Heartwood
Wealth Group

Company's Registered Number: 5498937

HEARTWOOD WEALTH GROUP LIMITED

REPORT AND ACCOUNTS

For the year ended

30 APRIL 2013

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Registered Head Office London address above Registered in England Number 5498937

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DIRECTORS AND ADVISERS

DIRECTORS	I White (Chairman) S N Lough (Chief Executive) B N Carter S J Dixon K L Fryer T A Davidson
SECRETARY	B P Charles
REGISTERED OFFICE	4th Floor 12 Henrietta Street London WC2E 8LH
BANKERS	Natwest Bank Plc 89 Mount Pleasant Road Tunbridge Wells Kent TN1 1QJ
AUDITORS	Nexia Smith & Williamson Chartered Accountants 25 Moorgate London EC2R 6AY
ACCOUNTANTS AND TAX ADVISERS	Smith & Williamson 25 Moorgate London EC2R 6AY
SOLICITORS	Speechly Bircham 6 New Street Square London EC4A 3LX
COMPANY'S REGISTERED NUMBER	5498937

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 30 April 2013

Activities

The company is a holding company for a subsidiary Heartwood Wealth Management Limited, which provides wealth and investment management services in the UK, and indirectly for other dormant subsidiaries.

Business review

This year has involved significant focus on the strategic direction and long term future of Heartwood Following a strategic review, on 6th February 2013 Heartwood announced that, subject to regulatory approval, it was being acquired by Handelsbanken, a highly regarded and financially stable Swedish bank. Regulatory approval was duly received from the FCA in May, and the transaction was formally completed on 24th May 2013

Revenues increased by 3% to £14.7m (2012 £14.2m) thanks to a 16% increase in discretionary funds under management (FUM) over the year. The increase in discretionary funds (now £1,434m) was due to a combination of new business, strong retention of existing client funds and positive absolute and relative risk-adjusted investment results Rising markets contributed to the increase in FUM, although the impact on revenues was more limited as the main gains in markets came towards the end of the year

The group's costs (measured by administrative expenses) increased by 10% to £13.1m A significant proportion of this increase was due to the one-off costs of the strategic review and the cost impacts of the resultant Handelsbanken transaction. Resources were also dedicated during the year to a number of regulatory driven projects, in particular the implementation of the Retail Distribution Review (RDR) The company's client proposition was already largely RDR compliant, but some changes were inevitably required. We continued to invest in staff and training, with a particular emphasis on ensuring our Client Directors achieved the qualifications required under the RDR. These factors led to the company incurring additional external costs as well as devoting substantial internal resources. However I am pleased to report that RDR changes were successfully implemented with minimal client disruption or loss, and we believe we have a stronger business as a result

The overall result was that our profits after tax declined from £1,617,000 in 2011/12 to £987,000 Given the special factors outlined above, the directors are very satisfied with the results.

Heartwood's multi-asset fund range grew by 30% over the year to £773m at 30 April 2013, increasing to 54% of the discretionary funds managed For the first time Heartwood was nominated in the WealthBriefing European Awards 2013, and won the award for the 'Best Specialist Wealth Manager' as well as being shortlisted for 'Best Private Investment Manager'

The Board would particularly like to thank David Lough, the departing Chairman and founder of the company, for his invaluable leadership, insight and vision We wish him well for his retirement, which coincided with the completion of the Handelsbanken transaction shortly after the year end David's emphasis from day one on putting client interests first has shaped our thinking throughout our first 25 years We are pledged to maintain this for the next period of our development We believe we have found the ideal owner to ensure this in Handelsbanken, a culturally aligned organisation with the same strong focus on customer satisfaction.

We are grateful also to both the departing non-executive directors, David Gamble and Gerard Quirke, for their respective contributions to the success of the company

Like other businesses of its type, Heartwood is dependent on the quality and teamwork of its staff and the loyalty of its customers, which is underpinned by our focus on delivering excellent customer service The Board is very appreciative of all of its employees' hard work and dedication during a challenging year.

DIRECTORS' REPORT (Continued)

Regulation

Heartwood Wealth Group Limited does not carry on regulated activities and is not subject to regulatory capital requirements on a standalone basis The company's subsidiary, Heartwood Wealth Management Limited, is authorised and regulated by the Financial Conduct Authority (FCA) and is subject to certain regulatory capital requirements on a standalone basis As a consequence of the subsidiary's regulatory status, the group is also subject to certain regulatory capital requirements on a consolidated basis. All regulatory capital balances in this report are shown on a consolidated basis

Capital Requirements Directive

The Heartwood Wealth group is subject to the European Capital Requirements Directive. In the UK this is implemented through rules issued by the FSA through the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU")

The group determines its capital under three pillars

1 Pillar I - this sets out the minimum capital requirements that allow the group to meet its credit, market and operational risk requirements
2 Pillar II - this requires the group to determine whether additional capital should be held against risks not sufficiently covered under Pillar I This is called the Internal Capital Adequacy Assessment Process ("ICAAP").
3 Pillar III - this requires Heartwood Wealth Management to disclose certain details about its risk and capital management process.

