Harwood
Wealth Management Group plc

A clear vision for future growth

Annual Report & Financial Statements

For the year ended 31 October 2018

Harwood Wealth Management Group

We are a leading financial planning and discretionary wealth management firm. We have grown organically and through our proven acquisition model.

Through our large network of financial advisers, the Group offers a broad range of wealth management and financial planning services to our clients. Our clients range from affluent retail investors to larger companies.

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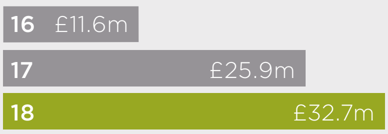
Highlights

	2018 £bn	2017 £bn	Change %
Asset Under Influence ("AUI")	4.8	3.8	**+26%**
Asset Under Management ("AUM")	1.7	1.2	**+42%**

	2018 £m	2017 £m	Change %
Revenue	32.7	25.9	**+26%**
Gross profit	15.1	11.2	**+35%**
Adjusted EBITDA*	6.1	4.3	**+42%**
Profit before tax	2.0	1.2	**+63%**
Cash inflow from operating activities	6.5	4.9	**+33%**
Basic earnings per share	1.91p	1.19p	**+61%**
Adjusted earnings per share**	7.92p	5.87p	**+35%**
Dividend per share	3.50p	3.24p	**+8%**

- Nine acquisitions completed in the period for consideration of £10.7m (£9.0m net of cash acquired)
- Cash balance at year end £13.6m, £4.2m available for acquisitions

£32.7m
REVENUE
+26% (2017: £25.9m)



£6.1m
ADJUSTED EBITDA*
+42% (2017: £4.3m)

£6.5m
CASH GENERATION
+33% (2017: £4.9m)

* Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and separately disclosed items. It is a non-IFRS measure which the Group uses to assess its performance and it is also commonly used as a performance measure by market commentators.

** Adjusted earnings per share are calculated on post-tax adjusted EBITDA.

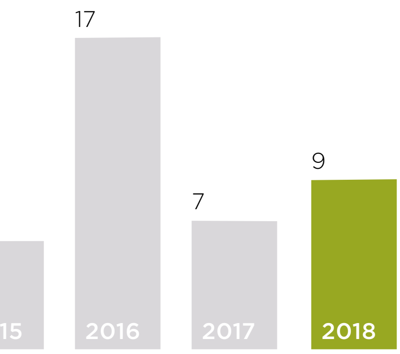
At a Glance

Our staff are experts in their sector and have cultivated quality client relationships over many years. When times are uncertain, or complexity abounds, clients turn to the people they trust.

OUR ACQUISITION MODEL

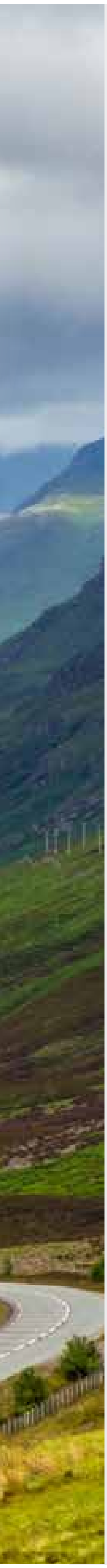
Our proven history of growth has been delivered through a mixture of organic and acquisitive growth and it is for the latter that we are best known. We have a successful record of acquiring financial advisory and wealth management businesses, built upon established processes and our sound reputation in the sector. Our proactive approach to acquisitions is complemented with organic growth from valued relationships with existing clients and from new clients who come to us via referral or our marketing initiatives.

69
BUSINESSES ACQUIRED TO DATE



£4.8bn
ASSETS UNDER INFLUENCE

177
FCA-REGULATED FINANCIAL ADVISERS



HOW WE DELIVER VALUE FOR OUR SHAREHOLDERS

1.
Profitable, highly cash generative business with a strong balance sheet and high levels of recurring revenue (70%+).

2.
Track record of delivery against strategy.

3.
Capitalising on opportunities for market consolidation and from regulatory change.

4.
Proven model of sourcing, executing and integrating acquisitions.

5.
Established platform for future growth.

6.
Experienced Board and senior management team.

OUR HISTORY

Harwood Wealth Management Group was listed on the Alternative Investment Market (AIM) of the London Stock Exchange in 2016 by bringing together Compass Wealth Management Group, the financial planning firm which was founded in 2001 by Neil Dunkley and Mark Howard, with Wellian Investment Solutions, the award-winning investment management business led by Alan Durrant, which was acquired immediately before the Group listed.

In August 2017, the Group acquired Network Direct Limited (Network Services), a national network of financial advisers, significantly expanding the Group's reach across the UK.

Since admission to AIM the Group has successfully grown AUI and AUM every year, maintaining its track record of profitable growth and strong cash generation.

THE GROUP COMPRISES THREE DIVISIONS

Harwood
Wealth Management Group plc

Financial Planning

We provide independent financial planning services throughout the UK, both to retail investment clients and to companies. The wealth management and financial planning services offered by our financial advisers include investment, pension and retirement planning, tax and inheritance planning, life cover and family protection and mortgages. The advice is provided by our employed and self-employed advisers, under our own brands.

Investment management

We offer investment management services to clients of our Financial Planning and Network Services divisions. We also offer Discretionary Investment Management services to external financial advisers and operate the Discovery range of Multi Manager funds.

Network Services

We operate a network of Appointed Representatives who essentially provide the same advice as our Financial Planning division, but under the Appointed Representatives' own brands. The Appointed Representatives have access to our range of bespoke investment management products and services which they can offer to their clients.

Chairman's Statement

"We have built our market presence further this year, in a sector which remains buoyant and has seen no significant new entrants."

STRONG GROWTH MOMENTUM CONTINUES

I am very pleased to report on another year of strong growth with adjusted EBITDA having increased by 42% on the prior year. This is ahead of the Board's expectations set at the start of the year.

We have made nine acquisitions over the period, many of which were larger than those acquired in the previous year, spending a total of £10.7m. Alongside this, we continued to drive organic growth, growing the external investment mandates under our management and benefitting from investment in our fund management products by clients of the advisers who joined the Group as a result of previous years' acquisitions. This year, AUI increased by 26% to £4.8bn and AUM by 42% to £1.7bn, continuing to demonstrate the Group's increasing scale.

CONTINUED DELIVERY

Nearly three years on since listing, we are proud to have consistently delivered growth year-on-year of over 25% in revenue and over 40% in adjusted EBITDA. This performance has been driven by executing our simple, three-pronged strategy: driving organic growth, acquiring financial advisory or wealth management businesses and increasing operational efficiency. In line with our strategy, the Group has maintained a consistently high level of recurring revenue which in 2018 exceeded 70%.

£6.1m
ADJUSTED EBITDA
+42% (2017: £4.3m)

£10.7m
SPENT ON ACQUISITIONS
(2017: £2.3m)

26%
INCREASE IN ASSETS UNDER INFLUENCE

Our consistency of delivery is Harwood's greatest strength. Similarly, we believe our longstanding reputation as a quality acquirer, which demands high standards, has led to Harwood being viewed as one of the leading consolidators in the industry. We have built our market presence further this year, in a sector which remains buoyant and has seen no significant new entrants.

STRENGTHENED CORPORATE GOVERNANCE

The changes made to the roles of certain Board members in April this year were in line with our interpretation of the forthcoming changes to the Senior Managers and Certification Regime and were part of the Group's continuing evaluation of how best to organise its internal structure and reporting lines. I am pleased to say that the new reporting structure is working well and all members of the management team who were allocated new roles have excelled in them thus far. Alan Durrant, who took on the role of sole CEO, has continued to show strong leadership in corporate strategy, whilst Neil Dunkley remains key in driving growth in Financial Planning as Managing Director of Financial Planning and Network Services. We are delighted to have found an experienced interim CFO with the appointment of Gillian Davies and are very pleased that our former CFO, Nick Bravery, has continued to contribute to the strategic direction of the business as Company Secretary.

As a quoted company traded on the AIM market of the London Stock Exchange, we understand the importance of sound corporate governance and of adopting principles of good governance across the business. In September, the Board reaffirmed its commitment to good corporate governance by adopting and applying the Quoted Companies Alliance (QCA) Corporate Governance Code 2018.

A PROGRESSIVE DIVIDEND

In line with our progressive dividend policy, we paid an interim dividend of 1.08 pence per share and the Board will be recommending a final dividend of 2.42 pence per ordinary share, bringing the full year dividend pay-out to 3.50 pence, an increase of 8%.

WELL POSITIONED FOR THE YEAR AHEAD

Having successfully navigated through many periods of uncertainty since its inception, the Group is used to continually growing the business under sometimes difficult circumstances. The current economic and political climate, particularly around Brexit, will be monitored closely. We are in the strong position of benefitting from complexity and change, key factors which drive clients to use our services.

I would like to thank our management, staff and partner advisers for another successful year and our Shareholders for their continued support.

We look forward to updating the market on our performance in 2019 in due course.

Peter Mann

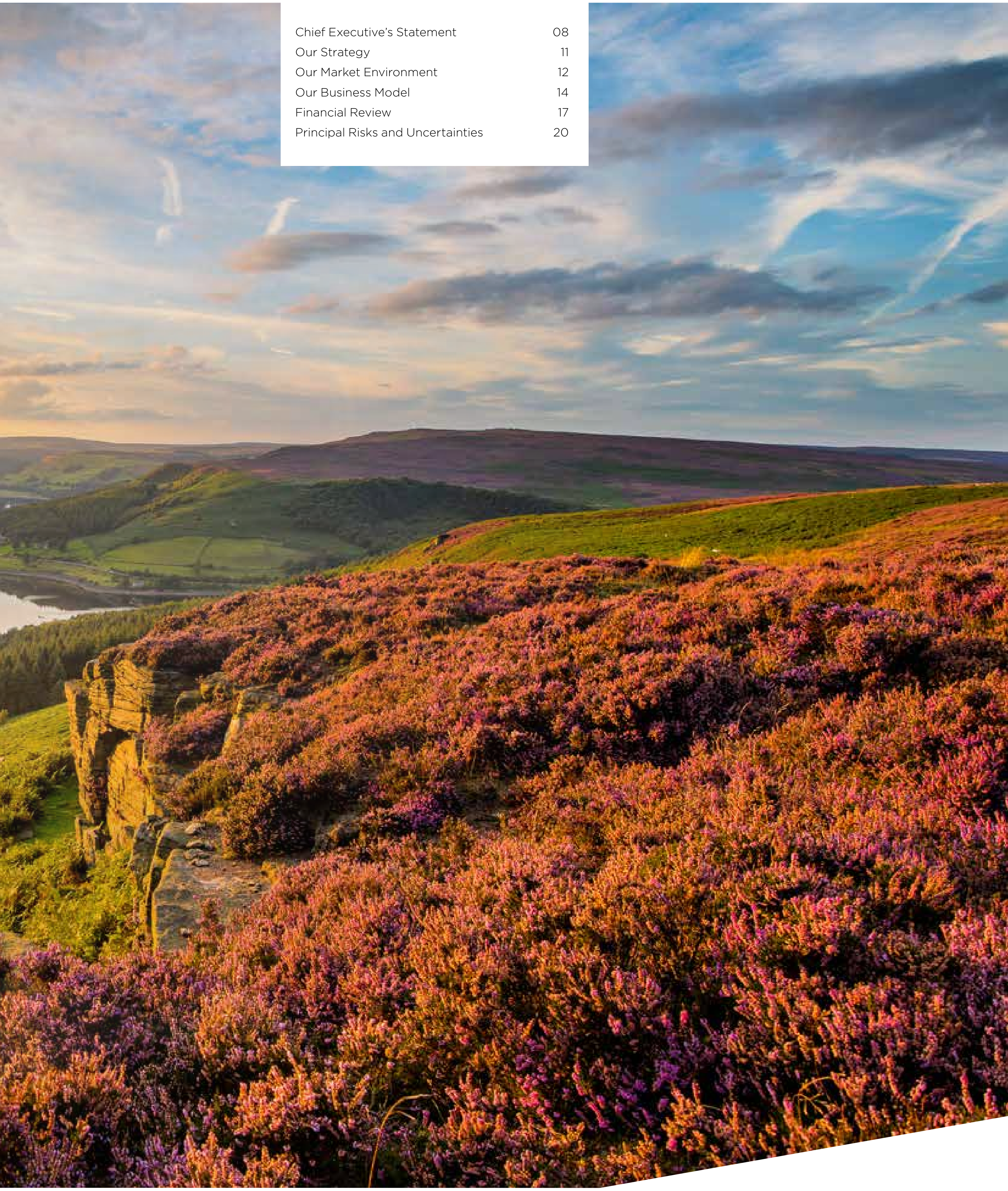
Chairman

22 January 2019

Strategic Report

The Harwood view

We are a trusted partner to our advisers. They know they can rely on Harwood for our truly client-first culture, strict governance procedures and industry expertise.



Chief Executive's Statement

"Growth has been delivered against the backdrop of an unpredictable market which has been more volatile than previously seen since listing, prompted, in part, by the vagaries of the current political climate."

I am very pleased to be able to report another strong set of results this year. Revenue grew by 26% to £32.7m (2017: £25.9m) and we generated £6.1m of adjusted EBITDA (2017: £4.3m), an increase of 42%. At 31 October 2018, our Assets Under Influence ("AUI") were at £4.8bn (31 October 2017: £3.8bn) and Assets Under Management ("AUM") were at £1.7bn (31 October 2017: £1.2bn). These strong results were again driven by progress across all our three divisions.

Growth has been delivered against the backdrop of an unpredictable market which has been more volatile than previously seen since listing, prompted, in part, by the vagaries of the current political climate. These results are testament to both our expertise in our sector and unwavering focus on the execution of our strategy.

Below is a detailed review of the key drivers to delivering this strong performance in line with our stated strategy.

PERFORMANCE AGAINST STRATEGY: GROWTH FROM ACQUISITIONS

This year we have continued to deliver on the acquisition of several high-quality businesses. We deployed £10.7m (£9.0m net of cash acquired) on nine acquisitions, a considerable acceleration compared with the £2.3m invested on seven acquisitions in the previous financial year. With acquisitive growth, the Group benefits through both the immediate fee income for providing advice and the expectation that a proportion of these assets will come under our management in time, when our investment management solutions are right for the needs of clients.

Acquisitions made during the year accounted for 7% growth in revenue in the current year. Several of the acquisitions were larger than those completed during previous years, demonstrating the Group's growing scale and buying power. In addition, the full-year impact of acquisitions (predominantly Network Services) completed during the prior

9
ACQUISITIONS IN 2018
(2017: 7)

26%
GROWTH IN REVENUE IN THE CURRENT YEAR

year, contributed 12% growth in revenue in 2018. A key part of our business model is to ensure the successful integration of acquisitions following their purchase. I am pleased with the integration progress that has been made during 2018, to make Harwood a professional, productive home to all our new employees, partner advisers and clients.

The Group has a proven acquisition process and we believe that this methodology is vital in the successful purchase, integration and management of acquisitions.

We continue to look for small to medium sized financial advisory and wealth management businesses to acquire, with a view to completing as many as possible each year, whilst following our robust acquisition processes. The upper size limit of the prospective acquisitions we are looking at has increased as a positive consequence of the IPO and the number of businesses now approaching us as vendors demonstrates our strong position in the marketplace. The Group has signed heads of terms in respect of two acquisitions and has issued proposals or heads of terms for a further six. In addition, since the year end, the Group has exchanged contracts in relation to the acquisition of GD White for a total consideration of c£1.5m.

