Heartwood

Part of the Handelsbanken Group

Company Registration No. 4132340

HEARTWOOD WEALTH MANAGEMENT LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2019

Financial statements version	v10
Extended trial balance	ETB Dec 19 v8.xlsm
Tax model	Q4-19 tax model HW v8 (Stats).xlsx

HEARTWOOD WEALTH MANAGEMENT LIMITED

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2019

CONTENTS

HEARTWOOD WEALTH MANAGEMENT LIMITED

DIRECTORS AND ADVISERS

Directors
M D Broom (Independent Non-Executive Director)
T A Davidson (Chair and Chief Executive Officer)
P D McCree

Secretary
D J Fielding

Registered Office
2nd Floor
1 Kingsway
London
WC2B 6AN

Bankers
Handelsbanken plc
2nd Floor
1 Kingsway
London
WC2B 6AN

Auditor
Ernst & Young LLP
25 Churchill Place
London
E14 5EY

Solicitors
Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

HEARTWOOD WEALTH MANAGEMENT LIMITED

STRATEGIC REPORT

THE CHIEF EXECUTIVE OFFICER'S COMMENTS

Our business model

Heartwood Wealth Management Limited (the 'Company') is the wholly owned subsidiary of Handelsbanken plc ('Handelsbanken'). Heartwood Wealth Management Limited is Handelsbanken's provider of investment and wealth management services in the UK. The business operates as Handelsbanken Wealth Management and Heartwood Investment Management:

- Handelsbanken Wealth Management provides wealth management advice and solutions to UK-based clients.
- Heartwood Investment Management is a global multi asset class investor whose funds are provided through our own and third party distribution channels to Private investors, Owner-managed companies, Charities, Trusts, and Pension funds.

Our vision

We are the wealth management and asset management arm of Handelsbanken in the UK, serving clients and partner firms with care, diligence and expertise. We deliver exceptional service to our clients operating in compliance with both the letter and the spirit of the regulations by which we are governed.

Handelsbanken Wealth Management provides clients with valued, comprehensive financial planning and investment advice. By considering all aspects of a client's wealth and taking an integrated long-term perspective, we help clients achieve their long-term goals.

Heartwood Investment Management provides global multi asset class investment solutions. These are delivered with transparency, value for money, and the investment experience our clients expect. We partner with quality third party firms effectively distributing our investment products to the wider retail market.

By working seamlessly together with the Handelsbanken network of over 200 branches in the UK and independently, we ensure the full range of financial services are offered to all clients and thus we fulfil our potential to become the trusted partner of choice by clients who seek a quality, collaborative long-term relationship.

Our products and services

We continue to provide our clients with wealth management advice through our highly skilled nationwide team of Client Directors. When clients wish to invest they can do so via our range of global multi asset funds or bespoke portfolios, with an appropriate risk profile to meet their appetites.

In 2019 we launched a new range of four sustainable multi asset funds to complement our existing risk profiled investment strategies. These new funds apply research undertaken since 2013 to achieve a balance of strong financial returns together with positive impacts around key social and environmental issues. We are confident that our industry-leading sustainable solutions are well positioned to meet the needs of existing and future investors. Over £100m was invested in our sustainable strategies as the year closed.

STRATEGIC REPORT

Our investment performance

All asset classes delivered positive returns in 2019, driven by the boost to liquidity from central banks through supportive monetary policy. A number of anticipated risks were also avoided: recession risk in the US and Europe subsided, a phase-one trade deal between the US and China was agreed, and a 'no-deal' Brexit failed to materialise. Additionally, in the corporate sector, companies reported strong earnings, with the majority exceeding expectations.

Against this backdrop, all the Heartwood portfolios delivered returns in 2019 that were comfortably ahead of their target CPI (Consumer Price Index) benchmarks. However, over three years, all strategies were behind their CPI benchmarks reflecting the challenging conditions experienced in 2018 when almost every asset class delivered negative returns.

Our business performance: key performance indicators

We saw growth in client numbers 8% (2018: 14%) as we continued to attract new branch Clients and referrals direct from satisfied existing clients.

A combination of strong new business flows through Handelsbanken Wealth Management together with positive market performance resulted in a sharp rise in assets under management and administration ('AUMA'), up by 14% to £3.96 billion (2018: £3.48 billion).

Revenue was up 5% to £29.7m (2018: £28.3m). The low pace of growth reflects periods of market volatility during the year that, due to timing, adversely impacted investment management revenues. The increase in total revenue was assisted by a 9% growth in wealth advisory revenues as we increasingly demonstrate the added value of financial planning to our clients.

While we continued to invest in IT systems and new products to support our growth ambitions, costs were managed within expenditure plans. The control of cost growth was assisted by a write-back for a 2018 accrual made to the Group all-employee Oktogonen incentive scheme. As a result, costs grew by 2% only to £27.1m (2018: £26.6m) and the net result increased by 44% to £2.0m (2018: £1.4m).

Risk

Heartwood, like our parent Handelsbanken, has a low risk tolerance which is maintained throughout the business by a strong risk culture achieved through education, communication, understanding and responsibility.

The Company has a robust framework to identify, capture, assess and take action on all risks. The relevance of each risk is regularly considered and action taken in order to reduce or mitigate as far as possible. The Board actively considers and comments on the regular reporting package supplied by compliance, the independent risk function and internal audit.

Risks to the business are considered to be:

- Operational risk: Operational risk refers to the risk of loss due to inadequate or failed internal processes, human error, erroneous systems or external events and includes, but is not limited to, cyber risk, IT security risk, and legal risk.

- Conduct risk: Conduct risk refers to the risks associated to the way the Company and its employees relate to Clients and the wider financial markets and includes, but is not limited to, ensuring good Client outcomes, and financial crime prevention.

- Credit risk: Credit risk is defined as the risk of the business facing economic loss as a result of counterparties being unable to fulfil their contractual obligations.

- Market risk: Market risk arises from price volatility and changes in the financial markets. Market risks are divided into interest rate risks, equity price risks, exchange rate risks, and commodity price risks.

- Liquidity risk: Liquidity risk is the risk that the business will not be able to meet its payment obligations when due without being affected by unacceptable costs or losses.

- Insurance risk: Insurance risk is the risk in the outcome of an insurance that depends on the insured party's longevity or health.

- Compliance risk: Compliance risk is the risk that the business does not comply with laws, regulations and internal rules or accepted business practice or standards.

- Remuneration risk: Remuneration risk is the risk of loss or other damage arising due to the remuneration system.

Impact of COVID-19

Projections for the economic impact of the coronavirus pandemic are many and varied, and unfortunately history can offer no guide. What we do know is the impact on the global economic growth is likely to be sharp and exceptional.

Against this backdrop, our stable long-term Client relationships combined with our active multi asset investment strategies to help protect the value of their portfolios has limited the impact to our AUMA and associated investment management fees. We additionally benefit from a diversified wealth management advisory income that is independent of portfolio values.

With a strong capital base and ongoing Group support we are able to continue to focus on proactively supporting the needs and concerns of our clients by taking a long-term view in all key decisions. Combined with the prudent management of costs and the full support of our employees we remain well-positioned to fully meet the needs of all stakeholders and attract new client relationships and assets for management.

HEARTWOOD WEALTH MANAGEMENT LIMITED

STRATEGIC REPORT

The future

We continue to grow and invest in our business as we seek to support more clients around the UK. We are committed to the communities in which we operate, and sustainability is naturally a part of our fundamental values. As part of the Handelsbanken Group we continue to support wholeheartedly international initiatives for corporate sustainability, such as the Principles for Responsible Investment (PRI) and the UN Global Compact, whose principles align with our values, work method and guidelines.

