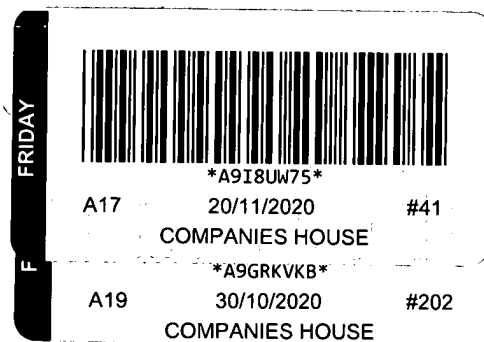


HARWOOD WEALTH MANAGEMENT GROUP LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019



Parent company accounts for:

Argentis Financial Planning Ltd - Company Number 6744013

See page 36 for details of guarantee

HARWOOD WEALTH MANAGEMENT GROUP LTD

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HARWOOD WEALTH MANAGEMENT GROUP LTD

STRATEGIC REPORT

CHIEF EXECUTIVE'S STATEMENT

I am pleased to be able to report another year of progress for our business. Revenue grew by 3% to £33.7m (2018: £32.7m), and we generated £7.5m of adjusted EBITDA** (2018: £6.1m). As of 31 October 2019, our Assets under Influence (AUI) were at £5.9bn (31 October 2018: £4.8bn), and Assets under Management were at £1.9bn (31 October 2018: £1.7bn).

Harwood has been a long-term beneficiary of several tailwinds. The two we have most often referred to are the increasing demand for financial services and the opportunity to acquire high quality IFA businesses at attractive valuations. Whilst these remain in place over the long term, the last financial year presented challenges. 2019 will be remembered as a year of significant political uncertainty which contributed to volatility in markets and also a reluctance of clients to make financial decisions.

Notwithstanding this, the market opportunity for acquiring small to medium sized IFAs remains as strong as ever and our pipeline throughout the year has remained excellent. As well as signing a £7m debt facility, as a highly cash generative business we continue to have an element of self-funding that would allow us to acquire more businesses in the future but to continue at the current pace would inevitably require further equity funding. Given the uncertainty in equity markets and in particular amongst smaller company shares, our ability to secure further equity funding at terms that would be attractive to our shareholders is somewhat uncertain.

It is against this backdrop that we entered into discussions with Hurst Point Capital and Carlyle as potential buyers of the business. As discussed in the Rule 2.7 announcement that we made on the 23 December 2019, the board unanimously took the view that our business would be better suited to private ownership with a deep pool of capital to drive both further acquisitions and also investment in the operations of the business and as noted in the post balance sheet events the sale of the business completed in March 2020.

Performance against strategy – acquisitions

During the year we completed on eight acquisitions, deploying £4.2m of total consideration. These acquisitions bring both immediate revenues to our Financial Planning business and also the potential for further revenues in our Investment Management businesses if our in-house solutions are suitable for these clients. In addition to the completed deals we have a strong pipeline of deals at various stages of discussion and negotiation.

Performance against strategy – organic growth

As mentioned earlier, the uncertain economic and political landscape presented challenges, but the business weathered these well, delivering revenue growth of 3%. Our investment management businesses have continued to grow their AUM which now stands at £1.9bn, an increase of 12% over the previous period. During the year, we took the decision to withdraw NDL from the provision of advice relating to defined benefit pension due to escalating professional indemnity costs. We believe that the quality of advice in NDL has been good and there has been no client detriment but the provision of such advice going forward is no longer commercially viable. This decision resulted in 4 advisers leaving the network with a small fall in income.

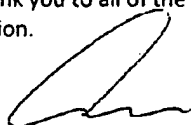
Outlook

With Brexit and the general election behind us, there is a feeling of renewed certainty that has filtered into the economy and markets. We will never be entirely free from uncertainty and are currently facing the coronavirus, a US presidential election and wranglings over the UK-EU trade agreements. Nevertheless, we look forward with optimism.

As ever, the future outlook for acquisitions remains positive, further details on our recent acquisitions can be found in the Financial Review.

As part of the announcements made during the takeover process by Hurst Point, it was noted that a strategic review of Network Direct Ltd would take place. This review is currently underway, but no decisions have been made as to the final outcomes.

I would like to thank all our clients, business partners, staff and stakeholders for their support. I would like to extend a particular thank you to all of the staff that had to bear significantly greater workloads and responsibilities during the extended corporate action.



Alan Durrant
Chief Executive Officer

Date: 27 October 2020

HARWOOD WEALTH MANAGEMENT GROUP LTD

FINANCIAL REVIEW

ASSETS UNDER MANAGEMENT

Assets Under Management ("AUM") in the investment management business increased by 12% to £1.9bn (2018: £1.7bn). The discretionary fund management business, Wellian Investment Solutions, increased its AUM to £1.1bn (2018: £977m). The advised investment management business, IMS Capital, increased its AUM to £749m (2018: £698m).

GROUP RESULTS

	2019	Re-stated 2018	Change %
	£m	£m	
Revenue	33.72	32.69	+3%
Gross profit	16.10	14.61	+10%
Gross profit %	48%	45%	
Administrative expenses	(8.65)	(8.49)	+2%
Pre-depreciation and amortisation			
Adjusted EBITDA	7.45	6.12	+22%
Adjusted EBITDA %	22%	19%	

REVENUE

Group revenue in the year increased by 3% to £33.72m (2018: £32.69m).

Despite difficult market conditions, particularly in quarter one, each of the Group's three divisions achieved growth in revenue in the year. Financial Planning revenue increased by 2%, including the impact of acquisitions. Investment Management revenue increased by 3% and Network Services revenue increased by 4%.

GROSS PROFIT

Gross profit in the year increased by 10% to £16.10m (2018 (re-stated): £14.61m) and the gross profit percentage increased to 48% from 45% (re-stated) in the prior year. Bonuses paid to employed advisers which were previously shown in administrative expenses, have now been included in cost of sales as they are variable expenses based upon the level of revenue generated by these advisers. Further details can be found in note 5.

ADMINISTRATIVE EXPENSES

Administrative expenses (excluding depreciation, amortisation and separately disclosed items) were £8.65m (2018: £8.49m), an increase of 2% compared to 2018. The increase predominantly represented an increase in employment costs to support growth as well as a modest increase in regulatory costs, these increases were partially offset by small reductions in other costs.

ADJUSTED EBITDA AND OPERATING PROFIT

Adjusted EBITDA increased by 22% to £7.45m (2018: £6.12m) and the adjusted EBITDA percentage increased to 22% (2018: 19%). Operating profit increased by 54% to £4.0m (2018: £2.59m).

PROFIT AFTER TAX

Profit after tax was £2.23m (2018: £1.20m), an increase of 86%.

HARWOOD WEALTH MANAGEMENT GROUP LTD

FINANCIAL REVIEW

DIVIDENDS

An interim dividend for the year ended 31 October 2019 of 1.17 pence ordinary share (a total of £0.73m) was declared on 27 June 2019 and paid on 8 November 2019. Harwood does not intend to pay any final or other dividend in respect of the financial year ended 31 October 2019.

ACQUISITIONS

During the year the Group completed a total of eight acquisitions, which included the client portfolios of four independent financial adviser businesses and a further four client portfolios through the purchase of the entire issued share capital of similar businesses. Aggregate consideration was £4.18m, comprising £2.28m of cash due on completion and discounted deferred consideration of £1.90m which is due to be paid over the next two years. Deferred consideration is payable based upon the trail income from the client portfolio acquired and may be increased or decreased compared to the actual amounts provided.

CASH

The Group had cash of £10.50m at 31 October 2019 (31 October 2018: £13.63m). The Group generated £5.34m of cash inflow from operating activities (2018: £6.53m). Cash of £5.02m (2018: £8.78m) was paid in the year in respect of acquisitions: £2.28m (2018: £4.91m) initial consideration and £2.75m (2018: £3.87m) deferred consideration. Dividends paid to Shareholders in the year totalled £2.19m (2018: £2.03m).