The pool of potential acquisition targets shows no sign of diminishing and the factors driving IFA consolidation remain. Smaller IFAs continue to face the challenges of an ever greater regulatory and compliance burden which now includes MiFiD II, GDPR and soon SMCR. For advisers approaching retirement, the opportunity to sell their business to someone with the established resources, technology and infrastructure to provide seamless operations, compliance and technical support for their clients is a compelling one.

PERFORMANCE AGAINST STRATEGY: ORGANIC GROWTH

Net organic growth contributed 7% of the revenue growth in the year. We aim to deliver organic growth through: growing our AUI in the Financial Planning business by increasing the number of clients and advisers, as well as advising on a larger share of the clients' wealth; growing our AUM by increasing the proportion of our clients' wealth that we manage through our Investment Management businesses as well as winning external investment management mandates.

Growth from existing clients has been driven by continued trends seen in financial services and the ongoing need for professional financial advice. These include increased pension freedoms, an ageing population and the growing complexity of regulation and legislation. All these trends serve to cement and grow client relationships with advisers that they trust, underpinning Harwood's positive attitude towards change.

We continue to bring new clients into our investment management businesses, primarily through two routes. The first route is those clients who migrate from solely seeking financial advice to also becoming clients of one of our investment management businesses. The increase in our AUM is testament to the quality of Harwood's fund management products and how well they suit our advisers' needs and those of our clients. We work very closely to partner with our advisers, building them a range of solutions appropriate for a broad range of client requirements. The second route is through external mandates, where customers come in immediately through the fund management division. The mandate won in February this year, to provide the portfolio research element of Frenkel Topping's investment management services, is a prime example of delivery on this element of the growth strategy. Our ability to deliver tailored investment solutions combined with a high level of personal service has led to continued strong growth in our external mandates.

Network Direct Ltd (which is our Network Services division) was acquired in February 2017 in order to leverage our investment solutions to the benefit of their advisers and clients, as well as expanding our reach across the UK. We have used our existing investment management resource to design bespoke investment management products specifically to tailor to the wants and needs of the Network Services advisers, dovetailing their well-established advice and operations processes. These new products have been supported by extensive training seminars and individual meetings with Network Services advisers to give them the tools and confidence they need to recommend the NDL Blended Solutions to their clients. Although uptake has taken somewhat longer than originally expected, we have been seeing steady monthly flows of new business over the last year and the fees from this flow straight through to our EBITDA as it utilises our existing investment management resources.

Chief Executive's Statement continued

Historically, another factor in driving organic growth has been the rise in asset markets. With the volatility of the markets over the period this has been a headwind rather than a tailwind with the FTSE 100 falling during the period by 4.8%. However, it would be wrong to think of our clients' assets as being directly linked to the performance of the FTSE 100 and our revenue rising and falling in lock-step with a single benchmark. The vast majority of our clients are in Cautious, Balanced and Income portfolios which are diversified across different sizes of companies both in the UK and internationally, fixed income, property and absolute returns. This diversification, which is aimed at reducing volatility for our clients, also produces a smoother revenue stream for us.

PERFORMANCE AGAINST STRATEGY: EFFICIENCY IN OPERATIONS

We continue to work on improvements across our internal operations, making sure they are suitably efficient and robust for the next stage of growth. Due to the highly regulated nature of our industry we take a measured approach to internal change, gradually implementing new initiatives to bring out efficiency gains in a controlled manner. An important part of this strand of our strategy is the diligent and consistent review of processes to ensure they are in line with best practice.

Over the year we have restructured in line with the upcoming Senior Managers and Certification Regime, introduced to increase individual accountability within the banking sector. Across the business we have implemented leadership teams to pool resources and improve best practice. As part of this, Network Services has been brought under the leadership of Neil Dunkley as this will provide further support to the current management team. We are pleased with how the new management structure has performed since these changes were made and are confident that we now have the necessary corporate structures in place for further well-managed growth.

OUTLOOK

In 2018, we have again delivered against all three elements of our strategy, growing from our existing clients and bringing in new clients, expanding via acquisition and driving efficiency in our operations.

Notwithstanding the recent weakness in the markets, in the early part of our 2019 financial year each division has shown growth compared to the same period in the prior year. We have a healthy pipeline of acquisitions at an advanced stage, including several potentially larger deals. As always, we will aim to buy businesses that present not only the best financial opportunity but also the best cultural fit. The Directors are continuing to review both debt and equity financing options.

Whilst the current political and economic climate, most noticeably Brexit, brings uncertainty, the senior management team has, between them, decades of experience in dealing with differing economic and political environments. As we have demonstrated historically, we believe we are well positioned to weather changes in the global economic landscape. We are confident in the Group's outlook with a strengthened management team and opportunities to continue to deliver growth both organically and through acquisition. I would like to thank all of our clients, partners, colleagues and stakeholders, who continue to support us in our journey.

Alan Durrant
Chief Executive Officer

22 January 2019

Our Strategy

OUR STRATEGY

We seek to create sustainable value by continuing to execute our simple strategy:

1. drive organic growth from existing and new clients;
2. the effective purchase and integration of acquisitions; and
3. improving efficiency.

1. ORGANIC GROWTH

EXISTING CLIENTS

WHAT THIS MEANS

Growth from existing clients accumulating and inheriting wealth, by increasing the proportion of their wealth that we manage and/or from the greater number of 'advice points' following regulatory and/or legislative change.

HOW WE DO THIS

By building long-term, trusted relationships with existing clients, we aim to be the first port of call for additional requirements for financial advice, investment management and administration services.

We also aim to drive growth by reactivating dormant clients from the client lists of businesses we have acquired.

By offering a broader range of products and services we aim to capture revenue that would otherwise have gone to external providers.

NEW CLIENTS

WHAT THIS MEANS

New clients organically enquiring directly with one of the Group's existing FCA-regulated financial advisers or registered individuals is the primary way in which we organically grow individual practices.

Growth from other regulated financial advisers approaching us to seek assistance in supporting their own clients.

HOW WE DO THIS

By driving word-of-mouth referrals and local marketing initiatives to benefit from inbound enquiries as more individuals seek financial advice and to attract additional regulated financial advisers and registered individuals to the Group.

We also seek to attract further external advisers to our portfolio management services with articles in trade publications.

2. GROWTH FROM ACQUISITIONS

WHAT THIS MEANS

Growth from asset or share purchases.

Effective integration of acquisitions into the Group allows Harwood to retain advisers and their client relationships.

HOW WE DO THIS

We target small to medium-sized financial advisory and wealth management businesses and also consider larger opportunities should they arise. We have acquired 69 businesses to date.

Our reputation as a cash buyer attracts prospective vendors, directly, or via personal or professional networks. Professional brokers are the primary source of deals, supplemented by inbound enquiries.

3. EFFICIENCY IN OPERATIONS

WHAT THIS MEANS

Efficiency through operating leverage from our size and scalable infrastructure, enabling good client outcomes, investment, enhancing productivity and allowing competitive pricing.

HOW WE DO THIS

By integrating acquisitions into our centralised infrastructure, we strive to generate better outcomes for clients and efficiencies through our scale, locations and expertise.

Our Investment Management businesses have been built as multi-manager to provide excellent economy of scale and allow us to add Assets Under Management with little increase in costs.

Our Market Environment

We continue to see a favourable outlook for investment management and financial advisory services, with regulatory and other macro drivers influencing demand and supply.

There is an increasing need for advice and decreasing supply of firms capable of meeting the challenges surrounding providing that advice.

As a business which is well-regulated, open, honest and strives to do the best for our clients, as well as one with the benefit of scale and an experienced management team, we are well-positioned to capitalise on these drivers.

LONG-TERM TRENDS

Ageing population

Across the UK, life expectancy has increased for many years. Our clients who are approaching or in retirement tend to be of a generation with substantial personal wealth which they may choose to invest. Total investable assets of the UK population have grown steadily over the years and we believe they will continue to do so.

Increasing need for financial self-reliance

Historically, individuals were able to rely on the government and employers for their pensions. As the State Pension Age has been pushed back, defined benefit schemes have become a thing of the past for most people in the private sector, as a result, the auto-enrolment society has had to become increasingly self-reliant and therefore take more consideration in its financial planning.

Low interest rates

In the context of a prolonged period of low interest rates, clients are likely to have a greater need for guidance to generate returns on their savings and investments.

Important choices to make in an increasingly complex landscape

Clients who are saving for their retirement, are at retirement or post retirement have important choices to make. That goes beyond the choice of which assets to invest in to generate returns appropriate for their risk and income requirements. They also face the choice of investing via SIPPs, personal pensions, ISAs, onshore bonds, offshore bonds, General Investment Accounts and IHT efficient structures. Each will come with very different characteristics and the appropriate choices can make a very real difference to their retirement and to the assets that they can pass on through their estate. These choices are difficult to make and an apparently minor mistake can have severe consequences which may prove impossible to reverse. This is why clients seek ongoing advice in a changing tax and legislative landscape.

Pressures on advisory firms

There are several burdens weighing on smaller advisory firms: regulatory, financial and technological. All of these pressures are working together to make it harder for firms to provide quality advice in the way the regulator requires and which will have the best outcome for clients.

RECENTLY FORMED MARKET DRIVERS

MiFID II

MiFID II was implemented in January 2018, as a package of EU regulatory reforms. Asset managers now have to pay for the research they use to make investment decisions, separately to payment of trading commission. Our investment management businesses do not rely heavily on sell-side research and therefore the impact on us has been slight.

There is also a significantly enhanced requirement for disclosure by advisers and product providers that will show clients the fees they are paying. As an industry and as a business it is our responsibility to very clearly demonstrate the service we are delivering in return for those fees and the value that we create and preserve when advising on and managing our clients' wealth.

FCA's Asset Management Review

The review, published in 2017, investigated transparency and competition in the sector. A number of proposals around how fees are charged and disclosed to investors were suggested, with the FCA stating that reforms would be implemented in a number of stages. There will also be enhanced responsibility to demonstrate value for money and clarity of objectives and for the process to be given further independent oversight from two new Non-Executive Directors that each asset management company will have to appoint. We believe that there is likely to be some cost increase as a result of this, but not a substantial one.

Financial Advice Market Review

Published in 2016, the Financial Advice Market Review set out 26 recommendations aimed to stimulate the development of a market that provides affordable and accessible financial advice and guidance for everyone at all stages of their lives.

Pension freedoms

2015 saw the introduction of pension reforms that sought to provide greater flexibility for pensioners. Instead of being required to purchase an annuity or receive benefits directly from employer sponsored schemes, pensioners now have the option of remaining invested during retirement and in so doing, continue to require advice, administrative support and guidance from wealth management professionals.

PROPOSED AND EMERGING MARKET DRIVERS

Pensions dashboard

Government, regulators and businesses in the pensions industry are all trying to make "Pensions Dashboards" (an online tool covering all the schemes one person may have), available from 2019, in an aim to increase engagement. We do not currently expect any impact from these changes.

FCA's Investment platforms market study

The FCA's final report on investment platforms is due to be published in quarter one 2019. The interim report suggested that competition between platforms is not working well for certain groups of consumers. We do not currently expect any impact from these changes.

Rise of "robo-advisers" and automated propositions

Some wealth management firms, fund managers and platforms have sought to develop automated propositions to cater for clients currently falling in the 'advice gap'. While these low-cost solutions will appeal to some consumers, others will continue to value the trusted, tailored advice offered as part of a holistic service. We believe that whilst these solutions will suit certain clients, the core of our advice model will remain face-to-face for the foreseeable future.

Our Business Model

Our industry expertise, strict governance procedures and entrepreneurial, client-centric culture allow us to provide the highest quality of service to our end customers.

We are a trusted partner to our stakeholders and we have a clear growth strategy in place to increase value for all: clients, Shareholders, employees and adviser partners. Through acquisition and by leveraging our centralised, scalable infrastructure we aim to enhance the Group's market position and reach, increase the quality of our services, grow earnings and provide a trusted, family-feel environment for all those we work with.

WHAT WE DO

FINANCIAL PLANNING

We offer services through financial advisers, who in turn provide high-quality financial solutions and advice to retail and corporate clients. Services include pensions, savings, investment and life insurance related advice.

INVESTMENT MANAGEMENT

We offer investment management services to clients of our Financial Planning and Network Services divisions. We also offer Discretionary Investment Management services to external clients and operate the Discovery range of Multi Manager funds.

NETWORK SERVICES

We operate a network of Appointed Representatives who essentially provide the same advice as our Financial Planning division, but under the Appointed Representatives' own brands. The Appointed Representatives have access to our range of bespoke investment management products and services which they can offer to their clients.

CLIENTS

OUR VALUES

These words represent the values which are at the heart of the business. They guide the Group's principles and how it interacts with customers, employees, advisers, suppliers and investors. This philosophy is reflected in the culture of the Group.

- TRUST
- VALUE
- RESPECT
- KNOWLEDGE
- WISDOM
- ACCESSIBLE
- PROFESSIONAL

ADVISERS

OUR APPROACH

Who:
We work with clients including mass affluent individuals and corporate clients.

How:
We expand our client reach through referrals, winning external mandates and by clients coming to us seeking our help and advice.

Underpinned by:

- Excellent client service
- Thoroughly researched investment products
- Strong relationships
- Specialist knowledge

Who:
We work with financial advisers including employed, self-employed and registered individuals.

How:
We expand our adviser base through acquisition, recruiting new advisers and through additional Appointed Representatives in Network Services.

Underpinned by:

- Our centralised infrastructure and compliance offering
- Competitive remuneration
- Positive, value-driven culture

Our Business Model continued

HOW WE CREATE VALUE

We create value from diversified revenue streams, acquisition synergies and economies of scale – and share this with our stakeholders.

Economies of scale

Our centralised structure allows us to apply robust processes and to drive efficiencies.

Our multi-manager approach allows us to provide investment management to internal and external clients with little marginal cost.

We drive operating leverage from our centralised, scalable infrastructure supporting local offices.

Acquisition synergies

The majority of growth in AUI has been achieved via acquisition. We target small to medium-sized financial advisory and wealth management businesses and also consider larger opportunities should they arise. We generate synergies by increasing the revenues from acquired client lists and by reducing the cost of servicing those clients.

Client fees

We earn fees for the provision of financial advice services and for the related management of client funds. The majority of fees are recurring.

THE OUTCOMES OF OUR MODEL

A growing number of clients, who truly trust our service

- Strong long-term investment performance
- Excellent service
- 70%+ recurring revenues

Our Shareholders owning a growing business

- Strong cash generation
- Track record of profitable growth
- 3.50 pence per ordinary share dividend in respect of 2018 (2017: 3.24 pence)

An expert adviser base

- Access to great investment products
- Full regulatory training
- Entrepreneurial base

Employees with a strong future

- Attractive career prospects
- Competitive remuneration and benefits

The Harwood difference

OUR CLIENT-CENTRIC APPROACH

Our success is entirely driven by the experience of our clients

We serve our clients in the way they want to be treated.

Our goal is always to treat our customers fairly, making sure that they are listened to, receive a genuinely bespoke service and know they can trust us.

Understanding our clients underpins our ability to help them

We aim to truly understand and respond to our clients' needs.

Getting clients the best outcome possible for what they require is always front of mind. By thoroughly understanding clients' attitude to risk, future plans and view of the world, we can map out the best solution for them.