ICAAP

Under its existing risk management framework, the group assesses the key risks facing the business, including impact analysis and probability of occurrence As part of its ICAAP, the group additionally carries out an annual assessment of its capital adequacy to meet these risks, including whether to hold any additional capital above that required under Pillar I

Identified risks are tested against agreed risk appetite statements and categorised into various levels according to the impact of the risk, the probability of occurrence and strength of the controls. Risks that fall into the top level are only tolerated to the extent that there are clear interim action plans in place to strengthen controls, that there is individual Executive ownership over these plans and, finally, visibility and robust review at the highest levels within the firm

In addition, the Executive Committee and Board monitor the actual and projected adequacy of its financial and capital resources and stress test these against a number of market and business scenarios.

The ICAAP is reviewed and approved by the Heartwood Wealth Group Board

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks The group has an established risk management framework, central to which is a register which assesses each risk for its impact, likelihood of occurrence and level of controls that are in place to mitigate or minimise its effect Each risk identified has been assigned a risk owner who is accountable for the management, mitigation, control and monitoring of this specific risk

DIRECTORS' REPORT (Continued)

Business risk

Includes specific risks associated with loss of clients, such as poor advice & poor service, as well as more generic market driven risk. The group undertakes detailed stress tests which model the impact (before management action) of severe market and economic downturns and reduction in client funds under management and revenues

Regulatory Risk

Includes treating customers fairly, Know Your Client and the liquidity and credit risk on segregated client money placed on deposit (see below under Financial risk)

Financial risk

Credit risk

These are limited to small amounts due from clients where fees cannot be debited directly from an investment portfolio or to the extent that certain expenses are prepaid

Market risk

Heartwood does not take proprietary market risk and is not directly exposed to movements in share prices. Heartwood's investment process involves different levels of market risk with different investment strategies but does allow strong conviction positions to be taken within a disciplined framework. This is clearly explained to clients during the take-on process and at client meetings Investment performance risk is managed through a diversified investment approach and strong portfolio management controls

Operational risk

This represents the single largest risk category, as is common for the sector in which we operate As risks increase in impact, they are only taken to the extent they can be insured or that optimum controls permit

Liquidity risk

The cash required for the firm's short term needs is kept on an overnight basis and any surplus funds are generally deposited at different durations based on monthly cash flow projections. Cash held on behalf of clients is generally deposited on a very short term basis to allow immediate withdrawal or investment

Interest rate risk

Relates to the impact of interest rate movements on the cost of borrowing and income earned from interest on cash held on behalf of clients

Capital adequacy

Heartwood Wealth Group's consolidated capital resources at 30 April 2013 were made up as follows

	£'000
Total tier one resources	6,414
Tier two resources	-
Total capital resources	**6,414**
Pillar I minimum	**2,345**
Combined Pillar I and Pillar II	**3,111**
Surplus capital resources	**3,303**

DIRECTORS' REPORT (Continued)

Under Pillar I of the FSA rules, Heartwood Wealth Group's consolidated regulatory capital requirement throughout the year to 30 April 2013 was £2,345,000 Heartwood Wealth Group maintained capital resources well above this figure throughout the year and at 30 April 2013 carried a surplus capital level of £4,069,000 or 274% of its minimum requirement Under Pillar II, the ICAAP for the financial year to April 2013 concluded that it was prudent to hold an additional level of capital above the regulatory minimum

As part of the most recent ICAAP, it was concluded that the firm had sufficient capital resources to meet its business plan and to withstand the extreme market and business scenarios stress tested Heartwood Wealth Group's combined Pillar I and Pillar II capital requirement for the year to 30 April 2014 was determined as £4,240,000

Full Pillar III disclosure is publicly available at the registered office

Results for the period

The Heartwood Wealth Group profit for the year after taxation was £987,000 (2012 £1,617,000)

Directors

The directors who served during the year and at the year end, or currently, are

D A B Lough (Chairman) (resigned 24 May 2013)
S N Lough (Chief Executive)
B N Carter
S J Dixon
D J Gamble (Non Executive) (resigned 24 May 2013)
K L Fryer
M G Quirke (Non Executive) (resigned 24 May 2013)
G A Hudson (resigned 11 May 2012)
T A Davidson (appointed 24 May 2013)
I White (Non Executive Chairman) (appointed 24 May 2013)