Section 172 of the Companies Act 2006

The following disclosure describes how the Directors have had regard to the matters set out in section 172(1)(a) to (f), and forms the Directors' statement required under section 414CZA, of the Companies Act 2006.

The Company has one immediate shareholder, Handelsbanken plc, and its ultimate shareholder is Svenska Handelsbanken AB (publ). The table below describes key engagement with other stakeholders outside this relationship:

Stakeholder	Why we engage	How we engage	Key topics of engagement	Outcomes and actions
Employees	The Handelsbanken Group operates a flat decentralised working model which empowers our employees to be involved in shaping our business and produce the best outcome for our clients. By listening to those who interact daily with our valued clients, we strongly believe that our business can best meet client needs and adapt accordingly	Our flat structure and open culture encourage colleagues to engage directly with senior management. This natural dialogue is regularly complimented by initiatives from regular mixed group discussions and consultative meetings with executive directors.	Maintaining effective communications across the business and the wider Group on all matters concerning Handelsbanken, our Clients and our employees. Discussing Company and Group strategic objectives and progress made in developing our business for the future.	These initiatives have been developed over time in consultation with employees Further investments have been made in our internal communications capability and change management. Aligned with the Handelsbanken group the Whistleblowing Policy has been reviewed. A non-executive director has been appointed to act as the Board Whistleblowing Champion.
Clients and business partners	Developing long-term personal relationships with each of our clients and ensuring they are highly satisfied with the service we provide is core to our business strategy is	We match our clients with the relationship and service that best suits their needs, either in person or via one of our valued IFA ('Independent Financial Adviser') partner firms.	Feedback on the service we provide our clients in relation to local market conditions and competition. Suggestions for product, service and process developments that would improve the Client experience and meet their evolving expectations.	As a demand-led organisation, client feedback is integral to how we develop in tandem with the Bank in the UK. It is instrumental, in advising which products and services we develop and how we deliver them in order to meet client needs whether directly or through our IFA partner firms.

STRATEGIC REPORT

Stakeholder	Why we engage	How we engage	Key topics of engagement	Outcomes and actions
Suppliers	We seek to engage on a range of issues with our suppliers to minimise any risks to the business, undertake our obligations such as under the UN compact agreements, and also to embed best practice in a number of areas, throughout our supply chain.	We manage suppliers according to our dedicated procurement and supplier management procedures which are shared with the UK Bank. We also engage with our key suppliers through contract negotiation.	General due diligence regarding financial soundness and credibility of suppliers. How suppliers are limiting environmental impact in their business activities. Complying with obligations under the Modern Slavery Act 2015. Regular reviews of the key suppliers' performance against agreed deliverables.	The company has adopted the Bank's outsourcing policy. As part of a large organisation utilising many supplier relationships, the Company has an opportunity to now engage more fully on key issues like the environmental impact within its supply chain.
Regulators	The Handelsbanken group operates a decentralised business model that is built on a foundation of good Client outcomes and good administrative order. The company therefore willingly engages with regulators whenever appropriate, including responding to consultations and when dialogue is invited.	As a small firm there is little direct contact with the FCA. As a Core SMCR firm, senior managers are approved persons. As part of the wealth and asset management sector in the UK, the company engages with industry bodies such as PIMFA and the Investment Association where input is sought to help shape regulatory thinking On occasion, we also provide information directly to the FCA as and when requested.	Reducing financial crime risks, pensions advice around defined benefit transfers and supporting vulnerable clients are recent examples of key topics of engagement.	Financial crime prevention controls, procedures and management information have continued to be enhanced. The company has contributed to trade associations best practice guidance regarding vulnerable clients and the regulators consideration of the treatment of defined benefit pension transfers; an activity we generally hold as unsuitable for most clients and only undertaken after extensive consideration.

Stakeholder	Why we engage	How we engage	Key topics of engagement	Outcomes and actions
Community	Heartwood, along with the Handelsbanken Group chooses to grow locally and sustainably through word-of-mouth referral. As such, the majority of new clients are secured through the UK Bank branch network or via referrals of existing clients and contacts. We work alongside the UK Bank in playing an active and responsible role across the communities where Handelsbanken is located.	As empowered employees our regulated advisers, investment specialists and support teams involve themselves in local professional networks, community initiatives and organisations. We engage independently or together with the UK Bank branch network.	Topics are diverse and often esoteric to the individual community. However, local and regional economic development, access to wealth and investment expertise and philanthropic causes are common threads.	The development of meaningful, long-term networks with the local community. Ensuring the Company's positive reputation alongside the Bank as a trusted local partner is carefully maintained. Alongside the UK Bank branches the Company supports a number of local charity and community initiatives that are reported in the usual suit of management information for transparency.

Thank you

We are grateful to those clients who have chosen Handelsbanken Wealth Management and Heartwood Investment Management, and thank them for placing their trust in us. We strive constantly to meet, or preferably exceed, their expectations.

Approved by the Board of Directors and signed on behalf of the Board

T A Davidson

T A Davidson
Chief Executive Officer

29th May 2020

HEARTWOOD WEALTH MANAGEMENT LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements of Heartwood Wealth Management Limited (the 'Company') for the year ended 31 December 2019.

Directors

The Directors as at the date of this report are shown on page 3.

Changes in the composition of the Board of Directors during the year ended 31 December 2019 and up to the date of this report are shown below:

- T A Davidson assumed the position of Chair from M D Broom on 1 November 2019. T A Davidson also assumed the position of Chief Executive Officer from Simon Dixon on the 28th of April 2020
- S J Dixon assumed the position of Chief Executive Officer from T A Davidson on 1 November 2019 and resigned on the 28th of April 2020
- M D Broom was Chair until 1 November 2019, and assumed the role of Independent Non-Executive Director on 1 November 2019
- P D McCree was appointed as Director on 1 March 2020
- B N Carter resigned as Director on 20 March 2020

Dividends

The Directors do not recommend the payment of a dividend (2018: £Nil).

Future developments

The Company intends to continue providing investment and wealth management services, including the handling of client money and assets. Information about the Company's business model, products and services are included in the Strategic report.

Financial instruments

The Company does not undertake any trading activity in financial instruments, or engage in any hedging activities for the insignificant volume of transactions denominated in currencies other than its functional currency, sterling.

The Company finances its activities with own funds. Financial assets and liabilities such as trade receivables and trade payables arise directly from the Company's operating activities.

Financial instruments give rise to foreign currency, interest rate, credit and liquidity risk. Information on how these risks arise is set out in Note 23 to the financial statements, as are the objectives, policies and processes for their management.

Going concern

The Company's business activities, together with factors likely to affect its future development and its exposure to risk, are described in the Strategic report.

DIRECTORS' REPORT

On 30 January 2020, the World Health Organisation declared the outbreak of coronavirus ('COVID-19') to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The full extent to which the COVID-19 pandemic may impact the Company's results is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company and the wealth management industry. Management has performed a COVID-19 impact analysis as part of its going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's operations, liquidity, solvency and regulatory capital position as well as a reverse stress test to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and including an assessment of any relevant mitigations management has within its control to implement. In the unlikely event that the Company could breach its regulatory capital requirements, it can rely on the support of its ultimate parent undertaking, Svenska Handelsbanken AB (publ).