Our clients are what drives us to be better

In order to provide this top quality service, it is necessary to have the expertise, the tools and financial solutions at hand and the support of a robust compliance process. Our vertically integrated model and the expansion of the business through our growth strategy, allows our advisers to focus fully on what they do best, ultimately improving our client offering.

WHAT SETS US APART

Our offer is structured such that our advisers are able to offer financial solutions tailored to their clients' needs whilst receiving excellent support.

Our culture and mindset blend the rigorous processes of a larger group with an entrepreneurial, dynamic and family feel.

'Treating Customers Fairly' sits at the heart of everything we do.

Financial Review

> **"Each of the Group's three divisions achieved growth in the year. Financial Planning revenue increased by 13%, reflecting the impact of acquisitions made in the first half of the year."**

ASSETS UNDER INFLUENCE AND ASSETS UNDER MANAGEMENT

The Group's total Assets Under Influence ("AUI") in the financial year increased by 26% to £4.8bn (2017: £3.8bn).

Assets Under Management ("AUM"), (a component of AUI), increased by 42% to £1.7bn (2017: £1.2bn). The discretionary fund management business, Wellian Investment Solutions, performed strongly and increased its AUM to £977m (2017: £627m). The advised investment management business, IMS Capital, increased its AUM to £698m (2017: £587m).

GROUP RESULTS

	2018 £m	2017 £m	Change %
Revenue	32.7	25.9	+26%
Gross profit	15.1	11.2	+35%
Gross profit %	*46%*	*43%*	
Administrative expenses (pre-depreciation and amortisation)	(9.0)	(6.9)	-31%
Adjusted EBITDA	6.1	4.3	+42%
EBITDA %	*19%*	*17%*	
Depreciation and amortisation	(3.3)	(2.5)	-32%
Separately disclosed items	(0.2)	–	n/a
Operating profit	2.6	1.8	+44%
Finance expense	(0.6)	(0.6)	0%
Profit before tax	2.0	1.2	+63%

REVENUE

Group revenue in the year increased by 26% to £32.7m (2017: £25.9m). As a result of following the Group's strategy the revenue growth derives from the following:

- the full-year effect of acquisitions that were completed in the 2017 financial year;
- the part year effect of acquisitions completed in this financial year;
- the growth in AUM;
- new business derived from newly acquired and existing client portfolios;
- any change in the number of financial advisers; and
- any movement in market asset values.

The divisional split of Group revenue is set out below:

	2018 £m	2017 £m	Change %
Financial Planning	14.6	12.9	+13%
Investment Management	4.5	3.2	+42%
Network Services	13.6	9.8	+39%
	32.7	25.9	+26%

Each of the Group's three divisions achieved growth in the year. Financial Planning revenue increased by 13%, reflecting the impact of acquisitions made in the first half of the year. Investment Management revenue increased by 42% in line with the 42% increase in AUM during the year. Network Services revenue increased by 39%, representing a full year of revenue from the business which was purchased in February 2017, as well as organic growth.

GROSS PROFIT

Gross profit in the year increased by 35% to £15.1m (2017: £11.2m) and the gross profit percentage increased to 46% from 43% in the prior year. This is analysed by division below:

	2018		2017	
	£m	GP%	£m	GP%
Financial Planning	9.6	66%	7.4	57%
Investment Management	4.2	92%	3.0	93%
Network Services	1.3	9%	0.8	8%
	15.1	46%	11.2	43%

Financial Planning gross profit percentage increased to 66% from 57%. This was due to the higher gross profit from some acquisitions where clients are serviced through employed financial advisers, whose costs are included within administrative expenses. In addition, some retiring self-employed advisers have been replaced by employed advisers during the year. Investment Management and Network Services were at a similar level to the gross profit percentage achieved in the prior year.

ADMINISTRATIVE EXPENSES

Administrative expenses (excluding depreciation and amortisation) were £9.0m (2017: £6.9m), an increase of 31% compared to 2017. The increase predominantly represented an increase in employment costs of £1.6m to support growth. In addition, there were modest increases in IT, legal and professional and property costs.

FINANCIAL ADVISERS AND STAFF HEADCOUNT

The number of financial advisers (employed, self-employed and Network Services members) was 177 (2017: 179).

Staff headcount increased from an average of 113 to 136 across the Group (excluding self-employed advisers and Network Services Members).

ADJUSTED EBITDA

Adjusted EBITDA increased by 42% to £6.1m (2017: £4.3m) and the adjusted EBITDA percentage increased to 19% (2017: 17%).

OPERATING PROFIT

Operating profit increased by 44% to £2.6m (2017: £1.8m) after charging separately disclosed items of £0.2m (2017: no charge) and amortisation of £3.3m (2017: £2.5m). The separately disclosed items were in respect of increased deferred payments relating to acquisitions. The increase in amortisation reflected the impact of acquisitions (see note 19).

NET FINANCE EXPENSES

Net finance expense was £0.6m (2017: £0.6m). This related to the unwinding of discount on contingent consideration relating to acquisitions.

TAXATION

The current corporation tax charge in the period was £1.1m (2017: £0.8m), offset by a deferred tax credit of £0.3m (2017: £0.3m) related to intangible asset amortisation of acquired subsidiaries. The effective tax rate of 39% (2017: 41%) was significantly higher than the UK corporation tax rate at 19%, reflecting expenses which did not qualify for income tax deduction (principally amortisation). Tax paid was £1.1m (2017: £1.2m).

EARNINGS PER SHARE

Basic and diluted earnings per share were 1.91p (2017: 1.19p), an increase of 61%.

Adjusted earnings per share were 7.92p (2017: 5.87p), an increase of 35%. This is lower than the increase in adjusted EBITDA due to an increase in the average number of shares in issue.

DIVIDENDS

The Board has proposed a final dividend of 2.42p (2017: 2.24p), which together with the interim dividend of 1.08p (2017: 1.0p), gives a total paid and proposed dividend relating to 2018 of 3.50p (2017: 3.24p), an increase of 8%, in line with its progressive dividend policy. The final dividend is subject to the approval of the Company's Shareholders and will be paid on 10 May 2019 to Shareholders who are on the register at close of business on 26 April 2019.

ACQUISITIONS

During the year the Group completed a total of nine acquisitions, which included the client portfolios of four independent financial adviser businesses and a further five client portfolios through the purchase of the entire issued share capital of similar businesses. Aggregate consideration was £10.7m (£9.0m net of cash acquired). This consideration comprised £6.6m of cash due on completion and discounted deferred consideration of £4.1m which is due to be paid over the next two years. Deferred consideration is payable based upon the trail income from the client portfolio acquired and may be increased or decreased compared to the actual amounts provided.

CASH

The Group had cash of £13.6m at 31 October 2018 (31 October 2017: £19.0m). The Group generated £6.5m of cash inflow from operating activities (2017: £4.9m), representing a strong adjusted EBITDA cash conversion rate for the year of 107%. Cash of £8.8m (2017: £4.0m) was paid in the year in respect of acquisitions: £4.9m (2017: £1.4m) initial consideration (net of cash acquired) and £3.9m (2017: £2.6m) deferred consideration. Dividends paid to Shareholders in the year totalled £2.0m (2017: £1.3m).

The Group has c£4.2m of cash available for acquisitions after excluding deferred consideration, dividends and capital adequacy requirements.

FINANCIAL POSITION

The Group had net assets at the end of 2018 of £25.9m (2017: £26.8m), including net cash as summarised above of £13.6m. The Group remains in a robust financial position to continue to pursue its strategy of organic growth and acquisitions.

EVENTS AFTER THE REPORTING DATE

2018 interim dividend

The 2018 interim dividend of 1.08p per share was paid to Shareholders on 9 November 2018, totalling £0.7m.

Acquisition of GD White (Independent Financial Advisers)

On 18 January 2019, the Group exchanged contracts to purchase the trade and assets of GD White (Independent Financial Advisers). The purchase price is expected to be c£1.5m, payable 50% on completion (expected to be on 1 May 2019) and a further two instalments of 25% and 25% which are due to be paid on the first and second anniversaries of completion, contingent upon results.

Gillian Davies

Interim Chief Financial Officer

22 January 2019

Principal Risks and Uncertainties

RISK MANAGEMENT

We have a formal risk management system that provides a structured process for identifying, evaluating and mitigating risks deemed by the Board as being of significant relevance to the Group in view of its risk profile and risk appetite. The process seeks to understand and mitigate, rather than eliminate, risks and therefore can provide reasonable rather than absolute assurance against loss. The Audit Committee regularly reviews the register of principal risks and uncertainties, which is maintained on behalf of the Board by the Head of Regulatory Compliance (previously by the Chief Financial Officer). The Board receives regular Audit Committee updates at Board meetings, including a review of the Risk Register.

The risks and uncertainties described below are those considered by the Board most likely to impact our ability to deliver our strategy:

Risk	Description	Key mitigators	Trend
Business and Strategic Risks			
Regulatory change & FCA guidance	Changes to the regulatory framework and/or FCA guidance may impact our ability to grow and may increase regulatory costs such as Professional Indemnity insurance, FCA fees and levies.	• Regular updates provided to the Board on the status and potential impact of imminent regulatory changes • Active dialogue with regulators and industry bodies • Appointment of Head of Regulatory Compliance to the senior management team • Regular external compliance audits	→
Investment performance	Volatility in capital markets may adversely affect trading activity and/or the value of the Group's assets under administration or management, from which we derive revenues. Increased levels of political and economic uncertainty arising from the UK's exit from the EU.	• Diversified range of flexible investment products, designed to deliver value to clients in all market conditions • Investment model with explicit risk parameters	↑
Growth through acquisition	Our ability to identify suitable targets and execute transactions is not assured. Expansion of the business may place additional demands on the Group's management, administration and infrastructure and may call for additional expenditure.	• Risk appetite set by the Board • Rigorous process for screening prospective targets • Independent legal, accounting and regulatory due diligence where appropriate • Track record of successfully integrating businesses and treating clients fairly	→

Risk	Description	Key mitigators	Trend
Operational Risks			
Ability to attract and retain key people	Loss of key management or other key personnel (including regulated financial advisers) could have adverse consequences for the Group's performance.	• Equity ownership among Directors • Competitive remuneration structure • Attractive working environment	→
Business continuity and disaster recovery	A physical event or system failure could impair our ability to perform core business activities.	• Disaster recovery and business continuity plans, both for the Group and key suppliers • Transition of IT systems to cloud based environment	→
Client privacy, data protection and online security	We may be subject to IT security breaches or collusion to defraud, launder money or other illegal activities.	• Anti-money laundering procedures • Processes to protect against fictitious transactions or collusions • Appointment of external cyber security expertise	→
Misconduct	We are exposed to the risk of being bound to transactions exceeding authorised risk limits, unsuccessful transactions being concealed, or the misuse of confidential information, resulting in regulatory sanctions.	• Rigorous internal risk management processes • Professional indemnity insurance • Restrictive covenants to protect against the risk of former employees and/or self-employed advisers taking clients with them	→

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development and performance, the principal risks, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic Report on pages 8 to 21. In addition, notes 23, 27 and 28 set out the Group's objectives for managing its capital, its financial instruments and its exposures to the market, credit and liquidity risk.

Based on this assessment, the Board has, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue to operate for a period of at least twelve months from the date of this report. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

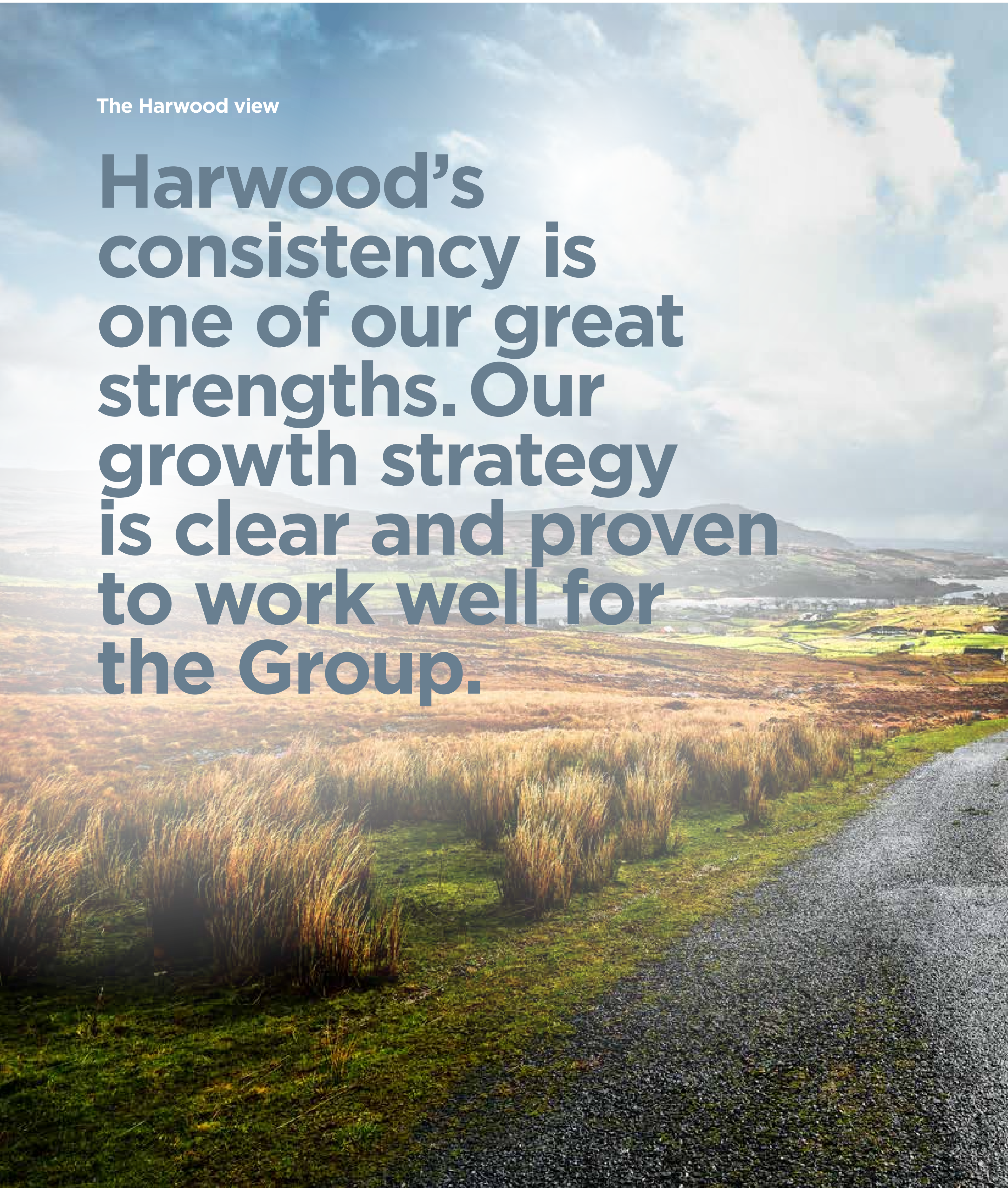
Alan Durrant
Chief Executive Officer

22 January 2019

Gillian Davies
Interim Chief Financial Officer

22 January 2019

Governance



The Harwood view

Harwood's consistency is one of our great strengths. Our growth strategy is clear and proven to work well for the Group.

