

COMPANY REGISTRATION NO. 04987966 (ENGLAND AND WALES)

**HARWOOD WEALTH MANAGEMENT GROUP LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 OCTOBER 2020**

**Parent company accounts for:**

**Argentis Financial Planning Ltd - Company Number 6744013**

**See page 33 for details of guarantee**



# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **CONTENTS**

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<b>STRATEGIC REPORT .....</b>	<b>2</b>
<b>DIRECTORS' REPORT .....</b>	<b>6</b>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>8</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....</b>	<b>11</b>
<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....</b>	<b>12</b>
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....</b>	<b>14</b>
<b>CONSOLIDATED STATEMENT OF CASH FLOWS .....</b>	<b>15</b>
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>16</b>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## STRATEGIC REPORT

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For the year ended 31 October 2020 Harwood Wealth Management Group Ltd ("Harwood"/"the Group") continued to be a leading financial planning and discretionary wealth management firm.

Harwood offers a broad range of wealth management and financial planning services to our clients. Our Financial Planning division provides independent financial planning services to our clients throughout the UK, offering a broad range of advice through our skilled advisers. We offer investment management services to the clients of our Financial Planning division, as well as discretionary investment management services to external financial advisers. Through our Investment Management division, we also operate our Discovery range of multi manager funds.

During this financial year, Harwood was acquired by Hurst Point Group Ltd ("Hurst Point"), seeing us delisting from the Alternative Investment Market and return to private ownership. This change in ownership was backed by Carlyle Global Financial Services, who recognise the continued opportunity for growth within the UK wealth management markets.

As announced during the acquisition of Harwood by Hurst Point, a strategic review was carried out of our operations within the Network Services division. Continued increases in the regulatory costs of operating the network, plus market pressures seen throughout the business, resulted in the difficult decision of placing Network Direct Ltd into administration. We were pleased to announce that the staff, members and clients of Network Direct Ltd were able to find a new home within Lyncombe Consultants Limited, part of Adviser Services Holdings Ltd, on 23 November 2020. Network Direct Ltd has been treated as discontinued operations within the financial statements, with the comparative 2019 results restated accordingly. Further details can be found in note 22.

2020 has been a year that has posed many challenges to the global business markets. A worldwide pandemic, together with continued uncertainty around Brexit trade deals, placed trading pressures on the Group. It is against these challenging conditions that our revenue and gross profit have remained largely static at £19.3m (2019: £19.5m) and £14.4m (2019: £14.5m) respectively. This is testimony to the Group's business model which is based on long term client relationships and a high proportion of recurring revenues.

Administrative expenses decreased to £10.6m (2019: £10.7m). The reported operating profit of £0.8m (2019: £3.7m) is stated after one off costs incurred in relating to the sale of Harwood to Hurst Point, as detailed in separately disclosed items (note 5).

### KEY PERFORMANCE INDICATORS

A key indicator of the Group's performance is our adjusted EBITDA, which is £6.5m (2019: £7.1m), reflecting a strong performance for the year in what has been a difficult climate. As a comparison to 2019 it should be noted the EBITDA of £6.5m is stated after adjustments in relation to IFRS 16 (Leases), the impact of these adjustment was to increase our EBITDA by £0.2m.

Group assets under management ("AUM") at 31 October 2020 were £1.7bn (2019: £1.9bn). Two factors impacted on our AUM. Firstly, two institutional clients chose to take the management of their assets back in-house. These were significant in terms of assets but with small margins. Secondly, the weakness in asset markets, which began in February as the scale of the potential impact of COVID-19 became clear, impacted our assets and revenues through the spring and summer. However, our balanced approach to investment management saw much shallower declines than those suffered by major equity indices. By the end of 2020 most asset markets had recovered most or all of the ground they had earlier lost.

Continuing to deliver on our strategy, we saw the completion of a further five (2019: eight) acquisitions, deploying a total of £1.4m in consideration. As ever, we have a strong pipeline of acquisitions, supported by the backing and continued growth of Hurst Point.

### FINANCIAL POSITION

At 31 October 2020 the Group held cash of £6.3m (2019: £10.5m), cash generated from operating activities was £1.5m (2019: £4.1m). Cash of £3.1m (2019: £2.7m) was paid in respect of deferred consideration for past acquisitions, with £0.8m (2019: £2.3m) paid for initial consideration for current year acquisitions. The Group remains in a strong financial position with net assets of £23.5m (2019: £25.9m).

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## STRATEGIC REPORT

### OUTLOOK

At the time of writing, we have entered a further national lockdown as a result of the pandemic. Having traversed the difficult waters of the past months, we find ourselves in a strong position to continue to engage with our clients, offering our services through safe and compliant means.

On 16 December 2020 we completed the acquisition of the trade and assets of Argentis Wealth Management, seeing 58 members of staff join the Group, together with an estimated £5.5m of recurring revenues.

With the Brexit transition period having now ended and the continued roll out of the COVID vaccines we remain positive that Harwood will continue to deliver both organic and acquisitive growth.

