3 July 2018

Harwood Wealth Management Group PLC
("HWMG" or the "Group")

Unaudited interim results for the six months ended 30 April 2018

Harwood Wealth Management Group (AIM: HW.), a leading UK-based financial planning and discretionary wealth management business, is pleased to announce its unaudited consolidated interim results for the six months ended 30 April 2018.

Financial highlights:

- Assets under influence (AUI) up 30% to £4.3bn (H1 2017: £3.3bn)
    - *37% of this growth was through acquisition*
- Revenue up 44% to £15.1m (H1 2017: £10.5m) of which approximately 68% is recurring
- Gross profit up 39% to £6.8m (H1 2017: £4.9m)
- Gross margin at 45% (H1 2017: 47%), reflecting the full impact of the acquisition of Network Direct, a naturally lower margin business
- Adjusted EBITDA[1] up 50% to £2.7m (H1 2017: £1.8m)
- EPS increased to 0.91p (H1 2017: 0.27p)
- Net cash generated by operations of £2.2m (H1 2017: £1.5m) and total cash balances at the period end of £13.9m (H1 2017: £19.8m)
- Interim dividend of 1.08 pence per share (H1 2017: 1.00) proposed
- Nine acquisitions completed during the period for an aggregate consideration of £10.9m (£9.2m net of cash acquired)

Peter Mann, Chairman of Harwood Wealth Management Group, commented:

"The first half of the year has seen substantial progress, with the Group delivering profitable growth across all its divisions, achieved in line with our clear growth strategy. Harwood completed nine acquisitions in the period, many of which were on a larger scale than those executed in previous years. These acquisitions are important not only in boosting our earnings but also building the Group's capabilities and driving future growth. To date, all companies acquired have integrated well and are performing as expected.

Through maintaining the highest levels of service to our clients, providing advice and solutions truly appropriate to their needs, the Group continues to build on its strong client relationships as well as attracting an ever-increasing number of external mandates.

The Group's growth strategy remains appropriate to the market place we serve today, as demonstrated by the strong results achieved thus far and continued momentum into the second half. With strong visibility on revenues and an excellent pipeline of acquisition opportunities available to us, we look forward to the remainder of the year and beyond with confidence."

[1] Adjusted EBITDA, being earnings before interest, taxation, depreciation, amortisation and exceptional costs, is a non IFRS measure which the Group uses to assess its performance.

For further information please contact:

Harwood Wealth Management Group plc Alan Durrant, Chief Executive Officer	**+44 (0)23 9355 2004**
N+1 Singer Advisory LLP Shaun Dobson Ben Farrow	**+44 (0)20 7496 3000**
Alma PR Rebecca Sanders-Hewett / Susie Hudson	**+44 (0)20 8004 4218**

Website
www.harwoodwealth.co.uk

CEO's statement

Introduction

The Group remains focused on delivering profitable growth in three areas: organic, through both the existing client base and attracting new clients; acquisitions of small to medium sized financial advisory and wealth management businesses which can help to fuel future organic growth; and improving the efficiency of our operations and economies of scale as the business grows.

Over the first half of the year we have made progress across all areas. The Group has continued to rapidly grow its client bank, alongside many of our existing clients choosing to expand their accounts with us as they turn to advisers they trust in order to navigate new tax and other legislative changes. It has also been a busy period for acquisitions, with the Group taking on nine quality businesses; the client portfolios of four IFA businesses and the entire issued share capital of five similar businesses. We are confident that they will be beneficial to our future growth and are pleased to note that they have benefitted from integration with Harwood as expected so far. The Group has begun to see the impacts of growing economies of scale, with more potential vendors approaching us directly and our administrative expenses as a ratio of revenues dropping.

Assets under influence (AUI) and assets under management (AUM)

- Organic growth and asset market price movement accounted for 63% of the growth in AUI to £4.3bn (H1 2017: £3.3bn).

- AUM doubled to £1.6bn (2017 H1: £0.8bn). This growth has been delivered primarily through our strategy of acquiring client portfolios and providing suitable investment solutions that meet each individual client's needs.

- External mandates successes, including Frenkel Topping, boosted AUM and the investment performance of the centralised investment proposition continues to attract new clients. Being selected to manage mandates such as these is further validation of the strength of our investment management credentials. Wellian Investment Solutions was also awarded Platinum awards for the Best-Balanced Portfolio and the Best-Aggressive Portfolio in the boutique firm category at the Portfolio Adviser Wealth Manager Awards in January 2018.