Board of Directors

The Group's co-founding Directors, Mark Howard and Neil Dunkley, have spent their careers in the financial advisory sector and they remain fully committed as Executive Directors. Their experience is complemented by Alan Durrant's investment management background and Gillian Davies' experience as a finance director across listed and private businesses. The Non-Executive Directors – Peter Mann, Christopher Mills and Paul Tuson – add a considerable wealth of financial services, investment and listed company experience. The Board believes that this combination of skills and knowledge provides the Group with the leadership necessary to achieve the Group's strategy of profitable growth.

Brief biographical details of the Directors are set out below.

			
	PETER MANN (60) **Non-Executive Chairman**	**ALAN DURRANT (46)** **Chief Executive Officer**	**NEIL DUNKLEY (45)** **Managing Director Financial Planning**
COMMITTEE MEMBERSHIP	Audit Remuneration		
BACKGROUND AND RELEVANT EXPERIENCE	Peter was appointed Vice Chairman of Old Mutual Wealth following his time as Managing Director UK, when the Skandia businesses merged in 2012 to form Old Mutual Wealth. Prior to that he was CEO of Skandia UK, the UK's largest retail platform, overseeing rapid growth over a five-year period. Before joining Skandia in 2008 as Chief Development Officer, Peter was CEO of Bankhall, a leading supplier of support services to financial advisers. In this role, Peter was an active member of the AIFA panel, lobbying the FSA, Ombudsman, product providers and other market participants, as well as regularly being a spokesperson on industry panel debates. Prior to this, Peter was an independent financial adviser in Glasgow and held senior roles in sales and distribution at Scottish Amicable and Prudential respectively.	Alan was joint-CEO of the Group since its IPO and became CEO in April 2018. Alan has been a Director of the Group since 2014 and joined Wellian following its acquisition by Harwood Capital in May 2015. He was formerly the Group Chief Investment Officer at The National Bank of Abu Dhabi (NBAD), Head of Asset Management at Gulf Finance House and Chief Investment Officer at Skandia Investment Management where he won best Multi-Manager at the Money Marketing Awards for three consecutive years. Previously to that, Alan was at Hargreaves Lansdown for 12 years, latterly as Investment Director. Alan leads the Investment Management Division as well as being CEO of the Group.	Neil was one of the co-founders of Compass Wealth Management Group (now Harwood Wealth) and has been instrumental in leading and growing the Group since its inception. His entire career has been devoted to the financial advisory industry where he has accumulated 20 years' experience. Neil qualified as a financial adviser in 1998 and went on to become one of the most successful advisers in Prudential's high net worth division. He left Prudential in 2001 in order to co-found the Company. Neil is MD of the Financial Planning Division and in November 2018 became responsible for the Network Services division.

MARK HOWARD (46)

Chief Commercial Officer

Mark was a co-founder of Compass Wealth Management Group (now Harwood Wealth). Mark is a law graduate and postgraduate in Financial Decision Analysis. Mark qualified as a financial adviser in 1997 working for the high net worth division of Prudential. As well as having Board responsibility for the acquisition strategy of the Group, Mark also has oversight of legal matters.

GILLIAN DAVIES (51)

Interim Chief Financial Officer

Gillian joined the Group in August 2018. She qualified as chartered accountant at KPMG and has held senior financial positions across a number of B2B business sectors in both listed and private equity backed international businesses, including Zeneca Plc, Avecia Limited and Georgia Pacific. More recently she spent 11 years as Group Finance Director of FTSE listed 4imprint Group plc, during a period of significant restructuring and organic growth, as well as acquisition and divestment activity.

Gillian is also a Non-Executive Director and Audit Committee Chair of Ten Lifestyle Group plc.

CHRISTOPHER MILLS (66)

Non-Executive Director

Audit
Remuneration

Christopher founded Harwood Capital Management in 2011, a successor from its former parent company J O Hambro Capital Management, which he co-founded in 1993. He is investment manager of North Atlantic Smaller Companies Investment Trust plc and is a Non-Executive Director of several companies. Christopher was a Director of Invesco MIM, where he was head of North American investments and venture capital and of Samuel Montagu International.

PAUL TUSON (52)

Non-Executive Director

Audit
Remuneration
(Chairman of both)

Paul is an experienced qualified chartered accountant, who currently acts as the CFO for a private healthcare group, Proton Partners International Limited. He has previously served as CFO or Finance Director for numerous companies in the media and technology industries. Previous to his current role, he served as CFO of Lombard Risk Management plc, one of four AIM-listed companies for which he has held this position. He previously served as Finance Director for Aspire Technology Ltd, which was sold to Synnex Corporation, and he has overseen three IPOs. His career began with seven years of public accounting experience at KPMG.

Corporate Governance

Chairman's Introduction to Governance

As Chairman, I carry the ultimate responsibility for the corporate governance of the Group. In September 2018, the Board reaffirmed its commitment to good corporate governance by adopting and applying the Quoted Companies Alliance (QCA) Corporate Governance Code 2018. As a listed company traded on the AIM market of the London Stock Exchange, we understand the importance of sound corporate governance and of adopting the principles of good governance across the business. We aim to maintain an efficient and effective management framework that enables long-term, sustainable growth for our Shareholders.

Peter Mann
Chairman

The QCA has ten broad principles and we have set out below how we apply these principles to the business:

PRINCIPLE 1 – BUSINESS MODEL & STRATEGY

Our business model

We create value for our Shareholders through our acquisition-based model and by leveraging our centralised, scalable infrastructure.

Our strategy

We seek to create sustainable value by continuing to execute our simple strategy, built on driving organic growth, acquisitions and efficiency. (More detail on page 11.)

PRINCIPLE 2 – UNDERSTANDING AND MEETING SHAREHOLDERS' NEEDS AND EXPECTATIONS

The Group provides up to date information to its Shareholders through market announcements and copies of all results and announcements are available online at www.harwoodwealth.co.uk.

The Chief Executive Officer and the Chief Financial Officer make presentations to institutional Shareholders on a regular basis and the Group encourages all Shareholders to attend its Annual General Meeting where the Directors are available to answer any Shareholder's questions or concerns.

N+1 Singer is the Group's broker and Alma PR is the financial PR Adviser. Both organisations provide feedback from institutional Shareholders and from investor presentations. The Directors use this feedback to improve and enhance future Annual Reports and presentations as appropriate.

PRINCIPLE 3 – OTHER STAKEHOLDER RESPONSIBILITIES

The Board recognises that the Group's long-term success relies on good relations with its wider stakeholders – the Financial Conduct Authority (FCA), financial advisers, employees, clients and suppliers. The Chairman takes a pro-active role by personally contacting a sample of stakeholders from time-to-time and providing feedback to the Board.

Clients

The Group has processes to gather regular feedback from clients, including commendations or complaints, for identifying any improvements that would result in better client outcomes or satisfaction. Also, the Group has established a Product and New Service Committee which meets three times a year. This Committee reviews existing and potential new products or services to ensure they are distributed to and meet the needs of the proper target market.

Advisers

Every financial planner of the Group has a nominated Training and Competency Supervisor and they also have direct access to the Group's Client Solutions Manager. Regular development forums are held and these are attended by senior management of the Group.

Employees

Employees have regular one-to-one sessions with their immediate line manager and annual reviews where development plans are discussed to ensure individual's objectives are aligned to the business strategy and to improve levels of employee engagement. Internal newsletters, briefings and communications are distributed to keep all employees informed of important developments. A forum for the senior management of the Group takes place on a regular basis to involve the broader management team in business planning and to improve teamwork and Group identity.

Suppliers

The Group has identified key suppliers or advisers such as back office support system providers as well as external advisers such as nominated adviser, external auditor, legal adviser and PR consultants. The Group seeks the independent and experienced view of its key advisers on various matters as and when required. The Group seeks to establish long-term business relationships to benefit the Group.

The financial conduct authority

Most of the Group's revenue is derived from FCA regulated subsidiaries. The Group takes an open and co-operative approach to the regulator and positively embraces the FCA's 11 principles of business. The Group submits regular returns to the FCA. Employees whose role encompasses compliance activities are encouraged to attend regular forums or workshops arranged by the FCA on topical issues. All new and existing employees and advisers are made aware of the FCA's principles of business. The Group arranges regular external compliance audits to provide assurance that the Group is meeting the requirements of the regulator.

PRINCIPLE 4 – EFFECTIVE RISK MANAGEMENT

The Group has a formal risk governance framework that provides a structured process for identifying, evaluating and mitigating risks deemed by the Board as being of significant relevance to the Group in view of its risk profile and risk appetite. The process seeks to understand and mitigate, rather than eliminate risks and therefore can provide reasonable rather than absolute assurance against loss. The Board regularly reviews a register of principal risks and uncertainties, which is maintained on behalf of the Board by the Head of Regulatory Compliance. The risk register is reviewed by the Board on a quarterly basis and a detailed review is undertaken on at least an annual basis.

PRINCIPLE 5 – BOARD STRUCTURE

Board

The Board consists of seven Directors including the Chairman. There are four executive and three Non-Executive Directors. Peter Mann (Chairman) and Paul Tuson are considered independent Non-Executive Directors. The Board is scheduled to meet four times a year and has full and timely access to all the relevant information to enable it to carry out its duties. The Board has access to the Group's advisers and the Company Secretary to keep up to date with corporate governance matters and to ensure the relevant rules and regulations are followed. The Board has delegated specific responsibilities to the Audit and Remuneration Committees.

Audit

The Audit Committee comprises Paul Tuson (Chairman), Christopher Mills and Peter Mann. It meets at least twice a year and is responsible for ensuring that the financial performance of the Group is properly recorded and monitored on a regular basis. This includes reviews of the annual and interim results, announcements, internal control systems and procedures and accounting policies. The Audit Committee has responsibility for recommending the appointment of the external auditor. It will review the cost effectiveness, independence and objectivity of the current auditors.

Remuneration

The Remuneration Committee comprises Paul Tuson (Chairman), Christopher Mills and Peter Mann. It meets at least twice a year and is responsible for determining the Group's policy on the remuneration of the Executive Directors. It is also responsible for making any recommendations for the introduction of share options schemes and long-term incentive plans for the Executive Directors.

Corporate Governance continued

PRINCIPLE 5 – BOARD STRUCTURE CONTINUED

Attendance

The attendance record by individual Directors at scheduled meetings can be found below:

Attendance by individual Directors at scheduled meetings

	Board	Audit Committee	Remuneration Committee
Number of scheduled meetings •	5	4	2
Attendance			
Peter Mann	5	4	2
Paul Tuson	5	4	2
Christopher Mills	3	2	2
Neil Dunkley	5	■	■
Alan Durrant	5	■	■
Mark Howard	5	■	■
Nick Bravery – resigned 31 October 2018	5	4*	■
Gillian Davies – appointed 15 August 2018	1	1*	■

■ Not a member of this Committee

* Whilst not a member of this Committee, the Director was in attendance

• Additional unscheduled meetings of the Board or Committees were held during the year

PRINCIPLE 6 – BOARD EXPERIENCE, SKILLS AND CAPABILITIES

The Board has established a skills, diversity and experience matrix which is set out below. This will be periodically reviewed by the Board to ensure this meets current and future requirements.

Name	FCA Regulated Firm	Financial Management	Investment Management	Financial Planning – clients	Risk Management	Listed Board	Service Sector	Acquisitions	Business Development
Peter Mann (60+) Chairman	■		■	■		■	■	■	■
Christopher Mills (60+) NED	■		■			■	■	■	■
Paul Tuson (50-60) NED		■			■	■		■	■
Alan Durrant (40-50) CEO	■		■			■	■	■	■
Gillian Davies (50-60) Interim CFO		■			■	■		■	■
Neil Dunkley (40-50) MD	■			■			■	■	■
Mark Howard (40-50) CCO	■			■			■	■	■

PRINCIPLE 7 – BOARD EVALUATION

With effect from 2018 the Board will conduct an internal Board performance evaluation and annually thereafter. The criteria against which Board effectiveness is reviewed are:

- Board composition
- Board processes
- Behaviours, including Executive Director performance and contribution
- Activities

The Chairman leads the Board evaluation process and where considered appropriate, takes external advice to ensure the process is robust and fit for purpose. The Non-Executive Directors meet annually to consider each Executive Director's contribution and performance. The Chairman provides individual feedback to each Executive Director.

The Executive Directors meet annually to consider the contribution of the Non-Executive Directors. The CEO will provide feedback on an individual basis.

The Group regularly considers succession planning for the senior management of the Group including the Directors. Potential Board candidates are reviewed by a majority of existing Directors to determine an appropriate match to the skills and experience matrix set out above. Advice on all potential Board appointments is sought from the Group's nominated adviser.

PRINCIPLE 8 – CORPORATE CULTURE

Ethics policy

The Group Board has approved an Ethics Policy and is committed to ethical business conduct and expects the highest standards of integrity to be followed by the Directors and all employees.

Our values

- Accessible
- Trust
- Value
- Wisdom
- Professional
- Knowledge
- Respect

These words represent the values which are at the heart of the business. They guide the Group's principles and how it interacts with customers, employees, advisers, suppliers and investors. This philosophy is reflected in the culture of the Group to help achieve its mission.

PRINCIPLE 9 – GOVERNANCE STRUCTURE

Corporate governance charter

The Group has an established and detailed Corporate Governance Charter. The Board reviews this Charter from time to time or as regulation requires or as the Group grows in scale and complexity.

The OECD defines corporate governance as follows: "Corporate governance involves a set of relationships between a company's management, its board, its Shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the Company are set and the means of attaining those objectives and monitoring performance are determined. Good corporate governance should provide proper incentives for the board and management to pursue objectives that are in the interests of the Company and its Shareholders and should facilitate effective monitoring."

Roles and responsibilities

Chairman

The Chairman is responsible for the leadership and effectiveness of the Board. Together with the Chief Executive Officer, the Chairman sets the Board's agenda and ensures that all items receive appropriate consideration, especially strategic issues. The Chairman promotes the culture and values of the Group. The Chairman is the official spokesperson for the Board.

Chief Executive Officer

The CEO is responsible for the running of the business and the implementation of Board decisions and policies. The CEO is also responsible for Investor Relations.

Chief Financial Officer

The CFO is responsible for the Group's finances including budgets and forecasts.

Managing Director, Financial Planning

The MD is responsible for the implementation of Board decisions and policies in the Financial Planning division.

Chief Commercial Officer

The CCO is responsible for identifying and recommending appropriate acquisition targets to the Board.

Non-Executive Directors

The NEDs are appointed to provide oversight, independence and constructive challenge to the Executive Directors. They also provide strategic advice and guidance.

Matters reserved for the Board

The following matters are reserved for the Board:

- The alteration of its memorandum or articles of association or the adoption of any articles or the passing of any resolutions inconsistent with them.
- Except in the case of a subsidiary undertaking issuing shares to the Company or its nominee, the variation of its authorised or issued share or loan capital or the creation or grant of any options or other rights to subscribe for shares or to convert into shares.
- The alteration of the rights attaching to any of its shares.

Corporate Governance continued

PRINCIPLE 9 – GOVERNANCE STRUCTURE CONTINUED

Matters reserved for the Board continued

- The consolidation, subdivision or conversion of any of its shares.
- The reduction of its share capital or reduction of any uncalled liability in respect of partly paid shares or the purchase or redemption of any of its shares.
- The issue of debentures, securities convertible into shares, share warrants or options in respect of shares.
- The issue of any additional shares or share capital in the Company at a discount to their market value or otherwise than for full value.
- The declaration or payment of a dividend, other than in accordance with the articles of association of the Company.
- Unless required to do so by law doing or permitting anything to be done as a result of which the Company may be wound up (whether voluntarily or compulsorily).
- The creation of a fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over all or part of its undertaking or assets, except to secure its indebtedness to its bankers for sums borrowed in the normal course of business.
- Any agreement or arrangement concerning any of the foregoing.