### 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
<b>BUSINESS AND STRATEGIC RISKS</b>			
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"> <li>Regular updates provided to the Board on the status and potential impact of imminent regulatory changes</li> <li>Active dialogue with regulators and industry bodies</li> <li>Appointment of Head of Regulatory Compliance to the senior management team</li> <li>Regular external compliance audits</li> </ul>	→
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.	<ul style="list-style-type: none"> <li>Diversified range of flexible investment products, designed to deliver value to clients in all market conditions</li> <li>Investment model with explicit risk parameters</li> <li>Portfolios cover a broad range of markets, reducing exposure where possible to volatility</li> </ul>	↑
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"> <li>Risk appetite set by the Board</li> <li>Rigorous process for screening prospective targets</li> <li>Independent legal, accounting and regulatory due diligence where appropriate</li> <li>Track record of successfully integrating businesses and treating clients fairly</li> </ul>	→
On going impact of COVID-19	Uncertainties remain over the impact of the ongoing global pandemic. Market performance may impact Group revenue and performance of acquisitions.	<ul style="list-style-type: none"> <li>Systems and staff operating effectively from home</li> <li>Continued diversification of investments models, covering broad markets</li> <li>Vaccines now available</li> </ul>	↑

## HARWOOD WEALTH MANAGEMENT GROUP LTD

### STRATEGIC REPORT

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"> <li>Equity ownership among Directors during the period</li> <li>Competitive remuneration structure</li> <li>Attractive working environment</li> </ul>	→
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"> <li>Disaster recovery and business continuity plans, both for the Group and key suppliers</li> <li>Transition of IT systems to cloud based environment.</li> </ul>	→
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"> <li>Anti-money laundering procedures</li> <li>Processes to protect against fictitious transactions or collusions</li> <li>Appointment of external Cyber Security expertise.</li> </ul>	→
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"> <li>Rigorous internal risk management processes</li> <li>Professional indemnity insurance</li> <li>Restrictive covenants to protect against the risk of former employees and/or self-employed advisers taking clients with them</li> </ul>	→

#### SECTION 172 REPORT

The Group recognises that it has a number of stakeholders and that it needs to seek and understand the views of each of these. As such, the following addresses the requirements of section 172 of the Companies Act 2006, which states the board must have regard for:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The Board identifies its key stakeholders as shareholders, clients, employees and advisers, regulators and suppliers. The Board is committed to effective engagement with these stakeholders, ensuring the interests of each are given equal importance when making key decisions.

#### SHAREHOLDERS

The shareholders, Hurst Point, have close involvement in the key decisions and operations of the Group. There is representation from Hurst Point at all leadership team meetings of the Group.

#### CLIENTS

Clients remain as the key driver behind business decisions. Delivering expert advice and communicating with our clients is an imperative for our continued growth. We aim to provide our clients with timely and personalised communications, largely delivered through our advisers, as well as central communications. These communications have direct input from Board members.

#### EMPLOYEES & ADVISERS

The Board receives regular updates in respect of employees and has conducted employee engagement surveys, seeking feedback and suggestions. A number of the suggestions arising out of these surveys have resulted in changes within the Group, with others in progress. The Board has close involvement with senior management. Since the start of the pandemic, the Board has sought to engage in additional communications and has held Group wide virtual updates.

## **HARWOOD WEALTH MANAGEMENT GROUP LTD**

### **STRATEGIC REPORT**

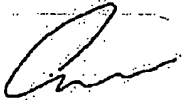
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#### **REGULATORS**

Operating in a regulated sector has resulted in the development of strong processes and procedures with regard to regulator engagement. The Group has a dedicated compliance department, who hold a position within the senior leadership team.

#### **SUPPLIERS**

The Group aims to conduct itself to the highest standards when dealing with suppliers and aims to pay all invoice promptly. The Board has direct involvement in these matters.



**Alan Durrant**  
**Chief Executive Officer**

**Date: 23 March 2021**

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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The Directors present their annual report and financial statements for the year ended 31 October 2020.

### **PRINCIPAL ACTIVITIES**

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

### **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 (resigned 1 February 2021)
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 11.

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 2020.

### **EVENTS AFTER THE REPORTING DATE**

Full details of events after the reporting date are set out in note 34.

### **FUTURE DEVELOPMENTS**

Full details of future developments can be found in the strategic report on pages 2 to 3.

### **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 3 to 4, with financial risk management set out in note 29.

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **DIRECTORS' REPORT**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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### **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 accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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](http://www.harwoodwealth.co.uk) website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

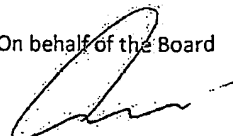
### **AUDITOR**

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



**Alan Durrant**  
Director

**Date: 23 March 2021**



# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

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

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### **Opinion**

We have audited the financial statements of Harwood Wealth Management Group Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2020 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 Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- 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.

### **Other information**

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

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# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

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

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### **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 6 and 7, 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.

### **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.

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

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**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: 26 March 2021

**HARWOOD WEALTH MANAGEMENT GROUP LTD**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

		2020	2019
			(restated – see note 22)
	Notes	£'000	£'000
Revenue	4	19,315	19,582
Cost of sales		(4,909)	(5,114)
Gross profit		14,406	14,468
Administrative expenses		(10,603)	(10,714)
Separately disclosed items	5	(2,975)	(65)
Operating profit before depreciation, amortisation and exceptional items ("Adjusted EBITDA")		6,705	7,135
Depreciation	6	(245)	(11)
Amortisation	6	(2,657)	(3,370)
Separately disclosed items	5	(2,975)	(65)
Operating profit	7	828	3,689
Investment income	11	10	20
Finance expense	12	(598)	(608)
(Loss)/profit before income tax		240	3,101
Income tax expense	13	(522)	(1,146)
(Loss)/profit for the year		(282)	1,955
(Loss)/profit from discontinued operations	22	(1,441)	228
(Loss)/profit and total comprehensive income for the year attributable to equity owners of the parent		(1,723)	2,183