Revenue analysis

	6 Months ended 30-Apr-18 Unaudited	6 Months ended 30-Apr-17 Unaudited Restated	Year ended 31-Oct-17 Audited
Revenues	**£'m**	**£'m**	**£'m**
Financial Planning	6.6	6.1	12.9
Investment Management	2.1	1.4	3.2
Network	6.4	3.0	9.8
	15.1	10.5	25.9

All three business divisions contributed to the 44% growth in revenue.

- The Financial Planning business delivered an increase in income of 8%. Acquisitions accounted for a 5-percentage point revenue growth and the balance being net organic growth. The Financial Planning division also grew the AUM of the Group's centralised investment proposition by 28% to £648m (H1 2017: £506m).

- The Investment Management business grew revenues 50%, with mandates driven by the discretionary fund management subsidiary accounting for 81% of the growth. The balance was delivered from the Financial Planning business as highlighted above.
- The full period impact of the Network Direct acquisition led the growth in the Network Services division. This division was the major revenue growth driver over the period and accounted for 74% of the growth in revenue to £15.1m from £10.5m.

Organic growth accounted for £0.7m of the revenue increase over the period, a 7% organic growth rate. It is estimated that 68% of the Group's total revenue is of a recurring nature. The Network Direct business has a lower recurring income stream of just over 50% because there was previously no investment management offering within the business. The Group's recurring revenue excluding the Network Direct impact is estimated to be 84%.

Gross profit and margins

Overall gross profit has improved by 39% to £6.8m (H1 2017: £4.9m) with all divisions showing an increase to the prior period. The improvement in the Financial Planning gross margins results from acquisitive activity. As highlighted earlier, the Investment Management AUM has grown strongly but some of the large organic mandate successes have naturally been at a lower gross margin. Network Direct is a structurally different business and a gross margin of 9% is as expected. The full period impact of this acquisition has driven the blended gross margin's decline to 45% (H1 2017: 47%). The gross margin excluding Network Direct increased to 71% (H1 2017: 64%).

	6 Months ended 30-Apr-18 Unaudited		**6 Months ended 30-Apr-17 Unaudited Restated**		**Year ended 31-Oct-17 Audited**	
Source of gross profits and margin	**£'m**	*%*	**£'m**	*%*	**£'m**	*%*
Financial Planning	4.3	*65*	3.5	*57*	7.4	*57*
Investment Management	1.9	*90*	1.3	*93*	3.0	*94*
Network	0.6	*9*	0.1	*3*	0.8	*8*
	6.8	*45*	4.9	*47*	11.2	*43*

Administrative expenses

Administrative expenses increased to £5.5m from £4.2m as the scale of the Group's operations continues to grow. Pleasingly, the ratio of administrative expenses to revenue fell to 36% from 40% as the Group benefits from economies of scale and a close focus on cost control. Administrative expenses include amortisation of £1.4m (H1 2017: £1.2m).

Administrative expenses excluding amortisation and depreciation increased to £4.1m from £3.0m and as a percentage of revenue decreased to 27% from 29%.

Exceptional items

In the period under review, some final deferred consideration payments in connection with prior period acquisitions were settled. These payments were contingent on actual recurring revenues received. At the time of completion, the deferred consideration was estimated based on the expected future recurring revenue. If the actual revenue is higher than expected, the final contingent consideration is also higher than the deferred consideration on the balance sheet and the difference is written off (or written on if the actual revenue is lower) to the profit and loss. The net write-off in the period was £123,000 (H1 2017: £20,000).

Profitability
The primary measure of profitability in the sector is adjusted EBITDA, being earnings before interest, taxation, depreciation and amortisation and exceptional items. Adjusted EBITDA for the period showed growth of 50% to £2.7m (H1 2017: £1.8m).

The profit before taxation of £932,000 was 6.2% of revenue (H1 2017: 3.1%).

Cash
In the six months under review, the net cash generated by operations was £2.2m, the net cash used in investing activities was £6.6m and the net cash used in financing activities was £0.6m. Discounted deferred consideration liabilities on the balance sheet total £7.1m of which £5.0m is payable within 12 months. The Group had no debt or borrowings at the period end and had a cash balance of £13.9m, down by £5.0m during the period.

After taking account of the deferred consideration liabilities (£7.1m), the dividend payable (£1.4m) and the Financial Conduct Authority's financial resource requirements (£1.8m), the amount of "free" cash available for acquisitions was £3.6m.