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved

- so far as that director was aware there was no relevant audit information of which the company's auditors were unaware of, and
- that director had taken all steps that the director ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the company's auditors were aware of that information

This confirmation is given and should be interpreted in accordance with the provision of s418 of the Companies Act 2006

Auditors

A resolution to appoint KPMG as auditors will be proposed at the forthcoming Annual General Meeting

Approved by the board of directors
and signed on behalf of the board

Simon N Lough

Simon Lough
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the accounts in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group 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 accounts comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Nexia Smith & Williamson

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

We have audited the accounts of Heartwood Wealth Group Limited for the year ended 30 April 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors

Scope of the audit of the accounts
A description of the scope of an audit of accounts is provided on the FRC's website at www frc org uk/apb/scope/private cfm

Opinion on accounts
In our opinion the accounts

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Nexia Smith & Williamson

Giles Murphy
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date 15 August 2013

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 30 APRIL 2013

	Notes	2013 £000	2013 £000	2012 £000	2012 £000
Turnover	1		14,682		14,210
Administrative expenses excluding amortisation of goodwill		12,618		11,408	
Amortisation of goodwill		461		441	
Administrative expenses			(13,079)		(11,849)
Operating profit			1,603		2,361
Interest receivable and similar income			55		47
Interest payable and similar charges	4		(26)		(45)
Profit on ordinary activities before taxation	5		1,632		2,363
Tax on profit on ordinary activities	6		(645)		(746)
Profit on ordinary activities after taxation	16		987		1,617

Profit on ordinary activities before amortisation of goodwill and taxation	2,093	2,804
Amortisation of goodwill	(461)	(441)
Profit on ordinary activities before taxation	1,632	2,363

All of the group's operations are classed as continuing There were no gains or losses in the year other than those included in the above profit and loss account

CONSOLIDATED BALANCE SHEET as at 30 APRIL 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible assets	7	5,732	6,192
Tangible assets	8	704	1,022
		6,436	7,214
Current assets			
Debtors	10	2,882	2,848
Cash at bank		6,326	6,082
		9,208	8,930
Creditors: amounts falling due within one year	11	(2,542)	(3,909)
Net current assets		6,666	5,021
Total assets less current liabilities		13,102	12,235
Creditors: amounts falling due after more than one year	12	(88)	(142)
Provision for liabilities	14	(25)	(48)
Net assets		12,989	12,045
Capital and reserves			
Called up share capital	15	75	75
Share premium account	16	2,202	2,202
Other reserve	16	719	520
Merger reserve	16	5,120	5,120
Profit and loss account	16	5,257	4,838
Own shares	16	(384)	(710)
Shareholders' funds	16	12,989	12,045

The accounts were approved by the Board of Directors on 25 July 2013 and were signed on its behalf by·

K L Fryer

K L Fryer
Director

Registered number : 5498937

COMPANY BALANCE SHEET as at 30 APRIL 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Investment in subsidiary	9	5,525	5,326
		5,525	5,326
Current assets			
Debtors	10	24	470
Cash at bank		71	36
		95	506
Creditors: amounts falling due within one year	11	(1,180)	(1,462)
Net current liabilities		(1,085)	(956)
Net assets		4,440	4,370
Capital and reserves			
Called up share capital	15	75	75
Share premium account	16	2,202	2,202
Other reserve	16	719	520
Profit and loss account	16	1,828	2,283
Own shares	16	(384)	(710)
Shareholders' funds	16	4,440	4,370

The accounts were approved by the Board of Directors on 25 July 2013 and were signed on its behalf by

K L Fryer

K L Fryer
Director

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 APRIL 2013

	Notes	2013 £000	2012 £000
Net cash inflow from operating activities	19	2,041	3,685
Returns on investments and servicing of finance			
Interest received		55	47
Interest paid		(26)	(45)
Net cash inflow from returns on investments and servicing of finance		29	2
Taxation paid		(746)	(699)
Capital expenditure			
Payments to acquire tangible fixed assets		(194)	(311)
Payments to acquire intangible fixed assets		(199)	-
Net cash outflow for capital expenditure		(393)	(311)
Equity dividends paid		(222)	(346)
Cash inflow before financing		709	2,331
Financing			
Net purchase of own shares held in EBT		(20)	(264)
Repayment of subordinated loan		(415)	-
Repayment of finance leases		(30)	(32)
Net cash outflow from financing		(465)	(296)
Increase in cash in the year	21	244	2,035

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013

1. Accounting policies

The accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice A summary of the more important accounting policies adopted are described below.

Basis of accounting

The accounts have been prepared under the historical cost convention, and on a going concern basis.