Having performed this analysis management believes regulatory capital requirements will continue to be met and the Company to have sufficient liquidity to meet its liabilities for the next 12 months from the date of approval of these financial statements and that the preparation of the financial statements on a going concern basis remains appropriate.

Charitable and political donations

The Company made total charitable donations of less than £2,000 during the year. No political donations were made.

Disclosure of information to auditor

The Directors holding office at the date of approval of this Directors' report each confirm that:

- to the best of each Director's knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps they might reasonably be expected to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events that have occurred since the end of the financial year have been included in the Strategic Report on pages 4 to 9 and in Note 25 'Subsequent events' to the financial statements.

HEARTWOOD WEALTH MANAGEMENT LIMITED

DIRECTORS' REPORT

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore Ernst & Young will continue in office.

Approved by the Board of Directors
and signed on behalf of the Board

T A Davidson

T A Davidson
Chief Executive Officer

29th May 2020

HEARTWOOD WEALTH MANAGEMENT LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union ('EU') and applicable law.

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 Company and of the profit or loss of the Company for that period. In preparing these 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 whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the 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 Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD WEALTH MANAGEMENT LIMITED

Opinion

We have audited the financial statements of Heartwood Wealth Management Limited ('the Company') for the year ended 31 December 2019 which comprise the statement of profit or loss and other comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – effects of COVID-19

We draw attention to Note 1 and Note 25 of the financial statements, which describe the economic disruption the Company is facing as a result of COVID-19, which is impacting financial markets. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 12, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEARTWOOD WEALTH MANAGEMENT LIMITED

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement on page 13, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Irene Psalti (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

29 May **2020**

HEARTWOOD WEALTH MANAGEMENT LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Revenue	4	**29,717**	28,341
Operating expenses excluding depreciation and amortisation		**(25,410)**	(26,138)
Depreciation of property, plant and equipment	10	**(376)**	(364)
Depreciation of right-of-use assets	11	**(915)**	-
Amortisation of intangible assets	12	**(417)**	(107)
Operating expenses		**(27,118)**	(26,609)
Operating profit		**2,599**	1,732
Finance revenue	15	**9**	6
Finance expenses	11	**(160)**	-
Profit before taxation		**2,448**	1,738
Income tax expense	8	**(492)**	(384)
Profit for the year		**1,956**	1,354
Other comprehensive income, net of tax		**-**	-
Total comprehensive income for the year, net of tax		**1,956**	1,354

The notes on pages 21 to 58 form part of these financial statements.

The results for both years were derived wholly from continuing operations.

HEARTWOOD WEALTH MANAGEMENT LIMITED

STATEMENT OF FINANCIAL POSITION
At 31 December 2019

Company Registration No. 4132340

	Notes	31 December 2019 £000	31 December 2018 £000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,305**	1,369
Right-of-use assets	11	**6,114**	-
Intangible assets	12	**1,523**	1,940
Other receivables	14	**763**	715
Deferred tax asset	9	**217**	207
		9,922	4,231
Current assets			
Trade and other receivables	14	**4,450**	4,462
Cash and cash equivalents	15	**10,611**	7,097
		15,061	11,559
TOTAL ASSETS		**24,983**	15,790
LIABILITIES			
Non-current liabilities			
Long-term lease liabilities	11	**(5,282)**	-
Other payables	17	**(862)**	(942)
Provisions	18	**(25)**	(25)
		(6,169)	(967)
Current liabilities			
Short-term lease liabilities	11	**(946)**	-
Trade and other payables	16	**(3,177)**	(2,201)
Income tax payable		**(281)**	(168)
		(4,404)	(2,369)
TOTAL LIABILITIES		**(10,573)**	(3,336)
NET ASSETS		**14,410**	12,454
EQUITY			
Share capital	19	**131**	131
Share premium	19	**2,091**	2,091
Other reserves	19	**985**	985
Retained earnings	19	**11,203**	9,247
TOTAL EQUITY		**14,410**	12,454

The notes on pages 21 to 58 form part of these financial statements.

These financial statements were approved by the Board of Directors on 27th May 2020 and signed on its behalf by:

T A Davidson

T A Davidson
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital	Share premium	Capital contribution	Capital redemption reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000	£000
At 1 January 2018	131	2,091	952	33	7,893	11,100
Profit for the year	-	-	-	-	1,354	1,354
Total comprehensive income	-	-	-	-	1,354	1,354
Transactions with owners, recognised directly in equity	-	-	-	-	-	-
At 31 December 2018	131	2,091	952	33	9,247	12,454
Profit for the year	-	-	-	-	**1,956**	**1,956**
Total comprehensive income	-	-	-	-	**1,956**	**1,956**
Transactions with owners, recognised directly in equity	-	-	-	-	-	-
At 31 December 2019	**131**	**2,091**	**952**	**33**	**11,203**	**14,410**

The notes on pages 21 to 58 form part of these financial statements.

HEARTWOOD WEALTH MANAGEMENT LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Net cash flows from operating activities	22	**4,622**	909
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	10	**1**	-
Purchase of property, plant and equipment	10	**(313)**	(225)
Purchase of software and licences	12	**-**	(833)
Net cash used in investment activities		**(312)**	(1,058)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(796)**	-
Net cash used in financing activities		**(796)**	-
Net increase / (decrease) in cash and cash equivalents		**3,514**	(149)
Cash and cash equivalents at start of year	15	**7,097**	7,246
Cash and cash equivalents at end of year	15	**10,611**	7,097

The notes on pages 21 to 58 form part of these financial statements.

1. CORPORATE INFORMATION

Heartwood Wealth Management Limited ('the Company') is a private limited company incorporated and domiciled in England and Wales. The Company is authorised by the Financial Conduct Authority ('FCA') to provide investment services, including the handling of client money and assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU) ('adopted IFRS').

The financial statements have been prepared on a historical cost basis and are presented in sterling (£) rounded to the nearest thousand (£000) unless otherwise indicated.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 3.

(b) Going concern

On 30 January 2020, the World Health Organization declared the outbreak of coronavirus ('COVID-19') to be a public health emergency of international concern. This coronavirus outbreak has severely restricted the level of economic activity around the world. In response to this coronavirus outbreak, the governments of many countries and other geographic regions have taken preventative or protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes.

The full extent to which the COVID-19 pandemic may impact the Company's results is uncertain. Management continues to monitor the impact that the COVID-19 pandemic has on the Company and the wealth management industry. Management has performed a COVID-19 impact analysis as part of its going concern assessment using information available to the date of issue of these financial statements. The analysis has modelled a number of adverse scenarios to assess the potential impact that COVID-19 may have on the Company's operations, liquidity, solvency and regulatory capital position as well as a reverse stress test to assess the stresses the balance sheet has to endure before there is a breach of the relevant regulatory capital requirement and including an assessment of any relevant mitigations management has within its control to implement.

The most likely expected financial impact is in respect of the Company's future management fee income as this is calculated based on a percentage of assets under management. At the end of the first quarter of 2020, following the fluctuations recorded in global equity and debt markets, assets under management had dropped by 12.9% with a consequential impact on the Company's revenue. It is not possible to quantify precisely the overall impact of COVID-19 as the financial markets continue to react to developments and management has a number of actions that it is able to take to protect profitability, liquidity and capital. However this does not impact the going concern ability of the Company. In the unlikely event that the Company could breach its regulatory capital requirements, it can rely on the support of its ultimate parent undertaking, Svenska Handelsbanken AB (publ).