**HARWOOD WEALTH MANAGEMENT GROUP LTD**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 OCTOBER 2020**

		2020	2019
	Notes	£'000	£'000
<b>Non-current assets</b>			
Intangible assets	15	19,987	21,339
Property, plant and equipment	16	113	62
Right of use assets	17	497	-
		<u>20,597</u>	<u>21,401</u>
<b>Current assets</b>			
Trade and other receivables	20	1,812	2,325
Cash and cash equivalents		<u>6,282</u>	<u>10,500</u>
		8,094	12,825
<b>Assets classified as held for sale</b>		<u>860</u>	<u>-</u>
<b>Total current assets</b>		<u>8,954</u>	<u>12,825</u>
<b>Total assets</b>		<u>29,551</u>	<u>34,226</u>
<b>Current liabilities</b>			
Trade and other payables	23	2,764	4,459
Accruals and deferred income		415	610
Lease liabilities	21	206	-
Current tax liabilities		387	835
Provisions	24	<u>148</u>	<u>112</u>
		3,920	6,016
<b>Liabilities directly associated with assets classified as held for sale</b>	22	<u>860</u>	<u>-</u>
<b>Total current liabilities</b>		<u>4,780</u>	<u>6,016</u>
<b>Net current assets</b>		<u>4,174</u>	<u>6,809</u>
<b>Non-current liabilities</b>			
Trade and other payables	23	277	1,481
Lease liabilities	21	304	-
Deferred tax liabilities	26	584	687
Provisions	24	<u>137</u>	<u>118</u>
		<u>1,302</u>	<u>2,286</u>
<b>Total liabilities</b>		<u>6,082</u>	<u>8,302</u>
<b>Net assets</b>		<u>23,469</u>	<u>25,924</u>

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

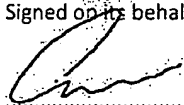
**AS AT 31 OCTOBER 2020**

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<b>Equity</b>			
Called up share capital	<b>28</b>	<b>156</b>	<b>156</b>
Share premium account		-	25,500
Retained earnings		<u>23,313</u>	<u>268</u>
<b>Total equity attributable to the owners of the parent</b>		<u><b>23,469</b></u>	<u><b>25,924</b></u>

The financial statements were approved by the Board of directors and authorised for issue on 23 March 2021

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 2020

	Notes	Attributable to the owners of the parent		Retained earnings	Total
		Share capital	Share premium account		
		£'000	£'000	£'000	£'000
Balance at 1 November 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	14	-	-	(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
Year ended 31 October 2020:					
Loss and total comprehensive income for the year		-	-	(1,723)	(1,723)
Dividends	14	-	-	(732)	(732)
Total transactions with owners recognised directly in equity		-	-	(732)	(732)
Transfer of share premium		-	(25,500)	25,500	-
Balance at 31 October 2020		156	-	23,313	23,469

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

On 26 October 2020 the members passed a resolution to transfer the balance of the share premium account to retained earnings.

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 2020

		2020		2019	
	Notes	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>					
Profit before income tax			240		3,417
<b>Non-cash adjustments</b>					
Depreciation, amortisation and impairment		2,908		3,384	
Separately disclosed and other non-cash items	5	(866)		65	
Net finance costs		588		586	
			2,630		4,035
<b>Working capital adjustments</b>					
Decrease/(increase) in trade and other receivables		(335)		(772)	
Increase/(decrease) in trade and other payables		23		(1,349)	
			(312)		(2,121)
<b>Cash inflow from operating activities</b>			2,558		5,331
Income tax paid		(985)		(1,200)	
Interest paid		(80)		(32)	
			(1,065)		(1,232)
<b>Net cash generated by operations</b>			1,493		4,099
<b>Investing activities</b>					
Payment of deferred consideration		(3,136)		(2,745)	
Purchase of intangible assets		(435)		(2,276)	
Acquisition of subsidiaries net of cash acquired		(307)		-	
Interest received		10		22	
Purchase of property, plant and equipment		(85)		(45)	
<b>Net cash used in investing activities</b>			(3,953)		(5,044)
<b>Financing activities</b>					
Proceeds from issue of shares (net of costs)		-		-	
Lease payments		(210)		-	
Dividends paid		(732)		(2,189)	
<b>Net cash generated from financing activities</b>			(942)		(2,189)
Cash and cash equivalents classified under assets held for sale			(816)		-
<b>Net (decrease)/increase in cash and cash equivalents</b>			(4,218)		(3,134)
Cash and cash equivalents at beginning of year			10,500		13,634
Cash and cash equivalents at end of year			6,282		10,500

Significant non-cash transactions include deferred contingent consideration arising on acquisition of subsidiaries totalling £514,000 (2019: £1,904,000).



# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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### **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 accounting standards in conformity with the requirements of the Companies Act 2006.

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 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.

#### **Consolidation**

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.

#### **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 3 to 4. In addition, notes 25, 29 and 30 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 31 March 2022 using assumptions which the Directors consider to be appropriate to the current financial position of the Group and the Company with regard to the 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 and

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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the Company are able to operate within their current level of resources for a period of at least 12 months from the date of approval of the financial statements. The Group's and the Company'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 and the Company have 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 and the Company'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. These reductions could be partly offset by cost savings. This stress testing did not indicate any reasonably plausible scenario in which the Group or the Company would be unable to meet its cash requirements as they fall due for the foreseeable future.

