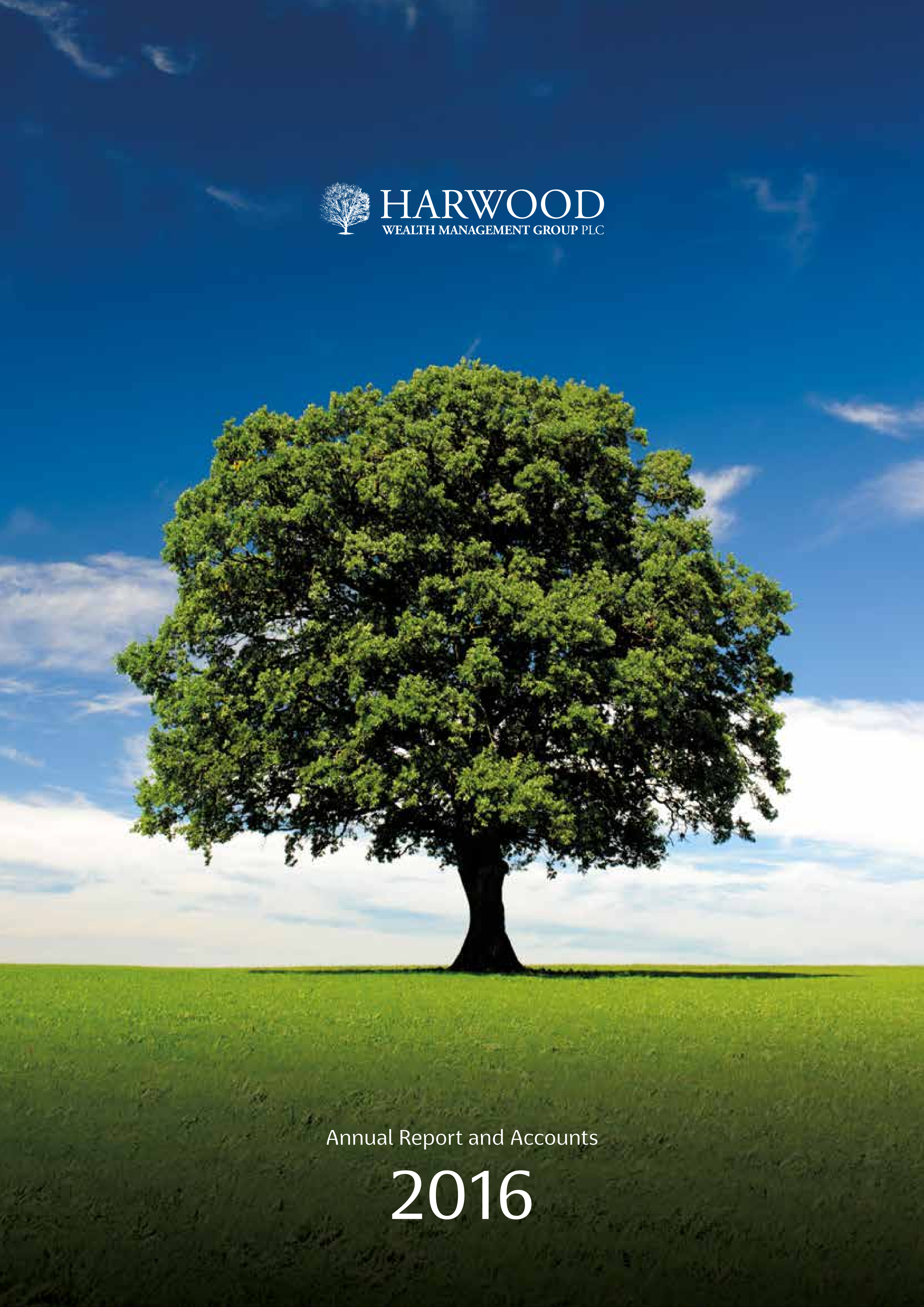
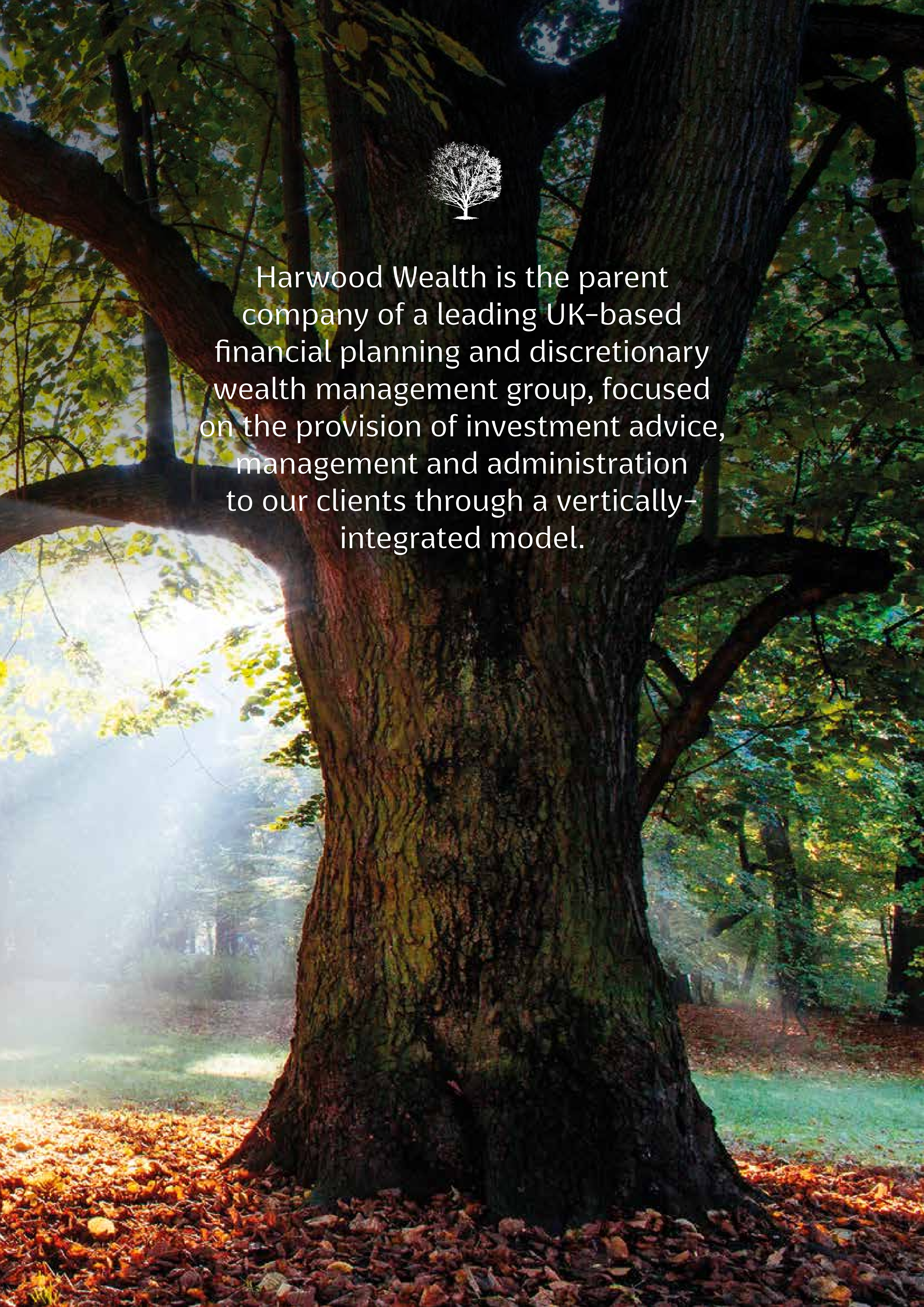


HARWOOD
WEALTH MANAGEMENT GROUP PLC

Annual Report and Accounts

2016

Harwood Wealth is the parent company of a leading UK-based financial planning and discretionary wealth management group, focused on the provision of investment advice, management and administration to our clients through a vertically-integrated model.

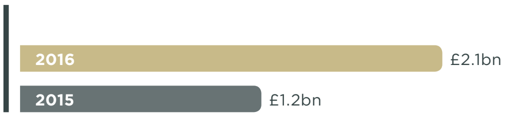


Highlights

AUI

+75%

£2.1 billion (2015: £1.2 billion)



Revenue

+47%

£11.6 million (2015: £7.9 million), 75% recurring

Gross margin

61%

(2015: 56%)

Financial Highlights

- Assets under influence (AUI) up 75% to £2.1bn (2015: £1.2bn)
- Revenue up 47% to £11.6m (2015: £7.9m) of which more than 75% is recurring
- Gross margin of 61% (2015: 56%)
- Adjusted EBITDA* is up 42% to £2.7m (2015: £1.9m)
- Net cash generated by operations of £2.4m (2015: £1.8m) and total cash balances at the period end of £10.5m (2015: £3.9m)
- Seventeen acquisitions completed during the period for an aggregate consideration of £11.7m (or 1.9% of AUI)
- Launch of own investment platform in partnership with AJ Bell
- IPO on AIM in March 2016 raising £10m of capital before expenses

* Earnings before interest, taxation, depreciation and amortisation (EBITDA) is a non IFRS measure which the Group uses to assess its performance.

* Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and exceptional costs.

For more information
www.harwoodwealth.co.uk/investor-information/

At a Glance

Harwood Wealth Management Group is a leading financial planning and discretionary wealth management firm. We have grown by applying our simple and scalable, acquisition-led model.

We adopt a formulated and structured approach to acquisitions, focusing on small to medium-sized financial advisory and wealth management businesses with between £10 million and £100 million of AUI.

+£2.1bn

assets under influence

Who we are

Headquartered in Waterlooville (Hampshire), Harwood Wealth Management Group was created by bringing together Compass Wealth Management Group, which was founded in 2001 by Neil Dunkley and Mark Howard, and Wellian Investment Solutions, led by Alan Durrant.

What we do

Through our FCA-regulated entities and our vertically integrated model, we offer a broad range of wealth management and financial planning services to mass affluent retail investment and corporate clients, including investment management, pension and retirement planning, inheritance planning, life cover and family protection. In addition, we offer Discretionary Investment Management services, the Wellian investment administration platform and operate the *Discovery* range of Multi Manager Funds, which supports our investment management offering to our clients.

We currently have in excess of £2.1bn of assets under influence.