On 8 May 2019, the Group (as borrower), together with certain other subsidiaries of the Group (as guarantors), entered into a revolving credit loan facility agreement in an aggregate amount of £7m with Clydesdale Bank Plc. The facility is to be used solely for the purchase of shares and /or assets acquired pursuant to those acquisitions permitted within the facility agreement, together with any fees, costs and expenses incurred in relation to any such acquisition. At 31 October 2019, no drawings had been made on this facility.

FINANCIAL POSITION

The Group had net assets at the end of 2019 of £25.92m (2018: £25.93m), including net cash as summarised above of £10.50m. The Group remains in a robust financial position to continue to pursue its strategy of organic growth and acquisitions.

EVENTS AFTER THE REPORTING DATE

Sale of the Group

On 23 December 2019, the Boards of Harwood and Hurst Point Topco Limited ("Bidco") announced that they had reached agreement on the terms of a recommended cash offer to be made by Bidco for Harwood pursuant to which Bidco would acquire the entire issued share capital of Harwood (the "Acquisition"). The Acquisition was being implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme").

On 12 February 2020, the Boards of Harwood and Bidco announced that the requisite majorities of Scheme Shareholders had voted to approve the Scheme at the Court Meeting and that the requisite majority of Harwood Shareholders had voted to pass the special resolution needed to implement the Scheme, including the required amendment to the Harwood Articles.

On 24 February 2020 Harwood and Bidco announced that the FCA has given notice in writing that it had determined to approve the Acquisition.

On 6 March 2020, Harwood and Bidco announced that the High Court had made an order sanctioning the Scheme.

On 10 March 2020, Harwood and Bidco announced that the Scheme Court Order has been delivered to the Registrar of Companies and accordingly, the recommended cash acquisition by Bidco of Harwood had now become effective in accordance with its terms and the entire issued share capital of Harwood was owned by Bidco. Admission to trading of Harwood Shares on AIM was cancelled with effect from 7.00 a.m. on 10 March 2020.

Sale from Hurst Point Topco to Hurst Point Group

On 17 March, Hurst Point Topco sold Harwood to Hurst Point Group for i) an immediate issuance of shares; and ii) payment of cash consideration by Hurst Point Group to Hurst Point Topco.

HARWOOD WEALTH MANAGEMENT GROUP LTD

FINANCIAL REVIEW

Clydesdale Facility

Following the sale of Harwood to Bidco on 10 March 2020 the Group cancelled its facility with Clydesdale Bank plc (having not drawn upon the facility) and the subsidiary companies were released as guarantors.

Acquisitions

On 19 December 2019, Harwood completed the acquisition of the trade and assets of Andrew Routley Pensions Limited. The purchase price is expected to be c £0.54m, £0.27m was paid on completion and a further two instalments of 25% and 25% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 18 May 2020, Harwood purchased the share capital Cameron Lewnes Limited. The purchase price is expected to be c£0.2m, £0.12m was paid on completion and a further two instalments of 20% and 20% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 30 June 2020, Harwood purchased the trade and assets of Portcullis Wealth Management. The purchase price is expected to be c£0.1m, £0.09m was paid on completion and a further two instalments of 25% and 25% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 9 September 2020, Harwood purchased the trade and assets of Russell Marlow IFA. The purchase price is expected to be c£0.1m, £0.08m was paid on completion and a further instalment of 25% due to be paid on the first anniversary of completion, contingent upon results.

On 12 October 2020, Harwood purchased the trade and assets of Hazelwood Investment Services Limited. The purchase price is expected to be c£0.5m, £0.25m was paid on completion and a further two instalments of 22.5% and 22.5% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

COVID 19

In March 2020, the World Health Organisation declared a global pandemic as a result of the spread of the COVID-19 virus. There are uncertainties in the economy as a whole that have emerged since March 2020 as a result of the pandemic, which have led to market volatility. The period over which such volatility will persist as well as any longer-term adverse effect on world economies and markets, remains difficult to predict. The Group's revenue and results for the next financial year will be adversely impacted by COVID-19, and the extent of such impact will depend upon how long the outbreak lasts and other factors, including its effect on world economies and markets. We have implemented a number of business continuity measures, including moving all Group colleagues to working from home as well as conducting "face to face" client meetings remotely using video links, this allows the Group to continue to provide its services during this period of disruption. The Directors consider that the business is well positioned to be able to navigate through the impact of COVID-19 due to its high level of recurring revenue, strong balance sheet and cash position.

HARWOOD WEALTH MANAGEMENT GROUP LTD

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

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

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

RISK	DESCRIPTION	KEY MITIGATORS	TREND
BUSINESS AND STRATEGIC RISKS			
Regulatory change & FCA guidance	Changes to the regulatory framework and/or FCA guidance may impact our ability to grow and may increase regulatory costs such as Professional indemnity insurance, FCA fees and levies.	<ul style="list-style-type: none"> Regular updates provided to the Board on the status and potential impact of imminent regulatory changes Active dialogue with regulators and industry bodies Appointment of Head of Regulatory Compliance to the senior management team Regular external compliance audits 	→
Investment performance	Volatility in capital markets may adversely affect trading activity and/or the value of the Group's assets under administration or management, from which we derive revenues. Increased levels of political and economic uncertainty arising from the UK's exit from the EU. Impact of COVID on markets	<ul style="list-style-type: none"> Diversified range of flexible investment products, designed to deliver value to clients in all market conditions Investment model with explicit risk parameters Portfolios cover a broad range of markets, reducing exposure where possible to volatility 	→
Growth through acquisition	Our ability to identify suitable targets and execute transactions is not assured. Expansion of the business may place additional demands on the Group's management, administration and infrastructure and may call for additional expenditure.	<ul style="list-style-type: none"> Risk appetite set by the Board Rigorous process for screening prospective targets Independent legal, accounting and regulatory due diligence where appropriate Track record of successfully integrating businesses and treating clients fairly 	→

HARWOOD WEALTH MANAGEMENT GROUP LTD

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	DESCRIPTION	KEY MITIGATORS	TREND
OPERATIONAL RISKS			
Ability to attract and retain key people	Loss of key management or other key personnel (including regulated financial advisers) could have adverse consequences for the Group's performance.	<ul style="list-style-type: none"> • Equity ownership among Directors during the period • Competitive remuneration structure • Attractive working environment 	→
Business continuity and disaster recovery	A physical event or system failure could impair our ability to perform core business activities.	<ul style="list-style-type: none"> • Disaster recovery and business continuity plans, both for the Group and key suppliers • Transition of IT systems to cloud based environment. 	→
Client privacy, data protection and online security	We may be subject to IT security breaches or collusion to defraud, launder money or other illegal activities.	<ul style="list-style-type: none"> • Anti-money laundering procedures • Processes to protect against fictitious transactions or collusions • Appointment of external Cyber Security expertise. 	→
Misconduct	We are exposed to the risk of being bound to transactions exceeding authorised risk limits, unsuccessful transactions being concealed, or the misuse of confidential information, resulting in regulatory sanctions.	<ul style="list-style-type: none"> • Rigorous internal risk management processes • Professional indemnity insurance • Restrictive covenants to protect against the risk of former employees and/or self-employed advisers taking clients with them 	→



Alan Durrant
Chief Executive Officer

Date: 27 October 2020

HARWOOD WEALTH MANAGEMENT GROUP LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

The Directors present their annual report and financial statements for the year ended 31 October 2019.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

Executive Directors

Alan Durrant	Chief Executive Officer
Neil Dunkley	Managing Director, Financial Planning
Mark Howard	Chief Commercial Officer
Gillian Davies	Chief Financial Officer (resigned 30 June 2020)
Matt Hills	Finance Director (appointed 1 August 2020)

Non-executive Directors

Peter Mann	Non-executive Chairman (resigned 1 April 2020)
Christopher Mills	Non-executive Director (resigned 20 March 2020)
Paul Tuson	Non-executive Director (resigned 6 April 2020)

RESULTS AND DIVIDENDS

The results for the year are set out on page 14.