Having performed this analysis management believes regulatory capital requirements will continue to be met and the Company to have sufficient liquidity to meet its liabilities for the for the next 12 months from the date of approval of these financial statements and that the preparation of the financial statements on a going concern basis remains appropriate.

(c) Standards, amendments and interpretations adopted in the year

The Company applied IFRS 16 'Leases' for the first time, commencing on 1 January 2019. The nature and effect of the changes as a result of adoption of the standard are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 'Leases' supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company is a lessee only, and adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. None of the Company's lease agreements included an extension option at inception, and that remains the case.

The Company has also elected to apply the practical expedient that allows entities to rely on its assessment of whether leases were onerous by applying IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) immediately before the date of initial application as an alternative to performing an impairment review. The Company had no onerous lease provisions at transition date.

The impact on the statement of financial position of adopting IFRS 16 on 1 January 2019 was an increase in the right-of-use assets of £7,029,000 and an increase in the lease liability of £7,109,000. The resulting costs to the income statement for the year ended 31 December 2019 was a depreciation charge on right-of-use assets of £915,000 and a finance cost relating to interest on the lease liability of £160,000. The opening balance of retained earnings was not affected by an initial impact upon transition, as the Company recognised all right-of-use assets, at the first date of application, at an amount corresponding to the lease liability, adjusted for any prepaid or accrued lease fees related to each lease agreement. As a result, there was no impact on the deferred tax asset, with all items in the income statement being tax deductible.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2(i) 'Leases' for the accounting policy beginning 1 January 2019. IFRS 16 provides specific transition requirements and practical expedients, that have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application (see Note 3 'Leases – estimating the incremental borrowing rate').

The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application

- Excluded the initial direct costs from the measurement of a right-of-use asset at the date of initial application

Based on the above, as at 1 January 2019:

- Right-of-use assets of £7,029,000 were recognised and presented separately in the statement of financial position.

- Additional lease liabilities of £7,109,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	£000
Operating lease commitments at 31 December 2018	**7,760**
Weighted average incremental borrowing rate at 1 January 2019	2.35%
Discounted operating lease commitments at 1 January 2019	**7,109**

(d) Foreign currency

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in sterling, being the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, with the exception of non-foreign exchange movements of available-for-sale financial assets, which are recognised in reserves. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at exchange rates ruling at the dates the fair value was determined.

(e) Revenue from contracts with Clients

Revenue recognition is based on the principles of IFRS 15 'Revenue from Contracts with Clients', where appropriate.

Revenue recognised in any period is based on the delivery of performance obligations and an assessment of when control is transferred to the Client.

Revenue is recognised either when the performance obligation in the contract has been performed (so 'point in time' recognition) or 'over time' as control of the performance obligation is transferred to the Client.

Revenue earned gradually as services are performed are recognised at the rate these services are delivered, i.e. on a straight-line basis over time. This reflects a Client receiving and consuming the service simultaneously, meaning the Company's obligation is fulfilled in line with the rendering of the service.

Revenue attributable to a specific service or action is recognised when the service has been performed, i.e. at a specific point in time.

Revenue excludes discounts, rebates, and other sales taxes.

Trade receivables arise from investment management fees and advice-based services that have been billed and are repayable in accordance with the underlying agreement; where such fees and services are yet to be billed, they are reported as accrued income.

Deferred income is recognised for payments received for services that have not yet been performed.

(i) *Investment management fees*

Investment management fees are recognised as the underlying service is performed, i.e. 'over time'.

(ii) *Other investment management revenue*

Other investment management revenue comprise both 'point in time' revenues (dealing fees when clients execute trades) and 'over time' revenues (interest on client monies, and legacy trail commission from intermediaries that are asset-based).

(iii) *Rendering of wealth management services*

Wealth management services comprise both 'point in time' and 'over time' revenues.

'Over time' revenue arises where a Client has agreed a fixed price annual wealth management fee with the Company, comprising a combination of wealth advice, tax advice/compliance, and pension advice (depending upon a Client's requirements). The Company generally invoices its clients on a six-monthly basis in arrears for this annual fee, in respect of services provided in the preceding six months.

'Point in time' revenue arises for all other wealth management services specifically requested by a Client not covered by a fixed price annual wealth management fee, where the revenue is recognised when the service has been rendered by the Company.

(f) Other Income and Expenses

(i) *Other revenue*

Corporate access services

Corporate access services are provided to investment clients of Svenska Handelsbanken AB (publ), the ultimate parent undertaking. The amounts charged comprise the full remuneration costs of the Company employees providing the service, the cost of hiring the Company's meeting rooms, and related administrative expenses that are subject to an agreed five per cent mark-up.

Rent recharging

Rent recharging is solely charged to Handelsbanken plc, the immediate parent undertaking, for its branches partly occupying the Company's leased premises in London and Tunbridge Wells, and is based on the footage occupied and the prevailing costs of the rentals. The agreement between the Company and Handelsbanken plc does not constitute a sub-lease arrangement.

(ii) *Operating leases*

Operating lease payments not within the scope of IFRS 16 are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

(iii) *Financing income and expenses*

Financing expenses comprise interest payable that is recognised in the statement of comprehensive income.

Financing income comprises interest receivable on cash balances.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

(g)Taxes

(i) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or repaid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax balances are recognised for all taxable temporary differences, except where the deferred income tax balance arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(iii) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax, except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on all property, plant and equipment on a straight-line basis at rates calculated to write each asset down to its estimated residual value over its expected useful life as follows:

- Furniture and equipment   Five years
- Fixtures and fittings   Ten years
- Computer equipment   Three to five years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

An asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

(i) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease; that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There were no leases for which the Company was the lessor, in the prior and current periods.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (that is, the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2(k) 'Impairment of non-financial assets'.

(ii) *Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii)*Short-term and leases of low-value assets*

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less from the transition date, or commencement of a lease if it is after the date of transition. For low-value assets, the Company has adopted the IASB indicative value of USD5,000 as the low value threshold. Lease payments for these leases are recognised as an expense on a straight-line basis over each lease's term.

(iv)*Accounting policies applied until 31 December 2018*

In the 2018 prior period, the Company applied IAS 17 to account for leases. All the leases where the Company was the lessee were accounted for as operating leases and were not recognised in the statement of financial position. Payments made under operating leases were recognised as expenses in the statement of comprehensive income on a straight-line basis over the lease term.

(j) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of the Company's intangible assets are assessed as finite. Accordingly, intangible assets are amortised on a straight-line basis over the estimated useful life based on the Company's industry experience. Amortisation expense is charged to the statement of comprehensive income.

Intangible assets are assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method for such intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

(k)Impairment of non-financial assets

The Company assesses at each reporting date whether there is any indication that a non-financial asset, other than a deferred tax asset, may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's, or cash generating unit's fair value less cost to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or group of assets.

When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less cost to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at revalued amount, in which case reversal is treated as a revaluation increase, except in relation to goodwill.

(l) Financial instruments – initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) *Financial assets*

- Initial recognition and measurement
  Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ('OCI'), and fair value through profit or loss.
  The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policy for Revenue from contracts with Clients (Note 2(e)).

- Initial recognition and measurement (continued)
  In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.
  The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.
  Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

- Subsequent measurement
  For purposes of subsequent measurement, financial assets are classified in four categories:
  - Financial assets at amortised cost (debt instruments)
  - Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
  - Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon recognition (equity instruments)
  - Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and receivables from related parties.

Impairment of financial assets

The Company recognises an allowance for expected credit losses ('ECLs') for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Trade and other receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies above regarding the initial recognition and subsequent measurement of financial assets.