Where we operate

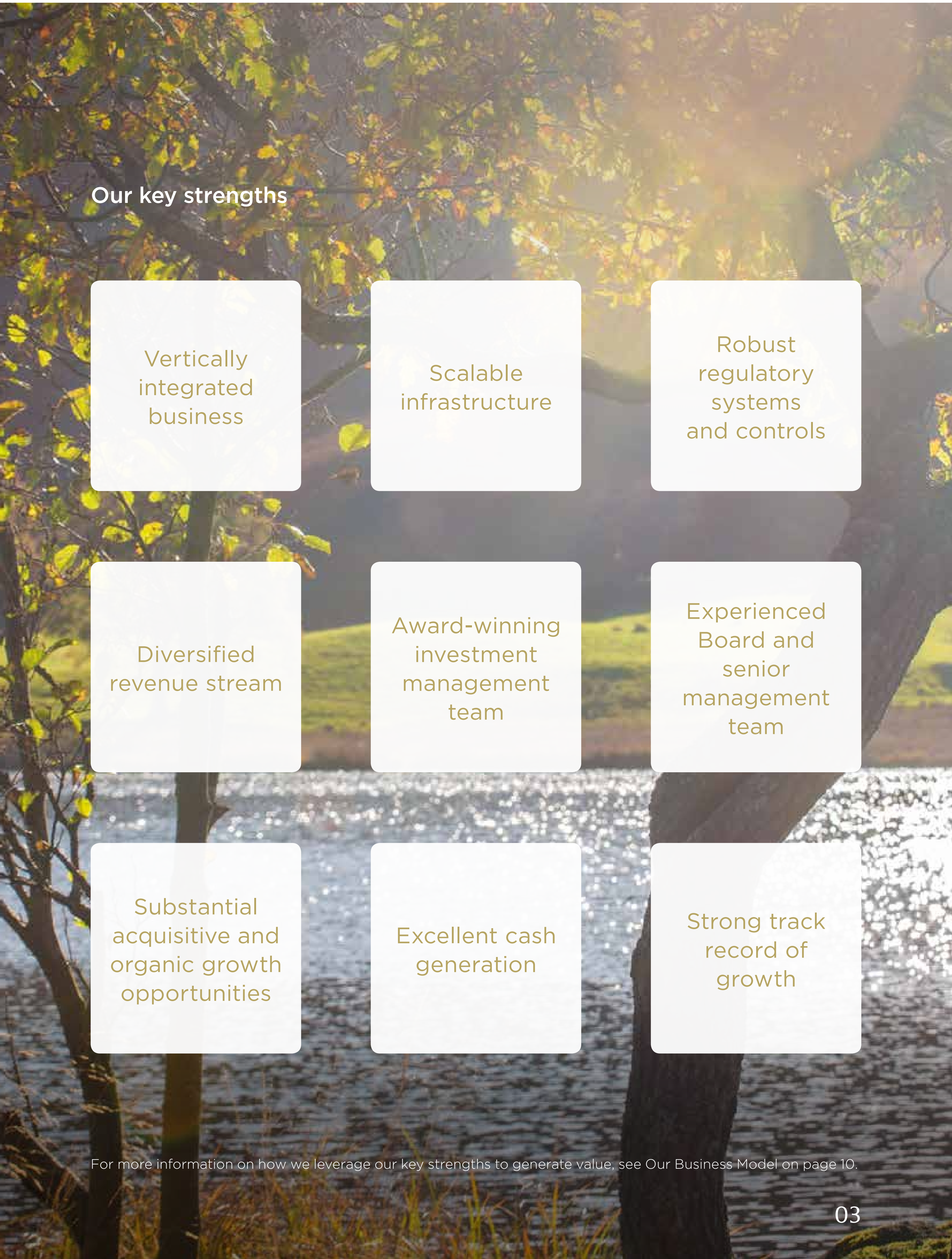
We operate a centralised, scalable infrastructure from our Waterlooville headquarters, supporting multiple offices, predominantly throughout the South of England.

Our approach

The majority of our 83 FCA-regulated financial advisers are self-employed, and are remunerated based on a share of the annual fee income that they generate. The Group is supported by a team of more than 50 investment management, operations, compliance and IT infrastructure staff.

Our acquisition model

Historically the majority of our growth in client assets has arisen through acquisition, with 53 financial services businesses acquired to 31 October 2016. We adopt a formulated and structured approach to acquisitions, focusing on small to medium-sized financial advisory and wealth management businesses with between £10 million and £100 million of AUI. We intend to continue to pursue this acquisition-led strategy, supplemented with organic growth from referrals and marketing initiatives.



Our key strengths

- Vertically integrated business
- Scalable infrastructure
- Robust regulatory systems and controls
- Diversified revenue stream
- Award-winning investment management team
- Experienced Board and senior management team
- Substantial acquisitive and organic growth opportunities
- Excellent cash generation
- Strong track record of growth

For more information on how we leverage our key strengths to generate value, see Our Business Model on page 10.

Chairman's statement

Peter Mann
Chairman

> We believe that our simple, clear strategy, combined with the proven capabilities of the Company, will enable Harwood Wealth Management Group to continue to deliver value to our stakeholders in the current year and beyond.
>
> "

We are using the proceeds of our IPO to pursue our proven strategy. Our increased scale enhances our ability to grow, both organically and through our successful, acquisition-led model.

Strategy

This is my first full year statement following our listing on AIM in March 2016. I am delighted to report on a year of achievements for the Group, not least of which was the IPO.
We are using the net proceeds of this judiciously to build shareholder value by furthering our clear, consistent and well-managed strategy namely to grow our business by acquiring likeminded firms, integrate them successfully and provide innovative investment solutions for clients. Network Direct Limited (NDL) is a good example of this and with c.100 advisers is a larger acquisition than we would have been able to make historically. We have received consent from the FCA to acquire NDL and anticipate the acquisition will be complete by March 2017.

We have also enjoyed organic growth. Our registered individuals are not only growing in number, but their per capita production is increasing as a result of organic opportunities that have presented themselves in the market, notably pension freedoms legislation. This has been a great boost to the advisory industry as larger numbers of investors are considering their retirement more seriously, both in terms of asset accumulation and also taking advice close to the point of decumulation.

We believe that our rigorous, vertically integrated process, coupled with our high quality investment management, delivers good quality client outcomes in an efficient manner. Prospective vendors feel confident selling to us, because they know their clients will be treated fairly.

The confidence we have seen from shareholders and the market underlines our view that our model – and sticking to our model – works, which is in line with what we told the market at the time of the IPO. We are excited to be taking the business to the next stage of its development.

Performance

2016 was a successful year for the Group. We added 17 acquisitions, and delivered an adjusted EBITDA of £2.7 million (2015: £1.9 million). Assets under influence ("AUI") increased to £2.1bn (2015: £1.2bn) and we estimate that about two thirds of this increase is attributable to acquisitions and one third is from organic growth. The net cash generated by operating activities was £2.4m (2015: £1.8m) closely matching EBITDA.

Performance has been delivered against a favourable market backdrop. Post the Retail Distribution Review (RDR) we see a continued appetite for small and medium sized enterprises in the financial services sector to seek buyers – and if anything, we have seen an acceleration in the interest of people wishing to sell. We have stuck rigidly to our model, with the businesses we choose not to acquire almost as notable as those that we do!

In addition to the higher demand for advisory services from pension reforms mentioned above, the market itself has been very buoyant. The quality of our investment processes has delivered good performance through uncertain times.

People

Our team has worked hard to deliver this robust financial performance, which is very much underpinned by our strong corporate culture and commitment to great client outcomes. Testament to the quality of the management team is that they were not distracted by the IPO process, with the financial results through that period largely uninterrupted. On your behalf and that of the Board, I wish to formally record our thanks.

Board changes

The Board was strengthened at IPO by the appointment of two new Non-executive Directors, Christopher Mills and Paul Tuson, both of whom bring a wealth of relevant experience. Nick Bravery was also appointed to the role of Chief Financial Officer in October 2016. The strength of our Board has been praised by the market as one of the most experienced and industry recognised in our arena. This is particularly notable for a business of our size.

Dividend

The Board is recommending a final dividend of 2.00 pence per share subject to shareholder approval at the Company Annual General meeting on 19 April 2017. The final dividend will be paid on 12 May 2017 to shareholders on the register at the close of business on 28 April 2017.

Outlook

We believe that our simple, clear strategy, combined with the proven capabilities of the Company, will enable Harwood Wealth Management Group to continue to deliver value to our stakeholders in the current year and beyond. The value from recent acquisitions will contribute to our results in our 2017 financial year, and we will continue to seek to add further client books to our stable. As for external factors, we await greater clarity on Brexit and its implications for the regulatory imperatives the financial services sector will face but are confident that whatever the outcomes our clients will still require good quality financial advice.

We go into the year with a good degree of confidence, a very sound business, and look forward to capitalising on further opportunities for growth.

Peter Mann
Chairman

The confidence we have seen from shareholders and the market underlines our view that our model – and sticking to our model – works, which is in line with what we told the market at the time of the IPO.

Strategic Report

Market Environment

We see sound long-term prospects for investment management and financial advisory services, underpinned by structural forces that are driving demand, as well as shaping the provision of advice.

Pensioners now have the option of remaining invested during retirement and, in so doing, continue to generate investment, advice and administration fees for wealth management professionals.
”

The need for advice is increasing and several fundamental trends are driving consumers' need for financial advice:

Ageing population

The requirement for financial advice is supported by favourable demographics, as individuals enjoy higher life expectancy than previous generations. Those approaching or in retirement are of a cohort with substantial personal wealth, accumulated in an era of generous employer pension contributions and rising house prices. Total investable assets of the UK population are estimated to total approximately £3.5 trillion. These have grown steadily, and are forecast to reach around £4 trillion by 2018[1].

Pension freedoms

In April 2015, pension reforms were introduced that aimed to provide those approaching retirement with greater flexibility in when and how they use their pension pots. Previously, pensioners over the age of 75 were required to purchase annuities, and their pension funds were therefore lost to the investment industry. Pensioners now have the option of remaining invested during retirement and, in so doing, continue to generate investment, advice and administration fees for wealth management professionals. Statistics from the Association of British Insurers for the year to April 2016[2] show:

- £4.2 billion was invested in 80,000 annuities, with an average fund of £52,500.
- £6.1 billion was invested in 90,700 drawdown products, making the average fund invested nearly £67,500.

Increasing need for financial self-reliance

Historically, individuals were able to rely on the government and employers to provide their pensions. As the State Pension Age has been pushed back and defined benefit schemes have become a thing of the past, society has had to become increasingly self-reliant, with private provision for retirement and care costs becoming a major consideration in financial planning.

Low interest rates

Against a backdrop of a sustained period of low interest rates, clients are requiring greater guidance to generate returns on their savings and investments.

There have been major structural changes to the provision of advice

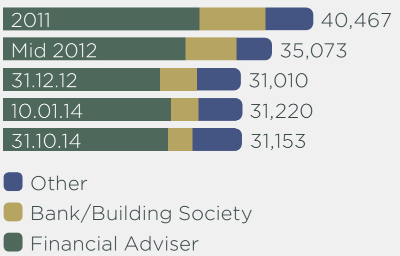
At the same time that these demand dynamics have been at work, the firms supplying financial services have faced new challenges. At the forefront of these has been the regulatory environment, notably the Retail Distribution Review (RDR).

Historically, the majority of investment distribution in the UK was through a combination of smaller advisory firms and the advisory arms of larger organisations such as banks, building societies and insurers. Typically advisers were paid for their services via commission from the providers of the products they recommended. Consumers therefore did not pay for the advice directly. This approach was not transparent for consumers, however, as it was unclear whether they were receiving impartial advice or simply being sold the product which paid the highest commission to the adviser.

