

# Unaudited interim results for the six months ended 30 April 2016



**HARWOOD**  
WEALTH MANAGEMENT GROUP PLC

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Harwood Wealth Management Group (AIM:HW.), a leading UK-based financial planning and discretionary wealth management business, is pleased to announce the Group's unaudited consolidated interim results for the six months ended 30 April 2016. These are the Group's maiden set of financial results following its admission to AIM on 29 March 2016.

## Highlights:

- AUI up 59% to £1.655bn (H1 2015: £1.038bn)
- Revenue up 36% to £5.11m (H1 2015: £3.77m) of which greater than 75% is recurring
- Gross margin of 58.3% (H1 2015: 57.9%)
- Adjusted EBITDA\* is up 8.7% to £1.06m (H1 2015: £0.98m)
- Net cash generated by operations of £1.00m (H1 2015: £0.96m) and total cash balances at the period end of £12.1m (H1 2015: £5.2m)
- Eleven acquisitions completed during the period for a consideration of £8m with a further two post period end
- IPO on AIM in March 2016 raising £10m before expenses

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

## Commenting, Peter Mann, Chairman, said:

*"I am delighted to be able to report our maiden set of results since our successful IPO on AIM. Such strong growth affirms our reasons for carrying out the IPO as well as underlining the strength of our business model and management team.*

*The Group is profitable, cash generative at an operational level and has a strong balance sheet. Our business strategy is being implemented well and we are deploying the net proceeds of the IPO towards this. This is an exciting time to be part of Harwood Wealth and I look forward to the future with confidence."*

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# Joint CEOs' statement

## Summary

We are pleased to update shareholders on the Group's performance for the six months to 30 April 2016. The period under review was an extremely significant one for the Group as we achieved strong growth throughout the business and also completed an IPO on AIM, raising £10m (before expenses) in order to accelerate our growth strategy.

We saw strong revenue growth of 36% during the period driven in part by organic growth but primarily through the completion of eleven acquisitions which added £238m of AUI and £242m of funds under discretionary mandates (the Wellian business) at a total consideration of 1.6% of assets. Total AUI at 30 April was £1.655bn (H1 2015: £1.038bn) including £580m (H1 2015: £256m) assets under management (AUM).

Adjusted EBITDA also grew 8.7% to £1.06m (H1 2015: £0.98m) and was matched closely by cash generated from operations of £1.00m (H1 2015: £0.96m). The adjusted EBITDA earnings per share of 2.48 pence (H1 2015: 2.45 pence) increased by 1.5% compared with the equivalent period in the prior year even after taking account of the additional recurring costs of an AIM listed company.

It is generally accepted that the EU referendum has given rise to additional levels of uncertainty, yet consolidation in the financial advice sector continues and opportunities for more acquisitions, including larger scale targets, are being actively pursued. We look forward to updating shareholders on this at the appropriate time.

Overall we remain optimistic about the future prospects for the Group.

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

AUI increased in the six month period to 30 April 2016 by 36% from £1.215bn to £1.655bn and AUM also grew substantially to £580m from £276m. This growth has been delivered primarily through our strategy of acquiring client portfolios and the associated AUI. Approximately £480m of AUI was acquired through a total of ten acquisitions including £242m of AUM from the Wellian acquisition. The total consideration for all eleven acquisitions was £7.8m or 1.6% of AUI and we are pleased to report that the integration of these acquisitions has been completed successfully.

## Revenue

Revenue for the period was £5.11m, an increase of 36% compared with the same period in the previous year of £3.77m. Gross margins improved to 58.3% from 57.9% and operating costs before depreciation and amortisation were £1.92m (H1 2015: £1.20m). The increase in the operating costs was primarily attributable to the additional governance costs of running an AIM listed company and additional compliance and support staff to service the enlarged client base.

## 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 8.7% to £1.06m (H1 2015: £0.98m).

Profit before tax for the period was £14,000 (H1 2015: £711,000) after the £263,000 (H1 2015: nil) of exceptional costs of the IPO, depreciation and amortisation costs of £605,000 (H1 2015: £200,000) and £41,000 (H1 2015: nil) of costs related to the acquisitions completed as share acquisitions.

## Cash

The Group had no debt or borrowings at the period end and had a cash balance of £12.12m up significantly from £5.19m at the previous period end. The net cash generated by operating activities was £1.00m and the net cash used by investing activities was £1.38m.

