KINGSWOOD
PROTECT AND GROW YOUR WEALTH

KINGSWOOD HOLDINGS LIMITED

Formerly European Wealth Group Limited

Annual Report and Financial Statements
for the year ended 31 December 2018

Company Registration No. 42316 (Guernsey Company)

Kingswood Holdings Limited (the "Company" or "KHL", previously European Wealth Group Limited "EWG") and its subsidiaries (the "Group" or "Kingswood") is a growing and established wealth management business listed on the AIM market of the London Stock Exchange under ticker symbol (AIM:KWG).

£1.9bn
Assets under management and advice

7,000
Active clients

89
Employees

All figures as at publication date.

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KINGSWOOD
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SUMMARY INFORMATION

The Kingswood core mission is to grow our clients' wealth and protect it for the future. Client experience and breadth of services are at the heart of Kingswood's offering, granting access to industry-leading, capital protected, yield-enhanced investment products and services. Managed by highly experienced global investment managers, portfolios comprise equities, fixed income and alternative investments.

Kingswood services individuals, family-offices, charities, trusts, institutions and corporations by offering a full suite of personalised financial services and access to high quality products on a cost-effective basis.

THE GROUP IS BUILT AROUND FOUR CORE PRINCIPLES

INTEGRITY

Trust is important when it comes to giving advice. Kingswood's people are committed to acting with integrity, being fair, and acting in the best interest of clients.

PURPOSE

Kingswood partners with clients to construct a sustainable life plan together. Everyday at Kingswood we help busy successful people achieve their financial potential.

TEAMWORK

It is important to always apply understanding to the situation. Kingswood believes in loyalty and working as a team, allowing lasting relationships of trust to build.

RIGOROUS CLIENT FOCUS

Facts are important, permitting calculated decisions to be made, and being tenacious to get it right every time.

THE GROUP IS SPLIT INTO TWO OPERATING DIVISIONS

The **Wealth Planning** division operates through its subsidiaries KW Wealth Planning Limited ("KWWP"), previously European Financial Planning Ltd and Marchant McKechnie Independent Financial Advisers Limited ("Marchant McKechnie") which was acquired in October 2018 with assets under management at the year end of £203m. KWWP currently acts for over 5,400 private clients (2017: 9,700) and 49 corporate pension schemes ranging in size from 10 to 5,000 members, with aggregate funds under advice of approximately £439m (2017: £577m). The Wealth Planning division provides advice to clients across three core services – wealth planning, corporate pension advisory and tax planning.

The **Investment Management** division operates through its subsidiary KW Investment Management Limited ("KWIM"), previously European Investment Management Ltd and KW Trading Services Limited ("KWTS"), previously European Wealth Trading Limited. KWIM provides bespoke institutional style investment management for private clients, trusts, pension funds, universities and charities. It also manages money on behalf of third party independent financial advisers. At year end KWIM had approximately £1bn of assets under management split between discretionary and equity investments (£0.3bn) and fixed interest investments (£0.7bn).

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER'S STATEMENT

We are pleased to inform you that after a period of restructuring, the platform is in a position to deliver sustained earnings growth for investors. The Board acknowledges that the last couple of years have seen significant change within the Group, with 2018 also impacted by a highly uncertain market environment and weaker investor sentiment resulting in an industry-wide slowdown in net inflows.

Despite this backdrop, the Board believes the strength of Kingswood's business model positions the Group well for improved sentiment. A new management team and organisation structure is now in place. Gary Wilder took over as Group Chief Executive Officer at the beginning of the year and Patrick Goulding joined as Group CFO and CEO of the operating platform. They have day-to-day management control and have now implemented the significant changes originally planned. The three-year growth plan initiated by the Board at the end of 2018 has solidified a number of strategic initiatives designed to enhance client yield and stimulate growth. The Board and management's key objective now is to prove its model and execution capability.

Kingswood currently has approximately 7,000 active clients and assets under management and advice of £1.9bn, and is focused on becoming a leader in the UK wealth and investment management market by building a listed brand that is recognised internationally. We have ambitious plans to be a global wealth and investment management platform serving mass affluent and private clients, with expansion plans already activated in the US and Asia. Our goal is to provide current and new clients with a full suite of services and products designed to protect their wealth and provide sustainable and growing returns.

The Wealth Planning business has expanded with the acquisition of Marchant McKechnie in East Yorkshire which completed in Q4 2018, and the acquisition in Q1 2019 of Oxford-based Thomas & Co, which have further bolstered our wealth planning foundation. The acquisitions broaden Kingswood's UK footprint, adding to our existing office network in London, Manchester, Cheltenham, East Malling, Brighton and Worcester. We continue to pursue additional accretive investments across the UK and internationally with a pipeline in excess of £100 million under evaluation. In order to execute on this pipeline, we are exploring opportunities to source additional funding via institutional investors to meet our requirements.

The investment management division has embarked on an enhanced strategy to provide existing and new clients unprecedented access to best in class investment products across equities, fixed income and alternatives, managed by best in class global investment managers. Many of these products are currently solely available to institutional investors. The goal is to provide clients with high quality products and service on a cost-effective basis under the global Kingswood brand.