An interim dividend was paid on 8 November 2019 amounting to 1.17 pence per ordinary share (£731,752). As stated in the Scheme document posted to Shareholders on 20 January 2020, Harwood does not intend to pay any final or other dividend in respect of the financial year ended 31 October 2019.

EVENTS AFTER THE REPORTING DATE

Full details of events after the reporting date are set out in our strategic report on pages 4 to 5.

FUTURE DEVELOPMENTS

Full details of future developments can be found in the strategic report on page 2.

DIRECTORS' INDEMNITY

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

RISKS

The principal risks of the Group are included in the Strategic Report on pages 6 to 7, with financial risk management set out in note 27.

HARWOOD WEALTH MANAGEMENT GROUP LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 OCTOBER 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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

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

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

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

AUDITOR

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

STATEMENT OF DISCLOSURE TO AUDITOR

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

On behalf of the Board

Nick Bravery
Company Secretary

Date: 27/10/20

HARWOOD WEALTH MANAGEMENT GROUP LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARWOOD WEALTH MANAGEMENT GROUP LTD

Opinion

We have audited the financial statements of Harwood Wealth Management Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2019 which comprise the consolidated statement of comprehensive income, consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

We have determined that there are no key audit matters communicate in our report.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. During planning materiality for the group financial statements as a whole was calculated as £300,000 which was not significantly changed during the course of our audit. Materiality for the parent company financial statements was calculated as £299,000 which was not significantly changed during the course of our audit. We agreed with the Audit Committee that we would report to them all unadjusted differences in excess of £10,425 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

HARWOOD WEALTH MANAGEMENT GROUP LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARWOOD WEALTH MANAGEMENT GROUP LTD

An overview of the scope of our audit

The Group comprises twenty-two entities, of which eleven are non-trading or dormant. Of the remaining eleven, five were subject to full scope audits by RSM UK Audit LLP and six were subject to reduced scope procedures, including one where there were additional procedures in respect of revenue, also carried out by RSM UK Audit LLP.

The components subject to full scope audits accounted for 86% of group revenue, 97% of group assets and 80% of group Adjusted EBITDA (earnings before interest, tax, depreciation, amortisation and separately disclosed items). The additional procedures in respect of revenue accounted for a further 7% of group revenue.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HARWOOD WEALTH MANAGEMENT GROUP LTD

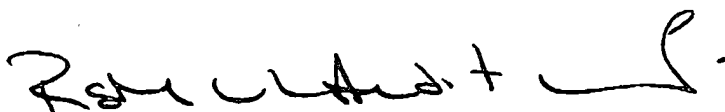
Auditor's responsibilities for the audit of the financial statements

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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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



GEOFF WIGHTWICK (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Portland Building
25 High Street
Crawley
West Sussex
RH10 1BG
Date: 28 October 2020

HARWOOD WEALTH MANAGEMENT GROUP LTD
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 OCTOBER 2019

		2019	2018
	Notes	£'000	Re-stated £'000
Revenue	4	33,723	32,693
Cost of sales	5	(17,620)	(18,083)
Gross profit		16,103	14,610
Administrative expenses		(12,035)	(11,848)
Separately disclosed items	6	(65)	(174)
Operating profit before depreciation, amortisation and exceptional items ("Adjusted EBITDA")		7,452	6,116
Depreciation	7	(14)	(12)
Amortisation	7	(3,370)	(3,342)
Separately disclosed items	6	(65)	(174)
Operating profit	8	4,003	2,588
Investment income	12	22	23
Finance expense	13	(608)	(653)
Profit before income tax		3,417	1,958
Income tax expense	14	(1,234)	(762)
Profit and total comprehensive income for the year attributable to equity owners of the parent		2,183	1,196

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	17	21,339	20,803
Property, plant and equipment	18	62	31
		<u>21,401</u>	<u>20,834</u>
Current assets			
Trade and other receivables	21	2,325	1,553
Cash and cash equivalents		10,500	13,634
		<u>12,825</u>	<u>15,187</u>
Total assets		<u>34,226</u>	<u>36,021</u>
Current liabilities			
Trade and other payables	22	4,459	3,916
Accruals and deferred income		610	1,405
Current tax liabilities		835	659
Provisions	23	112	766
		<u>6,016</u>	<u>6,746</u>
Net current assets		<u>6,809</u>	<u>8,441</u>
Non-current liabilities			
Trade and other payables	22	1,481	2,407
Deferred tax liabilities	25	687	829
Provisions	23	118	109
		<u>2,286</u>	<u>3,345</u>
Total liabilities		<u>8,302</u>	<u>10,091</u>
Net assets		<u>25,924</u>	<u>25,930</u>
Equity			
Called up share capital	27	156	156
Share premium account		25,500	25,500
Retained earnings		268	274
Total equity attributable to the owners of the parent		<u>25,924</u>	<u>25,930</u>

The financial statements were approved by the Board of directors and authorised on 27 October 2020.

Signed on its behalf by:



Alan Durrant
Director

Company Registration No. 04987966

HARWOOD WEALTH MANAGEMENT GROUP LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2019

	Notes	Attributable to the owners of the parent			Total
		Share capital	Share premium account	Retained earnings	
		£'000	£'000	£'000	£'000
Balance at 1 November 2017		156	25,500	1,104	26,760
Year ended 31 October 2018:					
Profit and total comprehensive income for the year		-	-	1,196	1,196
Dividends	15	-	-	(2,026)	(2,026)
Total transactions with owners recognised directly in equity		-	-	(2,026)	(2,026)
Balance at 31 October 2018		156	25,500	274	25,930
Year ended 31 October 2019:					
Profit and total comprehensive income for the year		-	-	2,183	2,183
Dividends	15	-	-	(2,189)	(2,189)
Total transactions with owners recognised directly in equity		-	-	(2,189)	(2,189)
Balance at 31 October 2019		156	25,500	268	25,924

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 OCTOBER 2019

	2019	2018	
	£'000	£'000	£'000
Cash flows from operating activities			
Profit before income tax		3,417	1,958
Non-cash adjustments			
Depreciation, amortisation and impairment	3,384	3,354	
Non-cash, separately disclosed items	65	174	
Net finance costs	586	630	
		4,035	4,158
Working capital adjustments			
Increase in trade and other receivables	(772)	(414)	
(Decrease)/Increase in trade and other payables	(1,349)	828	
		(2,121)	414
Cash inflow from operating activities		5,331	6,530
Income tax paid	(1,200)	(1,063)	
Interest paid	(32)	-	
		(1,232)	(1,063)
Net cash generated by operations		4,099	5,467
Investing activities			
Payment of deferred consideration	(2,745)	(3,865)	
Purchase of intangible assets	(2,276)	(1,005)	
Interest received	22	23	
Acquisition of subsidiaries net of cash acquired	-	(3,905)	
Purchase of property, plant and equipment	(45)	(14)	
Net cash used in investing activities		(5,044)	(8,766)
Financing activities			
Dividends paid	(2,189)	(2,026)	
Net cash generated from financing activities		(2,189)	(2,026)
Net decrease in cash and cash equivalents		(3,134)	(5,325)
Cash and cash equivalents at beginning of year		13,634	18,959
Cash and cash equivalents at end of year		10,500	13,634

Significant non-cash transactions include deferred contingent consideration arising on acquisition of subsidiaries totalling £1,904,000 (2018: £4,086,000).

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies

Company information

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

Until 17 March 2020 the company was a public company, and until 10 March 2020 was listed on AIM.

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

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

1.1 Basis of preparation

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

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

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

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

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

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

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

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

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development and performance, the principal risks, the financial position of the Group, its cash flows and liquidity position are set out in the Strategic Report on pages 2 to 7. In addition, notes 23, 28 and 29 set out the Group's objectives for managing its capital, its financial instruments and its exposures to market, credit and liquidity risk.