Effective from 1 January 2013, the RDR aimed to improve professional standards within the intermediary sector, introducing greater clarity between the different types of service available, and making the charges associated with advice and services clearer. Changes included the manner in which regulated financial and other advisers are remunerated, the minimum levels of qualification required to be obtained by regulated financial advisers and the minimum level of regulatory capital they must maintain.

This drive to higher standards, has, however, contributed to a reduction in adviser numbers[3]. Many larger institutions, such as banks and insurance companies, exited the market, leaving a fragmented base of smaller advisory firms. As at 31 December 2015, there were 14,491 firms offering financial advice as their main regulated activity registered with the FCA, with an average of 4.5 advising staff per firm[3].

Number of advisers



The Financial Adviser Market: In Numbers, APFA, March 2016

The end of commission paid by product providers to advisers (which is how many people had previously paid for their advice), has also contributed to a reported 'advice gap' for customers who seek to make investments but who do not access advice for reasons including cost, trust or awareness of the benefits of advice[4]. Concerns over this led to HMRC and the FCA launching the Financial Advice Market Review in August 2015.

Published in March 2016, the report 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. The FCA is working with HM Treasury to develop an appropriate baseline and indicators to monitor the development of the advice market.

Further changes to the sector may result from the FCA's investigation into competition in the asset management industry, whose results are due for publication in early 2017. The Asset Management Review is examining fees and profitability in asset management, as well as the investment consulting market.

Aside from the regulatory landscape, technology is another factor driving change in the sector. Solutions such as 'robo advice' are being launched by some firms to cater for clients currently falling in the 'advice gap', whereby consumers are offered risk-related portfolios, but without a full discretionary service.

All of these developments contribute to a favourable environment for acquisitions in the regulated financial advisory sector. In 2015, 124 mergers took place in the sector, an increase from 83 the previous year[5], and it was reported that up to one third of regulated financial advisers would consider selling their book[6]. Many small advisers and wealth managers lack the scale to continually invest in the information technology, compliance and operational support needed in order to remain in business. These factors, coupled with the increase in the minimum capital reserve requirements for advisory firms, leave the sector well positioned for further consolidation and rationalisation.

Many small advisers and wealth managers lack the scale to continually invest in the information technology, compliance and operational support needed in order to remain in business.
”

[1] Ernst & Young, IFG Capital Markets Day Presentation, September 2015
[2] ABI pension freedom statistics – one year on factsheet, 15 August 2015
[3] The Financial Adviser Market: In Numbers, APFA, March 2016
[4] FT Adviser, 19 July 2016 (“FCA admits RDR contributed to advice gap”)
[5] FT Adviser, 10 August 2016 (“The surge in wealth managers”)
[6] FT Adviser, 20 November 2015 (“One third of regulated financial advisers consider selling over age and risk”)

Our Business Model

Our track record of generating value for our different stakeholders is built upon our proven, acquisition-focused, vertically integrated business model and leveraging our centralised, scalable infrastructure.

What we do

We focus on the provision of financial advice to mass affluent clients (with £200,000 to £500,000 of liquid financial assets), and corporate clients. We operate a vertically-integrated model, comprising advice, investment management and an administration platform:

- Advice and arrangement
  Pensions, savings, investment and life insurance related advice.
- Management
  Investment management and multi-manager unit trust Discovery range of funds, as well as portfolio management services for external advisers.
- Administration
  An investment fund platform with service and technology outsourced to another provider.

How we do it

- Centralised, scalable infrastructure supporting local offices throughout the South of England.
- Centralised investment research, allowing us to benefit from scale and provide disciplined investment management to both internal and external clients.
- c.80 FCA-regulated financial advisers.
- Proven acquisition-based growth model, targeting small to medium-sized financial advisory and wealth management businesses with between £10 million and £100 million of AUI. We also consider larger opportunities should they arise, and this has been demonstrated by the announced acquisition of Network Direct Limited with AUI of £1.0bn. Typically we acquire client lists and the recurring income from targets' pools of client portfolios, such that newly acquired clients become clients of our existing FCA-regulated financial advisers.

What sets us apart

- Vertically integrated model provides scope to capture a greater share of available fees and enables more consistent and improved service levels, resulting in enhanced client retention.
- As a listed, well-funded business vendors have great transparency about our ability to complete a deal. Potential vendors are also attracted by our high quality advice, investment management and administration offering and what this offers to their clients.

What sets us apart

- Scalable infrastructure from which to support further AUI and AUM growth without the need to incur significant additional capital or operating expenditure;
- Robust regulatory systems and controls.

As a listed, well-funded business, vendors have great transparency about our ability to complete a deal. ”

How we generate value

- Fees for the provision of financial planning services and for the related management and platform administration of client funds; most fees are recurring.
- On an ongoing basis each client has three advisory options, with incremental annual fees payable according to the level of service required. Additional fees for investment management services are charged on a percentage basis.
- Corporate clients pay fees according to the number of employees.
- Wellian generates revenues from fees from portfolio management services provided to external advisers.
- The Wellian Platform charges fees for the administration and hosting of investment assets.
- The majority of growth in client assets has been achieved by acquisition.

Outcomes

For clients
Investment performance
Excellent service

For shareholders
Strong cash generation
Track record of profitable growth

For financial advisers
Centralised infrastructure and compliance
Competitive remuneration

For employees
Attractive career prospects
Competitive remuneration and benefits

What sets us apart

- Diversified revenue stream with high proportion of recurring revenues;
- Award-winning investment management team with a strong record of investment performance;
- Experienced Board and senior management team;
- Substantial growth opportunities from operating in a fragmented industry undergoing structural change.

Harwood Wealth Management Group currently has in excess of

£2.1bn

of assets under Influence.

Our Strategy

Our focus on creating long-term value for clients and shareholders translates into core strategic objectives relating to organic growth, acquisitions and efficiency.

Our objectives	Organic growth – existing clients	Organic growth – new clients
What this means	Growth from existing clients accumulating and inheriting wealth, and from increasing the proportion of their wealth that we manage.	Growth from existing FCA-regulated financial advisers seeking to grow their individual practices. Growth from other regulated financial advisers approaching us to seek assistance in supporting their own clients.
How we do this	By building long-term, trusted relationships with existing clients, we are their first port of call for additional requirements for financial advice, investment management and administration services. We have also historically achieved growth by reactivating dormant clients from the client lists of businesses we have acquired. By offering a broader range of products and services we can capture revenue that would otherwise have gone to external providers.	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 to the Group. We will also seek to attract further external advisers to our portfolio management services with articles in trade publications and a dedicated sales and marketing team.

Our objectives	Growth from acquisitions	Efficiency in operations
What this means	Growth from business or share purchases.	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	We target small to medium-sized financial advisory and wealth management businesses with between £10 million and £100 million of AUI. We have acquired 53 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.	By integrating acquisitions into our centralised infrastructure we generate better outcomes for clients and efficiencies through our size, scale, locations and expertise. Use of our own investment administration platform allows us to capture revenues that might otherwise be paid to insurance or platform providers, and to assist in delivering a high quality solution to clients at a competitive price. We have two proprietary processes to assist with fund selection and asset allocation, intended to simplify the process for regulated financial advisers and to provide a decision making audit trail.

See pages 20 and 21 for details of the principal risks to achieving our strategy.

Questions and Answers with joint CEOs, Neil Dunkley and Alan Durrant

Our Joint Chief Executive Officers Neil and Alan look back on a milestone year for the Group, and give their views on the opportunities that lie ahead.

Alan Durrant
Joint CEO

Q. Why does the Group have joint Chief Executives, and how do you divide responsibilities?

A. Alan: Really it's for operational reasons. Neil and I both have more than twenty years of experience in our respective fields. We both know quite a lot about each other's areas, too: Neil has been very successful in the investment management area through his work with in-house investment solutions, and I've been successful in the distribution area with Hargreaves Landsdown and Skandia – so we can provide challenge and support to each other. Ultimately we have an experienced distribution and advice man in Neil and an investment man in myself, running our individual parts of the businesses.

Q. What was the rationale for the IPO, and how will the proceeds be used?

A. Alan: We came to market for a number of clearly defined reasons: the primary one was to provide the business with capital to continue with our already successful history of acquisitions. There are also ancillary benefits to being a listed business in terms of the visibility and transparency for our various stakeholders, whether clients, advisers or potential vendors.

> We came to market for a number of clearly defined reasons: the primary one was to provide the business with capital to continue with our already successful history of acquisitions. ”

Q. How did the Group perform in 2016?

A. Neil: We are pleased to report revenue growth of 47% during the period, driven in part by organic growth but primarily through the completion of 17 acquisitions which added approximately £616m of AUI. Total AUI at 31 October 2016 was £2.1bn (2015: £1.2bn) including £693m (2015: £276m) assets under management (AUM). Adjusted EBITDA grew by 42% to £2.7m (2015: £1.9m). The adjusted EBITDA per share of 5.55 pence (2015: 4.68 pence) increased by 19% compared with 2015.

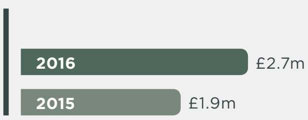
Q. What were your highlights of the year?

A. Neil: The IPO was clearly a highlight of the year, as was implementing all of the things we said we would do during the listing process. All of the acquisitions we have completed have been embedded into the business and have contributed to assets under management and profits.

A. Alan: Another key highlight of the year was the launch of our own investment platform in partnership with AJ Bell. This was the result of an extensive selection and implementation process and allows us to offer our clients and advisers the opportunity to use an in-house solution from which we also generate incremental revenue that otherwise would go to a third party. It's about providing clients with something that they need to have anyway but, rather than having to use another external provider's platform, we can offer them something which is at least as good but probably cheaper. When we find a way of raising our revenues, cutting our costs and delivering added value to our clients it feels like a classic win-win for all.

Adjusted EBITDA

+42%



A. Neil: A key achievement is that we have created a vertically integrated business. We started, pre listing, with a business that was wholly focused on distribution and advice. Post listing, we have a business that is advice-driven but with a discretionary investment management function and also a range of unitised managed funds, adding to the stable of products that we can offer to our advisers.

Q. What have been the principal developments in the market, and how have these impacted performance?

A. Neil: One of the principal drivers for us has been the way in which the market has been consolidating, and the opportunities that have arisen from that. It's presented to us a number of willing sellers, and we've been able to use the proceeds from the IPO to capitalise on that. RDR (the Retail Distribution Review), which came out in 2013, was the catalyst for a lot of consolidation in the market, because business models and revenue streams had to change. Post listing we have been able to accelerate our strategy by buying slightly larger businesses than we would have had the opportunity to do previously. There have been other changes, in terms of capital adequacy requirements, for example, which has made trading for small and medium advisory businesses a lot harder. Faced with so many opportunities we have to look at prospective acquisitions in a lot of detail, to make sure they fit with the culture of the business and are economically attractive.