Impairment

For trade and other receivables, the Company applies a simplified approach in calculating ECLs.

The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on-hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(ii) *Financial liabilities*

- Initial recognition and measurement
  Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.
  All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

- Subsequent measurement
  The measurement of financial liabilities depends on their classification, refer to Loans and borrowings, trade and other payables below.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Loans and borrowings, trade and other payables

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

The Company's financial liabilities at amortised cost include trade payables, and payables to related parties.

(iii)*Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(m) Provisions

Provisions are liabilities where there is uncertainty over the timing or amount of settlement and are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate which reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passing of time is recognised as a finance cost.

(n) Employee benefits

(i) *Pension schemes*

The Company participates in a defined contribution scheme, the 'Svenska UK Retirement and Death Benefits Scheme (Defined Contribution Section)'. The pension scheme is set up under trust and the assets of the scheme are held separately from those of the Company.

The Company accounts for the scheme under the provisions of International Accounting Standard ('IAS') 19, 'Employee Benefits (2011)'.

The Company makes contributions on behalf of employees to the scheme in accordance with the rules of the scheme, with no legal or constructive obligation to pay further amounts.

The Company also makes contributions to the personal pension schemes of certain other employees. Under IAS 19, the Company treats its contributions to these schemes as if they were contributions to a defined contribution scheme on the grounds that the assets and liabilities of the scheme are not separately attributable to the Company.

Both of these contributions are recognised as expenses in the statement of comprehensive income in the periods during which services are rendered by employees.

(ii) *Oktogonen profit-sharing scheme*

As a subsidiary undertaking of Svenska Handelsbanken AB (publ) ('Svenska Handelsbanken'), the ultimate parent undertaking, the Company participates in a profit-sharing scheme, managed by the Oktogonen Foundation, established by the Svenska Handelsbanken group, to allow the employees of the group to share in the group's profits when prescribed targets are achieved, on an annual basis.

In accordance with the scheme and as advised by Svenska Handelsbanken, and as applicable for a financial year, the Company makes an annual payment to Svenska Handelsbanken in respect of the employees of the Company.

The annual payment represents the profit share, and includes the Company's employer-related tax liability, and is recognised as an expense in the statement of comprehensive income.

(iii) *Variable pay*

Variable pay to certain employees in respect of various variable pay schemes is determined on an annual basis each financial year. Where the variable pay determined for an employee is £10,000 or lower, it is paid by the Company during the following year. Where the variable pay for an employee is in excess of £10,000, 50% is paid by the Company during the following year; the residual 50% crystallises three years after the year of determination but is paid in the year thereafter (before 2019, the respective percentages of payment were 60% and 40%).

The costs of variable pay for a financial year and the corresponding employers' social security costs (estimated where required) are charged to the statement of comprehensive income in that year, irrespective of the deferment of settlement, as the entire amount of the bonus is considered to vest when it is awarded per the terms of the scheme.

(o) New and revised IFRSs in issue but not yet effective

A number of new and amended standards and interpretations have been issued, but which are not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The Directors have considered standards and interpretations in issue but not yet effective and concluded that they are either not applicable to the Company or would not have a material impact on its financial statements when they become effective.

3. KEY SOURCES OF JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arises, or where assumptions and estimates are significant to the financial statements, are discussed below.

Provisions

As detailed in Note 18, the Company recognises provisions for obligations which exist at the reporting date. At 31 December 2019 these obligations were to return the operating lease premises occupied by the Company in a specified condition at the end of the lease term; and to meet the costs of a retrospective rent increase. These provisions are estimates and the actual amount and timing of future cash flows are dependent on future events. Management reviews these provisions at each reporting date to ensure they are measured at the current best estimate of the expenditure required to settle the obligation. Any difference between the amounts previously recognised and the current estimate is recognised immediately in the statement of comprehensive income.

Leases – estimating the incremental borrowing rate

Under IFRS 16, lease payments are to be discounted at the interest rate implicit in the lease, if this can be determined; otherwise the incremental borrowing rate can be used. The Company's assessment is that it will not be possible to determine the implicit interest rates for leases, therefore the discount rate will be the Handelsbanken Group's incremental borrowing rate, as explained below.

IFRS 16 allows an entity to apply a single discount rate to a portfolio of leases with reasonably similar characteristics - the Company has not chosen to apply this expedient and instead has considered the individual circumstances of each lease, taking into account currency and duration.

The incremental borrowing rate reflects the interest rate that the market considers to correspond to Handelsbanken Group's credit risk and general interest rate risk.

Handelsbanken Group's funding strategy is managed centrally by its Treasury function in Sweden. It is therefore deemed possible to apply the internal interest rate(s) as stated above as the discount rate when calculating the lease liability.

The borrowing rate varies between different currencies, because the market rate, including the cost of converting the loan to the desired currency and the interest-fixing period, differ for each currency.

As Handelsbanken Group does not issue bonds at any given time, a method must be used to estimate the borrowing rate in the currencies in which the Company has leases. The most significant borrowing currency for the Group is euro, however for the Company this is sterling. One method of estimating the borrowing rate is to use prices from the secondary market for the Group's issued bonds in euro, with different remaining maturities, and then adjust for the cost of converting to sterling through currency interest rate swaps. When comparing this method with the indicative prices that agents quote, it is apparent that the method provides a good estimate of the borrowing rate. One difference that exists is the so-called 'New issue premium', which is a premium offered to investors at the time of a new issue and is thus not included in prices from the secondary market. To adjust for this effect, 15 basis points are added to all interest curves and maturities.

4. REVENUE

Revenue in both years was generated in the UK and is analysed as follows:

	2019 £000	2018 £000
Revenue from contracts with Clients	**29,206**	28,168
Other revenue	**511**	161
Miscellaneous revenue	**-**	12
	29,717	28,341

Other revenue

Other revenue	2019 £000	2018 £000
Corporate access services	**356**	-
Rent recharging	**155**	161
	511	161

Revenue from corporate access services is solely charged to Svenska Handelsbanken AB (publ), the ultimate parent undertaking, and represents corporate access services provided to investment clients of the ultimate parent.

Rent recharging is solely charged to Handelsbanken plc, the immediate parent undertaking, for its branches partly occupying the Company's leased premises in London and Tunbridge Wells. The agreement between the Company and Handelsbanken plc does not constitute a sub-lease arrangement.

Revenue from contracts with Clients

Revenue from contracts with Clients	Investment management fees £000	Other investment management revenue £000	Rendering of wealth management services £000	Total £000
For the year ended 31 December 2019				
Type of service				
Investment management services	**25,308**	**-**	**-**	**25,308**
Other investment management revenue	**-**	**572**	**-**	**572**
Rendering of wealth management services	**-**	**-**	**3,326**	**3,326**
Total revenue from contracts with Clients	**25,308**	**572**	**3,326**	**29,206**
Timing of revenue recognition				
Services transferred at a point in time	**-**	**309**	**595**	**904**
Services transferred over time	**25,308**	**263**	**2,731**	**28,302**
Total revenue from contracts with Clients	**25,308**	**572**	**3,326**	**29,206**
For the year ended 31 December 2018				
Type of service				
Investment management services	24,444	-	-	24,444
Other investment management revenue	-	662	-	662
Rendering of wealth management services	-	-	3,062	3,062
Total revenue from contracts with Clients	24,444	662	3,062	28,168
Timing of revenue recognition				
Services transferred at a point in time	-	401	613	1,014
Services transferred over time	24,444	261	2,449	27,154
Total revenue from contracts with Clients	24,444	662	3,062	28,168

5. AUDITOR'S REMUNERATION

Remuneration paid by the Company to its auditor was as follows:

	2019 £000	2018 £000
Audit-related services		
Audit of the Company		
— current year	**63**	47
— under-provision of prior year	**1**	-
	64	47
Non-audit services		
Other assurance - CASS reporting		
— current year	**40**	47
— under-provision of prior year	**1**	-
	41	47
	105	94

6. DIRECTORS' REMUNERATION

	2019 £000	2018 £000
Emoluments	**1,661**	1,676
Company contributions to defined contribution pension plans	**22**	25
	1,683	1,701

The amounts in respect of the highest paid Director were as follows:

	2019 £000	2018 £000
Emoluments	**896**	875
Company contributions to defined contribution pension plans	**-**	-
	896	875

The Company considers its key management personnel in both years to be the Directors.