The Directors have reviewed projections for the period to 30 November 2021 using assumptions which the Directors consider to be appropriate to the current financial position of the Group with regard to its revenue and cost base, together with requirements to make payments to its parent Company, Hurst Point Group Limited, to allow that Company to meet its expenses and service its debt obligations. These projections show that the Group is shown to be able to operate within its current level of resources for a period of at least 12 months from the from the date of

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

approval of the financial statements. The Group's going concern assumption is based on the outcome of a variety of scenarios that demonstrate the Group's ability to withstand market disruption – both in terms of the turbulence in equity markets and any potential reluctance of clients to further invest during such times of turbulence. After making enquiries and having regard to the FRC's guidance for Companies on COVID 19 issued in March 2020, the Directors have a reasonable expectation that the Group has adequate capital resources to continue in operational existence for the foreseeable future, and, therefore, continue to adopt the going concern basis in the preparation of these financial statements.

In assessing the Group's viability, the Directors have assumed that there is no material improvement in market conditions and that the disruption to normal working patterns as a result of COVID 19 does not improve significantly over this period. The Directors have stress tested these assumptions, considering a further downturn in the market, which would result in a lower level of revenue in both its Financial Planning and Investment Management divisions, together with an increase in costs in its Network Services division which would not be recovered through higher retentions from its Appointed Representatives. These reductions could be partly offset by cost savings. This stress testing did not indicate an inability of the Group to meet its cash requirements as they fall due for the foreseeable future.

Further details on the COVID 19 position are set out in note 31, events after the reporting date.

1.3 Business combinations and asset purchases

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

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

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

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

1.4 Revenue

Revenue is shown net of VAT, and comprises:

- Wealth management fees paid by clients for the on-going administration and advice in relation to their investment;
- Investment management fees paid by clients for all aspects of investment management;

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1.4 Revenue (cont.)

- Charges for advice paid by clients who receive advice in respect of a retail investment. Advice may be provided at initial investment and on an on-going basis;
- Discretionary fund management fees.

The provision of initial advice is a distinct performance obligation and as a result, initial advice charges are recognised in full on acceptance and inception of a new policy or investment product with the relevant provider, that is, at a point in time.

On-going advice charges are recognised as revenue on an on-going basis, consistent with the nature of the performance obligation, that is, being discharged over time, rather than at a single point in time.

Wealth management, investment management and discretionary fund management fees are recognised over time to reflect the on-going satisfaction of the performance obligation.

1.5 Goodwill

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

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

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

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

1.6 Intangible assets other than goodwill

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

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

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

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

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

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1.6 Intangible assets other than goodwill (cont.)

1.7 Property, plant and equipment

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

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

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

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

1.8 Impairment of tangible and intangible assets

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

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

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

1.8 Impairment of tangible and intangible assets (cont.)

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

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

1.9 Financial assets

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are assets held with the intention of collecting the cash flows which are solely payments of principal and interest and are classified and measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date using the expected credit loss model.

Derecognition of financial assets

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or subsequently measured at amortised cost.

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Contingent consideration

Contingent consideration to be settled in cash is recognised at fair value at the acquisition date and re-measured at fair value at each reporting date. Any subsequent change to its fair value is recognised in the income statement within Separately disclosed items.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1.12 Taxation

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

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Employee benefits

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

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

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

1.14 Retirement benefits

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

1.15 Leases

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

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

1.16 Separately disclosed items

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

1.17 Provisions

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

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

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

IFRS 9 – Financial Instruments

On 1 November 2018, the Group adopted IFRS 9 Financial Instruments. IFRS 9 incorporates new classification and measurement requirements for financial assets and liabilities, the introduction of an expected credit loss impairment model, new hedge accounting requirements and enhanced disclosures in the financial statements.

For the Group, adopting IFRS 9 has resulted in changes to accounting policies, reclassification of certain financial assets, and changes to the impairment model applied. In accordance with the transition provisions set out in IFRS 9, comparative figures have not been restated. The comparative figures therefore continue to be accounted for in accordance with the Group's previous policy.

(a) Classification and measurement of financial instruments

On the date of initial application of IFRS 9, being 1 November 2018, all financial assets were reclassified from 'Loans and receivables' to 'Amortised cost'.

There was no material change to the underlying accounting treatment for the reclassified financial assets, and no change in the carrying amount upon reclassification. No reclassifications were required for financial liabilities.

Reclassification from loans and receivables to amortised cost

Cash and cash equivalents, accrued income and trade receivables were reclassified from loans and receivables to amortised cost as at 1 November 2018. The business model for these assets is to hold to collect and the contractual cash flows consist solely of payments of principal and interest. There was no difference between the previous carrying amount under IAS 39 and the revised carrying amount under IFRS 9, and the reclassification had no impact on the Group's equity.

(b) Expected loss impairment model

The implementation of IFRS 9 requires a forward-looking expected credit loss provision to be applied in the assessment of the impairment of trade and other receivables, applying the simplified approach permitted by IFRS 9 in the case of trade receivables.

No provision is held against trade receivables as these comprise very short-term trade receivables with insignificant risk of credit loss, and accordingly the resulting impairment provision is immaterial.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

2 Adoption of new and revised standards and changes in accounting policies (cont.)

IFRS 15 - Revenue

The adoption of IFRS 15 had no impact on the Group, as the way that the Group's revenue from contracts with customers was recognised under the previous accounting standard, IAS 18, satisfies the requirements of IFRS 15 with no changes required to existing accounting policies. This conclusion was reached following a detailed assessment of revenue recognised by the Group in the context of the IFRS 15 five-step revenue recognition model, covering advice charges, third-party fee and commission income, wealth management fees, investment management fees, and discretionary management fees. Further information regarding the performance obligations for each of these revenue streams is set out in Note 1.

Standards which are in issue but not yet effective

A number of new standards are effective for annual periods beginning after 1 November 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The Group is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short term leases and leases of low-value items.

IFRS 16 replaces existing leases guidance, including 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 Group will recognise new assets and liabilities for its operating leases of office premises. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

At the time of signing these financial statements the Company was still assessing the impact of this standard on the consolidated financial statements and as such the extent of the impact has not yet been fully determined.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRIC 23 – Uncertainty over income tax treatments.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

3 Critical accounting estimates and judgements

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

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

Critical estimates

Intangible asset life

Intangible assets with a carrying value of £21,339,000 are amortised over their estimated useful lives. In the case of acquired client portfolios, this estimation reflects the Directors' expectation of client attrition, based on the Group's experience of similar portfolios. The expected useful life is 15 years, but the Directors believe the pattern of expected attrition is higher in the earlier years. For this reason, the rate of amortisation has been selected as 17.5% on the reducing balance for the first eight years of the expected useful life and straight line for the remaining period.

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

Management has reviewed the attrition rate of acquired client portfolios. The history indicates a large degree of variability from year to year, with no clear pattern from one year to the next. The estimate used to calculate the amortisation therefore involve a degree of management judgement as to an appropriate rate. This will be reviewed again in the next financial year, which is likely to show an increase in attrition as the impact of the coronavirus pandemic feeds through to ongoing revenues from those acquired portfolios. Amortisation is a non cash impact and is commonly added back in assessing the performance and value of our business, and our KPIs focus on an EBITDA measure.

The historic evidence currently available to management suggests that the attrition rate may be lower than is currently being applied, meaning that the acquired client portfolios have a longer life. This would suggest that the amortisation rate could be reduced.

The impact of a reduction in the 17.5% amortisation rate currently used for the first eight years would be:

Percentage point reduction in amortisation rate	Reduction in amortisation charge for the year £'000s
1%	184
2%	368
5%	920

Critical judgement

Business combinations

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

Fair value of contingent consideration

The estimation of contingent consideration in respect of client portfolios requires the Directors to predict the trail income arising over the earn-out period. The estimate of contingent consideration in respect of adviser relationships requires the Directors to predict the level of client funds introduced to the Group's investment management services. The Directors also decide on the level of the discount rate to be applied. The discount rate applied in the year was 12% (2018: 12%). The total value of contingent consideration payable at the year-end was £4,878,000 (2018: £5,342,000).