### **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;
  - 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.
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# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

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### **1.4 Revenue (cont.)**

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 20 years, calculated at 17.5% on the reducing balance for three years and the remainder straight line over the remaining seventeen 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 2020**

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### **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
Right of use assets	over the life of the lease

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 non-financial assets**

At each reporting end date, the Group reviews the carrying amounts of each non-financial asset, including right of use assets 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.

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.

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

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### 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.

#### *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.

### 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 2020

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### 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

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
  - the exercise price of any purchase option granted in favour of the group if it is reasonably certain to exercise that option;
  - any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.
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# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

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### 1.15 Leases (cont.)

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations – see note 30).

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Rentals payable in respect of low value or short life assets are charged to income on a straight line basis.

In the prior period 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.

### 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 16 – Leases

On 1 November 2019, the Group adopted IFRS 16 Leases for the first time. IFRS 16 specifies how to recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on the straight-line basis over the lease term.

IFRS 16 allows two methods of initial application: (1) full retrospective application with the restatement of comparatives and (2) cumulative catch up approach without the restatement of comparatives and with certain simplifications available on adoption. The Group has elected to use the second approach.

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **FOR THE YEAR ENDED 31 OCTOBER 2020**

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Lease liabilities have been initially measured at the present value of lease payments that are due over the lease term, discounted using the Group's incremental borrowing rate of 5%. An associated right of use asset is recognised on the balance sheet and depreciated over the lease term. The finance cost is charged through finance expense. This has a favourable impact on current year EBITDA as property rental costs are taken out of administrative expense and added to depreciation and finance expenses.

In comparing the operating lease commitments disclosure for the year ended 31 October 2019 and the lease liability calculated on application of IFRS 16 on the 1 November 2019 there is a reduction in liability, the impact of which can be seen in note 22.

#### **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 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.

### **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 £19,987,000 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 20 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 three 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 involves a degree of management judgement as to an appropriate rate. 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.



# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 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 Directors also decide on the level of the discount rate to be applied. The discount rate applied in the year was 12% (2019: 12%). The total value of contingent consideration payable at the year-end was £1,845,000 (2019: £4,878,000).

## 4 Revenues

	2020	2019
	£'000	(restated) £'000
Revenues attributable to the principal activity undertaken wholly in the UK	<u>19,315</u>	<u>19,582</u>

Revenues can be analysed as follows:

	Financial Planning		Investment Management		Total	
	2020	2019	2020	2019	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Recognised at a point in time</b>						
Initial	1,630	2,661	-	-	1,630	2,661
<b>Recognised over time</b>						
Recurring	12,883	12,238	-	-	12,883	12,238
Advised fund management fee	-	-	2,597	2,539	2,597	2,539
Non-advised fund management fee	-	-	2,205	2,144	2,205	2,144
<b>Total</b>	<u>14,513</u>	<u>14,899</u>	<u>4,802</u>	<u>4,683</u>	<u>19,315</u>	<u>19,582</u>

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 contract assets.

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

5 Separately disclosed items	2020 £'000	2019 £'000
Acquisition adjustments	(704)	(437)
Fair value adjustments	(162)	-
Acquisition costs	310	45
Impairment of intangible assets	-	286
Costs related to acquisition by Hurst Point	3,531	110
Non-recoverable VAT adjustment	-	61
	<u>2,975</u>	<u>65</u>

### Acquisition adjustments

This includes fair value adjustments to consideration on past acquisitions. 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. Includes non-cash adjustments of £704k.

### Fair value adjustments

Includes adjustments to the expected future payments on contingent consideration, where revenue received during the first year of acquisition has not met expected levels. Includes non-cash adjustments of £162k.

### Acquisition costs

This comprises costs incurred as a result of acquiring additional client portfolios or businesses.

### Impairment of intangible 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.

### 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.

## 6 Expenses by nature

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

	2020 £'000	2019 (restated) £'000
Advisers' costs	4,909	5,114
Staff and director costs	5,606	5,297
Amortisation	2,657	3,370
Depreciation	245	11
Separately disclosed items	2,975	65
Premises costs	692	832
Regulatory fees	823	588
Other expenses	580	616
Total cost of sales and administrative expenses	<u>18,487</u>	<u>15,893</u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 7 Operating profit

	2020	2019
	£'000	£'000
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	245	14
Amortisation of intangible assets	2,657	3,370
Operating lease rentals – plant and equipment	81	132
Operating lease rentals – land and buildings	-	230
Impairment loss	-	286

### 8 Auditor's remuneration

	2020	2019
	£'000	£'000
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the company's financial statements	32	43
Audit of the company's subsidiaries	35	35
	<u>67</u>	<u>78</u>
<b>For other services</b>		
Tax services	-	8
Other services – audit related	7	17
- other services	9	8
Corporate finance	-	30
Total non-audit fees	<u>16</u>	<u>63</u>

### 9 Employees

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

	2020	2019 (restated)
	Number	Number
Employed advisers	24	22
Management and administration	123	112
	<u>147</u>	<u>134</u>

Their aggregate remuneration comprised:

	2020	2019 (restated)
	£'000	£'000
Wages and salaries	5,001	5,277
Social security costs	507	584
Pension costs	98	53
	<u>5,606</u>	<u>5,914</u>

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

**10 Directors' remuneration**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Executive directors		
Short-term remuneration	634	515
Benefits	62	62
Non-executive director fees	983	150
Pension costs	5	4
	<u>1,684</u>	<u>731</u>

The number of Directors to whom retirement benefits are accruing under money purchase schemes is four (2019: four).