Basis of consolidation

The group accounts consolidate the accounts of the company and its subsidiary undertaking drawn up to 30 April each year The results of subsidiaries bought or sold are consolidated for periods from or to the date on which control passed Acquisitions are accounted for under the acquisition method. No profit and loss account is presented for Heartwood Wealth Group Limited as provided by Section 408 of the Companies Act 2006.

Where, as part of an acquisition, shares have been issued in return for shares in the acquired company and the acquisition has resulted in, in excess of 90% of the company being acquired, in accordance with Section 612 of the Companies Act 2006 the company has not recorded any share premium in respect of the share for share exchange In the company the shares issued are included within cost of investment at nominal value On consolidation, the difference between the joint value of the shares issued and their nominal value has been taken to a merger reserve.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets concerned. The following annual rates are used.

Furniture and equipment	-	20% straight line
Fixtures	-	over the life of the lease - straight line
Computer equipment	-	20%-33% straight line

Goodwill

To the extent that the fair value of the cost of acquisition exceeds the fair value of the identifiable assets and liabilities acquired the difference is treated as purchased goodwill and is included within intangible fixed assets in the balance sheet and amortised over its expected useful life of between 10 and 20 years.

Deferred taxation

Deferred tax is provided for on a full provision basis on all timing differences which have arisen but not reversed at the balance sheet date. No timing differences are recognised in respect of gains on sale of assets where those gains have been rolled over into replacement assets Deferred tax assets are recognised to the extent that they are recoverable, that is, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted Any assets and liabilities recognised have not been discounted

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

1. Accounting policies (continued)

Pension costs

Contributions to money purchase and private pension schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

Investments

Investments are held at cost less any provision for impairments

Revenue recognition

Turnover, which excludes value added tax, represents the value of services earned

Revenue is recognised as follows:

Investment management fees and advice based services are recognised on an accruals basis, when the income has been earned

Commission receivable is recognised on the trade date

Leases

Assets held under finance leases are included in fixed assets and the capital element of the related lease commitment is shown as obligations under finance leases The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit over the period of the lease

Rental costs under operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Share based payments

The group has applied the requirements of FRS 20, Share Based Payments.

The cost of share-based employee compensation arrangements, whereby some employees receive remuneration in the form of B or C shares or options over A or B shares in the company, is recognised as an employee expense in the profit and loss account of the relevant company Awards to employees of the subsidiary company are shown as an increase in the Investment in Subsidiary

All awards relating to B shares/options over A or B shares have a vesting/restricted period of up to three years, and share options must be exercised within 10 years from the grant date Awards relating to C shares have a vesting/restricted period of 5 years

The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value at the date of grant

The fair value of standard share options and C shares is measured by the use of a binomial pricing model Inputs to the model include the share price at the date of grant, the exercise price, the risk free interest rate and expected volatility of the share price over the life of the award. The share price at the date of grant is discounted to reflect minority interests, non-marketability, non-transferability of options during vesting periods, performance conditions (where relevant) and the possibility of options lapsing

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

1. Accounting policies (continued)

Heartwood Wealth Group Employee Benefit Trust

The company's accounts include the Heartwood Wealth Group Employee Benefit Trust ("The Trust") The directors consider that the company has control of the shares held by the Trust and bears their benefits and risks Shares held by the Trust are shown as a deduction from shareholders' funds Amounts transferred which are awaiting investment in the company's shares are included in debtors Administration expenses are charged to the profit and loss account as they accrue Profits and losses on the sale of shares held by The Trust are accounted for via the Profit & Loss Reserve of the Company

2. Directors' emoluments

	2013 £000	2012 £000
All directors		
Aggregate emoluments	1,490	1,305
Company contributions to money purchase pension schemes	15	19
	1,505	1,324

One director (2012 two) had pension contributions paid to personal pensions during the period.

During the year no directors exercised options over B shares in the parent company (2012: two directors exercised 6,000 options at exercise prices between £7.66-£16 50 over B shares in the parent company) The highest paid director did not exercise any options during the year (2012: Nil).

Highest paid director.	2013 £000	2012 £000
Salary	227	215
Discretionary performance award	160	76
Benefits in kind	4	3
	391	294

The highest paid director did not receive any options during the year (2012 Nil), nor an award under the Restricted Share scheme

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

3. Employee information

The average monthly number of persons, including directors, employed by the group during the year was	2013 Number	2012 Number
Investments and Operations	30	25
Client Facing and Wealth Advice	30	34
Administration	22	22
	82	81

Staff costs for the above persons were.	£000	£000
Wages and salaries	6,996	6,211
Share based payments	199	165
Social security costs	859	790
Pension costs	553	459
Benefits in kind	112	105
	8,719	7,730

Share based payments

The profit and loss account includes charges for 3 different types of share based payments

a) Standard share options for which an exercise price is payable
b) Restricted shares issued at nil, in lieu of a discretionary performance award
c) Awards under a Long Term Incentive Plan (LTIP)

Previous awards (for which there is no current year charge) are

d) Awards under the 2005 and 2006 share incentive plans
e) Share options issued at nil, in lieu of a discretionary performance award

All of the schemes described above are in connection with shares in the company.