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

4 Revenues

	2019 £'000	2018 £'000
Revenues from contracts with customers attributable to the principal activity undertaken wholly in the UK	33,723	32,693

Revenues can be analysed by type of revenue as follows:

	Financial Planning		Investment Management		Network		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Recognised at a point in time								
Initial	2,661	3,184	-	-	5,657	6,102	8,318	9,286
Recognised over time								
Recurring	12,238	11,405	-	-	8,484	7,458	20,722	18,863
Advised fund management fee	-	-	2,539	2,451	-	-	2,539	2,451
Non-advised fund management fee	-	-	2,144	2,093	-	-	2,144	2,093
Total	14,899	14,589	4,683	4,544	14,141	13,560	33,723	32,693

The group recognises contract assets for fees due at the reporting date not yet received. These assets are recovered within 12 months and no impairment losses were recognised for contracts assets.

5 Prior period adjustments

One prior period adjustment has been identified and the effect on the income statement and statement of financial position is set out below:

Changes to the income statement

	As previously reported	Adjustment 1	As restated
	£	£	£
Revenue	32,693	-	32,693
Cost of sales	(17,601)	(482)	(18,083)
Gross profit	15,092	(482)	14,610
Administrative expenses	(12,330)	482	(11,848)
Effect on profit		-	
Adjustment 1			

In order to establish a more accurate cost of sales figure, certain administrative expenses (employed adviser bonuses and National Insurance) have been moved to cost of sales from administrative expenses, as these expenses are directly variable with revenue.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

6 Separately disclosed items	2019 £'000	2018 £'000
Acquisition adjustments	(437)	174
Acquisition costs	45	-
Impairment of intangible assets	286	-
External costs related to proposed acquisition by Hurst Point Capital	110	-
Non-recoverable VAT adjustment	61	-
	<u>65</u>	<u>174</u>

Acquisition adjustments

This includes fair value adjustments to consideration on past acquisitions, together with the one-off external costs incurred as a result of acquiring additional client portfolios or businesses. The adjustments to consideration arise where there is a difference in the contingent consideration payable on acquisitions and the deferred consideration previously provided in the statement of financial position. The difference is due to actual revenues being higher or lower than expected at the time of acquisition.

Impairment of intangibles assets

Following a review of revenues generated by past acquired client portfolios, the Directors took the decision to impair the value held for certain portfolios.

External costs related to the Group's acquisition by Hurst Point Capital

This represents the costs incurred with external advisers in relation to the Group's acquisition by Hurst Point Capital Ltd.

Non-recoverable VAT Adjustment

This relates to a one-off adjustment for non-recoverable VAT following a review of partial exemption application.

7 Expenses by nature

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

	2019 £'000	2018 Re-stated £'000
Advisers' costs	17,620	18,083
Staff and director costs	5,847	5,480
Amortisation	3,370	3,342
Depreciation	14	12
Separately disclosed items	65	174
Premises costs	1,003	1,131
Regulatory fees	1,095	833
Other expenses	706	1,050
Total cost of sales and administrative expenses	<u>29,720</u>	<u>30,105</u>

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

8 Operating profit

	2019 £'000	2018 £'000
Operating profit for the year is stated after charging:		
Depreciation of property, plant and equipment	14	12
Amortisation of intangible assets	3,370	3,342
Operating lease rentals – land and buildings	362	262
Impairment loss	286	-
Acquisition costs	-	56

9 Auditor's remuneration

	2019 £'000	2018 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the company's financial statements	43	38
Audit of the company's subsidiaries	35	31
	<u>78</u>	<u>69</u>
For other services		
Tax services	8	45
Other services - audit related	17	20
- other	8	4
Corporate finance	30	-
Total non-audit fees	<u>63</u>	<u>69</u>

10 Employees

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

	2019 Number	2018 Number
Employed advisers	22	20
Management and administration	127	116
	<u>149</u>	<u>136</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	5,774	5,461
Social security costs	637	469
Pension costs	53	32
	<u>6,464</u>	<u>5,480</u>

HARWOOD WEALTH MANAGEMENT GROUP LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

11 Directors' remuneration

	2019	2018
	£'000	£'000
Executive directors		
Short-term remuneration	515	965
Benefits	62	72
Non-executive director fees	150	173
Pension costs	4	3
	<u>731</u>	<u>1,213</u>

The number of Directors to whom retirement benefits are accruing under money purchase schemes is four (2018: five).

The emoluments of the highest paid director were:

Aggregate emoluments:	<u>178</u>	<u>254</u>
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12 Investment income

	2019	2018
	£'000	£'000
Interest income		
On bank deposits	<u>22</u>	<u>23</u>

13 Finance expense

	2019	2018
	£'000	£'000
Unwinding of discount on contingent consideration	576	653
Interest on bank loan	<u>32</u>	<u>-</u>
Finance expense	<u>608</u>	<u>653</u>

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

14 Income tax expense

	2019	2018
	£'000	£'000
Current tax		
Current year taxation	<u>1,376</u>	<u>1,094</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(142)</u>	<u>(332)</u>
	<u>(142)</u>	<u>(332)</u>
Total tax charge	<u><u>1,234</u></u>	<u><u>762</u></u>

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

	2019	2018
	£'000	£'000
Profit before taxation	<u>2,181</u>	<u>1,958</u>
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	414	372
Expenses not deductible in determining taxable profit	<u>820</u>	<u>390</u>
Tax charge for the year	<u><u>1,234</u></u>	<u><u>762</u></u>

Factors that may affect future tax charges:

Changes to the rate of Corporation Tax were substantively enacted on 7 September 2016 resulting in a rate of Corporation Tax of 17% with effect from 1 April 2020. The government has announced however, that this change of rate will be repealed.

15 Dividends

	2019	2018
	£'000	£'000
Amounts recognised as distributions to equity holders:		
Ordinary		
Interim dividend paid on 9 November 2018: 1.08p per ordinary share (2018: 1.00p)	675	625
Final dividend paid on 10 May 2019: 2.42p per ordinary share (2018: 2.24p per ordinary share)	<u>1,514</u>	<u>1,401</u>
	<u><u>2,189</u></u>	<u><u>2,026</u></u>

An interim dividend for the year ended 31 October 2019 of 1.17 pence per ordinary share was declared on 27 June 2019 and paid on 8 November 2019. The dividend was still at the discretion of the Directors at 31 October 2019 and has not therefore been included as a liability in the financial statements.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

16 Intangible assets

	Goodwill	Acquired client portfolios	Adviser relationships	Software	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 October 2017	1,196	16,318	3,678	-	21,192
Additions Asset acquisitions	-	9,112	-	-	9,112
At 31 October 2018	1,196	25,430	3,678	-	30,304
Additions Asset acquisitions	-	4,180	-	-	4,180
Additions	-	-	-	12	12
At 31 October 2019	1,196	29,610	3,678	12	34,496
Amortisation and impairment					
At 31 October 2017	-	5,742	417	-	6,159
Amortisation charge for the year	-	3,126	216	-	3,342
At 31 October 2018	-	8,868	633	-	9,501
Amortisation charge for the year	-	3,172	195	3	3,370
Impairment charge for the year	-	170	116	-	286
At 31 October 2019	-	12,210	944	3	13,157
Carrying amount					
At 31 October 2019	1,196	17,400	2,734	9	21,339
At 31 October 2018	1,196	16,562	3,045	-	20,803
At 31 October 2017	1,196	10,576	3,261	-	15,033

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

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

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

16 Intangible assets (cont.)

Recoverable amounts have been measured based on value in use.

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

1. The first CGU forms part of Investment Management and the carrying amount is £951,000 (2018: £210,000). Value in use is estimated based on three-year detailed forecasts of earnings, based on approved annual budgets and strategic projections, followed by a future annual growth rate of 2% (2018: 2%), representing the best estimate of the long-term market growth rate. Following a review by management, the carrying amount of this CGU was increased to take account of the unit previously recorded as relating to Network Services. The benefit derived from this CGU is directly attributable to Investment Management. The resulting estimated cashflows are discounted at the Group's weighted average cost of capital, estimated at 12% (2018: 12%).