The emoluments of the highest paid director were:

Aggregate emoluments:	<u>949</u>	<u>178</u>
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**11 Investment income**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Interest income		
On bank deposits	<u>10</u>	<u>22</u>

**12 Finance expense**

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Unwinding of discount on contingent consideration	412	576
Interest arising on lease costs (IFRS 16)	38	-
Interest on bank loan	<u>148</u>	<u>32</u>
Finance expense	<u>598</u>	<u>608</u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 13 Income tax expense

	2020	2019 (restated)
	£'000	£'000
<b>Current tax</b>		
Current year taxation	625	1,288
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(103)	(142)
	(103)	(142)
<b>Total tax charge</b>	<b>522</b>	<b>1,146</b>

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

	2020	2019 (restated)
	£'000	£'000
Profit before taxation	240	3,101
Expected tax charge based on a corporation tax rate of 19.00% (2018: 19.00%)	46	589
Expenses not deductible in determining taxable profit	946	557
Group relief	(264)	-
<b>Tax charge for the year</b>	<b>522</b>	<b>1,146</b>

### 14 Dividends

	2020	2019
	£'000	£'000
Amounts recognised as distributions to equity holders:		
<b>Ordinary</b>		
Interim dividend paid on 4 November 2019: 1.17p per ordinary share (2019: 1.08p)	732	675
Final dividend paid on 10 May 2019: 2.42p per ordinary share (2018: 2.24p per ordinary share)	-	1,514
	<b>732</b>	<b>2,189</b>

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

**15 Intangible assets**

	Goodwill	Acquired client portfolios	Adviser relationships	Software	Total
	£'000	£'000	£'000		£'000
<b>Cost</b>					
At 31 October 2018	1,196	25,430	3,678	-	30,304
Additions	-	4,180	-	12	4,192
At 31 October 2019	1,196	29,610	3,678	12	34,496
Additions Asset acquisitions	-	1,304	-	-	1,304
At 31 October 2020	1,196	30,914	3,678	12	35,800
<b>Amortisation and impairment</b>					
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
Amortisation charge for the year	-	2,503	150	3	2,656
At 31 October 2020	-	14,713	1,094	6	15,813
<b>Carrying amount</b>					
At 31 October 2020	1,196	16,201	2,584	6	19,987
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

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

The acquired client portfolio additions were acquired through 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 2020**

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#### **15 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 (2019: £951,000). 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.

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 has a carrying value of £245,000 (2019: £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% (2019: 2%), representing the best estimate of the long-term market growth rate. The resulting estimated cashflows are discounted at the Group's weighted average cost of capital, estimated at 12% (2019: 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.

During the year the Directors completed a review of the useful economic lives of the acquired client portfolios. As a result of this review, the useful lives have been extended to a 20 year period. Accordingly there has been a reduction in the amortisation charged for the current year. The reduction to the charge in the year was £708,000.

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

**16 Property, plant and equipment**

	Leasehold land and buildings £'000	Equipment £'000	Total £'000
<b>Cost</b>			
At 31 October 2018	2	128	130
Additions – purchased	-	45	45
At 31 October 2019	2	173	175
Additions – purchased	-	85	85
Re-classified to assets held for sale	-	(39)	(39)
At 31 October 2020	2	219	221
<b>Accumulated depreciation and impairment</b>			
At 31 October 2018	2	97	99
Charge for the year	-	14	14
At 31 October 2019	2	111	113
Charge for the year	-	23	23
Charge for the year – discontinued operations	-	5	5
Re-classified to assets held for sale	-	(33)	(33)
At 31 October 2020	2	106	108
<b>Carrying amount</b>			
At 31 October 2020	-	113	113
At 31 October 2019	-	62	62
At 31 October 2018	-	31	31



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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

**17 Leases**

	Land and buildings
	£'000
<b>Right of use assets</b>	
At 31 October 2019	-
On adoption of IFRS 16	<u>720</u>
At 31 October 2020	<u>720</u>
<b>Accumulated depreciation and impairment</b>	
At 31 October 2019	-
Charge for the year	<u>223</u>
At 31 October 2020	<u>223</u>
<b>Carrying amount</b>	
At 31 October 2020	<u><u>497</u></u>
At 31 October 2019	<u><u>-</u></u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### 18 Subsidiaries

Details of the company's subsidiaries at 31 October 2020 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* (in administration)	UK (1)	100.00%	100.00%	Network services
John Clive Enterprises Ltd*	UK (1)	100.00%	100.00%	Non-trading
Vue Platform Services Ltd*	UK (1)	100.00%	100.00%	Dormant
Cameron Lewnes Ltd*	UK (1)	100.00%	100.00%	Financial advisory services
Hazlewood Investment Services Ltd*	UK (1)	100.00%	100.00%	Financial advisory services

\* directly held

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 is set out below.