Share based payments have been made to employees of Heartwood Wealth Management Limited.

Awards under the former Heartwood Wealth Management Limited share incentive plan and nil paid share options/restricted shares, in lieu of a discretionary performance award, are granted by the Employee Benefit Trust.

Holders of restricted shares are entitled to receive dividends, although are not entitled to vote or transfer shares during the restricted period

Holders of shares awarded under the Long Term Incentive Plan are not entitled to receive dividends, vote or transfer shares until the shares have vested (see C shares under note 15)

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

3. Employee information (continued)

a) Outstanding standard share options:

	Group	
	2013 Number	**Weighted average exercise price £**
Outstandıng at 1 May 2012	102,990	24 75
Granted durıng the year	-	-
Exercısed durıng the year	(2,540)	20 78
Lapsed durıng the year	-	-
Outstandıng at 30 Aprıl 2013	100,450	24 85
Exercısable at 30 Aprıl 2013	61,310	23 87

For optıons exercısed durıng the year, the weıghted average share prıce at the date of exercıse was £38 93

The weıghted average contractual lıfe remaınıng for optıons outstandıng was 6 years The optıons have exercıse prıces ın the range £5 35-£34 25

As stated ın Note 24, all outstandıng optıons were exercısed on 24 May 2013.

Movements ın standard share optıons durıng the year ended 30 Aprıl 2012 were

	Group	
	2012 Number	**Weighted average exercise price £**
Outstandıng at 1 May 2011	107,940	23 65
Granted durıng the year	5,000	31 82
Exercısed durıng the year	(6,650)	14.08
Lapsed durıng the year	(3,300)	21 10
Outstandıng at 30 Aprıl 2012	102,990	24 75
Exercısable at 30 Aprıl 2012	62,290	23 81

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

3. Employee information (continued)

b) Outstanding nil paid restricted shares issued in lieu of discretionary performance award:

	Group	
	2013 Number	Weighted average exercise price £
Outstanding at 1 May 2012	26,207	Nil
Transferred to own name during the year	(9,364)	Nil
Granted during the year	9,388	Nil
Lapsed during the year	-	Nil
Outstanding at 30 April 2013	26,231	Nil
Exercisable at 30 April 2013	-	-

Movements for the year ended 30 April 2012 were

	Group	
	2012 Number	Weighted Average Exercise Price £
Outstanding at 1 May 2011	15,819	Nil
Granted during the year	10,388	Nil
Lapsed during the year	-	Nil
Outstanding at 30 April 2012	26,207	Nil
Exercisable at 30 April 2012	-	-

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

3. Employee information (continued)

c) Awards under the Long Term Incentive Plan (LTIP):

	Group	
	2013 Number	**Amount Paid up £**
Outstanding at 1 May 2012	130,484	13,048
Granted during the year	-	-
Lapsed during the year	-	-
Outstanding at 30 April 2013	130,484	13,048
Exercisable at 30 April 2013	-	-

Movements for the year ended 30 April 2012 were.

	Group	
	2012 Number	**Amount Paid up £**
Outstanding at 1 May 2011	-	-
Granted during the year	130,484	13,048
Lapsed during the year	-	-
Outstanding at 30 April 2012	130,484	13,048
Exercisable at 30 April 2012	-	-

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

3. Employee information (continued)

d) Outstanding nil paid options issued in lieu of discretionary performance award :

	Group	
	2013 Number	Weighted average exercise price £
Outstanding at 1 May 2012	300	Nil
Lapsed during the year	-	-
Exercised during the year	-	-
Outstanding at 30 April 2013	300	Nil
Exercisable at 30 April 2013	300	Nil

Movements in Nil paid options during the year to 30 April 2012 were:

	Group	
	2012 Number	Weighted average exercise price £
Outstanding at 1 May 2011	300	Nil
Lapsed during the year	-	-
Exercised during the year	-	Nil
Outstanding at 30 April 2012	300	Nil
Exercisable at 30 April 2012	300	Nil

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

3. Employee information (continued)

Valuation of share options/shares awarded

No share options were granted in the period.