PRINCIPLE 10 – STAKEHOLDER COMMUNICATION

The Board is committed to good communications with all stakeholders providing them with access to information to help them make informed decisions about the Group.

The Investor Information section of the Group's website provides access to all required regulatory information. The Directors section provides further details of each Director and the Announcements section details all Group announcements in the last five years. The website also gives information about the Group's advisers and significant Shareholders' and Directors' interests. Results of Shareholder meetings and votes can also be found here.

Board of directors

The Board consists of seven Directors including the Chairman. The Board meets at least four times a year and has full and timely access to all the relevant information to enable it to carry out its duties. The Board monitors and reviews the Group's progress towards its goals and the implementation of its strategy, leaving the day-to-day operations to the Executive Directors and management.

The Board has access to its advisers and the Company Secretary to keep up to date with corporate governance matters and to ensure that relevant rules and regulations are followed.

Board committees

The Board has delegated specific responsibilities to the Audit and Remuneration Committees. The Board believes that all members of each committee have the appropriate experience without having conflicts of interest. The Audit Committee report is set out on pages 31 and 32 and the Remuneration Committee report is on page 33.

Internal control

The Board is responsible for ensuring there is an adequate system of internal control and reviewing its effectiveness. The system is intended to mitigate risk to an acceptable level. These internal controls include controls over financial, operations and compliance risk factors. The Board is satisfied that the current level of internal control meets the current needs of the Group maintaining risk exposure to an acceptable level.

The Board recognises that as the Group develops the internal controls should be reviewed and where necessary enhanced to ensure the risk exposure does not exceed the Board's risk appetite.

Financial reporting

Financial reporting procedures have been established so that the Board has access to reliable and timely financial reports on a monthly and quarterly basis. Financial reporting includes monitoring performance against budgets, forecasts and prior year results as well as cash flow forecasts.

Corporate responsibility

Employees – the Group believes in equal opportunities and people's development. The Group policy is to appoint staff entirely on the basis of merit and fully in accordance with current legislation.

Anti-bribery – the Group operates zero tolerance towards bribery.

Legislative compliance – the Group complies with all relevant legislation.

Financial Conduct Authority – the Group's subsidiaries that are directly authorised and regulated by the FCA comply with the relevant rules and guidelines in all material respects.

Audit Committee Report

I am pleased to present the report on behalf of the Audit Committee for the period ended 31 October 2018. The Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed.

Its role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing the internal control and risk management environment, reviewing any changes to accounting policies, monitoring the extent of the non-audit services undertaken by the external auditor and advising on the appointment of the external auditor.

Composition

The Committee is composed of Paul Tuson as Chairman, Peter Mann and Christopher Mills. Paul Tuson and Peter Mann are considered independent Non-Executive Directors. Paul Tuson is a Chartered Accountant with extensive listed company experience; Peter Mann and Christopher Mills each have wide ranging financial services, investment management and listed company experience. The Board is of the view that the Committee has recent and relevant financial experience. The CEO, CFO and other Executive Directors may attend Committee meetings by invitation. The Committee met four times in the year and reports to the Board following an Audit Committee meeting and minutes are made available to the Board.

Duties

The main items of business considered by the Committee in the year included:

- review and approval of the 2018 audit plan and audit engagement letter;
- consideration of key audit matters and how they were addressed;
- review of any changes to accounting policies;
- review of suitability of the external auditor;
- review of the financial statements, interim report and annual report;
- consideration of the principal judgemental accounting matters for the Group;
- review of whistleblowing and anti-bribery arrangements;
- review of the risk management and internal control systems; and
- meeting with the external auditor without management present.

Financial reporting

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The Committee reviews accounting papers prepared by management providing details on the main financial reporting judgements as well as assessments of the impact of potential new accounting standards. The Committee also reviews reports provided by the external auditors which highlight any observations from the work they have undertaken on the annual results.

From the start of the financial year the Group has adopted early the amendments to IFRS 3 (definition of a business), see note 2 for further details. In the financial year commencing 1 November 2018, the Group will apply IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) for the first time. The Group does not anticipate any material impact of IFRS 9 and is still assessing the impact of IFRS 15.

Risk management and internal controls

The risk and control management framework of the Group is designed to manage rather than eliminate the risk of failure to meet the Group's objectives and the system can only provide reasonable and not absolute assurances against material misstatement or loss. The Group faces a number of risks, the significant ones of which are set out in the section on Principal Risks and Uncertainties on pages 20 and 21.

Through the control systems outlined in the statement of Corporate Governance on pages 26 to 30, the Group operates an ongoing process of identifying, evaluating and managing significant risks faced by the business. This process includes the following:

- defined organisation structure and appropriate delegation of authority;
- formal authorisation procedure for investments;
- clear responsibility for management to maintain good financial control and the production and review of detailed, accurate and timely financial information;
- identification of operational risks and mitigation plans developed by senior management;
- annual review and approval by the Board of certain Group policies, including the Corporate Governance Policy, the Ethics Policy, the Financial Risk and Treasury Policy and the Risk Management Policy; and
- regular reports to the Board from Executive Directors.

Audit Committee Report continued

Risk management and internal controls continued

During the year, the risk management and internal control environment has been monitored and reviewed by the Committee and the Board and where necessary improvements have been identified and implemented. During the period, the Committee has reviewed the Board's monitoring of the environment and the Committee is satisfied that the risk management and internal control systems in place are currently being managed effectively.

Auditor

RSM were appointed auditor of the Group for the year ended 31 October 2016. The Committee considers that its relationship with the auditors is working appropriately and is satisfied with their effectiveness.

The Committee is responsible for ensuring there is a suitable policy for ensuring that non-audit work undertaken by the auditor is reviewed to ensure it will not impact their independence and objectivity. The breakdown of fees between audit and non-audit services is provided in note 8 to the Group's financial statements. The non-audit fees primarily relate to services in relation to VAT advice.

Paul Tuson

Chair of Audit Committee

22 January 2019

Remuneration Committee Report

The Remuneration Committee comprises Paul Tuson as Chairman, Peter Mann and Christopher Mills. It meets at least twice a year and is responsible for determining the Group's policy on the remuneration of the Executive Directors. In determining such policy, the Committee considers all factors which it deems necessary including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. The objective of such policy is to attract, retain and motivate the executive management of the Company for remuneration that is fair, reasonable and commensurate to the role. It is also responsible for making any recommendations for the introduction of share options schemes and long-term incentive plans for the Executive Directors. There are currently no share option schemes or long-term incentive plans in place. Directors' remuneration is disclosed below.

	2018 £'000				2017 £'000
Executive Directors	**Salary**	**Benefits in kind**	**Bonus**	**Total emoluments**	**Total emoluments**
N Dunkley*	110	21	123	254	221
M Howard*	110	23	123	256	224
A Durrant*	110	16	123	249	216
N Bravery* (resigned 31 October 2018)	110	12	123	245	200
G Davies (appointed 15 August 2018)	17	–	16	33	–
	457	72	508	1,037	861
Non-Executive Directors					
P Mann	117	–	–	117	100
P Tuson*	56	–	–	56	66
C Mills	–	–	–	–	–
	173	–	–	173	166
Total	630	72	508	1,210	1,027

*In addition to the above, pension contributions totalling less than £1,000 per Director were paid to defined contribution arrangements.

Details of the Directors' (and their related parties) interests, direct and indirect, in shareholdings are as follows:

	Number
Mr N Dunkley	10,033,006
Mr A Durrant	2,351,885
Mr M Howard	10,033,006
Mr C Mills	19,374,198

Paul Tuson

Chair of the Remuneration Committee

22 January 2019

Directors' Report

The Directors present their annual report and financial statements for the year ended 31 October 2018.

RELATIONS WITH SHAREHOLDERS

The Group provides up to date information to its Shareholders through market announcements and copies of all results and announcements are available online at **www.harwoodwealth.co.uk.**

Investor presentations are also available for potential and current Shareholders to attend.

Shareholders receive at least 21 days' notice of the Annual General Meeting. This represents an important opportunity for Shareholders to meet with the Board of Directors. The AGM is scheduled for 17 April 2019 at 3pm at the office of Harwood Capital LLP at 6 Stratton Street, London W1J 8LD.

PRINCIPAL ACTIVITIES

The Group's principal activity is the provision of financial advice and investment management to the retail market.

DIRECTORS

The Directors who held office during the period and up to the date of signing these financial statements were:

Executive Directors

Alan Durrant
Chief Executive Officer

Neil Dunkley
Managing Director, Financial Planning
(Joint Chief Executive Officer until April 2018)

Mark Howard
Chief Commercial Officer

Gillian Davies
Interim Chief Financial Officer
(appointed 15 August 2018)

Nick Bravery
Chief Financial Officer
(resigned 31 October 2018)

Non-Executive Directors

Peter Mann
Non-Executive Chairman

Christopher Mills
Non-Executive Director

Paul Tuson
Non-Executive Director

To read all of our Directors' biographies, see pages 24 and 25.

RESULTS AND DIVIDENDS

The results for the year are set out on page 41.

An interim dividend was paid on 9 November 2018 amounting to 1.08 pence per ordinary share (£675,464). The Directors propose a final dividend of 2.42 pence per ordinary share (£1,513,539) making a dividend for the year of £2,189,003 (2017: £2,026,391).

EVENTS AFTER THE REPORTING DATE

Full details of events after the reporting date are set out in our strategic report on page 19.

FUTURE DEVELOPMENTS

Full details of future developments can be found in the Chairman's statement on page 5 and in the Strategic Report on pages 10 and 21.

DIRECTORS' INDEMNITY

The Group maintains Directors' and Officers' liability insurance which gives cover against legal action that may be taken against them.

RISKS

The principal risks of the Group are included in the Strategic Report on pages 20 to 21, with financial risk management set out in note 27.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state for the Group financial statements whether they have been prepared in accordance with IFRSs as adopted by the EU and for the Company financial statements state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and for taking reasonable steps for the prevention and detecting fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the www.harwoodwealth.co.uk website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

A resolution to reappoint RSM UK Audit LLP as independent auditor to the Company has been recommended to the Board by the Audit Committee and will be proposed at the AGM.

STATEMENT OF DISCLOSURE TO AUDITOR

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as Directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