	Company number	Value of liabilities
Active Financial Partners Ltd	4266233	£185,949
AE Financial Services Ltd*	3655039	£171,808
Compass B2B Ltd	6906047	£36,319
Argentis Financial Planning Ltd	6744013	£1,498
IMS Capital Ltd	7324558	£291,734
John Clive Enterprises Ltd	6622245	£NIL
Meon Valley Financial Planning Ltd	3415179	£50,224
Merchants Wealth Management Ltd	9035363	£46,241
Cameron Lewnes Ltd	8042906	£13,423
Hazlewood Investment Services Ltd	4373023	£24,097

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

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

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### **19 Acquisitions**

A number of client portfolios were acquired as follows:

	2020 Number
Portfolios acquired	5
	<b>£'000</b>
Fair value of consideration payable	1,317
Cash acquired	(39)
Net liabilities acquired	27
Total portfolio value	<u>1,305</u>
Immediate cash consideration (net of cash acquired)	742
Contingent cash consideration	524
	<u>1,266</u>
Liabilities acquired	39
	<u>1,305</u>

Three of the five acquired portfolios were trade and asset purchases totalling £752,000 with £435,000 immediate cash payable and a further £317,000 contingent cash consideration. The remaining two acquisitions were the purchased through the entire issued share capital of the following businesses:

	Cameron Lewnes Ltd £'000	Hazlewood Investment Services Ltd £'000	Total £'000
Receivables	11	1	12
Cash	3	36	39
Payables	(11)	(2)	(13)
Corporation tax payable	(3)	(23)	(26)
Net assets acquired	-	12	12
Client portfolios acquired	187	354	541
Fair value of acquisition	187	366	553
Settled by:			
Immediate cash consideration (net of cash acquired)	117	190	307
Contingent cash consideration	67	140	207
Total (net of cash acquired)	184	330	514

The contingent consideration is payable on the first and second anniversaries of each acquisition and is based on actual trail income from the portfolios with no cap.

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

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

## **20 Trade and other receivables**

	2020	2019
	£'000	£'000
Trade receivables	50	311
Contract assets	817	937
Amounts due from parent company	286	-
Other debtors	26	-
Prepayments	633	1,077
	<u>1,812</u>	<u>2,325</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 material expected credit loss in respect of trade receivables, contract assets or amounts due from the parent company. 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 Lease liabilities**

	Land and buildings
At 31 October 2019	-
On adoption of IFRS 16	720
Interest expense	38
Lease payments	<u>(248)</u>
At 31 October 2020	<u>510</u>

	Current		Non-current	
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Lease liabilities	<u>206</u>	<u>-</u>	<u>304</u>	<u>-</u>
	<u>206</u>	<u>-</u>	<u>304</u>	<u>-</u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### 22 Assets held for sale and discontinued operations

In October 2020 the board of Network Direct Ltd ("NDL") resolved to commence proceedings to place the company into administration. The company entered administration on 23 November 2020. Accordingly, the financial performance of NDL is reported in discontinued activities for the current and prior period. Assets and directly associated liabilities of NDL are reported within assets held for sale at the current balance sheet date.

#### Financial performance and cashflow information

The financial performance and cashflow information relating to NDL are presented below.

	2020	2019
	£'000	£'000
Revenue	11,881	14,141
Expenses	(12,247)	(13,824)
(Loss)/profit before income tax	(366)	317
Provision against intercompany loan	(480)	-
Fair value adjustment of net assets	(666)	-
Income tax expense	71	(89)
Net (loss)/profit after income tax of discontinued operations	(1,441)	228
	2020	2019
	£'000	£'000
Net cash (outflow)/inflow from operating activities	(191)	(321)
Net cash inflow from investing activities	(2)	1
Net cash inflow from financing activities	144	35
Net (decrease)/increase in cash generated by discontinued operations	(49)	(285)

#### Assets and liabilities of NDL classified as held for sale

Assets classified as held for sale	£'000	£'000	£'000
As at 31 October 2020	Book value	Adjustment	Fair value
Property, plant and equipment	6	(6)	-
Trade and other assets	60	(16)	44
Prepayments	741	(741)	-
Cash at bank	816	-	816
<b>Total assets of NDL held for sale</b>	<b>1,623</b>	<b>(763)</b>	<b>860</b>
<b>Liabilities directly associated with assets classified as held for sale</b>			
Trade and other payables	917	(97)	820
Tax	40	-	40
<b>Total liabilities of NDL held for sale</b>	<b>957</b>	<b>(97)</b>	<b>860</b>
<b>Net assets of NDL</b>	<b>666</b>	<b>(666)</b>	<b>-</b>

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### **23 Trade and other payables**

	<b>Current</b>		<b>Non-current</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	367	217	-	-
Other payables	516	649	-	-
Deferred contingent consideration	1,568	3,396	277	1,481
Social security and other taxation	313	197	-	-
	<u>2,764</u>	<u>4,459</u>	<u>277</u>	<u>1,481</u>

### **24 Provisions**

	<b>Customer claims</b>	<b>Dilapidations</b>	<b>Other</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 November 2018	241	109	525	875
Arising during the year	41	15	61	117
Paid during the year	(231)	(6)	-	(237)
Released during the year	-	-	(525)	(525)
As at 1 November 2019	<u>51</u>	<u>118</u>	<u>61</u>	<u>230</u>
Arising during the year	75	19	-	94
Paid during the year	(29)	-	-	(29)
Released during the year	(10)	-	-	(10)
As at October 2020	<u>87</u>	<u>137</u>	<u>61</u>	<u>285</u>
Current	87	-	61	148
Non-current	-	137	-	137
	<u>87</u>	<u>137</u>	<u>61</u>	<u>285</u>

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 2020 was not material.

