amounts due from group undertakings	
Scottish Widows Schroders Personal Wealth (ACD) Limited	152
Lloyds Bank	40,102
Cash	
Cash balance with Lloyds Bank	73,916
P&L	
Interest income	
Cash balance with Lloyds Bank	177
Other charges	
Paid to Lloyds Bank	37,884
Other income	
Received from Lloyds Bank	350
Other expenses	
Schroders (accrued investment management fees)	795

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 Company are set out below:

	2019 £000
Aggregate emoluments	
Directors emoluments	349
Pension contributions	28
	377

No directors received shares in the period.

22. 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.

23. Contingent liabilities and capital commimtments

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

24. Events after the reporting period

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

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

25. Dividends

The directors recommend the payment of a final dividend of £5.6m in respect of the period ended 31 December 2019. This was not declared before the balance sheet date and therefore was not recognised at the end of the reporting period.

26. Business Combinations

Acquisition of Lloyds Bank plc wealth business

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

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

Details of the purchase consideration are as follows:

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

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

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

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

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