A. Alan: The outcome of the Brexit referendum could have been a challenge for us but in fact has had no impact whatsoever so far. We didn't see people holding out for the outcome of the referendum. Unlike some firms, we chose not to take people into cash. On the day of the referendum result we didn't have clients panicking or selling, and since then equity and bond markets have been strong. The weakness in the pound has helped us. In general, the investment returns enjoyed by our clients have been good at a time when returns on cash are tiny, if anything. From an acquisitions perspective, we asked the businesses we were talking to in the run up to the EU referendum whether their motivations for selling had changed, and none had. People tend to want to sell either for reasons of lifestyle, i.e. they want to retire, or for deep structural reasons, whether it be to do with technology, compliance or capital adequacy, which means they can't carry on as smaller business in the way they would like to. Neither of these motivations are impacted by Brexit.

A. Neil: Another key development is the pension freedoms. Previously, when clients retired, they were required to buy an annuity and no longer needed advisory services once that was in place. Today, that same client may still have an annuity or partial annuity, but is probably going to go into some sort of income solution where they want their money to be managed and to take advice for decades to come. For us, this is probably the most important structural change for a very long time.

Neil Dunkley
Joint CEO

> One of the principal drivers for us has been the way in which the market has been consolidating, and the opportunities that have arisen from that.
>
> ”

Adjusted EBITDA per share

+19%

Questions and Answers with joint CEOs, Neil Dunkley and Alan Durrant continued

> For prospective vendors, the fact we have cash is a very big advantage for us. And the fact that we've been doing this for a long time: if you are in our catchment area and are seriously looking to sell your business, chances are you're going to come and speak to us.
>
> **Alan Durrant**
>
> ”

Q. How would you summarise the firm's primary objective and the strategic priorities to achieve this?

A. Alan: The principal opportunity is to buy really nice businesses at really nice prices. That has been, and remains, our strategy. Beyond just buying businesses we are a vertically integrated business, providing on-going advice, investment management and a platform, and we're not looking to make the business much more complicated than that. There will be some additional products and services, but this business is driven by doing the simple stuff really well.

A. Neil: As Alan says, we are capitalising on the acquisition opportunities, we are integrating the businesses into our centralised process, whether that be platform or investment. Our ultimate drive is to give clients better outcomes from our size, our scale, from our geographic locations and our centralised investment expertise. Giving clients better outcomes creates shareholder value.

For the future, we'd like to continue with what we've been doing, carry on making selected acquisitions, making sure all the different parts of the business are integrated well, and creating better outcomes for clients. We're not looking to reinvent the wheel. We've done pretty well historically, we'd like to carry on doing that, but adding to it.

Historically we have been based between the south coast and the M4 Corridor. Our geographical spread is widening, and will inevitably change as a natural consequence of the acquisition opportunities we face. We have announced the acquisition of Network Direct Ltd, which when completed will increase our scale and widen our geographical footprint significantly, to become nationwide.

A. Alan: Organic growth will be driven by factors such as the pension freedoms we mentioned earlier, as there is a greater need for advice. Pension advice used to be pretty straightforward: you'd save and save, you'd take your pot and annuitise it, and that was it. Today the rules are a lot more complicated, the consequences of misunderstanding those rules are a lot more serious, and the options people have are far broader, therefore the need for advice has never been greater.

A. Neil: This is a really good time for a financial services distribution company and investment management business. As Alan said, the need for what we do has never been greater. The number of CF30 function IFAs has reduced quite significantly over the years, but the requirement for those people has increased. It puts us in a really good place, to be running a business like this at the moment.

Q. What do you see as the firm's sources of competitive advantage?

A. Alan: Whether it be for advisers, clients or those looking to sell their business, a key strength is that we are simple, transparent people to deal with – we are a straightforward business.

For prospective vendors, the fact we have cash is a very big advantage for us. And the fact that we've been doing this for a long time: if you are in our catchment area and are seriously looking to sell your business, chances are you're going to come and speak to us.

When it comes to the advice and investment management side of things, again I'd point to the simplicity of the offering, to the competitive charging of the offering, but also the element of control the client has over what they pay for. In most advisory businesses there is one model: here's what you pay per annum for your advice if you've got differing levels of assets. Basically, if you're rich you pay more; you end up with a much bigger service, whether or not you want it, and have to pay for that. We very much believe in offering choice, however. If you want lots of help because your circumstances are more complicated, or simply because you want more hand holding, you can be on a proposition where you pay more. If you want a relatively light touch that's fine, whether you have a lot of money or not. That is a key differentiator. People don't feel they are being shoehorned into one solution just because they have a lot or a little money.

A. Neil: The success of our approach is evident in our client outcomes. In a year of significant market volatility caused by Brexit, Trump, China and oil, clients invested in our managed portfolios have seen strong returns. This is due to the robustness of our investment process and the highly experienced team of dedicated investment professionals who manage portfolios for internal and external clients.

Q. What is the outlook for the next 12 months?

A. Neil: We are a business that operates in asset markets, so we face the same challenges faced by all businesses that operate in asset markets. There are some key events coming up, the unwinding of Brexit, interest rate hikes, inflation increases and all those sorts of things. To us, they create opportunities as well as threats. If things like changes in government legislation confuse us, they'll confuse our clients. When our clients are confused they'll need help that they are willing to pay for.

For the future, we'd like to continue with what we've been doing, carry on making selected acquisitions, making sure all the different parts of the business are integrated well, and creating better outcomes for clients. We're not looking to reinvent the wheel.

Neil Dunkley

Financial Review

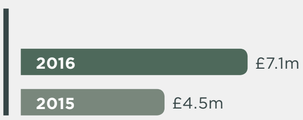
It is pleasing that AUI has grown by 75% to £2.1bn (2015: £1.2bn) and AUM by 151% to £693m (2015: £276m). It is estimated that two thirds of this growth has been achieved through the successful implementation of the acquisition strategy and one third through organic growth.

Nick Bravery
Chief Financial Officer

> The Group completed 17 acquisitions during the period of which 12 were asset acquisitions and 5 were share acquisitions.

Gross Profit

+58%



£284m of the growth in AUM is attributable to the acquisition of Wellian Investment Solutions, a discretionary fund and investment manager, with the balance of £133m representing the capture of assets previously external to the Group (another key element to the Group's strategy).

Revenue

Group revenue for the financial year ended 31 October 2016 increased by 47% to £11.6m (2015: £7.9m) of which approximately 75% is recurring. The growth was driven by the following factors:

- the full-year effect of acquisitions completed in the previous financial year
- the partial effect of acquisitions completed in this financial year
- the growth in assets under management
- new business derived from acquired client portfolios
- the increase in the number of financial advisers
- the movement in market asset values

Gross margin

The gross margin increased to 61% (2015: 56%) as a result of the higher levels of acquisition activity in the year and because there were no material changes to individual financial adviser commission arrangements. Gross profit grew by 58% to £7.1m (2015: £4.5m).

Operating expenses

The total operating expenses of the business increased to £6.3m (2015: £3.2m). These included the exceptional costs associated with the admission to AIM, the additional running costs associated with being a publicly listed company, and the costs associated with the acquisitions, in particular Wellian.

Profitability

The primary measure of profitability in the sector is adjusted EBITDA, being earnings before interest, taxation, depreciation and amortisation and exceptional costs. Adjusted EBITDA for the period showed growth of 42% to £2.7m (2015: £1.9m).

Profit before tax for the period was £371,000 (2015: £1,150,000) after the £336,000 (2015: nil) of exceptional costs of the IPO and acquisition costs, and £1,581,000 (2015: £596,000) of depreciation and amortisation costs.

Financial advisers and staff headcount

The number of financial advisers (employed and self-employed) increased by five to 83 and staff headcount grew to 92 incorporating 11 staff from the Wellian transaction.

Acquisitions

The Group completed 17 acquisitions during the period of which 12 were asset acquisitions and 5 were share acquisitions. The total aggregate consideration of £11.7m comprises £4.5m paid in cash on completion, £2.6m paid by the issue of shares, and discounted deferred consideration of £4.6m.

Adjusted EBITDA (adjusted to exclude exceptional costs of the IPO and acquisition costs)

Adjusted EBITDA for the period was £2.7m, and an increase of 42% over the previous period (2015: £1.9m). As a consequence of the Group's accelerated acquisition growth strategy, amortisation costs increased significantly to £1.6m (2015: £0.6m) as did the amortised finance costs to £0.5m (2015: £0.1m).

Earnings per share

Basic earnings per share for the year ended 31 October 2016 was 0.24p (2015: 2.16p) based on a weighted average of 49,242,615 shares (2015: 40,000,000).

Adjusted EBITDA per share

The Adjusted EBITDA per share, for the year ended 31 October 2016, was 5.55p (2015: 4.68p).

Dividends

The Board is proposing a final dividend of 2.00p per share for 2016, which is subject to shareholder approval at the AGM on the 19 April 2017, which will be paid to shareholders on 12 May 2017 based on the register of shareholders at close of business on 28 April 2017.

Cash position

The Group had cash balances of £10.5m at 31 October (2015: £3.9m). Net cash generated by financing activities in the period was £8.6m (2015: net cash used £1.1m).

The Group had discounted deferred consideration commitments of £5.4m at 31 October (2015: £1.6m).

Financial position

The Group has generated strong cashflow from operations which is expected to continue into 2017. These cashflows, together with available cash, ensure the Group is in a robust financial position from which to continue its strategy to grow the business both organically and through acquisition in the next trading period.

Post-period end

Network Direct Ltd

On the 30 August 2016 the Company announced the acquisition of Network Direct Ltd subject to Financial Conduct Authority approval. This approval was received on 13 December 2016 and the Board expect this acquisition to complete by March 2017. The total consideration is £4m of which £1m is payable at completion, with the balance based on performance of NDL over the next five years. NDL has a network of 107 financial advisers with assets under influence of £1bn.

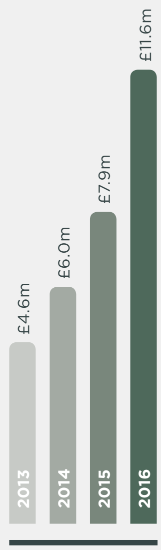
WT Financial Ltd

The Company agreed, subject to the Financial Conduct Authority approval which was received on 13 December 2016, to acquire the entire share capital of WT Financial Ltd for a total consideration of £315,000 of which £157,500 is payable at completion, with the balance based on future revenue over the next two years. WT Financial has £16m of assets under influence. This acquisition was completed on 19 January 2017.

Current trading

Early indications are that the new financial year has started strongly. AUI is also performing well, and coupled with the recent rise in market asset values reinforces the confidence expressed earlier by the Chairman.

Nick Bravery
Chief Financial Officer



Revenue

£11.6m

(2015: £7.9 million)

The Principal Risks to Achieving our Strategy

The Board has ultimate responsibility for setting our risk appetite and ensuring there is an adequate and appropriate risk management framework in place.