7. EMPLOYEE BENEFITS EXPENSE

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

	2019 Number	2018 Number
Investments and Operations	**49**	46
Client Facing and Wealth Advice	**66**	70
Administration	**28**	23
	143	139

Staff costs for the above persons were:

	2019 £000	2018 £000
Wages and salaries	**13,945**	13,356
Variable pay	**610**	540
Social security costs	**1,820**	1,755
Pension costs	**1,448**	1,382
Benefits in kind	**385**	374
Other staff costs	**(742)**	827
	17,466	18,234

Other staff costs

Other staff costs include the Company's contribution to the Oktogonen profit-sharing scheme. In 2018, a provision of £744,000 was made for this scheme, which was reversed by the Handelsbanken Group Board in 2019 on the basis of an overall assessment of the Group's performance for 2018. The decision for the reversal of the provision was first reported with the Group results, in April 2019, for the first quarter of 2019.

8. INCOME TAX

(a) Recognised in the statement of comprehensive income

	2019 £000	2018 £000
Current tax	**(461)**	(396)
Adjustments for prior periods	**(41)**	(10)
Current tax expense	**(502)**	(406)
Deferred tax (expense) / credit (Note 9)	**(25)**	18
Adjustments for prior periods (Note 9)	**35**	4
Income tax expense for the year	**(492)**	(384)

(b) Factors affecting the tax credit for the period

The tax assessed for the period is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £000	2018 £000
Accounting profit before income tax	**2,448**	1,738
Multiplied by standard rate of UK corporation tax of 19% (2018: 19%)	**(465)**	(330)
Effects of:		
Other permanent differences	**(10)**	(12)
Expenses not deductible for tax	**(14)**	(11)
Adjustments for prior periods	**(6)**	(7)
Effects of changes in tax rates	**3**	(24)
Income tax expense for the year	**(492)**	(384)
Effective income tax rate	**20.1%**	22.1%

The weighted average was 19% for the year ended 31 December 2019 (2018: 19%).

On 11 March 2020 the UK government announced (and substantively enacted on 17 March 2020) that the UK corporation tax main rate would remain at 19% and not reduce to 17% (the previously enacted rate) from 1 April 2020. The deferred tax balances included within these financial statements have been calculated with reference to the rate of 17%, as required under International Financial Reporting Standards. However, following the substantive enactment of the rate of 19%, it is anticipated that the reversal of temporary differences will occur at this rate and that the maximum impact on the quantum of the net deferred tax asset recognised will be £25,000.

9. DEFERRED TAX ASSET

	2019 £000	2018 £000
Opening balance at 1 January	**207**	185
Movement recognised in the statement of comprehensive income (Note 8)	**10**	22
At 31 December	**217**	207

The deferred tax asset is analysed below:

	2019 £000	2018 £000
Accelerated capital allowances	**45**	62
Short term timing differences	**172**	145
At 31 December	**217**	207

10.PROPERTY, PLANT AND EQUIPMENT

	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 1 January 2019	**2,541**	**2,008**	**4,549**
Additions	**22**	**291**	**313**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2019	**2,563**	**2,297**	**4,860**
Depreciation			
At 1 January 2019	**(1,406)**	**(1,774)**	**(3,180)**
Charge for the year	**(206)**	**(170)**	**(376)**
Disposals	**-**	**1**	**1**
At 31 December 2019	**(1,612)**	**(1,943)**	**(3,555)**
Net book value			
At 31 December 2019	**951**	**354**	**1,305**
At 31 December 2018	1,135	234	1,369

11. LEASES

Right-of-use assets

The Company leases right-of-use assets, comprising leases on properties that do not meet the definition of investment properties. Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Right-of-use assets	Leased properties **£000**	Total **£000**
Carrying amount		
At 1 January 2019	**7,029**	**7,029**
Depreciation charge for the year	**(915)**	**(915)**
At 31 December 2019	**6,114**	**6,114**
At 31 December 2018	-	-

The details of the leased properties that are disclosed as right-of-use assets with effect from 1 January 2019 are as follows:

London

The Company entered into a lease for the London premises, commencing 1 July 2015 and expiring on 3 November 2026. The lease represented an assignment from original lessee.

There will be a rent review on 4 November 2021.

Tunbridge Wells

The Company renewed its operating lease for its premises in Tunbridge Wells on 1 April 2014 (agreement revised prospectively on 8 December 2015). After a rent review on 1 October 2019, the annual rentals per annum are £228,500 to the expiry of the lease on 31 March 2024.

Lease liabilities relating to right-of-use assets

Set out below are the carrying amounts of lease liabilities relating to right-of-use assets an

Lease liabilities relating to right-of-use assets	Leased properties	Total
	£000	£000
Carrying amount		
At 1 January 2019	7,109	7,109
Accretion of interest	160	160
Payments	(1,041)	(1,041)
At 31 December 2019	6,228	6,228
Current	946	946
Non-current	5,282	5,282

The maturity analysis of the undiscounted contractual cash flows relating to the right-of-use assets is as follows:

Undiscounted lease liabilities	£000
Not later than one year	1,122
After one year but not more than five years	4,318
More than five years	1,646
At 31 December 2019	7,086

The Company's contracts for the rental premises do not include an option to extend the term of the agreement, so it is not possible to extend the contract beyond the termination date of the lease or to terminate the agreement before expiry.

Service components are only included in the lease payments if they are part of the lease contract. The Company's contracts do not include service components.

Other information

The Company had total cash outflows for leases of £1,051,000 in 2019 (£1,092,000 in 2018).

Amounts recognised in the statement of comprehensive income

The following expenses were recognised in respect of leases in the statement of comprehensive income:

	2019 £000	2018 £000
Depreciation expense of right-of-use assets	**915**	-
Interest expense on lease liabilities	**160**	-
Expense relating to low-value assets	**8**	8
Minimum lease payments recognised as an operating lease expense under IAS 17	**-**	1,079
	1,083	1,087

Leasing as a lessee of non-right-of-use assets

At 31 December the Company had the following non-cancellable operating lease commitments:

	Under IFRS 16	*Under IAS 17*
	2019 £000	2018 £000
Not later than one year	**8**	1,054
After one year but not more than five years	**8**	4,430
More than five years	**-**	2,592
	16	8,076

The commitment at 31 December 2019 related to low-value assets as defined by IFRS 16.