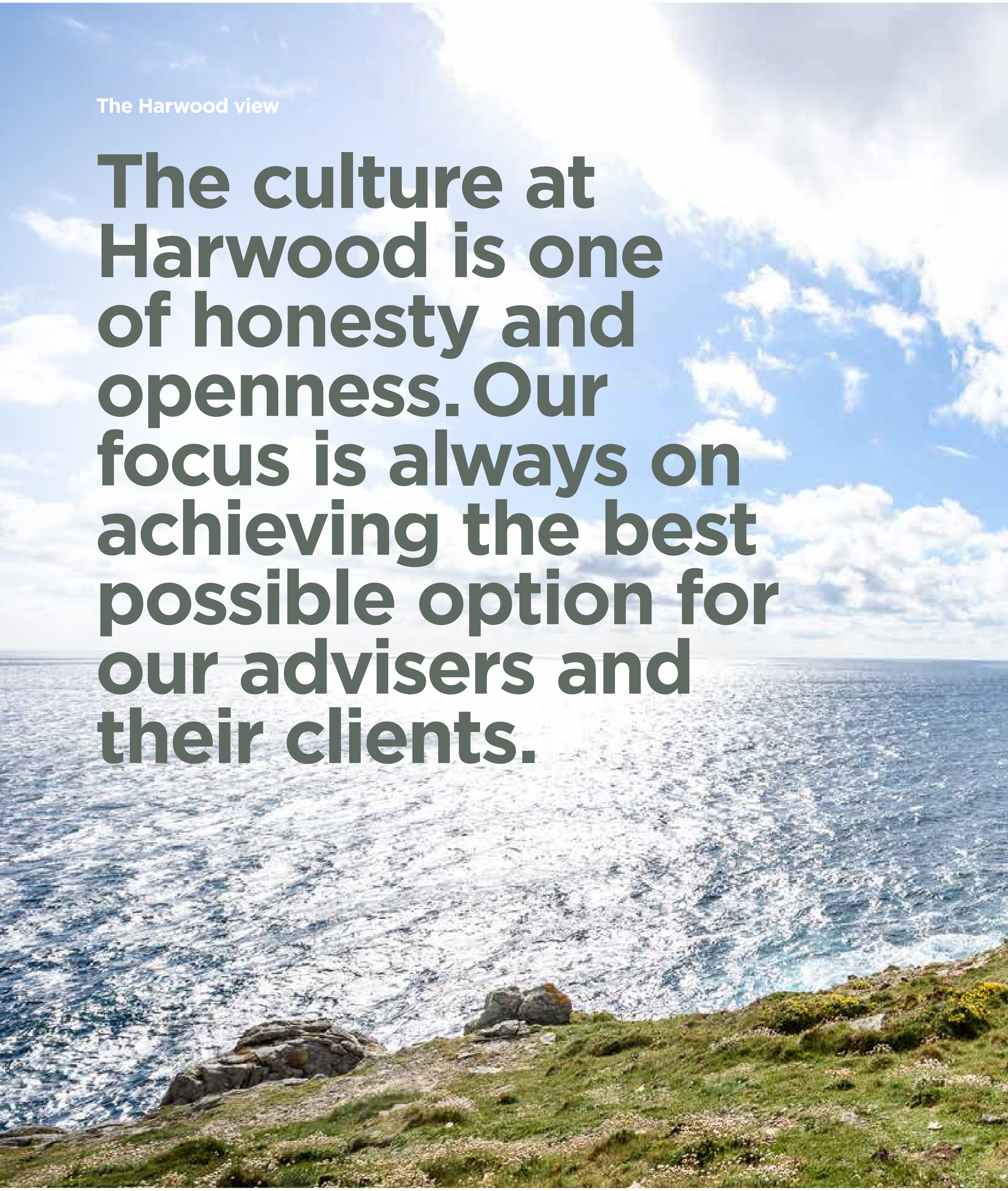
On behalf of the Board

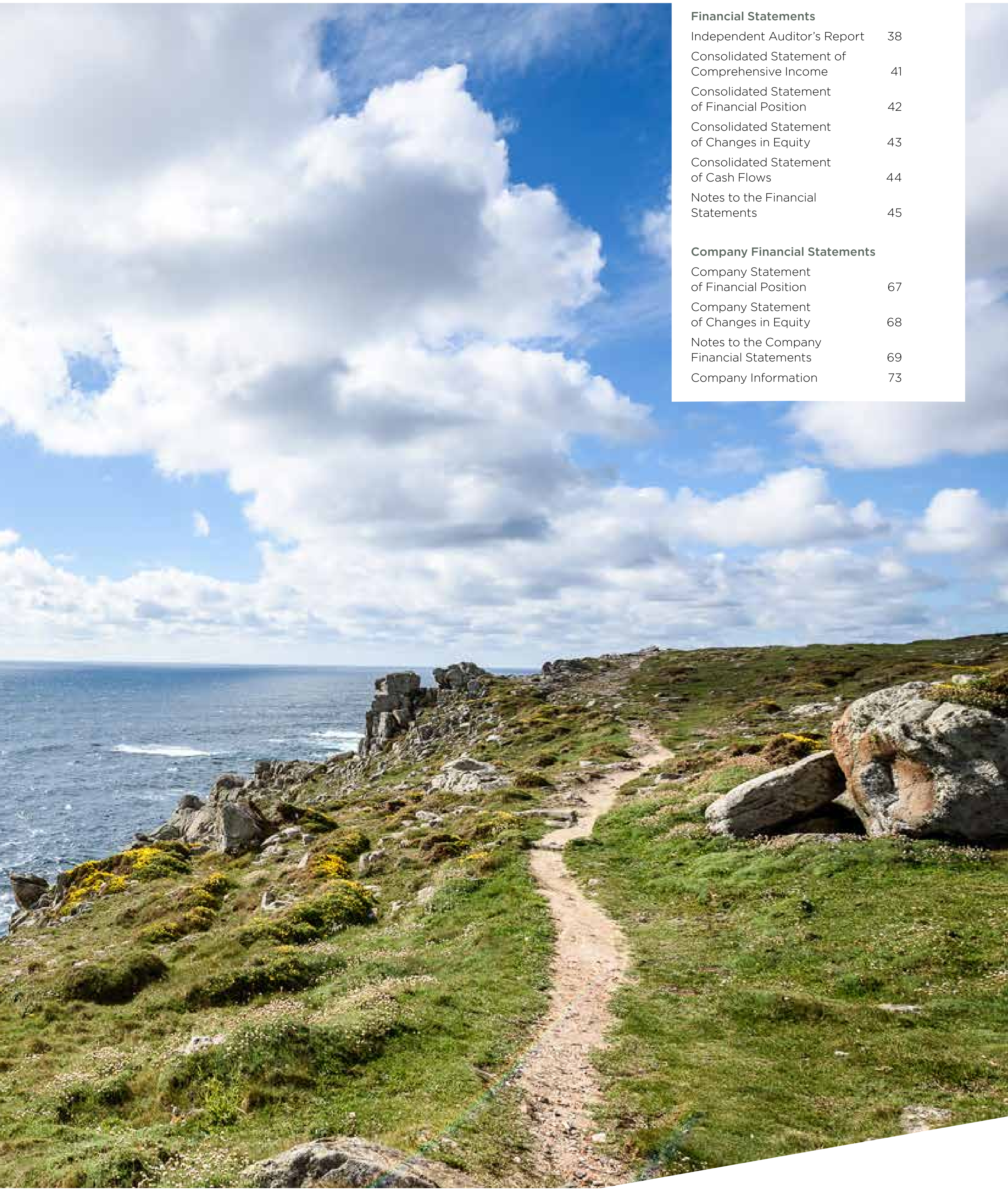
Nick Bravery

Company Secretary

22 January 2019

Financial Statements





Financial Statements

Company Financial Statements

Independent Auditor's Report

OPINION

We have audited the financial statements of Harwood Wealth Management Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 October 2018 which comprise the consolidated statement of comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to SME listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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 Group's or the Parent 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

There are no key audit matters to report in relation to the Group or the Parent Company for the year ended 31 October 2018.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the Group financial statements as a whole was calculated as £300,000 which was not significantly changed during the course of our audit. Materiality for the Parent Company financial statements as a whole was calculated as £243,000 which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The Group has 22 components, of which eight are non-trading or dormant. Of the remaining 14, six were subject to full scope audits by RSM UK Audit LLP and the remaining eight were subject to reduced scope procedures, also carried out by RSM UK Audit LLP.

The components subject to full scope audits accounted for 88% of Group turnover and 97% of Group assets.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apParent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on pages 34 and 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report continued

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Geoff Wightwick (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants

Portland
25 High Street
Crawley
West Sussex
RH10 1BG

22 January 2019

Consolidated Statement of Comprehensive Income

for the year ended 31 October 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	32,693	25,885
Cost of sales		(17,601)	(14,719)
Gross profit		15,092	11,166
Administrative expenses		(12,330)	(9,410)
Separately disclosed items	5	(174)	–
Operating profit before depreciation, amortisation and separately disclosed items ("Adjusted EBITDA")		6,116	4,319
Depreciation	6	(12)	(11)
Amortisation	6	(3,342)	(2,552)
Separately disclosed items	5	(174)	–
Operating profit	7	2,588	1,756
Investment income	11	23	19
Finance expense	12	(653)	(577)
Profit before income tax		1,958	1,198
Income tax expense	13	(762)	(492)
Profit and total comprehensive income for the year attributable to equity owners of the parent		1,196	706

		pence	pence
Earnings per share			
Basic and fully diluted	15	1.91	1.19

The income statement has been prepared on the basis that all operations are continuing operations.

Consolidated Statement of Financial Position

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Non-current assets			
Intangible assets	16	20,803	15,033
Property, plant and equipment	17	31	24
		20,834	15,057
Current assets			
Trade and other receivables	20	1,553	1,075
Cash and cash equivalents		13,634	18,959
		15,187	20,034
Total assets		36,021	35,091
Current liabilities			
Trade and other payables	21	3,916	5,160
Accruals and deferred income		1,405	1,284
Current tax liabilities		659	474
Provisions	22	766	–
		6,746	6,918
Net current assets		8,441	13,116
Non-current liabilities			
Trade and other payables	21	2,407	252
Deferred tax liabilities	24	829	1,161
Provisions	22	109	–
		3,345	1,413
Total liabilities		10,091	8,331
Net assets		25,930	26,760
Equity			
Called up share capital	26	156	156
Share premium account		25,500	25,500
Retained earnings		274	1,104
Total equity attributable to the owners of the parent		25,930	26,760

The financial statements were approved by the Board of Directors and authorised for issue on 22 January 2019.

Signed on its behalf by:

Alan Durrant
Director

Gillian Davies
Director

Company Registration No. 04987966

Consolidated Statement of Changes in Equity

for the year ended 31 October 2018

	Notes	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
		Attributable to the owners of the parent			
Balance at 1 November 2016		139	15,541	1,649	17,329
Year ended 31 October 2017:					
Profit and total comprehensive income for the year		–	–	706	706
Issue of share capital		17	10,414	–	10,431
Dividends	14	–	–	(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 31 October 2017		156	25,500	1,104	26,760
Year ended 31 October 2018:					
Profit and total comprehensive income for the year		–	–	1,196	1,196
Dividends	14	–	–	(2,026)	(2,026)
Total transactions with owners recognised directly in equity		–	–	(2,026)	(2,026)
Balance at 31 October 2018		156	25,500	274	25,930

Share premium comprises consideration received for shares issued in excess of their nominal value net of transaction costs.

Retained earnings comprise accumulated profits and losses, less amounts distributed to Shareholders.

Consolidated Statement of Cash Flows

for the year ended 31 October 2018

	Notes	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Cash flows from operating activities					
Profit before income tax			1,958		1,198
Non-cash adjustments					
Depreciation, amortisation and impairment		3,354		2,563	
Separately disclosed items		174		–	
Net finance expense		630		558	
			4,158		3,121
Working capital adjustments					
(Increase) in trade and other receivables		(414)		(316)	
Increase in trade, other payables and provisions		828		917	
			414		601
Cash inflow from operating activities			6,530		4,920
Income tax paid		(1,063)		(1,212)	
			(1,063)		(1,212)
Net cash generated by operations			5,467		3,708
Investing activities					
Payment of deferred consideration	23	(3,865)		(2,578)	
Purchase of intangible assets	19	(1,005)		(583)	
Interest received		23		19	
Acquisition of subsidiaries (net of cash acquired)	19	(3,905)		(846)	
Purchase of property, plant and equipment		(14)		(12)	
Net cash used in investing activities			(8,766)		(4,000)
Financing activities					
Proceeds from issue of shares (net of costs)		–		9,976	
Dividends paid	14	(2,026)		(1,251)	
Net cash (used in)/generated from financing activities			(2,026)		8,725
Net (decrease)/increase in cash and cash equivalents			(5,325)		8,433
Cash and cash equivalents at beginning of year			18,959		10,526
Cash and cash equivalents at end of year			13,634		18,959

Significant non-cash transactions include deferred contingent consideration arising on the acquisition of subsidiaries and purchase of intangible assets totalling £4,086,000 (2017: £650,000).

Notes to the Financial Statements

for the year ended 31 October 2018

1 ACCOUNTING POLICIES

Company information

Harwood Wealth Management Group Plc is a public company limited by shares, which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office is 5 Lancer House, Hussar Court, Westside View, Waterlooville, Hampshire, PO7 7SE.

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the provision of financial advice and investment management to the retail market.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of financial liabilities at fair value through the income statement.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000, except where indicated otherwise.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (the subsidiaries) made up to the accounting reference date each year. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

The Group has this year disclosed an adjusted EBITDA measure on the Consolidated Statement of Comprehensive Income, a measure which is considered to be useful to users of the financial statements.

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, the principal risks, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic Report on pages 8 to 21. In addition, notes 23, 27 and 28 set out the Group's objectives for managing its capital, its financial instruments and its exposures to market, credit and liquidity risk.

Based on the assessment of these factors, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and Company have adequate resources to continue to operate for a period of at least twelve months from the date these financial statements were approved. Accordingly, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Financial Statements continued

for the year ended 31 October 2018

1 ACCOUNTING POLICIES CONTINUED

1.3 Business combinations and asset purchases

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. The consideration transferred includes the fair value of any liability resulting from a contingent consideration arrangement. Acquisition related costs are recognised in the income statement as incurred.

The identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that assets or liabilities related to deferred tax or to employee benefit arrangements are recognised and measured in accordance with International Accounting Standard (IAS) 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

Where substantially all the fair value of the gross assets of an acquisition are concentrated in a single identifiable asset, or group of similar identifiable assets, the set of activities and assets is determined not to be a business and the individual identifiable assets acquired are recognised based on the allocation of the cost to the Group pro-rata to the fair values of the assets. Such an acquisition does not give rise to goodwill.

1.4 Revenue

Revenue from financial planning services comprises the initial fees receivable from clients on inception of a new policy or investment product and the recurring service fees (trail income) that follow.

Initial fees are recognised when a client has signed a service and fee agreement and the policy or investment has commenced. Provision is made for the potential cancellation of policies where fees are received under indemnity terms. Recurring fees are recognised when due from the client, whether payable directly to the Group or to the financial provider.

Fees for investment management, administration charges and other services are recognised as the services are provided. Income is shown net of any Value Added Tax.

Revenue from Network Services, derived from 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.

1.5 Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in the income statement in the period of the acquisition.

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently annually or as necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not subsequently reversed.

1.6 Intangible assets other than goodwill

Other than goodwill, intangible assets with finite useful lives that are acquired externally are carried at cost less accumulated amortisation and impairment losses.

Expenditure on acquired client portfolios or on adviser relationships, which may be recognised either by way of a business combination or as an asset purchase, is capitalised in the period in which the acquisition is completed.

Where an intangible asset is acquired other than in a business combination, that is, an asset purchase, the purchase price is allocated pro-rata to the fair values of the intangible acquired and the other net assets or liabilities. The purchase price usually comprises an initial cash payment together with deferred contingent consideration payable dependent upon actual revenues achieved, discounted to present value.

Client portfolios and adviser relationships acquired in a business combination are valued at cost, on initial recognition, which is the fair value at the date of acquisition.

Amortisation is recognised on a combined reducing balance / straight line method basis starting from the month of acquisition, over the estimated useful lives of the assets as below. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Acquired client portfolios are amortised over their expected useful lives of 15 years, calculated at 17.5% on the reducing balance for eight years and the remainder straight line over the remaining seven years.

Adviser relationships are amortised over their expected useful life of 20 years on a straight-line basis.

1.7 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Leasehold land and buildings	over the life of the lease
Equipment	15–33% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in the income statement.

1.8 Impairment of tangible and intangible assets

At each reporting end date, the Group reviews the carrying amounts of each tangible and intangible asset with a finite life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the Financial Statements continued

for the year ended 31 October 2018

1 ACCOUNTING POLICIES CONTINUED

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less and bank overdrafts.

1.10 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through the income statement, which are measured at fair value.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through the income statement, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the instrument have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through the income statement or other financial liabilities.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Contingent consideration to be settled in cash is recognised at fair value at the acquisition date. Any subsequent change to its fair value is recognised in the income statement.

Derecognition of financial liabilities

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition. Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

1.13 Taxation

The income tax expense in the consolidated statement of comprehensive income comprises the sum of the current and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is required on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time periods in which economic benefits from the lease asset are consumed.

1.17 Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of operating segments.

The chief operating decision-maker has been identified as the Board of Directors.

Notes to the Financial Statements continued

for the year ended 31 October 2018

1 ACCOUNTING POLICIES CONTINUED

1.18 Separately disclosed items

Separately disclosed items are shown separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

1.19 Provisions

Provisions are recognised when the Group has a present obligation of uncertain timing or amount as a result of past events, and it is probable that the Group will be required to settle that obligation and a reliable estimate of the obligation can be made. The provisions are measured at the Directors' best estimate of the amount to settle the obligation at the reporting date and are discounted back to present value if the effect is material. Changes in provisions are recognised in the consolidated statement of comprehensive income for the year.

2 ADOPTION OF NEW AND REVISED STANDARDS AND CHANGES IN ACCOUNTING POLICIES

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company. There was no material effect on the current period or a prior period.

IAS 7 (amended)	Disclosure initiative
IFRS 2 (amended)	Share-based Payment
IFRS 10 (amended)	Consolidated Financial Statements
IFRS 3 (amended October 2018)	Definition of a business

Definition of a business (Amendments to IFRS 3) (October 2018)

The Group has adopted early the provisions of this amendment, which clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. In particular the amendment adds an optional 'concentration test' which permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. The Group has adopted the amendment and applied the concentration test to its acquisitions with effect from the commencement of this accounting period. All the acquisitions in the year have met the test and have been treated as asset purchases.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments (will be applied to 31 October 2019)
IFRS 15	Revenue (will be applied to 31 October 2019)
IFRS 16	Leases (will be applied to 31 October 2020)

IFRS 9 and IFRS 15 are effective from 1 January 2018. The Group has reviewed the standards and does not anticipate any material impact of IFRS 9 once adopted and is still assessing the impact of IFRS 15.

The impact of IFRS 16 is still being assessed by the Group.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical estimates

Intangible asset life

Intangible assets with a carrying value of £19,607,000 are amortised over their estimated useful lives. In the case of acquired client portfolios, this estimation reflects the Directors' expectation of client attrition, based on the Group's experience of similar portfolios. The expected useful life is 15 years, but the Directors believe the pattern of expected attrition is higher in the earlier years. For this reason, the rate of amortisation has been selected as 17.5% on the reducing balance for the first eight years of the expected useful life and straight line for the remaining period.

Intangible assets classified as adviser relationships represent businesses acquired that the Directors consider have a useful life of 20 years.

Critical judgement

Business combinations

Acquisitions are assessed as to whether they are business combinations or asset purchases according to criteria in IFRS 3. This includes a judgement whether the acquisition comprises more than one intangible asset, or whether the gross assets are concentrated in one asset.

Fair value of contingent consideration

The estimation of contingent consideration in respect of client portfolios requires the Directors to predict the trail income arising over the earn-out period. The estimate of contingent consideration in respect of adviser relationships requires the Directors to predict the level of client funds introduced to the Group's investment management services. The Directors also decide on the level of the discount rate to be applied. The discount rate applied in the year was 12%. The total value of contingent consideration payable at the year-end was £5,342,000 (2017: £4,294,000).