Risk Management

We have a formal risk management framework that provides a structured process for identifying, assessing and managing risks associated with the Group's business objectives and strategy. The principal risks outlined below are those deemed most likely to impact our strategy:

Business and Strategic Risks

Risk	Description	Key mitigators	Trend
Underperformance	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.	• 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 capital 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	→
Regulatory change	Changes to the regulatory framework may impact our ability to grow.	• Regular updates provided to the Board on the status and potential impact of imminent regulatory changes • Active dialogue with regulators and industry bodies • Business model that is responsive to prospective regulatory changes	↑

Operational Risks

Risk	Description	Key mitigators	Trend
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	→
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	→
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	→

Nick Bravery
Chief Financial Officer

The Strategic Report on pages 6 to 21 was approved by the Board on 23 January 2017 and signed on its behalf by:

Neil Dunkley
Joint Chief Executive Officer

Governance

Governance Report

This section provides information about our Board, sets out our corporate governance approach and gives details of our Directors' remuneration

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 Nick Bravery's financial and general management track record. 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 leadership necessary to achieve the Company's strategy of profitable growth.

Brief biographical details of the Directors are set out below.

Peter Mann (58)
Non-executive Chairman

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 Wealth Mutual. Prior to that 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.

Neil Dunkley (43)
Joint Chief Executive Officer

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. He continues to be responsible for overall business direction, setting strategies and, together with joint CEO Alan Durrant, leads the senior management team. His entire career has been devoted to the financial advisory industry where he has accumulated 18 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.

Alan Durrant (45)
Joint Chief Executive Officer

Alan 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.

Mark Howard (44)
Chief Commercial Officer
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. Mark was a co-founder of Compass Wealth Management Group (now Harwood Wealth). As well as having Board responsibility for the acquisition strategy of the Group, Mark also has oversight of legal and compliance matters.

Nick Bravery (58)
Chief Financial Officer
Nick's professional life began at Unilever Plc in 1977 where he held various financial positions and qualified as an Associate of the Chartered Institute of Management Accountants in 1984. He subsequently joined the Automobile Association in 1988 to broaden his experience in general management roles that included leading a successful start-up business. In 2000 he became the AA's Director of Business Services, a position he held until 2003. He then moved into Financial Services with Simplyhealth, becoming the Director of Customer Service until 2009 and the Finance Director of P&I Ltd from 2010 to 2014, prior to joining the Company in 2014.

Christopher Mills (64)
Non-executive Director
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 (50)
Non-executive Director
Paul is a qualified chartered accountant, with over twenty years' post-qualification experience, who has served as CFO or Finance Director for numerous companies in the media and technology industries. Most recently, 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 has overseen two IPOs. His career began with seven years of public accounting experience at KPMG.

Corporate Governance

Chairman's Introduction to Governance

"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

Corporate Governance

The Directors intend to take account of the requirements of the Corporate Governance Code ("the Code") to the extent they consider it appropriate and having regard to the Company's size, Board structure, stage of development and resources.

The Company holds regular Board meetings. The Directors are responsible for formulating, reviewing and approving the Company's strategy, budget and major items of capital expenditure.

The Company's shares are listed on the AIM markets and are subject to the AIM Admission Rules of the London Stock Exchange and consequently are not required to comply with the provisions or report in accordance with the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council. However, the Board is committed to the principles of corporate governance covering leadership, effectiveness, accountability, remuneration and shareholder relations as outlined in the Code. The Directors have applied the Code as far as is practicable and appropriate for a public company of the Group's size.

The main principles of the code are:

Leadership

- Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.
- There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.
- The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.
- As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

Effectiveness

- The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.
- There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.
- All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.
- All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.
- The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.
- The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Accountability

- The board should present a fair, balanced and understandable assessment of the company's position and prospects.
- The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.
- The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

Remuneration

- Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.
- There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Relations with shareholders

- There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.
- The board should use general meetings to communicate with investors and to encourage their participation.

Source: Financial Reporting Council –
The UK Corporate Governance Code April 2016

Corporate Governance continued

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.

Audit Committee

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 on and monitored on a regular basis. This includes reviews of the annual and interim accounts, 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.

During the period RSM UK Audit LLP were appointed as auditors for the Group. RSM Corporate Finance LLP were appointed as the Independent Reporting Accountant for the Admission to AIM.

Remuneration

The Remuneration Committee comprises Christopher Mills (Chairman), Peter Mann and Paul Tuson. 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.

Details of the Directors' remuneration are disclosed in the notes to the accounts.

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.

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 19 April 2016 at 3pm at the office of Harwood Capital LLP at 6 Stratton Street London W1J 8LD.

Directors' Report

The Directors present their annual report and financial statements for the year ended 31 October 2016.

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

Neil Dunkley	Joint Chief Executive Officer	
Alan Durrant	Joint Chief Executive Officer	
Mark Howard	Chief Commercial Officer	
Nick Bravery	Chief Financial Officer	Resigned 5 February 2016 and re-appointed 6 October 2016

Non-executive Directors

Peter Mann	Non-executive Chairman	
Christopher Mills	Non-executive Director	Appointed 29 March 2016
Paul Tuson	Non-executive Director	Appointed 29 March 2016

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

Results and dividends

The results for the year are set out on pages 36 to 39.

An interim dividend was paid on 16 November 2015 (prior to the IPO) amounting to £354,000. The Directors recommend the payment of a final dividend of 2.00p (£1,111,779) making a dividend for the year of £1,465,779.

Future Developments

Full details of future developments can be found in the Chairman's statement on pages 4 to 5 and further details in note 31.

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 and 21.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Company to prevent and detect 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.

Auditors

RSM UK Audit LLP were appointed auditors of the Group during the previous financial year.

Statement of disclosure to Auditors

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 auditors are 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 auditors are aware of that information.

On behalf of the Board

Neil Dunkley
Joint Chief Executive Officer
23 January 2017

Financial Statements

Independent Auditor's Report

Opinion on financial statements

We have audited the group and parent company financial statements ("the financial statements") on pages 36 to 72. 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 October 2016 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 provisions of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 31, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

23 January 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 October 2016

	Note	2016 £'000	2015 £'000
Revenue	4	**11,605**	7,932
Cost of sales		**(4,513)**	(3,464)
Gross profit		**7,092**	4,468
Administrative expenses		**(5,940)**	(3,193)
Exceptional items	5	**(336)**	–
Operating profit	7	**816**	1,275
Investment income	11	**18**	24
Finance costs	12	**(463)**	(149)
Profit before taxation		**371**	1,150
Income tax expense	13	**(253)**	(285)
Profit and total comprehensive income for the year attributable to equity owners of the parent		**118**	865
		pence	**pence**
Earnings per share			
Basic and fully diluted	15	**0.24**	2.16

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

Consolidated Statement of Financial Position

as at 31 October 2016

Company Registration No. 04987966

	Note	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	16	**14,749**	4,712
Property, plant and equipment	17	**20**	17
		14,769	4,729
Current assets			
Trade and other receivables	20	**621**	275
Cash and cash equivalents		**10,526**	3,903
		11,147	4,178
Total assets		**25,916**	8,907
Current liabilities			
Trade and other payables	23	**3,879**	1,608
Accruals and deferred income		**341**	183
Current tax liabilities		**882**	278
Borrowings	21	**–**	12
		5,102	2,081
Net current assets		**6,045**	2,097
Non-current liabilities			
Trade and other payables	23	**2,219**	479
Deferred tax liabilities	25	**1,266**	383
		3,485	862
Total liabilities		**8,587**	2,943
Net assets		**17,329**	5,964
Equity			
Called up share capital	27	**139**	100
Share premium account		**15,541**	3,979
Retained earnings		**1,649**	1,885
Total equity attributable to the owners of the parent		**17,329**	5,964

The financial statements were approved by the Board of directors and authorised for issue on 23 January 2017.
Signed on its behalf by:

Neil Dunkley, Director

Consolidated Statement of Changes in Equity

for the year ended 31 October 2016

		Attributable to the owners of the parent			
	Note	**Share capital £'000**	**Share premium account £'000**	**Retained earnings £'000**	**Total £'000**
Balance at 1 November 2014		100	3,979	1,818	5,897
Year ended 31 October 2015:					
Profit and total comprehensive income for the year		–	–	865	865
Dividends	14	–	–	(798)	(798)
Total transactions with owners recognised directly in equity		–	–	(798)	(798)
Balance at 31 October 2015		100	3,979	1,885	5,964
Year ended 31 October 2016:					
Profit and total comprehensive income for the year		–	–	118	118
Issue of share capital	27	39	12,558	–	12,597
Dividends	14	–	–	(354)	(354)
Costs of share issue		–	(996)	–	(996)
Total transactions with owners recognised directly in equity		39	11,562	(354)	11,247
Balance at 31 October 2016		139	15,541	1,649	17,329

Share premium 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.

Consolidated Statement of Cash Flows

for the year ended 31 October 2016

	2016		2015	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit before income tax		371		1,150
Non-cash adjustments				
Depreciation and amortisation	1,581		596	
Net finance costs	445		125	
		2,026		721
Working capital adjustments				
(Increase)/decrease in trade and other receivables	(12)		(51)	
Increase in trade and other payables	78		115	
		66		64
Cash inflow from operating activities		2,463		1,935
Income tax paid	(63)		(162)	
Interest paid	–		(14)	
		(63)		(176)
Net cash generated by operations		2,400		1,759
Investing activities				
Purchase of intangible assets	(3,601)		(1,268)	
Interest received	18		24	
Acquisition of subsidiaries net of cash acquired	(802)		(540)	
Net cash used in investing activities		(4,385)		(1,784)
Financing activities				
Proceeds from issue of shares	8,974		–	
Repayment of borrowings	(12)		(261)	
Dividends paid	(354)		(798)	
Net cash generated from/(used in) financing activities		8,608		(1,059)
Net increase/(decrease) in cash and cash equivalents		6,623		(1,084)
Cash and cash equivalents at beginning of year		3,903		4,987
Cash and cash equivalents at end of year		10,526		3,903

Significant non cash transactions include deferred contingent consideration totalling £4,577,000, together with consideration for the acquisition of Wellian Investment Solutions Limited of £2,627,027 which was settled by the issue of equity.

Notes to the Financial Statements

for the year ended 31 October 2016

1 Accounting policies

Company information

Harwood Wealth Management Group plc is a company limited by shares 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.

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, unless otherwise stated in accounting policies. The principal accounting policies adopted are set out below.

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 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.

1.2 Business combinations

Acquisitions of subsidiaries and businesses 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 profit or loss as incurred.

At the acquisition date, 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 profit or loss as a bargain purchase gain.

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 profit or loss.

Positive purchased goodwill arising on acquisitions is capitalised. 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.

1.3 Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, 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 24, 29 and 30 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 directors have, at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Revenue

Revenue 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.

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

Interest income represents bank interest receivable on cash balances and is recognised as it is earned.

Having assessed the Group's revenue arrangements against specific criteria, the Directors have concluded that it is acting as a principal rather than agent in its revenue arrangements to date.

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 profit or loss in the period of the acquisition.

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.

Notes to the Financial Statements continued

for the year ended 31 October 2016

1 Accounting policies continued

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, 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.