At 1 November 2018	210
Transferred from Network Services CGU	<u>741</u>
As at October 2019	<u><u>951</u></u>

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

2. The second CGU forms part of Financial Planning and the carrying value of £245,000 (2018: £245,000). Three-year detailed forecasts, based on approved annual budgets and strategic projections have been used, incorporating a 15% (2018: 15%) client attrition rate, based on historical observed rates. This is followed by annual client attrition of 5%, offset by future annual growth of 2% (2018: 2%), representing the best estimate of the long-term market growth rate. The resulting estimated cashflows are discounted at the Groups weighted average cost of capital, estimated at 12% (2018: 12%).

It is anticipated that a 4% increase in the attrition rate (for the initial 3 years), or a 1% increase in the average cost of capital, or net 5% annual attrition rate would result in the recoverable amount being equal to the value in use.

Based upon the impairment tests performed, the Directors have concluded that there is no impairment of any of the Group's goodwill. There has been a £286k impairment of intangible assets.

HARWOOD WEALTH MANAGEMENT GROUP LTD
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

17 Property, plant and equipment

	Leasehold land and buildings £'000	Equipment £'000	Total £'000
Cost			
At 31 October 2017	2	109	111
Additions – purchased	-	14	14
- business combinations	-	5	5
	<hr/>	<hr/>	<hr/>
At 31 October 2018	2	128	130
Additions – purchased	-	45	45
	<hr/>	<hr/>	<hr/>
At 31 October 2019	<hr/> 2	<hr/> 173	<hr/> 175
Accumulated depreciation and impairment			
At 31 October 2017	2	85	87
Charge for the year	-	12	12
	<hr/>	<hr/>	<hr/>
At 31 October 2018	2	97	99
Charge for the year	-	14	14
	<hr/>	<hr/>	<hr/>
At 31 October 2019	<hr/> 2	<hr/> 111	<hr/> 113
Carrying amount			
At 31 October 2019	<hr/> -	<hr/> 62	<hr/> 62
	<hr/>	<hr/>	<hr/>
At 31 October 2018	<hr/> -	<hr/> 31	<hr/> 31
	<hr/>	<hr/>	<hr/>
At 31 October 2017	<hr/> -	<hr/> 24	<hr/> 24
	<hr/>	<hr/>	<hr/>

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

18 Subsidiaries

Details of the company's subsidiaries at 31 October 2019 are as follows:

	Country of incorporation (and registered office)	Proportion of ownership interest (%)	Proportion of voting power held (%)	Nature of business
Active Financial Partners Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
AE Financial Services Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Compass B2B Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Compass Wealth Management Consultants Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Fund Management Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Meon Valley Financial Planning Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Merchants Wealth Management Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
IMS Capital Ltd*	UK (1)	100.00%	100.00%	Investment management services
Wellian Investment Solutions Ltd*	UK (2)	100.00%	100.00%	Investment management services
Network Direct Ltd*	UK (1)	100.00%	100.00%	Network services
John Clive Enterprises Ltd*	UK (1)	100.00%	100.00%	Non-trading
Finance for Life Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
Anthony Harding & Partners Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
Wealth Planning Services Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
Waterside Independent Financial Advisers Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
Absolutely Independent Financial Advisers Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
WT Financial Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
4 Most Ltd*. ¹	UK (1)	100.00%	100.00%	Non-trading
Vue Platform Services Ltd*. ¹	UK (1)	100.00%	100.00%	Dormant
Stephens Nominees Limited ²	UK (2)	100.00%	100.00%	Dormant
Fund Intelligence (Nominees) Limited ²	UK (2)	100.00%	100.00%	Dormant

* directly held

¹ Dissolved on 4 February 2020

² Dissolved on 18 February 2020

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

18 Subsidiaries (cont.)

Harwood Wealth Management Group Ltd has provided a guarantee in accordance with section 479A of the Companies Act 2006 on behalf of the following subsidiaries, in order to provide them with exemption from audit of their individual accounts. The company has guaranteed all liabilities to which each subsidiary company is subject at the financial year end, until they are satisfied in full. The amount of such liabilities at 31 October 2019 is set out below.

	Company number	Value of liabilities
Active Financial Partners Ltd	4266233	£206,175
IMS Capital Ltd	7324558	£190,368
Merchants Wealth Management Ltd	9035363	£59,292
4 Most Ltd	4805244	£NIL
Meon Valley Financial Planning Ltd	3415179	£52,516
Compass B2B Ltd	6906047	£45,153
Waterside Independent Financial Advisers Ltd	4184825	£NIL
Absolutely Independent Financial Advisers Ltd	3834429	£NIL
John Clive Enterprises Ltd	6622245	£NIL
WT Financial Ltd	8442987	£NIL
Finance for Life Ltd	5186537	£NIL
Anthony Harding & Partners Ltd	1745654	£NIL
Wealth Planning Services Ltd	5681293	£NIL
Fund Management Ltd	6744013	£31,824

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

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

19 Acquisitions

A number of client portfolios were acquired as follows:

	2019 Number
Portfolios acquired	8
	£'000
Total consideration payable	4,180
Total portfolio value	4,180
Immediate cash consideration (net of cash acquired)	2,276
Contingent cash consideration	1,904
	4,180

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

19 Acquisitions (cont.)

The eight acquired portfolios were trade and asset purchases totalling £4,180,000 with £2,276,000 immediate cash payable and a further £1,904,000 contingent cash consideration.

The contingent consideration is payable on the first and second anniversaries of each acquisition and is based on actual trail income from the portfolios. Four of the eight acquisitions made in the year have an aggregate cap of £1.4m, the remaining four have no cap.

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

20 Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	311	239
Contract assets	937	770
Prepayments	1,077	544
	<u>2,325</u>	<u>1,553</u>

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

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

There is no impairment charge in respect of trade receivables or contract assets. No significant receivable balances are impaired at the reporting date. The Group's experience of default rates of trade receivables is that default is very rare. In respect of contract assets the risk of default is also very low due to the fact that the amounts are due from financial institutions.

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

21 Trade and other payables

	Current		Non-current	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade payables	217	261	-	-
Other payables	649	469	-	-
Deferred contingent consideration	3,396	2,935	1,481	2,407
Social security and other taxation	197	251	-	-
	<u>4,459</u>	<u>3,916</u>	<u>1,481</u>	<u>2,407</u>

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

22 Provisions

	Customer claims	Dilapidations	Other	Total
	£'000	£'000	£'000	£'000
At 1 November 2017	-	-	-	-
Arising during the year	316	109	525	950
Paid/released during the year	(75)	-	-	(75)
At 1 November 2018	241	109	525	875
Arising during the year	41	15	61	117
Paid during the year	(45)	(6)	-	(237)
Released during the year	(186)	-	(525)	(525)
As at October 2019	51	118	61	230
Current	51	-	61	112
Non-current	-	118	-	118
	51	118	61	230

Customer claims provisions are recognised for the estimated potential liability when the Group becomes aware of a possible client claim. No discount is applied to the projected cash flows due to their relatively short-term nature. These claims are usually expected to be settled within 12 months at an amount between £nil and the amount provided, which the Directors believe to be the maximum amount of exposure. Dilapidations provisions arise under the terms of the leases for the Group's premises, where the Group has an obligation to return the properties to a specified condition at the end of the lease term, at which time dilapidations will be negotiated. The Group provides for the estimated net present value of the cost of any dilapidations over the period of the leases. The discount at 31 October 2019 was not material.