## Financial advisers and staff headcount

The number of financial advisers increased by five to 83 and staff headcount grew to ninety incorporating eleven staff from the Wellian transaction.

## Acquisitions

The Group completed the acquisitions of the client portfolios of seven IFA businesses and the entire issued share capital of a further

three similar businesses for a total consideration of £4.1m payable in cash. These were acquired in line with the Group's usual model using a multiple of recurring revenue and an earn-out contingent on actual results. The Group also acquired the entire issued share capital of Wellian Investment Solutions Ltd, a discretionary fund management business, at IPO. The consideration for Wellian comprises £2.63m paid by the issue of shares in the Group, and £1.32m payable in cash within 27 months post acquisition.

## IPO

On 29 March 2016 the Group successfully listed its shares on AIM raising £10m (before expenses) in order to accelerate its strategy of acquiring small to medium sized financial advisory and wealth management businesses.

The majority of the work for the IPO process was carried out in H1 2016 and, as such, we are extremely pleased that we have been able to achieve strong growth at the same time. This confirms the strength of the entire management team and the underlying robustness of the business model.

The Board was strengthened at IPO by the appointment of two new Non-executive Directors - Christopher Mills and Paul Tuson.

## Dividends

As stated in the Company's admission document in March 2016, whilst the Directors recognise the importance of dividend income to shareholders, the Directors' current intention is to recommend the commencement of dividend payments after the finalisation of the Group's consolidated accounts for the current financial year, anticipated to be in the first quarter of 2017.

## Outlook

The Group is profitable, cash generative at an operational level and has a strong balance sheet with cash reserves. Our strategy is to deliver profitable growth, both organic and through acquisitions. The Group has a healthy pipeline of potential acquisitions at various stages of progression and the Directors continue to seek new acquisition opportunities that meet the Group's established criteria, and of new advisers to join the group to meet the financial advice needs of the growing client base. If anything, uncertainty created by the EU referendum has served only to strengthen the need for good quality financial advice. We are therefore optimistic for the Group's future growth prospects.

Neil Dunkley  
Alan Durrant  
Joint Chief Executive Officers



# Consolidated Statement of Comprehensive Income

	Note	Unaudited Six months ended 30th April 2016 £'000s	Unaudited Six months ended 30th April 2015 £'000s	Audited Twelve months ended 31st October 2015 £'000s
<b>Revenue</b>		5,116	3,770	7,932
Cost of sales		(2,132)	(1,588)	(3,464)
<b>Gross profit</b>		2,984	2,182	4,468
Operating expenses		(2,525)	(1,403)	(3,193)
Exceptional expenses	4	(263)	-	-
<b>Profit from operations</b>		196	779	1,275
Finance income		6	12	24
Finance costs		(188)	(80)	(149)
<b>Profit before income tax</b>		14	711	1,150
Income tax credit/(charge)	5	120	(167)	(285)
<b>Total comprehensive income for the period attributable to equity owners of parent</b>		134	544	865
<b>Earnings per share (pence)</b>	7	0.31	1.36	2.16

# Consolidated Statement of Financial Position

	Unaudited At 30th April 2016 £'000s	Unaudited At 30th April 2015 £'000s	Audited At 31st October 2015 £'000s
<b>Non-current assets</b>			
Property, plant and equipment	24	19	17
Intangible assets	11,938	2,389	4,712
	11,962	2,408	4,729
<b>Current assets</b>			
Other receivables	642	339	275
Cash and cash equivalents	12,124	5,189	3,903
	12,766	5,528	4,178
<b>Total assets</b>	24,728	7,936	8,907
<b>Current liabilities</b>			
Trade and other payables	3,194	1,088	1,608
Accruals and deferred income	602	-	183
Current tax	450	222	278
Borrowings	-	25	12
Total current liabilities	4,246	1,335	2,081
<b>Non-current liabilities</b>			
Contingent consideration	1,947	305	479
Deferred tax liability	1,190	237	383
	3,137	542	862
<b>Total liabilities</b>	7,383	1,877	2,943
<b>Net assets</b>	17,345	6,059	5,964
<b>Equity</b>			
Share capital	139	100	100
Share premium	15,541	3,979	3,979
Retained earnings	1,665	1,980	1,885
<b>Equity attributable to equity owners of parent</b>	17,345	6,059	5,964