Financial advisers, network members and staff headcount
The number of financial advisers increased to 94 (H1 2017: 83). Network Direct members, who are not employees, stood at 87 (H1 2017: 90). Total staff headcount grew to 138 (H1 2017: 112). The Group welcomed the new advisers to support our organic and acquisitive growth strategy and continues to seek additional high-quality advisers.

Acquisitions
The Group completed the asset acquisition of the client portfolios of four IFA businesses and the entire issued share capital of another five similar businesses for an aggregate consideration of £10.9m (£9.2m net of cash acquired). These were acquired in line with the Group's rigorous selection model using a multiple of recurring revenue and an earn-out contingent on actual results. Integration of these businesses has progressed well and performing as expected.

Post period end non-binding heads of terms have been entered into with a further 18 potential business vendors.

We continue to see a strong pipeline of high quality businesses looking to engage with us. Some are driven by specific factors such as increasing capital adequacy costs or the need to invest in new technology. In other cases, the principals have simply reached a stage of their career at which they wish to retire. Whilst we recognise that there have always been competitors in the market looking for acquisitions, we do not sense any change in the number of such competitors. As a well-funded business that has a proven expertise in efficiently buying businesses, and with a culture that focuses on customers, clients and people, we are an attractive choice for anyone seeking to sell their business. Our increased profile since joining AIM has led to a greater number of potential vendors approaching us directly.

Dividends
Harwood has a progressive dividend policy in place and, in line with this, a final dividend of 2.24 pence per ordinary share in respect of the year ended 31 October 2017 was approved by shareholders at the Company's Annual General Meeting held on 18 April 2018. The final dividend, a total of £1.4m, was paid on 11 May 2018. The directors are proposing an interim dividend of 1.08 pence per share to be paid to shareholders on 9 November 2018 based on the register of shareholders at close of business on 26 October 2018.

Outlook

Our strategy is to deliver profitable growth, both organic and through acquisitions. The Group has successfully completed 69 acquisitions to date and has a healthy pipeline of potential acquisitions at various stages of progression for which the Directors are reviewing various financing options. The Directors are encouraged by the ongoing momentum in our investment management businesses which continue to add assets without increasing investment management costs. It is also pleasing to report that the demand for financial advice from clients has never been greater, driven in part by tax and other legislative changes, most notably pension freedoms.

We have a strong balance sheet and cash reserves and are confident that our clear strategy will continue to deliver strong and profitable growth.

I would like to take this opportunity to thank all of my colleagues for their hard work in delivering excellence to our clients. To our clients I say thank you for the ongoing trust you place in us to deliver you the performance and service you seek.

Alan Durrant
Chief Executive Officer

Consolidated Statement of Comprehensive Income

	Note	6 Months ended 30-Apr-18 Unaudited £'000	6 Months ended 30-Apr-17 Unaudited Restated £'000	Year ended 31-Oct-17 Audited £'000
Revenue		15,135	10,509	25,885
Cost of sales		(8,289)	(5,652)	(14,719)
Gross profit		6,846	4,857	11,166
Administrative expenses		(5,528)	(4,246)	(9,410)
Exceptional items	3	(123)	(20)	-
Operating profit		1,195	591	1,756
Investment income		15	12	19
Finance costs		(278)	(273)	(577)
Profit before taxation		932	330	1,198
Income tax charge	4	(365)	(180)	(492)
Profit and total comprehensive income for the period attributable to equity owners of parent		567	150	706
Earnings per share		**pence**	**pence**	**pence**
Basic and fully diluted	6	0.91	0.27	1.19

Consolidated Statement of Financial Position

	6 Months ended 30-Apr-18 Unaudited £'000	6 Months ended 30-Apr-17 Unaudited £'000	Year ended 31-Oct-17 Audited £'000
Non-current assets			
Intangible assets	24,437	15,640	15,033
Property, plant and equipment	35	21	24
	24,472	15,661	15,057
Current assets			
Trade and other receivables	1,283	833	1,075
Cash and cash equivalents	13,914	19,798	18,959
	15,197	20,631	20,034
Total assets	39,669	36,292	35,091
Current liabilities			
Trade and other payables	6,383	3,416	5,160
Accruals and deferred income	1,244	1,455	1,284
Current tax liabilities	651	586	474
Dividends payable	1,401	1,251	-
	9,679	6,708	6,918
Net current assets	5,518	13,923	13,116
Non-current liabilities			
Trade and other payables	2,125	2,023	252
Deferred tax liabilities	2,564	1,357	1,161
	4,689	3,380	1,413
Total liabilities	14,368	10,088	8,331
Net assets	25,301	26,204	26,760
Equity			
Called up share capital	156	156	156
Share premium account	25,500	25,500	25,500
Retained earnings	(355)	548	1,104
Total equity attributable to the owners of the parent	25,301	26,204	26,760