23 Financial instruments

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

Financial assets

The following financial assets were all classified as held at amortised cost:

	2019	2018
	£'000	£'000
Trade receivables	297	239
Contract assets	937	770
Cash and cash equivalents	10,500	13,634
	11,733	14,643

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

23 Financial instruments (cont.)

Financial liabilities

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

	2019	2018
	£'000	£'000
Trade and other payables	866	730
Accruals	671	1,405
	<u>1,537</u>	<u>2,135</u>

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

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

	2019	2018
	£'000	£'000
Deferred contingent consideration	<u>4,878</u>	<u>5,342</u>

The fair value of the contingent consideration is calculated using discounted cash flow techniques and contingent consideration is therefore a level three instrument. Contingent consideration is based on a negotiated multiple of trail income and discounted at 12%

Assuming all other variables are held constant, an increase/(decrease) of 10% in the projected level of trail income earned by the businesses where deferred contingent consideration is still due, would result in additional/(reduced) deferred contingent consideration of £486,000/(£486,000).

Deferred contingent consideration

	2019	2018
	£'000	£'000
Deferred contingent consideration at 1 November	5,342	4,294
On acquisitions in the year	1,904	4,086
Unwinding of discount	576	653
Transfer from provision on a past acquisition	238	-
Adjustment to consideration on past acquisitions	(437)	174
Payments	<u>(2,745)</u>	<u>(3,865)</u>
Deferred contingent consideration at 31 October	<u>4,878</u>	<u>5,342</u>

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

24 Deferred taxation

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

	2019	2018
	£'000	£'000
Deferred tax liability at 1 November	829	1,161
Credit to income statement	<u>(142)</u>	<u>(332)</u>
Deferred tax liability at 31 October	<u>687</u>	<u>829</u>
	2019	2018
	£'000	£'000
The deferred tax liability comprises:		
Temporary differences on acquired client portfolios	<u>687</u>	<u>829</u>

25 Retirement benefit schemes

Defined contribution schemes

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

The total costs charged to income in respect of defined contribution plans is £53,000 (2018 - £32,000).

26 Share capital	2019	2018
	£'000	£'000
Ordinary share capital		
<i>Issued and fully paid</i>		
62,542,927 Ordinary shares of 0.25p each	<u>156</u>	<u>156</u>

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

There were no movements in the year.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

27 Financial risk management

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

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

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

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

The Group has an undrawn revolving credit facility of £7m, secured by a fixed and floating charge over the assets of the parent company. The facility is fixed rate and expires in May 2024. The facility has been arranged to facilitate further business acquisitions.

28 Capital risk management

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

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

The Group is currently funded by equity alone, but the Group has a borrowing facility available as disclosed in note 27. The components of Shareholders' equity are:

- (a) Share capital and share premium
- (b) Retained earnings, reflecting comprehensive income to date less distributions.

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

29 Contingent liabilities

The Group operates in a legal and regulatory environment that exposes it to risk of claims and regulatory activity. The Group has established procedures to monitor and assess contingent liabilities arising from matters such as claims, litigation, warranties and indemnities for past acquisitions, and regulatory feedback.

The Group provided defined benefit (DB) pension transfer advice to approximately 1,300 clients during the period 2016 to 2019 including approximately 30 British Steel pension scheme members. The Group was advised after the reporting date of one complaint from a British Steel pension scheme former member, and the Financial Conduct Authority has completed a supervision review on the Group's procedures for non-British Steel cases and has asked that the Group revisits its historic DB pension transfer advice. The Group has initiated a process to assess the standard of advice given to clients in respect of DB pension scheme transfers.

The Group's policy is that where a complaint has been received on the advice given by the Group and the likelihood of redress is probable, then an estimate of the amount payable will be made and will be recognised as a provision. At the date of approval of the financial statements the review referred to above had not been completed, and no provision was considered necessary, but it is possible that liabilities for redress may be incurred following the outcome of the review.

Given that the Group has not completed its review and to date has only received one complaint, based upon the information currently available to them the directors do not believe these circumstances could have a material effect on the Group's financial position.

The Group has contracts with two advisers which give them the option to sell their client portfolios to the Group at the time the contract is terminated by the adviser, subject to the agreement of suitable terms and conditions at the time. The combined acquisition price of these client portfolios cannot accurately be calculated as their ultimate valuation is based upon future performance and the date of purchase is uncertain. However, the Directors' best estimate of the present value of the total amount is in the region of £615,000 and is expected to fall due in around five to ten years.

30 Operating lease commitments

Lessee

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

	2019 £'000	2018 £'000
Lease payments under operating leases	362	262

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

	2019 £'000	2018 £'000
Within one year	230	144
Between two and five years	528	434
In over five years	39	122
	797	700

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

31 Events after the reporting date

2019 Interim dividend

On 4 November 2019 the Company paid an interim dividend of 1.17 pence per ordinary share based on the register of shareholders at close of business on 25 October 2019 totalling £731,752.

Sale of the Group

On 23 December 2019, the Boards of Harwood and Hurst Point Topco Limited ("Bidco") announced that they had reached agreement on the terms of a recommended cash offer to be made by Bidco for Harwood pursuant to which Bidco would acquire the entire issued share capital of Harwood (the "Acquisition"). The Acquisition was being implemented by means of a scheme of arrangement under Part 26 of the Companies Act 2006 (the "Scheme").

On 12 February 2020, the Boards of Harwood and Bidco announced that the requisite majorities of Scheme Shareholders had voted to approve the Scheme at the Court Meeting and that the requisite majority of Harwood Shareholders had voted to pass the special resolution needed to implement the Scheme, including the required amendment to the Harwood Articles.

On 24 February 2020 Harwood and Bidco announced that the FCA had given notice in writing that it had determined to approve the Acquisition.

On 6 March 2020, Harwood and Bidco announced that the High Court had made an order sanctioning the Scheme.

On 10 March 2020, Harwood and Bidco announced that the Scheme Court Order has been delivered to the Registrar of Companies and accordingly, the recommended cash acquisition by Bidco of Harwood had now become effective in accordance with its terms and the entire issued share capital of Harwood was owned by Bidco. Admission to trading of Harwood Shares on AIM was cancelled with effect from 7.00 a.m. on 10 March 2020.

On completion of the sale the non-executive Chairman at the time was paid a bonus by the Group of £906,872.

Sale from Hurst Point Topco to Hurst Point Group

On 17 March, Hurst Point Topco sold Harwood to Hurst Point Group for i) an immediate issuance of shares; and ii) payment of cash consideration by Hurst Point Group to Hurst Point Topco.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

31 Events after the reporting date (cont.)

Clydesdale Facility

Following the sale of Harwood to Bidco on 10 March 2020 the Group cancelled its facility with Clydesdale Bank plc (having not drawn upon the facility) and the subsidiary companies were released as guarantors.

Acquisitions

On 19 December 2019, Harwood completed the acquisition of the trade and assets of Andrew Routley Pensions Limited. The purchase price is expected to be c£0.54m, £0.27m was paid on completion and a further two instalments of 25% and 25% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 18 May 2020, Harwood purchased the share capital Cameron Lewnes Limited. The purchase price is expected to be c£0.2m, £0.12m was paid on completion and a further two instalments of 20% and 20% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 30 June 2020, Harwood purchased the trade and assets of Portcullis Wealth Management. The purchase price is expected to be c£0.1m, £0.09m was paid on completion and a further two instalments of 25% and 25% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

On 9 September 2020, Harwood purchased the trade and assets of Russell Marlow IFA. The purchase price is expected to be c£0.1m, £0.08m was paid on completion and a further instalment of 25% due to be paid on the first anniversary of completion, contingent upon results.

On 12 October 2020, Harwood purchased the trade and assets of Hazelwood Investment Services Limited. The purchase price is expected to be c£0.5m, £0.25m was paid on completion and a further two instalments of 22.5% and 22.5% are due on to be paid on the first and second anniversaries of completion, contingent upon results.

In addition to the completed acquisitions above, Harwood has exchanged contracts to acquire the trade and assets of Argentis Wealth Management Ltd. This acquisition is contingent upon receiving client consent before completion can be reached.