# Consolidated Statement of Changes in Equity

	Share capital	Share premium	Retained earnings	Equity attributable to equity owners of parent
	£'000s	£'000s	£'000s	£'000s
<b>As at 31st October 2014</b>	100	3,979	1,818	5,897
Comprehensive income for the period	-	-	544	544
Dividends paid	-	-	(382)	(382)
<b>As at 30th April 2015</b>	<b>100</b>	<b>3,979</b>	<b>1,980</b>	<b>6,059</b>
Comprehensive income for the period	-	-	321	321
Dividends paid	-	-	(416)	(416)
<b>As at 31st October 2015</b>	<b>100</b>	<b>3,979</b>	<b>1,885</b>	<b>5,964</b>
Comprehensive income for the period	-	-	134	134
Dividends paid	-	-	(354)	(354)
Issue of share capital	39	11,562	-	11,601
<b>As at 30th April 2016</b>	<b>139</b>	<b>15,541</b>	<b>1,665</b>	<b>17,345</b>

# Consolidated Statement of Cash Flows

	Unaudited Six months ended 30th April 2016 £'000s	Unaudited Six months ended 30th April 2015 £'000s	Audited Twelve months ended 31st October 2015 £'000s
<b>Cash flows from operating activities</b>			
Profit before income tax	14	711	1,150
<b>Adjustments for:</b>			
Depreciation and amortisation	605	200	596
Net finance costs	182	68	125
<b>Working capital adjustments</b>			
(Increase) in trade and other receivables	(35)	(128)	(51)
Increase in trade and other payables	296	133	115
Cash generated by operating activities	1,062	984	1,935
Income tax paid	(64)	-	(162)
Interest paid	-	(20)	(14)
<b>Net cash generated by operations</b>	<b>998</b>	<b>964</b>	<b>1,759</b>
<b>Cash flows from investing activities</b>			
Interest received	6	12	24
Acquisition of intangible assets	(1,027)	(144)	(1,268)
Acquisition of subsidiaries, net of cash acquired	(363)	-	(540)
<b>Net cash used by investing activities</b>	<b>(1,384)</b>	<b>(132)</b>	<b>(1,784)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	(12)	(248)	(261)
Proceeds from share issue	8,974	-	-
Payment of dividend	(355)	(382)	(798)
<b>Net cash generated/(used) by financing activities</b>	<b>8,607</b>	<b>(630)</b>	<b>(1,059)</b>
Net (decrease)/increase in cash and equivalents	8,221	202	(1,084)
Cash and equivalents brought forward	3,903	4,987	4,987
Cash and equivalents carried forward	<b>12,124</b>	<b>5,189</b>	<b>3,903</b>

# Notes to the interim financial information

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## 1. General Information

The interim financial information is unaudited. This condensed consolidated interim financial information was approved by the Directors and authorised for issue on 28 June 2016.

Harwood Wealth Management Group plc is a public limited liability company incorporated and domiciled in England and Wales. The Group's business activities are principally the provision of financial advice and investment management to the retail market. The company changed its name from Compass Wealth Management Group plc on 15 March 2016. The address of the registered office is 5 Lancer House Hussar Court, Westside View, Waterlooville, Hampshire, PO7 7SE. The company is listed on the AIM market of the London Stock Exchange.

## 2. Basis of preparation and Accounting Policies

### Basis of preparation

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

This condensed, consolidated interim financial information for the six months ended 30 April 2016 does not comply, therefore with all the requirements of IAS 34, "Interim financial reporting" as adopted by the European Union. The consolidated interim financial information should be read in conjunction with the annual financial statements of Harwood Wealth Management for the year ended 31 October 2015, which have been prepared in accordance with IFRS as adopted by the European Union.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 October 2015 were approved by the Board of directors on 15 March 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under sections 498 (2) or (3) of the Companies Act 2006.

### **Accounting policies**

The accounting policies used in the preparation of the financial information for the six months ended 30 April 2016 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU) and are consistent with those which will be adopted in the annual statutory financial statements for the year ended 31 October 2016.

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

### **Basis of consolidation**

These interim consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 April 2016. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control may cease. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

## **3. Segmental Analysis**

The Board of Directors is considered to be the chief operating decision making body for the Group. The Board has determined that there is one operating segment based on reports reviewed by the Board that are used to make strategic decisions. The total revenue for the Group for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

## **4. Exceptional costs**

The £263k of exceptional costs are those non-recurring costs connected to the AIM admission and not deducted from the Share Premium account. This is made up of the costs to prepare the historic financial information to IFRS (£168k) and legal costs (£95k).