The cost of a purchased intangible asset acquired other than in a business combination is the purchase price plus any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

Client portfolios acquired in a business combination are valued at cost, which is the fair value at the date of acquisition, which generally equates to cost; no other intangibles arise (including goodwill).

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.

Client 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 company reviews the carrying amounts of its tangible and intangible assets 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 company 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.

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 profit or loss, 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 profit or loss, 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.

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. Bank overdrafts are shown within borrowings in current liabilities.

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 profit and loss, 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 profit or loss, 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.

Notes to the Financial Statements continued
for the year ended 31 October 2016

1 Accounting policies continued
1.11 Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, 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.

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.

Derecognition of financial liabilities
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 tax expense represents the sum of the tax currently payable 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 the tax expected to be payable or recoverable 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, and is accounted for using the balance sheet liability method. 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 the company has 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, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

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 company 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 pattern 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 Directors consider that there are no identifiable business segments that are subject to risks and returns different to the core business. The information reported to the Directors, for the purposes of resource allocation and assessment of performance, is based wholly on the overall activities of the Group.

The Directors have therefore determined that there is only one reportable segment under IFRS8. The results and assets for this segment can be determined by reference to the statement of comprehensive income and statement of financial position.

1.18 Exceptional items
Exceptional items are disclosed 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.

Notes to the Financial Statements continued

for the year ended 31 October 2016

2 Adoption of new and revised standards and changes in accounting policies

In the current year, there have been no new and revised Standards and Interpretations that have been adopted by the company and have an effect on the current period or a prior period.

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 2 (amended)	Share-based Payment
IFRS 5 (amended)	Non-current assets held for sale and discontinued operations
IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Liabilities
IFRS 8 (amended)	Operating Segments
IFRS 9	Financial Instruments
IFRS 10 (amended)	Consolidated Financial Statements
IFRS 11 (amended)	Joint Arrangements
IFRS 15	Revenue
IFRS 16	Leases

Other than additional disclosures within the financial statements the Directors do not expect the adoption of these standards to have a material effect on the financial statements of the Group in future periods.

3 Critical accounting estimates and judgements

In the application of the company'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.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Intangible asset life

Intangible assets with a carrying value of £14,748,679 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 year of the expected useful life, and straight line for the remaining period.

For client relationships, the expected useful life is 20 years, based on the existing long standing client relationships.

Fair value of contingent consideration

The estimation of contingent consideration requires the Directors to predict the trail income arising over the earn-out period and to decide on the level of the discount rate to be applied. The discount rate applied in the year was 12%. The directors use an assumption of 15% client attrition from acquisition. The total value of contingent consideration at the year end was £5,433,398 (2015: £1,619,871).

Impairment of assets

The impairment review process involves the Directors making judgements about, inter alia, future cash flows and the discount rate to be applied to those cash flows.

Accrued fee income

Accrued fee income is recognised in respect of fees due to the Group on investments and bank deposits placed during the accounting period which have not been received at the reporting date. This requires an estimation of the amount of fee income that will be received subsequent to the reporting date in respect of the accounting period, which is based on the value of historic fees received and investments placed by clients under advice. The carrying amount of accrued fee income at 31 October 2016 was £388,220 (2015: £177,071).

4 Revenue

An analysis of the company's revenue is as follows:

	2016 £'000	2015 £'000
Revenues attributable to the principal activity undertaken wholly in the UK	**11,605**	7,932

5 Exceptional items

	2016 £'000	2015 £'000
IPO Listing costs	**263**	–
Acquisition costs	**73**	–
	336	–

6 Expenses by nature

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

	2016 £'000	2015 £'000
Advisers' costs	**4,511**	3,464
Staff and director costs	**2,735**	1,660
Amortisation	**1,572**	591
Depreciation	**9**	5
Premises costs	**617**	362
Regulatory fees	**387**	266
Other expenses	**622**	309
	10,453	6,657

Notes to the Financial Statements continued

for the year ended 31 October 2016

7 Operating profit

	2016 £'000	2015 £'000
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	**9**	5
Amortisation of intangible assets	**1,572**	591
Operating lease rentals – land and buildings	**185**	106

8 Auditor's remuneration

	2016 £'000	2015 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	**38**	26
Audit of the company's subsidiaries	**21**	14
	59	40
For other services		
Tax services	**9**	–
Other services – audit related	**5**	–
Corporate finance services – charged to share premium	**165**	–
Corporate finance services – charged to statement of comprehensive income	**100**	25
Total non-audit fees	**279**	25

9 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Employed advisers	**8**	8
Management and administration	**75**	51
	83	59

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	**2,483**	1,523
Social security costs	**245**	137
Pension costs	**7**	–
	2,735	1,660

10 Directors' remuneration

	2016 £'000	2015 £'000
Executive directors		
Short-term remuneration	**315**	141
Benefits	**14**	25
Non-executive director fees	**71**	30
	400	196
Social security costs	**48**	14
	448	210

Below is a summary of the total remuneration paid to each director:

	2016 £'000	2015 £'000
M Howard	**116**	63
N Dunkley	**112**	58
N Bravery	**36**	39
P Mann	**52**	6
P Tuson	**19**	–
A Durrant	**65**	30
	400	196

11 Investment income

	2016 £'000	2015 £'000
Interest income		
Bank deposits	**18**	24

Notes to the Financial Statements continued

for the year ended 31 October 2016

12 Finance costs

	2016 £'000	2015 £'000
Interest on bank overdrafts and loans	–	14
Unwinding of discount on contingent consideration	463	135
Total interest expense	463	149

13 Income tax expense

	2016 £'000	2015 £'000
Current tax		
Current year taxation	463	285
Adjustments in respect of prior periods	81	–
	544	285
Deferred tax		
Origination and reversal of temporary differences	(271)	–
Effect of change in tax rate	(20)	
	(291)	–
Total tax charge	253	285

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

	2016 £'000	2015 £'000
Profit before taxation	371	1,150
Expected tax charge based on a corporation tax rate of 20.00% (2015: 20.5%)	74	236
Expenses not deductible in determining taxable profit	179	49
Tax charge for the year	253	285

Factors that may affect future tax charges:
Changes to the rate of Corporation Tax were substantively enacted on 26 October 2015 and 7 September 2016 resulting in rates of Corporation Tax of 19% with effect from 1 April 2017 and 17% with effect from 1 April 2020.

Deferred tax balances have been re-measured in accordance with the new rates.

14 Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders:		
Ordinary shares		
Interim dividend: £3.54 per ordinary share of £1 (2015: £7.98) pre subdivision	**354**	798

The proposed final dividend for the year ended 31 October 2016 is:

	Total £'000
Final dividend: 2 pence per ordinary share of 0.25 pence	1,112

The proposed final dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

15 Earnings per share

	2016 £'000	2015 £'000
Number of shares		
Weighted average number of ordinary shares for basic earnings per share	**49,243**	40,000

	£'000	£'000
Earnings		
Continuing operations		
Profit for the period from continued operations	**118**	865
Earnings for basic and diluted earnings per share being net profit attributable to equity shareholders of the company for continued operations	**118**	865

	pence	pence
Basic and diluted earnings per share	**0.24**	2.16

Notes to the Financial Statements continued

for the year ended 31 October 2016

16 Intangible assets

	Goodwill £'000	Acquired client portfolios £'000	Client relationships £'000	Total £'000
Cost				
At 1 November 2014	–	3,951	–	3,951
Additions	245	2,551	–	2,796
At 31 October 2015	245	6,502	–	6,747
Additions	210	8,036	3,363	11,609
At 31 October 2016	**455**	**14,538**	**3,363**	**18,356**
Amortisation and impairment				
At 1 November 2014	–	1,444	–	1,444
Charge for the year	–	591	–	591
At 31 October 2015	–	2,035	–	2,035
Charge for the year	–	1,483	89	1,572
At 31 October 2016	–	3,518	89	3,607
Carrying amount				
At 31 October 2016	**455**	**11,020**	**3,274**	**14,749**
At 31 October 2015	245	4,467	–	4,712
At 31 October 2014	–	2,507	–	2,507

The goodwill and client relationships added in the year arose on the share acquisitions of Wellian Investment Solutions Ltd.

The acquired client portfolio additions were acquired through either share acquisitions or asset purchases.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, which is determined by reference to the original businesses acquired.

An impairment test of goodwill is a comparison of the carrying value of the cash generating unit to their recoverable amount. Where it is higher than the recoverable amount, an impairment results. 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. Detailed forecasts for the remaining life of each cash generating unit ("CGU") have been used (maximum 20 years), based on approved annual budgets and strategic projections representing the best estimate of future performance. The estimated cash flows are based on the anticipated revenues from the of the CGUs, with an expected attrition rate of 15% for revenues based on historic observed rates, and discounted at the Group's weighted average cost of capital, estimated at 12%.

17 Property, plant and equipment

	Leasehold land and buildings £'000	Equipment £'000	Total £'000
Cost			
At 1 November 2014	2	83	85
At 31 October 2015	2	83	85
Business combinations	–	11	11
At 31 October 2016	**2**	**94**	**96**
Accumulated depreciation and impairment			
At 1 November 2014	1	61	62
Charge for the year	–	5	5
At 31 October 2015	1	66	67
Charge for the year	–	9	9
At 31 October 2016	**1**	**75**	**76**
Carrying amount			
At 31 October 2016	**1**	**19**	**20**
At 31 October 2015	1	16	17
At 31 October 2014	1	22	23

Notes to the Financial Statements continued

for the year ended 31 October 2016

18 Subsidiaries

	Country of incorporation (or residence)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Compass Wealth Management Consultants Ltd	UK	100.00%	100.00%	Financial advisory services
Active Financial Partners Ltd	UK	100.00%	100.00%	Financial advisory services
IMS Capital Ltd	UK	100.00%	100.00%	Financial advisory services
Merchants Wealth Management Ltd	UK	100.00%	100.00%	Financial advisory services
4 Most Ltd	UK	100.00%	100.00%	Financial advisory services
Compass B2B Ltd	UK	100.00%	100.00%	Financial advisory services
Meon Valley Financial Planning Ltd	UK	100.00%	100.00%	Financial advisory services
Waterside Independent Financial Advisers Ltd	UK	100.00%	100.00%	Financial advisory services
John Clive Enterprises Ltd	UK	100.00%	100.00%	Financial advisory services
Absolutely Independent Financial Advisers Ltd	UK	100.00%	100.00%	Financial advisory services
Wellian Investment Solutions Ltd	UK	100.00%	100.00%	Financial advisory services
Vue Platform Services Ltd	UK	100.00%	100.00%	Dormant
Stephens Nominees Limited	UK	100.00%	100.00%	Dormant
Fund Intelligence (Nominees) Limited	UK	100.00%	100.00%	Dormant

Harwood Wealth Management Group plc has provided a guarantee in accordance with section 479 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	04266233	£124,686
IMS Capital Ltd	07324558	£191,677
Merchants Wealth Management Ltd	09035363	£75,664
4 Most Ltd	04805244	£166,162
Meon Valley Financial Planning Ltd	03415179	£141,558
Compass B2B Ltd	06906047	£42,215
Waterside Independent Financial Advisers Ltd	04184825	£9,415
Absolutely Independent Financial Advisers Ltd	03834429	£113,337
John Clive Enterprises Ltd	06622245	£78,657

19 Acquisitions

Business combinations

During the year the Group acquired the following companies:

Waterside Independent Financial Advisers Ltd

On 29 January 2016, the Group acquired the entire issued share capital of Waterside Independent Financial Advisers Ltd, an independent financial advisor provider, in order to expand the advisory services offered. The assets and liabilities acquired were as follows:

	Book Value £'000	Fair value adjustment £'000	Fair value £'000
Acquired client portfolio	–	821	821
Tangible assets	2	–	2
Cash & equivalents	15	–	15
Payables	(10)		(10)
Deferred tax	–	(148)	(148)
	7	673	680

The business combination has been recognised as follows:

	£'000
Cash consideration on completion	382
Contingent cash consideration	298
	680
Net assets acquired per above	(680)
Goodwill arising	–

The contingent consideration is payable on the 1st and 2nd anniversaries of acquisition and is based on actual trail income from the acquired portfolio with no cap.