12. INTANGIBLE ASSETS

	Client portfolios £000	Purchased software £000	Software licences £000	Total £000
Gross carrying amount				
At 1 January 2019 and 31 December 2019	**932**	**1,915**	**45**	**2,892**
Amortisation and impairment				
At 1 January 2019	**(865)**	**(86)**	**(1)**	**(952)**
Amortisation during the year	**(20)**	**(388)**	**(9)**	**(417)**
At 31 December 2019	**(885)**	**(474)**	**(10)**	**(1,369)**
Carrying amount				
At 31 December 2019	**47**	**1,441**	**35**	**1,523**
At 31 December 2018	67	1,829	44	1,940

Client portfolios

Client portfolios were acquired from LA Invest Limited in February 2005 (fully amortised) and from AllianceBernstein in April 2012.

The AllianceBernstein portfolio is amortised on a straight-line basis over an estimated useful life of ten years, based on the Company's historic experience.

Purchased software

Purchased software costs relate to two internal projects, and include the costs of IT consultancy.

The 'MiFID II' project facilitates compliance with a European Union law (Markets in Financial Instruments Directive 2004/39/EC) providing harmonised regulation for investment services across the European Economic Area.

The 'Dynamic Reporting' project constructed an interactive user interface for clients, providing them with, *inter alia*, up-to-date data pertinent to their decision-making process. Use of Dynamic Reporting by the Company also assists compliance with the MIFID II directive.

Amortisation of each project's purchased software costs is on a straight-line basis over its estimated useful life. The Directors consider an estimated useful life of five years to be appropriate for each, in line with Handelsbanken Group policy.

There was no assessment of impairment undertaken at 31 December 2019 as there were no indications of impairment.

Software licences

At 31 December 2019 and 31 December 2018, the cost of software licences only related to the MiFID II project described above.

Software licences were capitalised when the licence was critical to the implementation of the MiFID II project and not merely recurring renewable costs.

Amortisation of the cost of software licences is on a straight-line basis over its estimated useful life. The Directors consider an estimate useful life of five years to be appropriate, in line with Handelsbanken Group policy.

There was no assessment of impairment undertaken at 31 December 2019 as there were no indications of impairment.

13.INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	£000
Cost	
At 1 January 2019	
and 31 December 2019	**12**
Provision	
At 1 January 2019	
and 31 December 2019	**(12)**
Recoverable amount	
At 31 December 2018	
and 31 December 2019	**-**

Subsidiary undertakings of the Company

All investments in subsidiary undertakings are equity in nature, and the Company holds 100% of the ordinary shares in each of the subsidiary undertakings.

At 31 December 2019 and 31 December 2018, investments in all subsidiary undertakings were fully provided for.

All investments were subject to an impairment review during the years ended 31 December 2018 and 31 December 2019. An impairment review comprises, for each investment, a comparison of the carrying value of the investment with its recoverable amount, which is the higher of fair value less cost to sell, or value in use. In the view of the Directors, the nil recoverable amounts in respect of the subsidiary undertakings were appropriate.

The subsidiary undertakings are all incorporated in England and Wales:

	Principal activity	Number of ordinary £1 shares held	Share capital and reserves £
Heartwood Nominees Limited	Dormant	2	2
Heartwood Second Nominees Limited	Dormant	5	5
Heartwood ACD Limited	Dormant	2	2

14. TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Trade receivables	**239**	246
Amounts due from group undertakings (Note 24)	**33**	-
Prepayments	**542**	793
Accrued income	**3,450**	3,295
Other receivables — current	**186**	128
	4,450	4,462
Other receivables — non-current	**763**	715

Trade and other receivables included prepayments and accrued income and represent amounts recognised by the Company in the normal course of business. Trade and other receivables are initially recorded at fair value and then at amortised cost, after the deduction of provisions for bad and doubtful debts.

The Company's trade receivables mainly arise from investment management fees and advice-based services that have been billed and are repayable in accordance with the underlying agreement; where such fees and services are yet to be billed, they are reported as accrued income.

Prepayments arise where the Company pays cash in advance for services; as the service is provided, the prepayment is reduced and the operating expense recognised in the income statement.

Current Other receivables included £170,000 relating to payment, paid into escrow, of the deferred element of the 2016 variable pay (2018: £99,000 relating to the deferred element of the 2015 variable pay).

Non-current Other receivables comprised £310,000 in respect of a rental deposit paid on the London leased premises (2018: £310,000); and £453,000 relating to payments, paid into escrow, of the deferred element of the 2017 and 2018 variable pay (2018: £404,000 relating to the deferred element of the 2016 and 2017 variable pay).

All trade and other receivables have effective interest rates of zero per cent.

15.CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Cash at banks and in hand	**10,611**	7,097

Cash at banks earns interest on positive balances at floating rates based on daily bank deposit rates, and is repayable on demand.

At 31 December 2019, £10,196,000 was held with Handelsbanken plc, the immediate parent undertaking (2018: £6,688,000). During the year, interest earned from this holding amounted to £9,000 (2018: £6,000).

16.TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Trade payables	**56**	93
Amounts due to group undertakings (Note 24)	**1,840**	165
Accruals and other payables	**741**	1,459
Variable pay	**540**	484
	3,177	2,201

Trade and other payables represent amounts the Company is due to pay to third parties, and where indicated, to group undertakings, in the normal course of business. Trade and other payables are initially recorded at fair value, and subsequently at amortised cost. Trade payables are costs that have been billed and are repayable in accordance with the underlying contract. Accruals represent costs that are not yet billed or due for payment, but for which the goods or services have been received. All trade and other payables have effective interest rates of zero per cent.

Amounts due to group undertakings represent the costs of services received, including group recharges and the provision of in-group services.

Variable pay to certain employees in respect of various variable pay schemes is determined on an annual basis each financial year. Further description is provided in Note 2(n)(iii). At 31 December 2019, the amount payable within one year in respect of variable pay and corresponding employers' social security costs was £540,000 (2018: £484,000). This comprised the 50% payable relating to the 2019 financial year, and the 40% deferral relating to the 2016 financial year (2018: 60% payable relating to the 2018 financial year, and 40% deferral relating to the 2015 financial year).

17. OTHER PAYABLES

	2019 £000	2018 £000
Deferred variable pay	**862**	708
Other non-current payables	-	234
	862	942

Deferred variable pay

At 31 December 2019, the amount payable due after more than one year in respect of variable pay and corresponding employers' social security costs was £862,000 (2018: £708,000). This comprised the 40% deferral relating to each of the 2017 and 2018 variable pay and 50% of the 2019 variable pay (2018: 40% deferral relating to each of the 2016-2018 financial years).

18. PROVISIONS

	Dilapidations £000
At 1 January 2019 and 31 December 2019	**25**
Non-current - 2018	25
Non-current - 2019	**25**

Dilapidations

Under the terms of the operating leases for the Company's premises, the Company has an obligation to return the properties in a specified condition at the end of the lease term. The Company provides for the estimated net present value of the cost of any dilapidations using an appropriate discount rate.

19.ISSUED CAPITAL AND RESERVES

Share capital

	Ordinary shares of 10 pence
	Number
Allotted and called up	
At 31 December 2019 and 1 January 2019	**1,319,206**
	£000
At 31 December 2019 and 1 January 2019	**131**

Reserves	Share premium	Capital contribution	Capital Redemption reserve	Retained earnings	Total
	£000	**£000**	**£000**	**£000**	**£000**
At 1 January 2018	**2,091**	**952**	**33**	**7,893**	**10,969**
Profit for the year	**-**	**-**	**-**	**1,354**	**1,354**
At 31 December 2018	**2,091**	**952**	**33**	**9,247**	**12,323**
Profit for the year	**-**	**-**	**-**	**1,956**	**1,956**
At 31 December 2019	**2,091**	**952**	**33**	**11,203**	**14,279**

20.CAPITAL COMMITMENTS

At 31 December 2019 the Company had no capital commitments (2018: £Nil).