## 5. Taxation

An analysis of the income tax (credit)/charge is detailed below:

	<b>Unaudited Six months ended 30th April 2016 £'000s</b>	<b>Unaudited Six months ended 30th April 2015 £'000s</b>	<b>Audited Twelve months ended 31st October 2015 £'000s</b>
<b>Income tax (credit)/charge</b>			
Current tax			
UK corporation tax on profits for the period	70	167	285
	70	167	285
Deferred tax			
Origination and reversal of timing differences	(68)	-	-
Impact of changes in tax rates	(122)	-	-
	(190)	-	-
Total income tax (credit)/charge for the period	(120)	167	285

## 6. Business combinations

In the period the Group completed the acquisition of the entire share capital of four businesses for a total consideration of £6.6m. The total goodwill and intangible assets arising from the acquisitions is the difference between the fair value of consideration less the fair value of assets acquired:

	Wellian £'000s	Others £'000s	Total £'000s
Provisional fair value of purchase consideration	3,950	2,674	6,624
Less provisional fair value of assets:			
Tangible assets	(6)	(5)	(11)
Receivables	(198)	(134)	(332)
Cash & equivalents	(918)	(351)	(1,269)
Payables	141	229	370
Deferred tax	533	462	995
Goodwill and intangibles	3,502	2,875	6,377
The consideration was satisfied as follows:			
Cash on completion	-	1,632	1,632
Deferred consideration payable in cash	1,323	1,042	2,365
Equity	2,627	-	2,627
	3,950	2,674	6,624

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

In addition, seven acquired client portfolios have been purchased in the period for a consideration of £1.37m, payable in cash on completion (£0.78m) and the balance (£0.59m) on deferred terms.

## 7. Earnings per share

On 15 March 2016 every 100,000 existing ordinary share of £1 each was sub-divided into 40 million new shares of 0.0025 pence each.

On 29 March 2016 3,243,243 ordinary shares of 0.0025 pence each were issued in part consideration of the entire share capital of Wellian Investment Solutions limited.

On 29 March 2016 12,345,684 ordinary shares of 0.0025 pence each were issued on admission to AIM at the placing price of 81 pence per share.

Basic earnings per share are calculated using a weighted average number of shares of 42,826,564 for the period (2015: 40,000,000). Adjusted EBITDA has been shown as it is a common metric used by the market to monitor similar businesses.

	<b>Unaudited Six months ended 30th April 2016 £'000s</b>	<b>Unaudited Six months ended 30th April 2015 £'000s</b>	<b>Audited Twelve months ended 31st October 2015 £'000s</b>
Net Profit	134	544	865
Income tax	(120)	167	285
Net finance expense	182	68	125
Depreciation	6	3	5
Amortisation	599	197	591
Exceptional items	263	-	-
Adjusted EBITDA	1,064	979	1,871
Basic adjusted EBITDA per share - pence	2.48	2.45	4.68
Statutory EPS - pence	0.31	1.36	2.16

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## 8. Dividends

On 10 November 2015, prior to admission to AIM, a dividend was declared and paid of £354,000 (£3.54 per share).

All Ordinary Shares carry equal dividend rights.

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

## 9. Subsequent events

### **Acquisition of Absolutely Independent Financial Advisers Limited**

On the 19 January 2016 the Group agreed to buy the entire issued share capital of Absolutely Independent Financial Advisers Limited, an IFA business. Following initial cash payments by the Group of £160,650 the transaction completed on the 13 May 2016. In addition, further amounts totalling £146,250 are to be paid on the first and second anniversaries of completion contingent upon results.

### **Acquisition of the business and assets of Gerry Reilly**

On 21 January 2016 the Group agreed to buy the financial advisory business carried on by Gerry Reilly. Following an initial payment of £45,000, the transaction completed on the 13 May 2016. In addition, further amounts totalling £45,000 are to be paid on the first and second anniversaries of completion contingent upon results.









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HARWOOD WEALTH 92.00 (+11.80%) 92.50(4)

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11.00 (11.58%)  
92.00  
HW.L

391.00 (0.08%)	5.33 (1.07%)	3.55 (0.38%)	0.70 (0.46%)	11.50 (0.29%)	7.50 (1.34%)	43.00 (1.47%)	4.70 (0.11%)	20.00	100.00	100.00
AZN.L	BA.L	BAB.L	BARC.L	BATS.L	BDEV.L	BKG.L	BLND.L	BLT.L	BID 113.16	LSL.L 150.00