Valuation of restricted shares

The fair value of restricted shares granted in the period is based on the share price at grant date, discounted as appropriate as described below

A composite discount of 50% was applied to the share price to reflect, inter alia, minority interests in an unlisted company and non marketability

Impact on profit & loss account

The fair value of share based payments, after adjusting for expected levels of vesting, is charged to the profit and loss account over the vesting period of the award

For standard share options and shares awarded under the Long Term Incentive Plan, the charge is calculated using a binomial model Nil paid options, awards under the company's former share incentive plan and restricted shares are charged at the fair value of the cash discretionary performance award sacrificed by the employee

The group recognised total expenses of £198,721 related to equity settled share based payment transactions in the year (2012: £164,392).

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

4. Interest payable and similar charges

	2013 £000	2012 £000
Bank loans	-	15
Other loans	22	23
Amounts payable on finance leases	4	7
	26	45

5. Profit on ordinary activities before taxation

	2013 £000	2012 £000
is stated after charging		
Professional fees in connection with sale of shares in the company (see Note 24)	509	-
Depreciation - owned assets	464	400
- held under finance leases	18	27
Operating leases - other	456	489
Amortisation of goodwill	461	441

During the year the group obtained the following services from the company's auditor and its associates.

- Fees payable to the company auditor for the audit of the parent company and consolidated accounts	20	16
- Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries pursuant to legislation	28	27
Tax services	19	15
All other services	35	10

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

6. Taxation

	2013 £000	2012 £000
UK Corporation tax at 23 92% (2012 25.84%)	707	827
Adjustments in respect of prior years	(14)	(48)
	693	779
Deferred tax (see note 10)	(48)	(33)
	645	746

Tax reconciliation

	2013 £000	2012 £000
Profit on ordinary activities before taxation	1,632	2,363
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23 92% (2012 25 84%)	390	610
Tax effects of		
Expenses not deductible for tax purposes	181	87
Amortisation of goodwill	90	98
Capital allowances for the year less than depreciation	57	25
Other short term differences	(11)	7
Adjustment in respect of prior years	(14)	(48)
Total current tax charge	693	779

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

7. Intangible assets - Group

Goodwill	**£000**
Cost	
At 1 May 2012	9,015
Additions	1
At 30 April 2013	9,016
Amortisation	
At 1 May 2012	2,823
Charge for year	461
At 30 April 2013	3,284
Net book value	
At 30 April 2013	5,732
At 30 April 2012	6,192

Goodwill arising on consolidation comprises the aggregate of

1 the difference between the fair value of consideration paid and the fair value of net assets acquired on the acquisition of Heartwood Wealth Management Limited.

2 the costs incurred in relation to the purchase of part of the business of Alliance Bernstein on 3 April 2012 The amount paid secured the transfer of certain clients, and is stated net of relevant legal and professional fees No assets were acquired as part of the transaction.

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

8. Tangible fixed assets - Group

	Fixtures, fittings and equipment £000	Computer equipment £000	Total £000
Cost			
At 1 May 2012	722	1,366	2,088
Additions	8	156	164
At 30 April 2013	730	1,522	2,252
Depreciation			
At 1 May 2012	378	688	1,066
Charge for the year	97	385	482
At 30 April 2013	475	1,073	1,548
Net book value			
At 30 April 2013	255	449	704
At 30 April 2012	344	678	1,022

Fixtures, fittings and equipment include assets with a net book value of £19,890 (2012 £37,637) held under a finance lease. During the year £17,747 (2012 £27,263) was charged in respect of depreciation of these assets.

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

9. Investments in subsidiaries - Company

	Investment in subsidiaries £000
Cost	
At 1 May 2012	5,326
Capital contribution	199
At 30 April 2013	5,525

The company owns directly or indirectly 100% of the ordinary share capital of the following principal subsidiaries.

	Percentage of holding	Ordinary Shares held	Principal activity	Share capital and reserves £000
Heartwood Wealth Management Limited	100%	1,319,205	Wealth management services	8,637
Heartwood Nominees Limited*	100%	2	Dormant	-
Heartwood Second Nominees Limited*	100%	5	Dormant	-
Private Office Limited*	100%	2	Dormant	-

All companies are incorporated in Great Britain

The consolidated accounts do not include the dormant subsidiaries on the basis that they have not traded during the period and are immaterial to the group accounts

All shares are £1 shares except those in Heartwood Wealth Management Limited which are 10p shares.

* Held via Heartwood Wealth Management Limited.