It is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through profit or loss.

The post-acquisition results of the acquired company in the year of acquisition, together with estimated results for the full year of the Group if the acquisition had been at the start of that year, were as follows:

	Revenue £'000	Net profit £'000
Post-acquisition results – acquisition	129	(30)
Pro-forma results for full year – Group	11,785	93

Notes to the Financial Statements continued

for the year ended 31 October 2016

19 Acquisitions continued

Meon Valley Financial Planning Ltd

On 1 February 2016, the Group acquired the entire issued share capital of Meon Valley Financial Planning Ltd, an independent financial advisor provider, in order to expand the advisory services offered. The assets and liabilities acquired were as follows:

	Book Value £'000	Fair value adjustment £'000	Fair value £'000
Acquired client portfolio	–	1,472	1,472
Tangible assets	3	–	3
Receivables	134	–	134
Cash & equivalents	336	–	336
Payables	(141)	–	(141)
Deferred tax	(1)	(265)	(266)
	331	1,207	1,538

The business combination has been recognised as follows:

	£'000
Cash consideration on completion	1,031
Contingent cash consideration	507
	1,538
Net assets acquired per above	(1,538)
Goodwill arising	–

The contingent consideration is payable on the 1st and 2nd anniversaries of acquisition and is based on actual trail income from the acquired portfolio with no cap.

It is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through profit or loss.

The post-acquisition results of the acquired company in the year of acquisition, together with estimated results for the full year of the Group if the acquisition had been at the start of that year, were as follows:

	Revenue £'000	Net profit £'000
Post-acquisition results – acquisition	216	(96)
Pro-forma results for full year – Group	12,005	28

Absolutely Independent Financial Advisers Ltd
On 13 May 2016, the Group acquired the entire issued share capital of Absolutely Independent Financial Advisers Ltd, an independent financial advisor provider, in order to expand the advisory services offered.
The assets and liabilities acquired were as follows:

	Book Value £'000	Fair value adjustment £'000	Fair value £'000
Acquired client portfolio	–	347	347
Cash & equivalents	113	–	113
Payables	(12)	–	(12)
Deferred tax	–	(62)	(62)
	101	285	386

The business combination has been recognised as follows:

	£'000
Cash consideration on completion	262
Contingent cash consideration	124
	386
Net assets acquired per above	(386)
Goodwill arising	–

The contingent consideration is payable on the 1st and 2nd anniversaries of acquisition and is based on actual trail income from the acquired portfolio with no cap.

It is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through profit or loss.

The post-acquisition results of the acquired company in the year of acquisition, together with estimated results for the full year of the Group if the acquisition had been at the start of that year, were as follows:

	Revenue £'000	Net profit £'000
Post-acquisition results – acquisition	42	8
Pro-forma results for full year – Group	11,695	139

Notes to the Financial Statements continued

for the year ended 31 October 2016

19 Acquisitions continued

John Clive Enterprises Ltd

On 22 April 2016, the Group acquired the entire issued share capital of John Clive Enterprises Ltd, an independent financial advisor provider, in order to expand the advisory services offered. The assets and liabilities acquired were as follows:

	Book Value £'000	Fair value adjustment £'000	Fair value £'000
Acquired client portfolio	110	517	627
Payables	(79)	–	(79)
Deferred tax	–	(93)	(93)
	31	424	455

The business combination has been recognised as follows:

	£'000
Cash consideration on completion	219
Contingent cash consideration	236
	455
Net assets acquired per above	(455)
Goodwill arising	–

The contingent consideration is payable on the 1st and 2nd anniversaries of acquisition and is based on actual trail income from the acquired portfolio with no cap.

It is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through profit or loss.

The post-acquisition results of the acquired company in the year of acquisition, together with estimated results for the full year of the Group if the acquisition had been at the start of that year, were as follows:

	Revenue £'000	Net profit £'000
Post-acquisition results – acquisition	68	(4)
Pro-forma results for full year – Group	11,765	169

Wellian Investment Solutions Ltd
On 29 March 2016, the Group acquired the entire issued share capital of Wellian Investment Solutions Ltd, a discretionary fund and investment management business, in order to expand the advisory services offered. The assets and liabilities acquired were as follows:

	Book Value £'000	Fair value adjustment £'000	Fair value £'000
Intangible assets	301	3,062	3,363
Tangible assets	6	–	6
Receivables	200	–	200
Cash & equivalents	918	–	918
Payables	(187)	–	(187)
Deferred tax	–	(605)	(605)
	1,238	2,457	3,695

The business combination has been recognised as follows:

	£'000
Consideration on completion – in issued share capital	2,627
Contingent cash consideration	1,278
	3,905
Net assets acquired per above	(3,695)
Goodwill arising	210

The contingent consideration is payable in December 2016, July 2017 and July 2018 and is based on funds under management.

It is discounted to present value and adjusted annually when forecasts are updated or when payments become certain. Adjustments go through profit or loss.

The post-acquisition results of the acquired company in the year of acquisition, together with estimated results for the full year of the Group if the acquisition had been at the start of that year, were as follows:

	Revenue £'000	Net profit £'000
Post-acquisition results – acquisition	856	78
Pro-forma results for full year – Group	13,032	264

Notes to the Financial Statements continued

for the year ended 31 October 2016

19 Acquisitions continued

Asset purchases

A number of client portfolios were acquired as follows:

	2016 Number	2015 Number
Portfolios acquired	**12**	5

	£'000	£'000
Cost	**4,769**	1,325
Immediate cash consideration	**2,635**	655
Contingent cash consideration	**2,134**	670
	4,769	1,325

The acquisition agreements specify that contingent consideration will be payable on the first and second anniversaries of the acquisition and will be based on actual trail income from the portfolios, with no cap.

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

20 Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**58**	–
Accrued income	**388**	177
Prepayments	**175**	98
	621	275

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 end date.

21 Borrowings

	2016 £'000	2015 £'000
Other loans	**–**	12

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2016 £'000	2015 £'000
Current liabilities	**–**	12

22 Fair value of financial liabilities

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

23 Trade and other payables

	Current		Non-current	
	2016 £'000	**2015 £'000**	**2016 £'000**	**2015 £'000**
Trade payables	**77**	188	**–**	–
Other payables	**329**	145	**–**	–
Deferred consideration	**3,214**	1,141	**2,219**	479
Social security and other taxation	**259**	134	**–**	–
	3,879	1,608	**2,219**	479

24 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 30. 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:

	2016 £'000	**2015 £'000**
Trade receivables	**58**	–
Cash and cash equivalents	**10,526**	3,903

Financial liabilities

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

	2016 £'000	**2015 £'000**
Trade and other payables	**406**	333
Accruals	**341**	183
Borrowings	**–**	12

The following financial liabilities (deferred consideration) are at fair value through profit or loss:

	2016 £'000	**2015 £'000**
Other payables	**5,433**	1,620

This is a level 3 fair value measurement as the inputs are not based on observable market data. The movement in level 3 items relates to acquisitions less amounts settled in the period.

Notes to the Financial Statements continued

for the year ended 31 October 2016

25 Deferred taxation

The following are the major deferred tax liabilities recognised by the company and movements thereon during the current and prior reporting period.

	Total £'000
Deferred tax liability at 1 November 2014	138
Deferred tax movements in prior year	
On acquisition of subsidiaries	245
Deferred tax liability at 1 November 2015	383
Deferred tax movements in current year	
Credit to profit or loss	(291)
On acquisition of subsidiaries	1,174
Deferred tax liability at 31 October 2016	1,266

	2016 £'000	2015 £'000
Deferred tax liabilities	**1,266**	383
The deferred tax liability comprises:		
Temporary differences on acquired client portfolios	**1,266**	380
Temporary differences arising from accelerated capital allowances	**–**	3
	1,266	383

26 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £6,430 (2015 – £nil).

27 Share capital

	2016 £	2015 £
Ordinary share capital		
Issued and fully paid		
55,588,927 Ordinary share of 0.25p each	**138,972**	100,000

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:

	Ordinary Number
At 1 November 2015	100,000
Subdivision of existing share capital to 0.25 pence each	40,000,000
Issue of fully paid shares	15,588,927
At 31 October 2016	**55,588,927**

On 15 March 2016 every existing ordinary share of £1 each was sub-divided into 400 new shares of 0.25 pence each.

On 29 March 2016 3,243,243 ordinary shares of 0.25 pence each were issued in part consideration for the acquisition of the entire share capital of Wellian Investment Solutions limited.

On 29 March 2016 12,345,684 ordinary shares of 0.25 pence each were issued on admission to AIM at the placing price of 81 pence per share.

28 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2016 £'000	2015 £'000
Lease payments under operating leases	**219**	106

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

	2016 £'000	2015 £'000
Within one year	**145**	138
Between two and five years	**334**	252
In over five years	**267**	232
	746	622

Notes to the Financial Statements continued

for the year ended 31 October 2016

29 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 its contractual obligation. Credit risk arises from the Group's cash and cash equivalents and receivables balances. Cash 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.

30 Capital risk management

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

Certain subsidiaries are regulated by the Financial Conduct Authority and subject to its capital adequacy requirements. These requirements have not been breached during the year.

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

(a) Share capital and share premium

(b) Retained reserve or deficit, 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.

31 Events after the reporting date

Acquisition of Network Direct Ltd

On 30 August 2016 the Group announced the acquisition of Network Direct Ltd, subject to Financial Conduct Authority approval. This approval was received on 13 December 2016 and the Board expect this to complete by March 2017. The total consideration is £4 million of which £1 million if payable at completion, with the balance based on performance of Network Direct Ltd over the next five years. Network Direct Ltd has a network of 107 financial advisers with assets under influence of £1 billion.