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### **25 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 29. 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:

	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Trade receivables	50	297
Contract assets	817	937
Cash and cash equivalents	6,282	10,500
	<u>7,149</u>	<u>11,734</u>

#### **Financial liabilities**

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

Trade and other payables	1,018	866
Accruals	415	610
	<u>1,433</u>	<u>1,476</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:

Deferred contingent consideration	<u>1,845</u>	<u>4,878</u>
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The fair value of the contingent consideration is calculated using discounted cash flow techniques and contingent consideration is therefore a level three instrument.

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 £514,000/(£514,000).

<b>Deferred contingent consideration</b>	<b>2020</b>	<b>2019</b>
Deferred contingent consideration at 1 November	4,878	5,342
On acquisitions in the year	514	1,904
Transfer from provision on a past acquisition	-	238
Unwinding of discount	411	576
Adjustment to consideration on past acquisitions	(704)	(437)
Fair value adjustments	(118)	-
Payments	(3,136)	(2,745)
Deferred contingent consideration at 31 October	<u>1,845</u>	<u>4,878</u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### 26 Deferred tax

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

	2020	2019
	£'000	£'000
Deferred tax liability at 1 November	687	829
Credit to income statement	(103)	(142)
Deferred tax liability at 31 October	<u>584</u>	<u>687</u>

	2020	2019
	£'000	£'000
The deferred tax liability comprises:		
Temporary differences on acquired client portfolios	<u>584</u>	<u>687</u>

### 27 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 £98,000 (2019 - £53,000).

### 28 Share capital

	2020	2019
	£'000	£'000
<b>Ordinary share capital</b>		
<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 2020**

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#### **29 Financial risk management**

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

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

Credit risk is the financial loss to the Group if a client or counterparty to financial instruments fails to meet 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.

#### **30 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. The components of Shareholders' equity are:

- (a) Share capital
- (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.

During the year the members resolved to transfer the balance of the share premium account to retained earnings in order to provide more flexibility for distributions and capital management.

# **HARWOOD WEALTH MANAGEMENT GROUP LTD**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 OCTOBER 2020**

### **31 Contingent liabilities**

The Group has a contract with one adviser which gives them the option to sell their client portfolio 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 acquisition price of this client portfolio cannot accurately be calculated as its 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 £463,000 and is expected to fall due in around five to ten years.

### **32 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:

	2020	2019
	£'000	£'000
Lease payments under operating leases	<u>81</u>	<u>362</u>

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

	2020	2019
	£'000	£'000
Within one year	81	230
Between two and five years	-	528
In over five years	-	39
	<u>81</u>	<u>797</u>

The following is a reconciliation of the total operating lease commitments at 31 October 2019 to the lease liabilities recognised at 1 November 2019:

	£'000
Operating lease commitments at 31 October 2019	797
Minor adjustments relating to commitment disclosures	21
Operating lease liabilities before discounting	818
Discounting using incremental borrowing rate	(98)
Total lease liabilities recognised under IFRS 16 at 1 November 2019	<u>720</u>

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 OCTOBER 2020

### 33 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.

	2020	2019
	£'000	£'000
Short-term employee benefits	1,684	731
Social security cost	88	146
	<u>1,772</u>	<u>877</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 £5,729 (2019: £12,686). 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 £459,000.

### 34 Events after the reporting date

#### Acquisitions

On 23 November 2020 Network Direct Ltd was placed into administration. Further details can be found in the strategic report and note 22.

On 16 December 2020, the Group completed the acquisition of the trade and assets of Argentis Financial Management Ltd. The purchase price is expected to be c£1.5m, of which £0.25m was paid on completion and £0.5m by way of liabilities acquired, with an additional £0.75m paid in January 2021, following the successful novation of client contracts.

In addition to the above, on 24 December 2020 the Group exchanged contracts to purchase the trade and assets of Cedar Wealth Ltd, with an expected purchase price of c£5.0m. Completion of this acquisition is subject to successful client consent.

Initial accounting for the allocation of the purchase price for both of the above acquisitions has not yet been completed.

### 35 Ultimate parent undertaking

The immediate parent company of Harwood Wealth Management Group Limited is Hurst Point Group Limited (registered in Jersey). The smallest group of undertakings for which consolidated accounts incorporating Harwood Wealth Management Group Ltd are prepared is Hurst Point Midco Ltd (registered in Jersey) and the largest group of undertakings for which Group consolidated accounts are drawn up is Hurst Point Topco Ltd (registered in Jersey). These financial statements are not available for public use and there are no other entities which prepare consolidated accounts available for public use. The registered office of the immediate parent is 44 Esplanade, St Helier, Jersey JE4 9WG.

The company's ultimate parent undertaking is Carlyle Global Financial Services Partners III, L.P (a Cayman Islands registered partnership).