4 OPERATING SEGMENTS

For management purposes the following information by segment is provided to the chief operating decision maker, which is considered to be the Group Board and best describes the way the Group is managed. This provides a meaningful insight into the operations of the Group.

An analysis of the Group's operating segments is as follows:

	Financial Planning		Investment Management		Network Services		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Revenue	14,589	12,913	4,544	3,197	13,560	9,775	32,693	25,885
Cost of sales	(4,971)	(5,553)	(351)	(206)	(12,279)	(8,960)	(17,601)	(14,719)
Gross profit	9,618	7,360	4,193	2,991	1,281	815	15,092	11,166

There were no customers from whom 10% or more of revenues were derived.

	2018 £'000	2017 £'000
Revenues attributable to the principal activity undertaken wholly in the UK	32,693	25,885

5 SEPARATELY DISCLOSED ITEMS

	2018 £'000	2017 £'000
Additional consideration on past acquisitions	174	–

The additional consideration on past acquisitions is the difference between the final contingent consideration payable on acquisitions and the deferred consideration previously provided in the statement of financial position. The difference is due to actual revenues being higher than expected at the time of acquisition.

Notes to the Financial Statements continued

for the year ended 31 October 2018

6 EXPENSES BY NATURE

An analysis of the Group's expenditure is as follows:

	2018 £'000	2017 £'000
Advisers' costs	17,601	14,719
Staff and Director costs	5,962	4,382
Amortisation	3,342	2,552
Depreciation	12	11
Separately disclosed items	174	–
Premises costs	1,131	850
Regulatory fees	833	793
Other expenses	1,050	822
	30,105	24,129

7 OPERATING PROFIT

	2018 £'000	2017 £'000
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	12	11
Amortisation of intangible assets	3,342	2,522
Operating lease rentals – land and buildings	262	209
Gains on financial instruments measured at fair value through the income statement	–	(3)
Impairment losses	–	30
Acquisition costs	56	23

8 AUDITOR'S REMUNERATION

	2018 £'000	2017 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the Company's financial statements	38	38
Audit of the Company's subsidiaries	31	19
	69	57
For other services		
Tax services	45	5
Other services – audit related	20	16
– other services	4	5
Total non-audit fees	69	26

9 EMPLOYEES

The average monthly number of people (including Directors) employed by the Group during the year was:

	2018 Number	2017 Number
Employed advisers	20	9
Management and administration	116	104
	136	113

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	5,461	4,025
Social security costs	469	341
Pension costs	32	16
	5,962	4,382

10 DIRECTORS' REMUNERATION

	2018 £'000	2017 £'000
Executive Directors		
Short-term remuneration	965	838
Benefits	72	23
Non-Executive Director fees	173	166
Pension costs	3	–
	1,213	1,027

A breakdown of Directors' remuneration is provided in the Remuneration Committee Report on page 33.

The number of Directors to whom retirement benefits are accruing under money purchase schemes is five (2017: four).

11 INVESTMENT INCOME

	2018 £'000	2017 £'000
Interest income		
On bank deposits	23	19

12 FINANCE EXPENSE

	2018 £'000	2017 £'000
Unwinding of discount on contingent consideration	653	577
Finance expense	653	577

Notes to the Financial Statements continued

for the year ended 31 October 2018

13 INCOME TAX EXPENSE

	2018 £'000	2017 £'000
Current tax		
Current year taxation	1,094	769
Deferred tax		
Origination and reversal of temporary differences	(332)	(210)
Effect of change in tax rate	–	(67)
	(332)	(277)
Total tax charge	762	492

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018 £'000	2017 £'000
Profit before taxation	1,958	1,198
Expected tax charge based on a corporation tax rate of 19.00% (2017: 19.41%)	372	232
Expenses not deductible in determining taxable profit	390	260
Tax charge for the year	762	492

Factors that may affect future tax charges:

Changes to the rate of Corporation Tax were substantively enacted on 7 September 2016 resulting in a rate of Corporation Tax of 17% with effect from 1 April 2020.

14 DIVIDENDS

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders:		
Ordinary		
Interim dividend paid: 1.00p per ordinary share (2017: nil)	625	–
Final dividend paid: 2.24p per ordinary share (2017: 2.00p per ordinary share)	1,401	1,251
	2,026	1,251

An interim dividend for the year ended 31 October 2018 of 1.08 pence per ordinary share was declared on 3 July 2018 and paid on 9 November 2018 totalling £675,464 (2017: £625,429). The interim dividend was still at the discretion of the Directors at 31 October 2018 and has not therefore been included as a liability in these financial statements.

The proposed final dividend for the year ended 31 October 2018 is:

	Total £'000
Proposed final dividend: 2.42 pence per ordinary share of 0.25 pence	1,514

The proposed final dividend is subject to approval by Shareholders and has not been included as a liability in these financial statements. The dividend will be paid on 10 May 2019 to Shareholders on the register at close of business on 26 April 2019.

15 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity Shareholders of the Company by the weighted average number of ordinary shares in issue during the year. There are no dilutive or potential shares.

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	62,543	59,323

	£'000	£'000
Earnings		
Profit for the period from continuing operations	1,196	706
Earnings for basic and diluted earnings per share being net profit attributable to equity Shareholders of the Company for continuing operations	1,196	706

	pence	pence
Basic and diluted earnings per share	1.91	1.19

Adjusted earnings per share

The adjusted earnings per share are based on:

		2018 £'000	2017 £'000
Profit before taxation		1,958	1,198
Add:	Net finance expense	630	558
	Depreciation	12	11
	Amortisation	3,342	2,552
	Separately disclosed items	174	–
Adjusted EBITDA		6,116	4,319
Tax charge on adjusted EBITDA		(1,162)	(839)
Adjusted earnings for basic and diluted earnings per share		4,954	3,480

	pence	pence
Adjusted basic and diluted earnings per share	7.92	5.87

The adjusted earnings per share is calculated before the after-tax effect of amortisation, depreciation and separately disclosed items and is included because the Directors consider this gives a measure of the underlying performance of the business.

The basis for the presentation of the adjusted earnings per share is different to the previous year. Adjusted earnings per share were previously reported before tax. An estimate of the tax charge on the adjusted EBITDA is now incorporated and the 2017 comparatives have been restated.

Notes to the Financial Statements continued

for the year ended 31 October 2018

16 INTANGIBLE ASSETS

		Goodwill £'000	Acquired client portfolios £'000	Adviser relationships £'000	Total £'000
Cost					
At 31 October 2016		455	14,538	3,363	18,356
Additions	Business combinations	741	371	315	1,427
	Asset acquisitions	–	1,409	–	1,409
At 31 October 2017		1,196	16,318	3,678	21,192
Additions	Asset acquisitions	–	9,112	–	9,112
At 31 October 2018		1,196	25,430	3,678	30,304
Amortisation and impairment					
At 31 October 2016		–	3,518	89	3,607
Amortisation charge for the year		–	2,194	328	2,522
Impairment charge for the year		–	30	–	30
At 31 October 2017		–	5,742	417	6,159
Amortisation charge for the year		–	3,126	216	3,342
Impairment charge for the year		–	–	–	–
At 31 October 2018		–	8,868	633	9,501
Carrying amount					
At 31 October 2018		1,196	16,562	3,045	20,803
At 31 October 2017		1,196	10,576	3,261	15,033
At 31 October 2016		455	11,020	3,274	14,749

The amortisation and impairment charges are included in Administrative expenses in the income statement.

The acquired client portfolio additions were acquired through either business combinations or asset purchases.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit. This is determined by reference to the original businesses acquired, using commonly recognised valuation techniques based on future cash flows.

An impairment test of goodwill is a comparison of the carrying value of the cash generating unit to which it is attributable to its recoverable amount. Where it is higher than the recoverable amount, an impairment results, firstly recognised against goodwill. Any amortisation and impairment charges are included in operating expenses in the Statement of Comprehensive Income.

Recoverable amounts have been measured based on value in use.

There are three separate cash generating units ("CGU") to which goodwill is attributable and the recoverable amounts have been measured based on value in use, as follows:

1. The first CGU forms part of Investment Management and the recoverable amount is valued at £210,000 (2017: £210,000). Value in use is estimated based on three year detailed forecasts of earnings, based on approved annual budgets and strategic projections, followed by a future annual growth rate of 2% (2017: 2%), representing the best estimate of the long term market growth rate. The resulting estimated cashflows are discounted at the Group's weighted average cost of capital, estimated at 12% (2017: 12%).

   It is not anticipated that any reasonable changes in assumption would result in a goodwill impairment.

2. The second CGU forms part of Financial Planning and the carrying value of £245,000 (2017: £245,000). Three year detailed forecasts, based on approved annual budgets and strategic projections have been used, incorporating a 15% (2017: 15%) client attrition rate, based on historical observed rates. This is followed by annual client attrition of 5%, offset by future annual growth of 2% (2017: 2%), representing the best estimate of the long-term market growth rate. The resulting estimated cashflows are discounted at the Groups weighted average cost of capital, estimated at 12% (2017: 12%).

   It is anticipated that a 4% increase in the attrition rate (for the initial three years), or a 1% increase in the average cost of capital, or net 5% annual attrition rate would result in the recoverable amount being equal to the value in use.

3. The third CGU relates to Network Services and the carrying amount of goodwill attributable to this CGU is £741,000 (2017: £741,000). The goodwill arose solely from the incremental revenue expected to be generated from client funds under the influence of the Network being introduced to the Group's investment platforms. The value in use has been estimated based on forecast revenue over the next three years, with an assumption of no growth from year four, discounted to present value using the Group's weighted average cost of capital of 12%.

   It is not anticipated that any reasonable changes in assumption would result in an impairment of the Network Services goodwill.

Based upon the impairment tests performed, the Directors have concluded that there is no material impairment of any of the Group's goodwill or intangible assets.

Notes to the Financial Statements continued

for the year ended 31 October 2018

17 PROPERTY, PLANT AND EQUIPMENT

		Leasehold land and buildings £'000	Equipment £'000	Total £'000
Cost				
At 31 October 2016		2	94	96
Additions	– purchased	–	12	12
	– business combinations	–	3	3
At 31 October 2017		2	109	111
Additions	– purchased	–	14	14
	– on acquisition of subsidiaries	–	5	5
At 31 October 2018		2	128	130
Accumulated depreciation and impairment				
At 31 October 2016		1	75	76
Charge for the year		1	10	11
At 31 October 2017		2	85	87
Charge for the year		–	12	12
At 31 October 2018		2	97	99
Carrying amount				
At 31 October 2018		–	31	31
At 31 October 2017		–	24	24
At 31 October 2016		1	19	20

18 SUBSIDIARIES

Details of the Company's subsidiaries at 31 October 2018 are as follows:

	Country of incorporation (and registered office)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Compass Wealth Management Consultants Ltd*	UK (1)	100%	100%	Financial advisory services
Active Financial Partners Ltd*	UK (1)	100%	100%	Financial advisory services
Merchants Wealth Management Ltd*	UK (1)	100%	100%	Financial advisory services
Compass B2B Ltd*	UK (1)	100%	100%	Financial advisory services
Meon Valley Financial Planning Ltd*	UK (1)	100%	100%	Financial advisory services
Finance for Life Ltd*	UK (1)	100%	100%	Financial advisory services
Anthony Harding & Partners Ltd*	UK (1)	100%	100%	Financial advisory services
Wealth Planning Services Ltd*	UK (1)	100%	100%	Financial advisory services
AE Financial Services Ltd*	UK (1)	100%	100%	Financial advisory services
Fund Management Ltd*	UK (1)	100%	100%	Financial advisory services
IMS Capital Ltd*	UK (1)	100%	100%	Investment management services
Wellian Investment Solutions Ltd*	UK (2)	100%	100%	Investment management services
Network Direct Ltd*	UK (1)	100%	100%	Network services
Waterside Independent Financial Advisers Ltd*	UK (1)	100%	100%	Non-trading
John Clive Enterprises Ltd*	UK (1)	100%	100%	Non-trading
Absolutely Independent Financial Advisers Ltd*	UK (1)	100%	100%	Non-trading
WT Financial Ltd*	UK (1)	100%	100%	Non-trading
4 Most Ltd*	UK (1)	100%	100%	Non-trading
Vue Platform Services Ltd	UK (1)	100%	100%	Dormant
Stephens Nominees Limited	UK (2)	100%	100%	Dormant
Fund Intelligence (Nominees) Limited	UK (2)	100%	100%	Dormant

* directly held

(1) 5 Lancer House, Hussar Court, Westside View, Waterlooville Hants PO7 7SE

(2) 77 Mount Ephraim, Tunbridge Wells, TN4 8BS

Notes to the Financial Statements continued

for the year ended 31 October 2018

18 SUBSIDIARIES CONTINUED

Harwood Wealth Management Group Plc has provided a guarantee in accordance with section 479c of the Companies Act 2006 on behalf of the following subsidiaries, in order to provide them with exemption from audit of their individual accounts. The Company has guaranteed all liabilities to which each subsidiary company is subject at the financial year end, until they are satisfied in full. The amount of such liabilities is set out below.

	Company number	Value of liabilities
Active Financial Partners Ltd	4266233	£189,211
IMS Capital Ltd	7324558	£169,272
Merchants Wealth Management Ltd	9035363	£45,662
4 Most Ltd	4805244	£NIL
Meon Valley Financial Planning Ltd	3415179	£71,347
Compass B2B Ltd	6906047	£53,811
Waterside Independent Financial Advisers Ltd	4184825	£NIL
Absolutely Independent Financial Advisers Ltd	3834429	£NIL
John Clive Enterprises Ltd	6622245	£NIL
WT Financial Ltd	8442987	£NIL
Finance for Life Ltd	5186537	£1,842
Anthony Harding & Partners Ltd	1745654	£6,403
Wealth Planning Services Ltd	5681293	£NIL
Fund Management Ltd	6744013	£40,596

19 ACQUISITIONS

A number of client portfolios were acquired as follows:

	2018 Number
Portfolios acquired	9
	£'000
Total consideration payable	10,701
Cash acquired	(1,705)
Net liabilities acquired	116
Total portfolio value	9,112
Immediate cash consideration (net of cash acquired)	4,910
Contingent cash consideration	4,086
	8,996
Net liabilities acquired	116
	9,112

Within the above, four of the nine portfolios were trade and asset purchases, totalling £1,801,000 with £1,005,000 immediate cash payable and a further £796,000 contingent cash consideration. A further five entities were acquired through acquisition of share capital, as set out below:

	Finance for Life Ltd £'000	Anthony Harding & Partners Ltd £'000	Wealth Planning Services Ltd £'000	AE Financial Services Ltd £'000	Fund Management Ltd £'000	Total £'000
Receivables	–	–	–	69	–	69
Cash	9	–	–	1,660	36	1,705
Payables	(8)	–	–	(23)	–	(31)
Corporation tax payable	(1)	–	–	(137)	(16)	(154)
Net assets acquired	–	–	–	1,569	20	1,589
Client portfolios acquired	860	923	301	4,202	1,025	7,311
Fair value of acquisition	860	923	301	5,771	1,045	8,900
Settled by:						
Immediate cash consideration (net of cash acquired)	441	527	170	2,237	530	3,905
Contingent cash consideration	410	396	131	1,874	479	3,290
Total (net of cash acquired)	851	923	301	4,111	1,009	7,195

The contingent consideration is payable on the first and second anniversaries of each acquisition and is based on actual trail income from the portfolios with no cap, with the exception of AE Financial Services Ltd, which has a cap of £5,922,000 on the total consideration payable.