Consolidated Statement of Changes in Equity

	Attributable to the owners of the parent			
	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2016	139	15,541	1,649	17,329
Profit and total comprehensive income for the period	-	-	150	150
Issue of share capital	17	10,414	-	10,431
Dividends	-	-	(1,251)	(1,251)
Costs of share issue	-	(455)	-	(455)
Total transactions with owners recognised directly in equity	17	9,959	(1,251)	8,725
Balance at 30 April 2017	**156**	**25,500**	**548**	**26,204**
Profit and total comprehensive income for the period	-	-	556	556
Balance at 31 October 2017	**156**	**25,500**	**1,104**	**26,760**
Profit and total comprehensive income for the period	-	-	567	567
Dividends payable	-	-	(2,026)	(2,026)
Total transactions with owners recognised directly in equity	-	-	(2,026)	(2,026)
Balance at 30 April 2018	**156**	**25,500**	**(355)**	**25,301**

Consolidated Statement of Cash Flows

	6 Months ended 30-Apr-18 Unaudited £'000	6 Months ended 30-Apr-17 Unaudited £'000	Year ended 31-Oct-17 Audited £'000
Cash flows from operating activities			
Profit before income tax	932	330	1,198
Non-cash adjustments			
Depreciation and amortisation	1,390	1,209	2,563
Net finance costs	263	261	558
Working capital adjustments			
(Increase) in trade and other receivables	(144)	(73)	(316)
Increase in trade and other payables	225	449	917
Cash inflow from operating activities	2,666	2,176	4,920
Income tax paid	(466)	(681)	(1,212)
Interest paid	-	-	-
Net cash generated by operations	**2,200**	**1,495**	**3,708**
Investing activities			
Purchase of intangible assets	(1,622)	(608)	(1,690)
Purchase of property, plant and equipment	(13)	(3)	(12)
Interest received	15	12	19
Acquisition of subsidiaries net of cash acquired	(5,000)	(1,600)	(2,317)
Net cash used in investing activities	**(6,620)**	**(2,199)**	**(4,000)**
Financing activities			
Proceeds from issue of shares (net of costs)	-	9,976	9,976
Dividends paid	(625)	-	(1,251)
Net cash (used in)/generated from financing activities	**(625)**	**9,976**	**8,725**
Net increase in cash and cash equivalents	(5,045)	9,272	8,433
Cash and cash equivalents brought forward	18,959	10,526	10,526
Cash and cash equivalents carried forward	**13,914**	**19,798**	**18,959**

Notes to the interim financial information

1. General Information

The interim financial information is unaudited. This condensed consolidated interim financial information was approved by the Directors and authorised for issue on 3 July 2018.

Harwood Wealth Management Group plc is a public limited liability company incorporated and domiciled in England and Wales. The Group's business activities are principally the provision of financial advice and investment management to the retail market. The address of the registered office is 5 Lancer House, Hussar Court, Westside View, Waterlooville, Hampshire, PO7 7SE. The Company is listed on the AIM market of the London Stock Exchange.

2. Basis of preparation and Accounting Policies

Basis of preparation

The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed companies, in the preparation of this half-yearly report.

This condensed, consolidated interim financial information for the six months ended 30 April 2018 does not comply, therefore with all the requirements of IAS 34, "Interim financial reporting" as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements of Harwood Wealth Management Group plc for the year ended 31 October 2017, which have been prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 October 2017 were approved by the Board of directors on 22 January 2018 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

Accounting policies

The accounting policies used in the preparation of the financial information for the six months ended 30 April 2018 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and are consistent with those which will be adopted in the annual statutory financial statements for the year ended 31 October 2018.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, as adopted by the EU, these financial statements do not contain sufficient information to comply with IFRSs.

Basis of consolidation

These interim consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 April 2018. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control may cease. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Restatement of comparatives

Revenue from network services, which is a network of Appointed Representative financial advisers comprises firstly the initial fees receivable from clients on inception of a new policy or investment product, and then the recurring service fees (trail income) that follow. On 1 February 2017, the Group acquired the entire share capital of Network Direct Limited (NDL). The initial accounting treatment for network services revenue arising from this acquisition were recorded in the H1 2017 unaudited interim results net of any Appointed Representative payments for services in connection with the initial or recurring fees. The accounting treatment was amended in the full year audited accounts following a detailed assessment of the commercial and legal arrangements in place.