COVID 19

In March 2020, the World Health Organisation declared a global pandemic as a result of the spread of the COVID-19 virus. There are uncertainties in the economy as a whole that have emerged since March 2020 as a result of the pandemic, which have led to market volatility. The period over which such volatility will persist as well as any longer-term adverse effect on world economies and markets, remains difficult to predict. The Group's revenue and results for the next financial year will be adversely impacted by COVID-19, and the extent of such impact will depend upon how long the outbreak lasts and other factors, including its effect on world economies and markets. This may also have a short term impact on the value of intangible asset values, where acquired portfolios are linked to recurring revenues. We have implemented a number of business continuity measures, including moving all Group colleagues to working from home as well as conducting "face to face" client meetings remotely using video links, this allows the Group to continue to provide its services during this period of disruption. The Directors consider that the business is well positioned to be able to navigate through the impact of COVID-19 due to its high level of recurring revenue, strong balance sheet and cash position.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

32 Related party transactions

Remuneration of key management personnel

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

	2019	2018
	£'000	£'000
Short-term employee benefits	731	1,213
Social security cost	<u>146</u>	<u>125</u>
	<u>877</u>	<u>1,338</u>

Other transactions with related parties

During the year Mrs S Dunkley (the wife of the director Mr N Dunkley) was paid a salary of £12,686 (2018: £12,592).

Details of the Directors' (and their related parties) interests, direct and indirect, in shareholdings at 31 October 2019, were as follows:

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

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

Dividends were paid in the year in respect of shares held by certain directors of the company totalling £1,374,000.

HARWOOD WEALTH MANAGEMENT GROUP LTD

COMPANY STATEMENT OF FINANCIAL POSITION

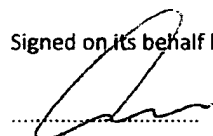
AS AT 31 OCTOBER 2019

		2019	2018
	Notes	£'000	£'000
Fixed assets			
Intangible assets	4	9,386	6,843
Investments	5	23,182	23,792
		<u>32,568</u>	<u>30,635</u>
Current assets			
Trade and other receivables	6	244	509
Cash at bank and in hand		5,295	8,046
		<u>5,539</u>	<u>8,555</u>
Creditors: amounts falling due within one year			
Trade and other payables	7	4,003	4,302
Taxation and social security		57	43
		<u>4,060</u>	<u>4,345</u>
Net current assets		<u>1,479</u>	<u>4,210</u>
Total assets less current liabilities		<u>34,047</u>	<u>34,845</u>
Creditors: amounts falling due after more than one year			
Trade and other payables	7	1,107	2,407
Net assets		<u>32,940</u>	<u>32,438</u>
Capital and reserves			
Called up share capital		156	156
Share premium account		25,500	25,500
Revaluation reserve		1,828	1,828
Profit and loss account		5,456	4,954
Total equity		<u>32,940</u>	<u>32,438</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account. The company's profit for the year was £2,691,000 (2018: £2,594,000).

The financial statements were approved by the Board of directors and authorised for issue on 27 October 2020

Signed on its behalf by:



Alan Durrant
Director

Company Registration No. 04987966

HARWOOD WEALTH MANAGEMENT GROUP LTD

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 OCTOBER 2019

		Share capital	Share premium account	Revaluation reserve	Retained earnings	Total
	Notes	£'000	£'000	£'000	£'000	£'000
Balance at 1 November 2017		<u>156</u>	<u>25,500</u>	<u>1,828</u>	<u>4,386</u>	<u>31,870</u>
Year ended 31 October 2018:						
Profit and total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,594</u>	<u>2,594</u>
Dividends	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,026)</u>	<u>(2,026)</u>
Total transactions with owners recognised directly in equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,026)</u>	<u>(2,026)</u>
Balance at 31 October 2018		<u>156</u>	<u>25,500</u>	<u>1,828</u>	<u>4,954</u>	<u>32,438</u>
Year ended 31 October 2019:						
Profit and total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,691</u>	<u>2,691</u>
Dividends	3	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,189)</u>	<u>(2,189)</u>
Total transactions with owners recognised directly in equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,189)</u>	<u>(2,189)</u>
Balance at 31 October 2019		<u>156</u>	<u>25,500</u>	<u>1,828</u>	<u>5,456</u>	<u>32,940</u>

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

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2019

1 Accounting policies

Company information

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

Until 17 March 2020 the company was a public company, and until 10 March 2020 was listed on AIM.

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

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

1.1 Basis of preparation

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

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

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

The principal accounting policies adopted are set out below.

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

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

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

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

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

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

1.2 Fixed asset investments

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

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

2 Employees

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

	2019	2018
	Number	Number
Management and administration	<u>22</u>	<u>21</u>

Their aggregate remuneration comprised:

Wages and salaries	1,791	1,397
Social security costs	221	165
Pension costs	<u>14</u>	<u>8</u>
	<u>2,026</u>	<u>1,570</u>

Directors' remuneration is disclosed in note 11 of the consolidated financial statements.

3 Dividends	2019	2018
	£'000	£'000
Amounts recognised as distributions to equity holders:		
Ordinary		
Interim dividend paid: 1.08p per ordinary share (2018: 1.00p)	675	625
Final dividend paid: 2.42p per ordinary share (2018: 2.24p per ordinary share)	<u>1,514</u>	<u>1,401</u>
	<u>2,189</u>	<u>2,026</u>

An interim dividend for the year ended 31 October 2019 of 1.17 pence per ordinary share was declared on 27 June 2019 and paid on 8 November 2019. This is not included as a liability within these Financial Statements, as the payment of the dividend remains at the discretion of the directors until paid.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

4 Intangible fixed assets

	Acquired client portfolios £'000
Cost	
At 31 October 2018	10,625
Additions	4,180
At 31 October 2019	14,805
Amortisation and impairment	
At 31 October 2018	3,782
Charge for the year	1,467
Impairment charge for the year	170
At 31 October 2019	5,419
Carrying amount	
At 31 October 2019	9,386
At 31 October 2018	6,843

5 Investments

	2019 £'000	2018 £'000
Investments in subsidiaries	23,182	23,792
	<u>23,182</u>	<u>23,792</u>
Fixed asset investments comprise		
Cost		£'000
At 31 October 2018		23,792
Additions		-
At 31 October 2019		23,792
Accumulated impairment		
At 1 November 2018		-
Impairment loss		(610)
31 October 2019		(610)
Carrying amount		
At 31 October 2019		23,182
At 31 October 2018		23,792

The impairment arose as a result of underperformance in a subsidiary in the Network Services CGU using a present value technique and a discount rate of 12%.

A list of subsidiaries is set out in note 19 of the consolidated financial statements.

HARWOOD WEALTH MANAGEMENT GROUP LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2019

6 Trade and other receivables

	2019 £'000	2018 £'000
Other receivables	135	6
Amounts due from subsidiary undertakings	513	474
Less: credit loss provision	(432)	-
Amounts due from subsidiary undertakings - net	81	474
Prepayments	28	29
	<u>244</u>	<u>509</u>

Other receivables and amounts due from subsidiary undertakings are recognised at amortised cost. In respect of other receivables the directors concluded there is no default risk and no impairment provisions are required.

In respect of amounts due from subsidiary undertakings the Company made an assessment of expected credit losses in accordance with IFRS 9. Having considered the amount and probability of credit losses expected to arise across a number of scenarios a credit loss provision of £432,000 was recognised in respect of trading subsidiaries.

Credit loss provision

	Credit loss provision £'000	Total £'000
At 1 November 2018	-	-
Arising during the year	432	432
As at October 2019	<u>432</u>	<u>432</u>

7 Trade and other payables

	Current		Non-current	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade payables	86	51	-	-
Deferred contingent consideration	3,772	2,935	1,107	2,407
Amounts due to subsidiary undertakings	-	578	-	-
Accruals	145	738	-	-
Other payables	57	-	-	-
	<u>4,060</u>	<u>4,302</u>	<u>1,107</u>	<u>2,407</u>

8 Events after the reporting date

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

HARWOOD WEALTH MANAGEMENT GROUP LTD
REGISTERED OFFICE AND COMPANY ADVISERS

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