Additional Tax Information Note

Scottish Widows Schroder Wealth Holdings Limited

Year Ended 31 December 2023

The audited statutory accounts for Scottish Widows Schroder Wealth Holdings Limited are available at Companies House. The statutory accounts include detailed tax disclosures for the group. This additional tax information note provides an enhanced reconciliation of current and deferred tax for Scottish Widows Schroder Wealth Holdings Limited and its subsidiaries ("the Group").

Consolidated Income Statement (per statutory accounts)	31-Dec-23 £'000	31-Dec-22 £'000
Revenue	138,761	138,485
Cost of Sales	(12,329)	(12,833)
Gross Profit	**126,432**	**125,652**
Administrative expenses	(127,961)	(123,781)
Exceptional income/(costs)	(9,433)	0
Net interest income/(expense)	1,566	(435)
Profit/(loss) before tax	**(9,396)**	**1,436**
Taxation charge	2,768	(110)
Profit/(loss) after tax	**(6,628)**	**1,326**

Tax Reconciliation	31-Dec-23 £'000	31-Dec-22 £'000
Profit/(loss) before tax per accounts	(9,396)	1,436
Expected tax charge/(credit) 23.5% (2022: 19.00%)	**(2,208)**	**273**
Expenses not deductible for tax purposes	40	29
Depreciation in excess of capital allowances	226	90
Amortisation not deductible for tax purposes	1,518	1,187
Movement in provisions utilised	338	(386)
Fair value movements	(19)	(9)
Chargeable gain/(loss) on disposals	0	(3)
Trading losses carried forward as DTA	105	0
Current Tax charge/(credit) Current Year	0	1,181
R&D tax credits	0	54
Prior year adjustment to current tax (see note)	310	1,848
Total Current Tax charge per accounts	**310**	**3,083**
Current year deferred tax credit	(2,298)	(961)
Prior year adjustments to deferred tax (see note)	(780)	(2,012)
Total Current and Deferred Tax charge/(credit) per accounts	**(2,768)**	**110**

We provide this additional information to meet the standards and requirements for the Fair Tax Mark certification provided by the Fair Tax Foundation. We are extremely proud to be a member of the Fair Tax Foundation. One of the key principles of which is adequate and open disclosures. The requirements of the Fair Tax Foundation are more extensive than those for the tax disclosures in statutory accounts; our statutory accounts meet a statutory standard and are approved by our auditors.

The consolidated loss before tax for the year ended 31 December 2023 was £9,395,379 (2022: £1,435,279 profit), while the total tax credit for the year was £2,768,000 (2022: £110,000 charge). This comprised of a current tax charge of £310,000 and a deferred tax credit of £3,078,000.

The expected current tax credit for the year was £2,208,000, at a blended UK headline tax rate of 23.5% due to the rate change from 19% to 25% on 1 April 2023. The reasons why the actual current tax credit for the Group varies from what would be expected is explained in the tax reconciliation above with this accompanying narrative:

Explanatory notes:

In 2023, the most significant tax adjustments impacting our taxes were;

- A non-deductible amortisation expense for client intangibles. Similar to depreciation, the accounting treatment of intangible assets can differ from the rules set out in tax law. SPW amortises it's client intangible asset in accordance with its useful economic life. When it comes to calculating taxable profits, however, the amortisation expense may be disregarded and replaced by tax law – which can depend on a variety of factors, such as: the type of intangible asset; when it arose; whether it was internally generated or acquired through an acquisition, etc.

- Depreciation in excess of capital allowances – the accounting treatment of fixed assets differs from the tax treatment. For accounting purposes, fixed assets are depreciated over their useful economic lives. For tax purposes, there are specific rules which determine what can, or should, be claimed based on the type of asset. The differences between these treatments can create current tax adjustments and deferred tax provisions. The deferred tax provision is a timing difference that will unwind over the useful economic lives of the assets that it relates to. SPW has a deferred tax asset for capital allowances to utilise in future, as less tax relief has been received compared to book depreciation which has not been relieved for tax purposes.

- Trading losses carried forward as a deferred tax asset, The tax losses are carried forward and can be relieved against any future taxable profits.

- Movement in provisions utilised, e.g. deferred compensation – tax relief for certain expenses is given on a paid basis so if there is an accrual in the accounts for these expenses that is not yet paid then this will be adjusted for in computing the taxable profits/losses of a company.

- The prior year adjustments relate to the utilisation of losses against group profits in earlier years, and a corresponding balancing payments to joint venture shareholders. These changes arose between when the statutory provisions were prepared and when the returns were filed for the year ended 31 Dec 2022 and so are disclosed in the 2023 statutory accounts.