# HARWOOD WEALTH MANAGEMENT GROUP LTD

## COMPANY STATEMENT OF FINANCIAL POSITION

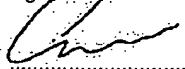
**AS AT 31 OCTOBER 2020**

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	4	8,847	9,386
Investments	5	23,747	23,182
		<u>32,594</u>	<u>32,568</u>
<b>Current assets</b>			
Trade and other receivables	6	152	244
Cash at bank and in hand		1,130	5,295
		<u>1,282</u>	<u>5,539</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	7	1,775	4,003
Taxation and social security		45	57
		<u>1,820</u>	<u>4,060</u>
<b>Net current (liabilities)/assets</b>		<u>(538)</u>	<u>1,479</u>
<b>Total assets less current liabilities</b>		<u>32,056</u>	<u>34,047</u>
<b>Creditors: amounts falling due after more than one year</b>			
Trade and other payables	7	277	1,107
<b>Net assets</b>		<u>31,779</u>	<u>32,940</u>
<b>Capital and reserves</b>			
Called up share capital		156	156
Share premium account		-	25,500
Revaluation reserve		1,828	1,828
Profit and loss account		29,795	5,456
<b>Total equity</b>		<u>31,779</u>	<u>32,940</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account. The company's loss for the year was £429,000 (2019 - profit: £2,691,000).

The financial statements were approved by the Board of directors and authorised for issue on 23 March 2021

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 2020**

		Share capital	Share premium account	Revaluation reserve	Retained earnings	Total
	Notes	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 November 2018</b>		<u>156</u>	<u>25,500</u>	<u>1,828</u>	<u>4,954</u>	<u>32,438</u>
<b>Year ended 31 October 2019:</b>						
Profit and total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,691</u>	<u>2,691</u>
Dividends	<b>3</b>	<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>
<b>Balance at 31 October 2019</b>		<u>156</u>	<u>25,500</u>	<u>1,828</u>	<u>5,456</u>	<u>32,940</u>
<b>Year ended 31 October 2020:</b>						
Profit and total comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>(429)</u>	<u>(429)</u>
Transfer share premium			<u>(25,500)</u>		<u>25,500</u>	<u>-</u>
Dividends	<b>3</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(732)</u>	<u>(732)</u>
Total transactions with owners recognised directly in equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>(732)</u>	<u>(732)</u>
<b>Balance at 31 October 2020</b>		<u>156</u>	<u>-</u>	<u>1,828</u>	<u>29,795</u>	<u>31,779</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 2020**

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### **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 2020***

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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 2020**

### **2 Employees**

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

	<b>2020</b>	<b>2019</b>
	<b>Number</b>	<b>Number</b>
Management and administration	<u>16</u>	<u>22</u>

Their aggregate remuneration comprised:

Wages and salaries	1,109	1,791
Social security costs	159	221
Pension costs	<u>12</u>	<u>14</u>
	<u>1,280</u>	<u>2,026</u>

Directors' remuneration is disclosed in note 10 of the consolidated financial statements.

### **3 Dividends**

<b>2020</b>	<b>2019</b>
<b>£'000</b>	<b>£'000</b>

Amounts recognised as distributions to equity holders:

#### **Ordinary**

Interim dividend paid: 1.17p per ordinary share (2019: 1.08p)	732	675
Final dividend paid: nil per ordinary share (2019: 2.42p per ordinary share)	<u>-</u>	<u>1,514</u>
	<u>732</u>	<u>2,189</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 2020**

### **4 Intangible fixed assets**

	<b>Acquired client portfolios £'000</b>
<b>Cost</b>	
At 31 October 2019	14,805
Additions	752
At 31 October 2020	<u>15,557</u>
<b>Amortisation and impairment</b>	
At 31 October 2019	5,419
Charge for the year	1,291
At 31 October 2020	<u>6,710</u>
<b>Carrying amount</b>	
At 31 October 2020	<u>8,847</u>
At 31 October 2019	<u>9,386</u>

### **5 Investments**

	<b>2020 £'000</b>	<b>2019 £'000</b>
Investments in subsidiaries	<u>23,747</u>	<u>23,182</u>
	<u>23,747</u>	<u>23,182</u>
<b>Movements in fixed asset investments</b>		
<b>Cost</b>		<b>£'000</b>
At 31 October 2019		23,792
Additions		565
At 31 October 2020		<u>24,357</u>
<b>Accumulated impairment</b>		
At 1 November 2019		(610)
Impairment loss		-
31 October 2020		<u>(610)</u>
<b>Carrying amount</b>		
At 31 October 2020		<u>23,747</u>
At 31 October 2019		<u>23,182</u>

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

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

**FOR THE YEAR ENDED 31 OCTOBER 2020**

**6 Trade and other receivables**

	2020 £'000	2019 £'000
Other receivables	10	135
Amounts due from subsidiary undertakings	111	513
Less: credit loss provision	-	(432)
Amounts due from subsidiary undertakings - net	121	81
Prepayments	31	28
	<u>152</u>	<u>244</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 of £577,000 was charged in respect of trading subsidiaries.

**Credit loss provision**

	Credit loss provision £'000
At 1 November 2019	432
Arising in the year	145
Released during the year	(577)
As at October 2020	<u>-</u>

**7 Trade and other payables**

	Current		Non-current	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Trade payables	42	86	-	-
Deferred contingent consideration	1,568	3,772	277	1,107
Amounts due to subsidiary undertakings	-	-	-	-
Accruals	165	145	-	-
Other payables	-	57	-	-
	<u>1,775</u>	<u>4,060</u>	<u>277</u>	<u>1,107</u>

**8 Events after the reporting date**

Details of events after the reporting date can be found in note 34 of the consolidated financial statements.

**HARWOOD WEALTH MANAGEMENT GROUP LTD**  
**REGISTERED OFFICE AND COMPANY ADVISERS**

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**COMPANY NUMBER** 04987966 (England and Wales)

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