The effect of the adjustment on the comparative figures is as follows:

	Revenue	**Cost of sales**	**Gross profit**
Period ended 30 April 2017	**£'000**	**£'000**	**£'000**
As previously reported	7,791	(2,934)	4,857
Adjustment	2,718	(2,718)	-
As restated	10,509	(5,652)	4,857

3. Exceptional items

In the period under review, some final deferred consideration payments in connection with prior period acquisitions were settled. These payments were contingent on actual recurring revenues received. At the time of completion, the deferred consideration was estimated based on the expected future recurring revenue. If the actual revenue is higher than expected, the final contingent consideration is also higher than the deferred consideration on the balance sheet and the difference is written off (or written on if the actual revenue is lower) to the profit and loss. The net write-off in the period was £123,000 (H1 2017: £20,000).

4. Taxation

An analysis of the income tax charge for the period is detailed below:

	6 Months ended 30-Apr-18 Unaudited £'000	6 Months ended 30-Apr-17 Unaudited £'000	Year ended 31-Oct-17 Audited £'000
Current tax			
Total current tax charge	497	356	769
Deferred tax			
Origination and reversal of temporary differences	(132)	(109)	(210)
Effect of change in tax rate	-	(67)	(67)
Total deferred tax charge	(132)	(176)	(277)
Total tax charge	365	180	492

5. Business combinations

In the period the Group completed the acquisitions of the entire share capital of Finance For Life Ltd (FFL), Anthony Harding & Partners Ltd (AH&P), Wealth Planning Services Ltd (WPL), AE Financial Services Ltd (AEFS) and Fund Management Ltd (FM) for a total consideration of £9.1m. The assets and liabilities acquired were as follows:

	FFL £'000	AH&P £'000	WPS £'000	AEFS £'000	FM £'000	Total £'000
Acquired client portfolio	1,080	1,283	363	5,063	1,234	9,023
Tangible assets	-	-	-	5	-	5
Receivables	-	-	-	63	-	63
Cash & cash equivalents	-	-	-	1,660	36	1,696
Trade and other payables	-	-	-	(1)	-	(1)
Accruals and deferred income	-	-	-	(29)	-	(29)
Current tax	-	-	-	(130)	(16)	(146)
Deferred tax	(183)	(218)	(62)	(861)	(210)	(1,534)
Net assets acquired	897	1,065	301	5,770	1,044	9,077
Goodwill arising	-	-	-	-	-	-
The business combination has been recognised as follows:						
Cash on completion	486	591	170	3,897	566	5,710
Contingent cash consideration	411	474	131	1,873	478	3,367
Total consideration	897	1,065	301	5,770	1,044	9,077
Less cash acquired	-	-	-	(1,660)	(36)	(1,696)
Total consideration less cash acquired	897	1,065	301	4,110	1,008	7,381

The initial accounting has not yet been completed in respect of all acquisitions and therefore the values are provisional.

In addition, four acquired client portfolios have been purchased in the period for a consideration of £1.8m, of which £1.0m was payable in cash on completion and the balance of £0.8m on deferred terms.

6. Earnings per share

Basic earnings per share are calculated using a weighted average number of shares of 62,542,927 for the period (H1 2017: 56,049,966). Adjusted EBITDA per share has also been shown, as it is a common metric used by the market to monitor similar businesses.

	6 Months ended 30-Apr-18 Unaudited £'000	**6 Months ended 30-Apr-17 Unaudited £'000**	**Year ended 31-Oct-17 Audited £'000**
Profit for the period	567	150	706
Income tax	365	180	492
Net finance expense	263	261	558
Depreciation	7	6	11
Amortisation	1,383	1,203	2,552
Exceptional items	123	20	-
Adjusted EBITDA	2,708	1,820	4,319
Statutory EPS - pence	0.91	0.27	1.19
Basic adjusted EBITDA per share - pence	4.33	3.25	7.28

7. 2017 dividends

On 10 November 2017 the Company paid an interim dividend of 1.00 pence per ordinary share totalling £0.6m.

At the Company's Annual General Meeting held on 18 April 2018, the Shareholders approved a final dividend of 2.24 pence per ordinary share totalling £1.4m payable on the 11 May 2018. This is included as a current liability in the consolidated statement of financial position for the six months period ended 30 April 2018.

All Ordinary Shares carry equal dividend rights.

As a holding company, the ability of the Group to pay dividends will principally depend upon dividends paid to it by its operating subsidiaries.