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

10. Debtors

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Trade debtors	395	312	-	-
Amounts owed by group undertakings	-	-	24	425
Other debtors	14	-	-	-
Prepayments and accrued income	2,448	2,536	-	45
Deferred tax	25	-	-	-
	2,882	2,848	24	470

Deferred tax

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Short term timing differences	1	7	-	-
Accelerated capital allowances	24	(30)	-	-
	25	(23)	-	-

11. Creditors: amounts falling due within one year

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Trade creditors	207	176	-	-
Amounts owed to group undertaking	-	-	1,100	905
Corporation tax	378	430	-	-
Other creditors	-	1,316	-	-
Other taxation and social security	1,338	528	-	-
Finance lease obligations	15	30	-	-
Subordinated loans (note 13)	-	415	-	415
Accruals and deferred income	604	1,014	80	142
	2,542	3,909	1,180	1,462

12. Creditors: amounts falling due after more than one year

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Finance lease obligations	13	28	-	-
Accruals and deferred income	75	114	-	-
	88	142	-	-

13. Borrowings

	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Falling due within one year				
Subordinated loans	-	415	-	415

Following approval from the FSA, subordinated loans totalling £415,000 were repaid on 28 March 2013

14. Provision for liabilities

	Dilapidations on leasehold properties £000	Deferred tax £000	Total £000
At 1 May 2012	25	23	48
Released to the P&L account for the year	-	(48)	(48)
Transfer to debtors		25	25
At 30 April 2013	25	-	25

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

15. Called up share capital

	2013 £000	2012 £000
Allotted and called up		
537,104 (2012 543,872) A ordinary shares of 10p each	54	54
74,489 (2012 66,836) B ordinary shares of 10p each	7	7
6,075 (2012 6,960) B1 ordinary shares of 10p each	1	1
130,484 (2012 130,484) C ordinary shares of 10p each	13	13
	75	75

During the year 6,768 (2012 9,158) A shares were reclassified as B Shares, and 885 B1 shares were reclassified as B shares (2012 4,148 B shares were reclassified as B1 shares).

A, B and B1 ordinary shares rank pari passu for dividends, voting rights and the return of capital on liquidation or reduction of capital.

C ordinary shares are issued under the terms of a Long Term Incentive Plan (LTIP) They do not rank for dividend or carry voting rights until they vest, which is conditional on certain performance criteria being met Following vesting the voting and income rights of an ordinary C share will be a fixed proportion (being less than 100%) of the equivalent rights of an ordinary B share. Return of capital on liquidation or reduction of capital will be pro-rated.

Options

Between 1 May 2012 and 30 April 2013, 2,540 (2012: 6,650) options over B ordinary 10p shares were exercised. Of these, 1,560 (2012 650) had been issued at an exercise price of £21 10 each, 410 (2012: 1,000) at an exercise price of £16 50 each and 570 (2012 5,000) at an exercise price of £23 each

Existing options over A and B shares total 100,750 and at 30 April 2013 comprised

			Exercisable	
Options	Type of Share	Exercise price	From	to
1,000	B ordinary	5 35	11 April 2009	10 April 2015
300	B ordinary	Nil	2 August 2009	1 August 2015
13,500	B ordinary	16 50	28 August 2009	28 August 2016
16,810	B ordinary	23 00	30 July 2010	29 July 2017
7,269	B ordinary	34 25	18 December 2008	29 April 2018
4,000	B ordinary	30 00	22 December 2008	21 December 2018
1,875	B ordinary	21 10	4 May 2012	3 May 2019
1,250	B ordinary	21 10	29 May 2012	28 May 2019
6,742	A ordinary	21 10	21 May 2012	20 May 2019
3,008	B ordinary	21 10	21 May 2012	20 May 2019
23,500	B ordinary	24.33	9 July 2009	8 July 2019
4,375	B ordinary	28 17	3 December 2012	2 December 2019
4,231	B ordinary	30.03	28 January 2013	27 January 2020
7,500	B ordinary	33 54	6 January 2014	5 January 2021
5,000	B ordinary	31.82	18 October 2014	17 October 2021
390	B ordinary	21 20	14 April 2016	14 April 2023
100,750				

16. Shareholders' funds

Group

	Share capital	Share premium	Other reserve	Merger reserve	Profit and loss account	Own shares held in the Heartwood Employee Benefit Trust	Total
	£000	£000	£000	£000	£000	£000	£000
At 1 May 2012	75	2,202	520	5,120	4,838	(710)	12,045
Retained profit for the year	-	-	-	-	987	-	987
Dividends paid	-	-	-	-	(222)	-	(222)
Share based payments charge	-	-	199	-	-	-	199
EBT acquisitions	-	-	-	-	-	(97)	(97)
EBT disposals	-	-	-	-	(40)	117	77
EBT awards	-	-	-	-	(306)	306	-
At 30 April 2013	75	2,202	719	5,120	5,257	(384)	12,989

On 17 October 2012 the directors resolved to pay a dividend of £0 36 per share totalling £222,360 This was fully paid in the year Dividends paid are net of £75 (2012 £5,705) receivable on Heartwood Wealth Group shares held by the Employee Benefit Trust