21.PENSION COSTS

The accounting policy adopted by the Company in respect of pensions is disclosed in Note 2(n)(i).

The Company makes contributions to a defined contribution scheme on behalf of employees and also makes contributions to the personal pension schemes of certain other employees. Total contributions are charged in the statement of comprehensive income as they become payable. The charge for the year was £1,448,000 (2018: £1,382,000).

22.CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of operating profit for the year to net cash flows from operating activities:

	2019 **£000**	2018 £000
Operating profit	**2,599**	1,732
Adjustments for:		
— depreciation of property, plant and equipment	**376**	364
— depreciation of right-of-use assets	**915**	-
— amortisation	**417**	107
Changes in working capital and provisions		
— increase in trade and other receivables	**(36)**	(40)
— increase / (decrease) in trade and other payables	**970**	(1,112)
— (decrease) / increase in non-current other payables	**(80)**	78
— decrease in provisions	**-**	(15)
Cash generated from operations	**5,161**	1,114
Interest received	**9**	6
Interest paid	**(159)**	
Income taxes paid	**(389)**	(211)
Net cash flows from operating activities	**4,622**	909

23. FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks, primarily through holding financial instruments (financial assets and financial liabilities). The main risks arising from financial instruments are credit risk, market risk, and liquidity risk. Financial assets primarily comprise trade and other receivables, and cash. Financial liabilities comprise trade and other payables, and certain provisions. The risks are explained below with regard to the general operations of the Company and with regard specifically to the wealth management sector.

(a) Credit risk

Credit risk is the risk that money owed to the Company will not be received.

The Company trades only with third parties it recognises as being creditworthy. In addition, receivable balances are monitored on an ongoing basis. The Company has a relatively high tolerance for certain financial credit risks where these are limited to either small amounts due from clients where it cannot debit fees directly from an investment portfolio or to the extent that certain expenses are prepaid (e.g. software licences). The Company has a lower tolerance to counterparty risk, such as its custodian relationships or institutions where the Company deposits both firm and segregated client cash, and has formal policies in this area.

(b) Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of movements in factors such as market prices, interest rates and foreign exchange rates.

An example of market risk is interest rate risk, being the risk that the Company will sustain losses from adverse movements in interest bearing assets. However, other than cash at banks, the Company does not have any overdrafts or external borrowings. Hence, the Company seeks to ensure it is maximising its interest earning potential on cash at banks.

The Company does not take on proprietary market risk activity as part of its specific business model and does not carry foreign currency positions and so is not exposed to movements in exchange rates. The Company is very risk aware in its investment process. The Company takes different levels of market risk within its investment strategies, and within this, does take strong conviction positions. This is clearly explained to clients during the take-on process and at client meetings. The Company has a low tolerance for risks associated with investment performance and this is managed through a diversified investment approach and strong portfolio management controls.

(c) Liquidity risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due or can only do so at a cost.

The Company's activities result in a cash-generative business, and the Company maintains a surplus above regulatory and working capital requirements.

The Company has a low tolerance for liquidity risk relating to both firm cash and cash that it holds on behalf of its clients under an investment mandate (client money), and as a result the risk is managed intra-day, with information reported monthly, and weekly information circulated to relevant management.

(d) Operational risk

With specific regard to operating in the wealth management sector, operational risk represents the Company's single largest risk category. The Company generally is prepared to tolerate risks that are either external and cannot be controlled or that are internal but have a low impact and/or controls in place. As risks increase in impact, the Company only tolerates those to the extent they can be insured or where robust controls exist. Where controls have been identified as needing improvement, these risks are only tolerated providing clear interim action plans are in place and that there is clear evidence of ownership and regular monitoring.

24. RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

The compensation of the Directors is disclosed in Note 6.

(b)Other related party transactions

The following transactions were undertaken with related party undertakings:

Revenue and recharges / (expense)	**2019** **£000**	2018 £000
Ultimate parent undertaking		
Bank interest income	**-**	6
Secondment recharge	**-**	47
Meeting room hire	**-**	10
Corporate access services (Note 4)	**356**	-
Staff costs	**-**	(16,117)
Services received	**(739)**	(2,374)
Services received and capitalised	**-**	(7)
Immediate parent undertaking		
Rent recharging (Note 4)	**155**	161
Bank interest income	**9**	-
Secondment recharge	**10**	9
Meeting room hire	**7**	1
Staff costs	**(18,052)**	(1,421)
Services received	**(2,163)**	(200)

Before 1 December 2018, transactions with the ultimate parent undertaking referred to transactions with Svenska Handelsbanken AB (publ) and its UK branch. On 30 November 2018, the Company (Heartwood Wealth Management Limited) was purchased by Handelsbanken plc, a company incorporated in England and Wales and a wholly owned subsidiary undertaking of Svenska Handelsbanken AB (publ). On 1 December 2018, the UK branch of Svenska Handelsbanken AB (publ) transferred its business to Handelsbanken plc. Therefore, with effect from 30 November 2018, the immediate parent undertaking of the Company became Handelsbanken plc and from 1 December 2018 the ultimate parent undertaking remained Svenska Handelsbanken AB (publ).

Secondment recharge relates to the costs of seconding a Company employee to the related party undertaking.

Meeting room hire relates to the hiring of Company meeting rooms by the related party undertaking.

Corporate access services relate to the Company providing corporate access services to investment clients of the ultimate parent undertaking.

Rent recharging is solely charged to the immediate parent undertaking, for its branches partly occupying the Company's leased premises in London and Tunbridge Wells.

Staff costs relate to the staff costs of the Company's employees that are administered and paid, but not borne, by the related party undertaking; and which are recharged to the Company.

Services received relate to the provision of services by support functions of the related party undertaking including, *inter alia*, human resources, finance, tax, and legal.

Services received and capitalised related to the provision of services by IT functions of the related party undertaking, costs of which were capitalised as intangible assets by the Company.

In relation to these transactions, outstanding balances with related party undertakings at 31 December 2019 were as follows:

Receivables	**2019**	2018
	£000	£000
Ultimate parent undertaking (Note 14)		
Corporate access services	**33**	-

Payables	**2019**	2018
	£000	£000
Ultimate parent undertaking (Note 16)		
Services received	**(34)**	-
Immediate parent undertaking (Note 16)		
Staff costs	**(1,469)**	
Services received	**(337)**	(165)
	(1,840)	(165)

25.SUBSEQUENT EVENTS

The Company has evaluated events from 31 December 2019 through the date the financial statements were issued.

COVID-19 is considered to be a non-adjusting event arising after the balance sheet event and as such no adjustments have been made to the valuation of assets and liabilities as at 31 December 2019. For further discussion concerning the management assessment of COVID 19 impact on the Company refer to Note 1.

There were no other subsequent events requiring disclosure.

26. ULTIMATE PARENT UNDERTAKING

The Company is a wholly owned subsidiary undertaking of Handelsbanken plc, incorporated in England and Wales, which is the immediate parent undertaking.

Svenska Handelsbanken AB (publ), incorporated in Sweden, is the ultimate parent undertaking and heads the largest group in which the results of the Company are consolidated.

The group financial statements of Svenska Handelsbanken AB (publ) are available from www.handelsbanken.com.