The contingent consideration is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through the income statement.

20 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Trade receivables	239	255
Accrued income	770	546
Prepayments	544	274
	1,553	1,075

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

The Directors consider that the carrying amount of trade and other receivables does not differ from their fair value.

No significant receivable balances are impaired at the reporting date. The Group's experience of default rates of trade receivables is that default is very rare.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables set out above. The Group does not hold any collateral as security.

Notes to the Financial Statements continued

for the year ended 31 October 2018

21 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	261	136	–	–
Other payables	469	672	–	–
Deferred contingent consideration	2,935	4,042	2,407	252
Social security and other taxation	251	310	–	–
	3,916	5,160	2,407	252

22 PROVISIONS

	Customer claims £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 November 2017	–	–	–	–
Transferred from accruals or trade and other payables	225	29	386	640
Arising during the year	91	80	139	310
Paid during the year	(75)	–	–	(75)
At 31 October 2018	241	109	525	875
Current	241	–	525	766
Non-current	–	109	–	109
	241	109	525	875

Customer claims provisions are recognised for the estimated potential liability when the Group becomes aware of a possible client claim. No discount is applied to the projected cash flows due to their relatively short-term nature. These claims are usually expected to be settled within 12 months at an amount between £nil and the amount provided, which the Directors believe to be the maximum amount of exposure. Dilapidations provisions arise under the terms of the leases for the Group's premises, where the Group has an obligation to return the properties to a specified condition at the end of the lease term, at which time dilapidations will be negotiated. The Group provides for the estimated net present value of the cost of any dilapidations over the period of the leases. The discount at 31 October 2018 was not material. The uncertainties relating to other provisions are expected to be resolved with the next 12 to 24 months and the settlement is likely to either be the full amount or nil. At the previous year end these amounts had been expected to be settled within the next 12 months; as the uncertainties persist, the amounts have been transferred to provisions.

23 FINANCIAL INSTRUMENTS

There is an exposure to the risks that arise from the financial instruments. The policies for managing those risks and the methods to measure them are described in Note 27. Further quantitative information in respect of these risks is presented below and throughout the financial statements.

Financial assets

The following financial assets were held, all classified as loans or receivables:

	2018 £'000	2017 £'000
Trade receivables	239	255
Accrued income	770	546
Cash and cash equivalents	13,634	18,959
	14,643	19,760

Financial liabilities

The following financial liabilities were held, all classified as other financial liabilities at amortised cost:

Trade and other payables	730	808
Accruals	1,405	1,284
	2,135	2,092

The Directors believe that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

The following financial liabilities (deferred contingent consideration) are at fair value through the income statement:

	2018 £'000	2017 £'000
Deferred contingent consideration	5,342	4,294

This is a level 3 fair value measurement as the inputs are not based on observable market data. The movement in level 3 items related to acquisitions less amounts settled and unwinding of the discount in the period. The deferred contingent consideration is based on a multiple of trail income, discounted to net present value.

Assuming all other variables are held constant, an increase/(decrease) of 10% in the projected level of trail income earned by the businesses where deferred contingent consideration is still due, would result in additional/(reduced) deferred contingent consideration of £1,115,000/(£1,115,000).

Deferred contingent consideration

	2018 £'000	2017 £'000
Deferred contingent consideration at 1 November	4,294	5,433
On acquisitions in the year	4,086	650
Adjustments to acquisitions in prior year	–	248
Unwinding of discount	653	577
Additional consideration on past acquisitions and fair value adjustments	174	–
Deposit paid	–	(36)
Payments	(3,865)	(2,578)
Deferred contingent consideration at 31 October	5,342	4,294

Notes to the Financial Statements continued

for the year ended 31 October 2018

24 DEFERRED TAXATION

The deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period are as follows:

	2018 £'000	2017 £'000
Deferred tax liability at 1 November	1,161	1,266
Credit to income statement	(332)	(277)
On valuation adjustments	–	56
On acquisition of subsidiaries	–	116
Deferred tax liability at 31 October	829	1,161

	2018 £'000	2017 £'000
The deferred tax liability comprises:		
Temporary differences on acquired client portfolios	829	1,161

25 RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Company and certain of its subsidiaries operate defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in independently administered funds.

The total costs charged to the income statement in respect of defined contribution plans is £32,000 (2017: £16,000).

26 SHARE CAPITAL

	2018 £'000	2017 £'000
Ordinary share capital		
Issued and fully paid		
62,542,927 Ordinary shares of 0.25p each	156	156

The Company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the Company.

Reconciliation of movements during the year:

	2018 Number	2017 Number
At 1 November	62,542,927	55,588,927
Issue of fully paid shares	–	6,954,000
At 31 October	62,542,927	62,542,927

27 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to certain financial risks: market risk, credit risk and liquidity risk, as explained below. The overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Directors, who identify and evaluate financial risks in close co-operation with key staff.

Market risk is the risk of loss that may arise from changes in market factors such as competitor pricing and interest rates. The direct risk is considered to be minimal, although there is an indirect risk to fee income based on client investment values which can be affected by changes in interest rate.

Credit risk is the financial loss to the Group if a client or counterparty to financial instruments fails to meet contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. The majority of the Group's cash balance is held with Bank of Scotland, an institution with an A credit rating.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This risk relates to the Group's liquidity risk management and implies maintaining sufficient cash. The Directors monitor rolling forecasts of liquidity, cash and cash equivalents based on expected cash flow.

28 CAPITAL RISK MANAGEMENT

The Company is not subject to any externally imposed capital requirements.

Certain of the Company's subsidiaries are regulated by the Financial Conduct Authority and subject to its capital adequacy requirements.

The Group is funded by equity. The components of Shareholders' equity are:

(a) Share capital and share premium

(b) Retained earnings, reflecting comprehensive income to date less distributions

The objective when managing capital is to maintain adequate financial flexibility to preserve the ability to meet financial obligations, both current and long term. The capital structure is managed and adjusted to reflect changes in economic conditions. Expenditures on commitments are funded from existing cash and cash equivalent balances, primarily arising from equity sources.

Financing decisions are made based on forecasts of the expected timing and level of capital and operating expenditure required to meet commitments and development plans.

29 CONTINGENT LIABILITIES

The Group has contracts with three advisers which give them the option to sell their client portfolios to the Group at the time the contract is terminated by the adviser, subject to the agreement of suitable terms and conditions at the time. The combined acquisition price of these client portfolios cannot accurately be calculated as their ultimate valuation is based upon future performance and the date of purchase is uncertain. However, the Directors' best estimate of the present value of the total amount is in the region of £600,000 and is expected to fall due in around five to ten years.

Notes to the Financial Statements continued

for the year ended 31 October 2018

30 OPERATING LEASE COMMITMENTS

Lessee

Amounts recognised in income statement as an expense during the period in respect of operating lease arrangements are as follows:

	2018 £'000	2017 £'000
Lease payments under operating leases	262	209

At the reporting date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	144	98
Between two and five years	434	316
In over five years	122	190
	700	604

31 EVENTS AFTER THE REPORTING DATE

2018 Interim dividend

On 9 November 2018 the Company paid an interim dividend of 1.08 pence per ordinary share based on the register of Shareholders at close of business on 27 October 2018 totalling £675,464.

Acquisition of GD White (Independent Financial Advisers)

On 18 January 2019, the Group exchanged contracts to purchase the trade and assets of GD White (Independent Financial Advisers). The purchase price is expected to be c£1.5m, payable 50% on completion (expected to be on 1 May 2019) and a further two instalments of 25% and 25% which are due to be paid on the first and second anniversaries of completion, contingent upon results.

32 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	2018 £'000	2017 £'000
Short-term employee benefits	1,213	1,027
Social security cost	125	95
	1,338	1,122

Other transactions with related parties

During the year Mrs S Dunkley (the wife of the Director Mr N Dunkley) was paid a salary of £12,592 (2017: £11,634).

33 DIRECTORS' TRANSACTIONS

The head office premises are leased from Mr M Howard and Mr N Dunkley at a total annual rent of £55,000, expiring on 31 March 2025.

Further premises are leased from Compass Legal Services LLP, an entity owned by Mr M Howard and Mr N Dunkley, at an annual rent of £9,600.

Dividends were paid in the year in respect of shares held by Shareholder Directors of the Company totalling £1,272,000.

Company Statement of Financial Position

as at 31 October 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Intangible assets	4	6,843	6,326
Investments	5	23,792	14,441
		30,635	20,767
Current assets			
Trade and other receivables	6	509	587
Cash at bank and in hand		8,046	15,913
		8,555	16,500
Creditors: amounts falling due within one year			
Trade and other payables	7	4,302	5,113
Taxation and social security		43	32
		4,345	5,145
Net current assets		4,210	11,355
Total assets less current liabilities		34,845	32,122
Creditors: amounts falling due after more than one year			
Trade and other payables	7	2,407	252
Net assets		32,438	31,870
Capital and reserves			
Called up share capital		156	156
Share premium account		25,500	25,500
Revaluation reserve		1,828	1,828
Retained earnings		4,954	4,386
Total equity		32,438	31,870

As permitted by s408 Companies Act 2006, the Company has not presented its own income statement. The Company's profit for the year was £2,594,000 (2017: £3,111,000).

The financial statements were approved by the Board of Directors and authorised for issue on 22 January 2019

Signed on its behalf by

Alan Durrant
Director

Gillian Davies
Director

Company Registration No. 04987966

Company Statement of Changes in Equity

for the year ended 31 October 2018

	Notes	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2016		139	15,542	1,828	2,526	20,035
Year ended 31 October 2017:						
Profit and total comprehensive income for the year		–	–	–	3,111	3,111
Issue of share capital		17	10,414	–	–	10,431
Dividends	3	–	–	–	(1,251)	(1,251)
Costs of share issue		–	(456)	–	–	(456)
Total transactions with owners recognised directly in equity		17	9,958	–	(1,251)	8,724
Balance at 31 October 2017		156	25,500	1,828	4,386	31,870
Year ended 31 October 2018:						
Profit and total comprehensive income for the year		–	–	–	2,594	2,594
Dividends	3	–	–	–	(2,026)	(2,026)
Total transactions with owners recognised directly in equity		–	–	–	(2,026)	(2,026)
Balance at 31 October 2018		156	25,500	1,828	4,954	32,438

The share premium account comprises consideration received for shares issued above their nominal value net of transaction costs.

Retained earnings comprise accumulated profits and losses, less amounts distributed to Shareholders.

The revaluation reserve comprises the cumulative revaluation gains and losses in respect of fixed asset investments.

Notes to the Company Financial Statements

for the year ended 31 October 2018

1 ACCOUNTING POLICIES

Company information

Harwood Wealth Management Group Plc is a public company limited by shares, which is listed on the Alternative Investment Market of the London Stock Exchange and is incorporated and domiciled in England and Wales. The registered office is 5 Lancer House, Hussar Court, Westside View, Waterlooville, Hampshire, PO7 7SE.

The principal activity of the Company is to act as a holding company. The principal activity of the Group is the provision of financial advice and investment management to the retail market.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis as modified by the revaluation of investments and the valuation of financial liabilities at fair value through the income statement.

The financial statements are prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The principal accounting policies adopted are set out below.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements in accordance with FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of paragraph 33 (c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions.

Equivalent disclosures are given in the Group accounts of Harwood Wealth Management Group Plc, in which the Company is consolidated.

Notes to the Company Financial Statements continued

for the year ended 31 October 2018

1 ACCOUNTING POLICIES CONTINUED

1.1 Basis of preparation continued

The following accounting policies are the same as for the Group which are set out in note 1 to the consolidated financial statements:

- Going concern
- Intangible assets other than goodwill
- Impairment of tangible and intangible assets
- Cash and cash equivalents
- Financial assets
- Financial liabilities
- Equity instruments
- Taxation
- Employee benefits
- Retirement benefits
- Leases

1.2 Fixed asset investments

Fixed asset investments are accounted for at initial cost including discounted deferred contingent consideration, less accumulated impairment losses.

2 EMPLOYEES

The average monthly number of people (including Directors) employed by the Company during the year was:

	2018 Number	2017 Number
Management and administration	21	21

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	1,397	1,384
Social security costs	165	92
Pension costs	8	1
	1,570	1,477

Directors' remuneration is disclosed in note 10 of the consolidated financial statements.

3 DIVIDENDS

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders:		
Ordinary		
Interim dividend paid: 1.00p per ordinary share (2017: nil)	625	–
Final dividend paid: 2.24p per ordinary share (2017: 2.00p per ordinary share)	1,401	1,251
	2,026	1,251

An interim dividend for the year ended 31 October 2018 of 1.08 pence per ordinary share was declared on 3 July 2018 and paid on 9 November 2018 totalling £675,464 (2017: £625,429). The interim dividend was still at the discretion of the Directors at 31 October 2018 and has not therefore been included as a liability in these financial statements.

The proposed final dividend for the year ended 31 October 2018 is:

	Total £'000
Proposed final dividend: 2.42 pence per ordinary share of 0.25 pence	1,514

The proposed final dividend is subject to approval by Shareholders and has not been included as a liability in these financial statements. The dividend will be paid on 10 May 2019 to Shareholders on the register at close of business on 26 April 2019.

4 INTANGIBLE FIXED ASSETS

	Acquired client portfolios £'000
Cost	
At 31 October 2017	8,824
Additions	1,801
At 31 October 2018	10,625
Amortisation and impairment	
At 31 October 2017	2,498
Charge for the year	1,284
At 31 October 2018	3,782
Carrying amount	
At 31 October 2018	6,843
At 31 October 2017	6,326

Notes to the Company Financial Statements continued

for the year ended 31 October 2018

5 INVESTMENTS

	2018 £'000	2017 £'000
Investments in subsidiaries	23,792	14,441
	23,792	14,441

Movements in fixed asset investments

	£'000
At 31 October 2017	14,441
Additions	9,351
At 31 October 2018	23,792
Impairment	
At 1 November 2017 & 31 October 2018	–
Carrying amount	
At 31 October 2018	23,792
At 31 October 2017	14,441

A list of subsidiaries is set out in note 18 of the consolidated financial statements.

6 TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Other receivables	6	5
Amounts due from subsidiary undertakings	474	560
Prepayments	29	22
	509	587

7 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade payables	51	30	–	–
Deferred contingent consideration	2,935	3,985	2,407	252
Amounts due to subsidiary undertakings	578	617	–	–
Accruals	738	480	–	–
Other payables	–	1	–	–
	4,302	5,113	2,407	252

8 EVENTS AFTER THE REPORTING DATE

Details of events after the reporting date can be found in note 31 of the consolidated financial statements.

Company Information

COMPANY NUMBER

04987966 (England and Wales)

REGISTERED OFFICE

5 Lancer House
Hussar Court
Westside View
Waterlooville
Hampshire
PO7 7SE

AUDITOR

RSM UK Audit LLP
Portland
25 High Street
Crawley
West Sussex
RH10 1BG

BROKERS

N+1 Singer
1 Bartholomew Lane
London
EC2N 2AX

REGISTRAR

Computershare
The Pavilions
Bridgewater Road
Bristol
BS13 8AE

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Harwood Wealth Management Group plc

5 Lancer House Hussar Court Westside View
Waterlooville Hampshire PO7 7SE