Acquisition of WT Financial Ltd

The company agreed, subject to Financial Conduct Authority approval which was received on 13 December 2016, to acquire the entire issued share capital of WT Financial Ltd for a total consideration of £315,000 of which £157,000 is payable at completion, with the balance based on future revenue over the next two years. WT Financial Ltd has £16 million of assets under influence. This acquisition completed on 19 January 2017. The provisional fair value of the net assets acquired is £291,000.

32 Related party transactions

Remuneration of key management personnel

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

	2016 £'000	2015 £'000
Short-term employee benefits	**492**	425
	492	425

Other transactions with related parties

The Group has purchased services in the normal course of business from certain companies related to individuals who were directors of the Group:

	2016 £'000	2015 £'000
SAS Corporate Services LLP	**1**	34

SAS Corporate Services LLP is a partnership operated by family members of Mr M Howard and Mr N Dunkley.

During the year Mrs S Dunkley (the wife of the director Mr N Dunkley) was paid a salary of £10,250 (2015: £9,000).

33 Directors' transactions

Dividends totalling £227,622 (2015 – £390,000) were paid in the year in respect of shares held by two of the company's directors (Mr M Howard £113,811 (2015: £195,000) and Mr N Dunkley £113,811 (2015: £195,000)).

The head office premises are leased from Mr M Howard and Mr N Dunkley at a total annual rent of £48,000, expiring on 31 March 2025.

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

Company Statement of Financial Position

as at 31 October 2016

Company Registration No. 04987966

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	3	**6,489,659**	2,526,647
Investments	4	**10,588,213**	3,154,996
		17,077,872	5,681,643
Current assets			
Trade and other receivables	5	**395,410**	225,024
Cash at bank and in hand		**8,783,061**	2,233,540
		9,178,471	2,458,564
Creditors: amounts falling due within one year			
Trade creditors and other payables	6	**3,975,946**	1,068,651
Taxation and social security		**26,350**	12,705
		4,002,296	1,081,356
Net current assets		**5,176,175**	1,377,208
Total assets less current liabilities		**22,254,047**	7,058,851
Creditors: amounts falling due after more than one year			
Trade and other payables	6	**2,219,000**	552,871
Provisions for liabilities			
Deferred tax liabilities	7	**–**	230,818
Net assets		**20,035,047**	6,275,162
Capital and reserves			
Called up share capital		**138,972**	100,000
Share premium account		**15,541,036**	3,978,582
Revaluation reserve		**1,828,272**	1,828,272
Profit and loss account		**2,526,767**	368,308
Total equity		**20,035,047**	6,275,162

The financial statements were approved by the Board of directors and authorised for issue on 23 January 2017.
Signed on its behalf by:

Neil Dunkley, Director

Company Statement of Changes in Equity

for the year ended 31 October 2016

	Note	Share capital £	Share premium account £	Revaluation reserve £	Retained earnings £	Total £
Balance at 1 November 2014		100,000	3,978,582	1,828,272	(27,625)	5,879,229
Year ended 31 October 2015:						
Profit and total comprehensive income for the year		–	–	–	1,193,669	1,193,669
Dividends	2	–	–	–	(797,736)	(797,736)
Total transactions with owners recognised directly in equity		–	–	–	(797,736)	(797,736)
Balance at 31 October 2015		100,000	3,978,582	1,828,272	368,308	6,275,162
Year ended 31 October 2016:						
Profit and total comprehensive income for the year		**–**	**–**	**–**	**2,512,460**	**2,512,460**
Issue of share capital		**38,972**	**12,558,059**	**–**	**–**	**12,597,031**
Dividends	2	**–**	**–**	**–**	**(354,000)**	**(354,000)**
Costs of share issue		**–**	**(995,605)**	**–**	**–**	**(995,605)**
Total transactions with owners recognised directly in equity		**38,972**	**11,562,454**	**–**	**(354,000)**	**11,247,426**
Balance at 31 October 2016		**138,972**	**15,541,036**	**1,828,272**	**2,526,768**	**20,035,048**

Share premium 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.

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 2016

1 Accounting policies

Company information

Harwood Wealth Management Group plc is a company limited by shares incorporated in England and Wales. The registered office is 5 Lancer House, Hussar Court, Westside View, Waterlooville, Hampshire, PO7 7SE.

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. The principal accounting policies adopted are set out below. In transition to FRS 101, the Company has applied International Financial Reporting Standard 1 'First Time Adoption of International Financial Reporting Standards' (IFRS 1) subject to the exemptions available under FRS 101 and listed below:

- 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 B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Harwood Wealth Management Group plc in which the entity is consolidated;
- 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 share based payments, 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, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of Harwood Wealth Management Group plc.

The company has taken advantage of the exemption under section 408 of the Companies Act 2006 from presenting its own profit and loss account. The profit after taxation of the company for the year was £2,512,460 (2015: £1,193,669).

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 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 is capitalised in the period in which the acquisition is completed.

The cost of a purchased intangible asset acquired other than in a business combination is the purchase price plus any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

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.

1.4 Non-current investments

Non-current investments are accounted for at initial cost and discounted deferred consideration, less accumulated impairment losses.

2 Dividends

	2016 £	2015 £
Amounts recognised as distributions to equity holders:		
Ordinary shares		
Interim dividend: £3.54 per ordinary share of £1 (2015: £7.98) pre subdivision	**354,000**	797,736

The proposed final dividend for the year ended 31 October 2016 is:

	Total £
Final dividend: 2 pence per ordinary share of 0.25 pence	1,111,779

The proposed final dividend is subject to approval by shareholders and has not been included as a liability in these financial statements.

3 Intangible fixed assets

	Acquired client portfolios £
Cost	
At 31 October 2015	3,055,935
Additions	4,707,919
At 31 October 2016	**7,763,854**
Amortisation and impairment	
At 31 October 2015	529,288
Charge for the year	744,907
At 31 October 2016	**1,274,195**
Carrying amount	
At 31 October 2016	**6,489,659**
At 31 October 2015	2,526,647

Notes to the Company Financial Statements continued

for the year ended 31 October 2016

4 Investments

	Non-current	
	2016 £	**2015 £**
Investments in subsidiaries	**10,588,213**	3,154,996
	10,588,213	3,154,996

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost
Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares £
Cost or valuation	
At 31 October 2016	3,154,996
Additions	7,433,217
At 31 October 2016	**10,588,213**
Impairment	
At 1 November 2014 & 31 October 2015	–
Carrying amount	
At 31 October 2016	**10,588,213**
At 31 October 2015	3,154,996

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

5 Trade and other receivables

	2016 £	**2015 £**
Other receivables	**4,954**	–
Amounts due from subsidiary undertakings	**364,353**	225,024
Prepayments	**26,103**	–
	395,410	225,024

6 Trade and other payables

	Current		Non-current	
	2016 £	2015 £	**2016 £**	2015 £
Trade payables	**4,620**	–	**–**	–
Deferred consideration	**3,162,755**	1,025,950	**2,219,000**	552,871
Amounts due to subsidiary undertakings	**625,614**	–	**–**	–
Accruals	**181,708**	41,220	**–**	–
Other payables	**1,249**	1,481	**–**	–
	3,975,946	1,068,651	**2,219,000**	552,871

7 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Arising on goodwill creditor £
Deferred tax liability at 1 November 2014	–
Deferred tax movements in prior year	
Credit to profit or loss	230,818
Deferred tax liability at 1 November 2015	230,818
Deferred tax movements in current year	
Credit to profit or loss	(230,818)
Deferred tax liability at 31 October 2016	–

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2016 £	2015 £
Deferred tax liabilities	**–**	230,818

8 Events after the reporting date

Acquisition of Network Direct Ltd

On 30 August 2016 the Group announced the acquisition of Network Direct Ltd, subject to Financial Conduct Authority approval. This approval was received on 13 December 2016 and the Board expect this to complete by March 2017. The total consideration is £4 million of which £1 million if payable at completion, with the balance based on performance of Network Direct Ltd over the next five years. Network Direct Ltd has a network of 107 financial advisers with assets under influence of £1 billion.

Acquisition of WT Financial Ltd

The company agreed, subject to Financial Conduct Authority approval which was received on 13 December 2016, to acquire the entire issued share capital of WT Financial Ltd for a total consideration of £315,000 of which £157,000 is payable at completion, with the balance based on future revenue over the next two years. WT Financial Ltd has £16 million of assets under influence. This acquisition completed on 19 January 2017. The provisional fair value of the net assets acquired is £291,000.

Notes to the Company Financial Statements continued

for the year ended 31 October 2016

9 Reconciliations on adoption of FRS 101

Reconciliation of equity

	Note	1 November 2014 £	31 October 2015 £
Equity as reported under previous UK GAAP		5,558,439	6,016,964
Adjustments arising from transition to FRS 101:			
Restatement of acquired client portfolios	1	320,386	356,438
Decrease in deferred consideration	2	99,547	206,582
Additional deferred tax liability	3	(99,143)	(230,818)
Decrease in investment in subsidiaries	2	–	(74,004)
Equity reported under FRS 101		5,879,229	6,275,162

Reconciliation of profit for the financial period

	Note	2015 £
Profit as reported under previous UK GAAP		1,256,261
Adjustments arising from transition to FRS 101:		
Reduction in amortisation	1	187,305
Finance interest cost		(118,222)
Deferred tax	3	(131,675)
Profit as reported under FRS 101		1,193,669

Notes to reconciliations on adoption of FRS 101

1 Intangible Assets

Under previous UK GAAP the company amortised intangible assets in respect of acquired client portfolios over a period of three years. Under FRS 101, the company amortises acquired client portfolios over 15 years. The impact is to increase the carrying value of client portfolios to £1,171,029 and £2,526,647 at 1 November 2014 and 31 October 2015 respectively and decrease the amortisation charge by £187,305 for the year ended 31 October 2015.

2 Deferred consideration

Under previous UK GAAP, deferred consideration was measured at the estimated amount payable. Under FRS 101, deferred consideration is measured at the net present value of the estimated amount payable. The impact is to decrease the carrying value of deferred consideration to £429,525 and £1,578,821 at 1 November 2014 and 31 October 2015 respectively and to decrease the carrying value of investments in subsidiaries to £3,154,996 at 31 October 2015. The discounted deferred consideration is subsequently unwound, resulting in additional finance costs of £118,222 being recognised in the year ended 31 October 2015.

3 Deferred tax

The transition adjustment in respect of intangible assets has resulted in additional corporation tax payable in the current year. Deferred taxation of £NIL and £230,818 has been recognised in respect of this at 1 November 2014 and 31 October 2015 respectively. As a result of this adjustment, a charge to the statement of comprehensive income of £131,675 has been recognised for the year ended 31 October 2015.

Company Information

Directors

Mr Neil Dunkley	
Mr Alan Durrant	
Mr Mark Howard	
Mr Nick Bravery	(Resigned 5 February 2016, Re-appointed 6 October 2016)
Mr Peter Mann	
Mr Christopher Mills	(Appointed 29 March 2016)
Mr Paul Tuson	(Appointed 29 March 2016)

Secretary
Ms L H Somers

Company number
04987966

Registered office
5 Lancer House
Hussar Court
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Auditor
RSM UK Audit LLP
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