Shareholders' funds Company

	Share capital	Share premium	Other reserve	Profit and loss account	Own shares held in the Heartwood Employee Benefit Trust	Total
	£000	£000	£000	£000	£000	£000
At 1 May 2012	75	2,202	520	2,283	(710)	4,370
Retained profit for the year	-	-	-	113	-	113
Dividends paid	-	-	-	(222)	-	(222)
Share based payments charge	-	-	199	-	-	199
EBT acquisitions	-	-	-	-	(97)	(97)
EBT disposals	-	-	-	(40)	117	77
EBT awards	-	-	-	(306)	306	-
At 30 April 2013	75	2,202	719	1,828	(384)	4,440

The profit on ordinary activities for the company after taxation was £113,000 (2012 £804,000). Dividends paid are net of £75 (2012 £5,705) receivable on Heartwood Wealth Group shares held by the Employee Benefit Trust

NOTES TO THE ACCOUNTS for the year ended 30 APRIL 2013 (continued)

17. Lease commitments

At 30 April 2013 the group had the following annual commitments on operating leases expiring

	Land and buildings 2013 £000	2012 £000
Within one year	209	-
Within two to five years	270	490
	479	490

18. Related party transactions

The group has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 that disclosure of transactions or balances that eliminate on consolidation need not be disclosed

The following directors or their spouses have previously provided subordinated loans to the company either directly or through their pension funds and Heartwood SPV Limited (SPV) Subordinated loans were repaid on 28 March 2013 as stated in Note 13 Heartwood SPV Limited is an investment company listed on the Channel Islands Stock Exchange and related to the Group by common shareholders.

	2013		2012	
	Direct £000	SPV £000	Direct £000	SPV £000
D A B Lough	-	-	-	150
G Rogerson	-	-	-	25
D J Gamble (Non-executive Director)	-	-	-	25
J E Heskett (Non-executive Director)	-	-	30	-
	-	-	30	200

Heartwood Wealth Group Limited incurred costs of £13,666 (2012 £9,576) payable to Volaw Limited, for administration of Heartwood SPV Limited At the year end £Nil (2012 £1,242) was outstanding

During the year Heartwood Wealth Group Limited paid dividends of £132,997 (2012: £223,422) to directors and senior management of the company who are also shareholders, including £56,544 (2012 £89,529) to D A B Lough and £54,370 (2012 £85,790) to S N Lough

During the year Heartwood Wealth Management Limited provided services to the value of £25,400 (2012: £32,063) to certain directors and senior management of the company At the year end £Nil (2012 £Nil) was outstanding

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

19. Reconciliation of operating profit to net cash inflow from operating activities

	2013 £000	2012 £000
Operating profit	1,603	2,361
Depreciation	482	427
Amortisation of goodwill	461	441
Share based payments	199	165
(Increase) in debtors	(9)	(354)
(Decrease)/increase in creditors	(695)	645
Net cash inflow from operating activities	2,041	3,685

20. Reconciliation of net cash flow to movement in net funds

	2013 £000	2012 £000
Increase in cash in the year	244	2,035
Cash outflow from decrease in debt	415	-
Cash outflow from finance leases	30	32
Change in net funds resulting from cash flows	689	2,067
Opening net funds	5,609	3,542
Closing net funds	6,298	5,609

21. Analysis of net funds

	At 1 May 2012 £000	Cash flow £000	At 30 April 2013 £000
Cash at bank	6,082	244	6,326
Debt due within one year	(415)	415	-
Finance lease	(58)	30	(28)
	5,609	689	6,298

22. Contingent liabilities

There are no contingent liabilities at 30 April 2013 (2012 £nil)

NOTES TO THE ACCOUNTS for the year ended 30 April 2013 (continued)

23. Ultimate controlling party

At 30 April 2013, there was no ultimate controlling party On 24 May 2013, 100% of the issued share capital in the company was sold to Svenska Handelsbanken AB (PUBL) ("Handelsbanken") and from that date the Directors consider Handelsbanken to be the ultimate controlling party.

24. Post Balance Sheet Event

As detailed in Note 23, on 24 May 2013, 100% of the issued share capital in the company was sold to Svenska Handelsbanken AB (PUBL) ("Handelsbanken") and all outstanding options in the company were exercised.

HEARTWOOD WEALTH GROUP LIMITED

Company profit and loss account for the year ended

30 APRIL 2013

This does not form part of the audited accounts.

DETAILED PROFIT AND LOSS ACCOUNT for the year ended 30 APRIL 2013

	2013 £000	2012 £000
Turnover		
Dividends from HWM	1,172	1,441
Gross profit	1,172	1,441
Administrative expenses	(1,061)	(624)
Operating profit	111	817
Interest receivable and similar income	23	25
Interest payable and similar charges	(21)	(38)
Profit on ordinary activities before and after taxation	113	804