We have a unique competitive advantage with our integrated Wealth Planning and Investment Management platform. We plan to leverage this platform to its full potential and are looking to expand our current product offering with turnkey opportunities such as mortgages, cash management, lending products, including the launch of Kingswood labelled products in partnership with best in class industry expertise.

To support delivery of our growth plans, we recently announced the appointments of Richard Jeffrey as Chairman of the Investment Committee and Richard Klein as Head of Alternatives and Distribution.

The Group is building a robust Investment Committee process with a group of highly experienced investment professionals, under the stewardship of Richard Jeffrey who most recently, was Chief Investment Officer and then Chief Economist at Cazenove Capital, part of the Schroders group.

We have ambitious plans to be a global wealth and investment management platform serving mass affluent and private clients, with expansion plans already activated in the US and Asia.

Richard Klein has joined to lead and expand Kingswood's best of breed product offerings for distribution to our growing client base. His principal focus will be on providing existing and future clients with unprecedented access to capital protected, yield-enhanced strategies managed by independent best in class asset managers with offerings in key asset classes including Private Equity, Real Estate, Infrastructure, Hedge Funds, Liquids & Credit. Richard has spent the majority of his 30 plus year investment banking career at Merrill Lynch, specifically in a number of capital markets and international distribution roles.

We have also launched our enhanced Managed Portfolio Service ("MPS") which is available via industry platforms used by wealth planners across the UK. The MPS offering provides intermediaries with a discretionary managed, risk-rated investment solution for their underlying clients. These portfolios are mapped to industry leading risk profiling tools, providing a streamlined on-boarding process for financial advisers and their clients, in addition to ensuring clients are suitably mapped into an investment strategy.

Expanding our product offering in real estate, Kingswood recently signed a cooperation agreement with its affiliate Moor Park Capital Partners LLP, a leading independent pan-European real estate investment firm that creates a partnership to broaden our alternative investment product offering to clients.

We have also set our sights on US expansion and growing investment distribution channels there for our products. We see the US as a major growth opportunity being the largest global wealth management market. To support these growth efforts, we recently appointed Najib Canaan as US CEO. Najib, who also joins the newly restructured Kingswood Investment Committee, has more than 30 years of experience at firms including GSO Capital, a Blackstone Group affiliate; Brevan Howard; Donaldson, Lufkin, and Jenrette, where he established the Special Situations Group; and

Kenneth 'Buzz' West
Non-Executive Chairman

Gary Wilder
Group Chief Executive Officer

Nomura Securities International where he oversaw a fixed income, asset-backed, and real estate balance sheet in excess of $100 billion.

Najib's extensive knowledge and experience will be invaluable as we grow in the US. We have made huge strides in expanding and reinforcing the Kingswood brand in the UK over the last 12 months and we view the US as a really exciting market going forward.

We are committed to broadening our client offering with a range of holistic, value added client services through our affiliates including the provision of personal taxation compliance services, incorporating the preparation of annual tax returns, tax planning and advisory support. Via our affiliates, we now offer a range of services for small and medium-sized businesses including the provision of accounting and annual tax compliance as well as corporate finance offerings (e.g. advisory, working capital lines, debt & financing structuring and broad-based debt sourcing). Through our affiliate advisory platform, we are able to provide corporate finance support including large transaction advisory services, fair value assessments and independent accountant's reports.

These additional value-added services available to our expanding client base highlight the breadth and depth of our offerings. By further adding to and integrating our brand, Kingswood is developing a strong competitive advantage enabling us to drive growth initiatives under a common brand.

We believe our people are fundamental to the future success of the Group and we are committed to an employee ownership model, which in recent weeks led to the roll out of a new organisational and title structure, culminating in the creation of our first group of Managing Directors and Partners in the Group. Through the Group's LTIP plan, Partners will have a significant portion of their compensation aligned with Group targets, with some subject to Group target EBITDA and TSR performance conditions, and some subject to Group target EBITDA and individual portfolio targets. These Partners also comprise Kingswood's inaugural Executive Committee, which will support the Board and senior management team in delivering the Group's growth strategy.

The Board firmly believes this partnership structure will be a defining feature of Kingswood's future success, with an annual opportunity to achieve partner status subject to meeting difficult, objective performance criteria and an ability to perform at the highest level for the benefit of the Group's overall performance.

We are committed to delivering shareholders and clients with high quality reporting and information, and are focused on partnering with best in class service providers to deliver non-core operating functions. We recently entered into an agreement with Global Prime Partners ("GPP") – a third party clearing, custody and financial services provider - who will shortly take over Kingswood's investment management operations. We believe partnerships such as these are an efficient and effective way of delivering back office services, enabling Kingswood to focus on its core revenue-generating business activities.

At Board level, Jonathan Massing has assumed the role of Non-Executive Deputy Chairman, given Gary Wilder's installation as Group CEO earlier this year.

In conclusion, we would like to reinforce our commitment to growing our clients' wealth and protecting it for the future. Our clients' needs are at the heart of everything we do which is why we take a holistic approach, building our business and service around them. Our offering is tailored using a wide range of services, completely focused on meeting our long term needs and achieving future goals. We are committed to being authentic and providing existing and new clients unprecedented access to best in class advice and capital protected, yield enhanced investment products.

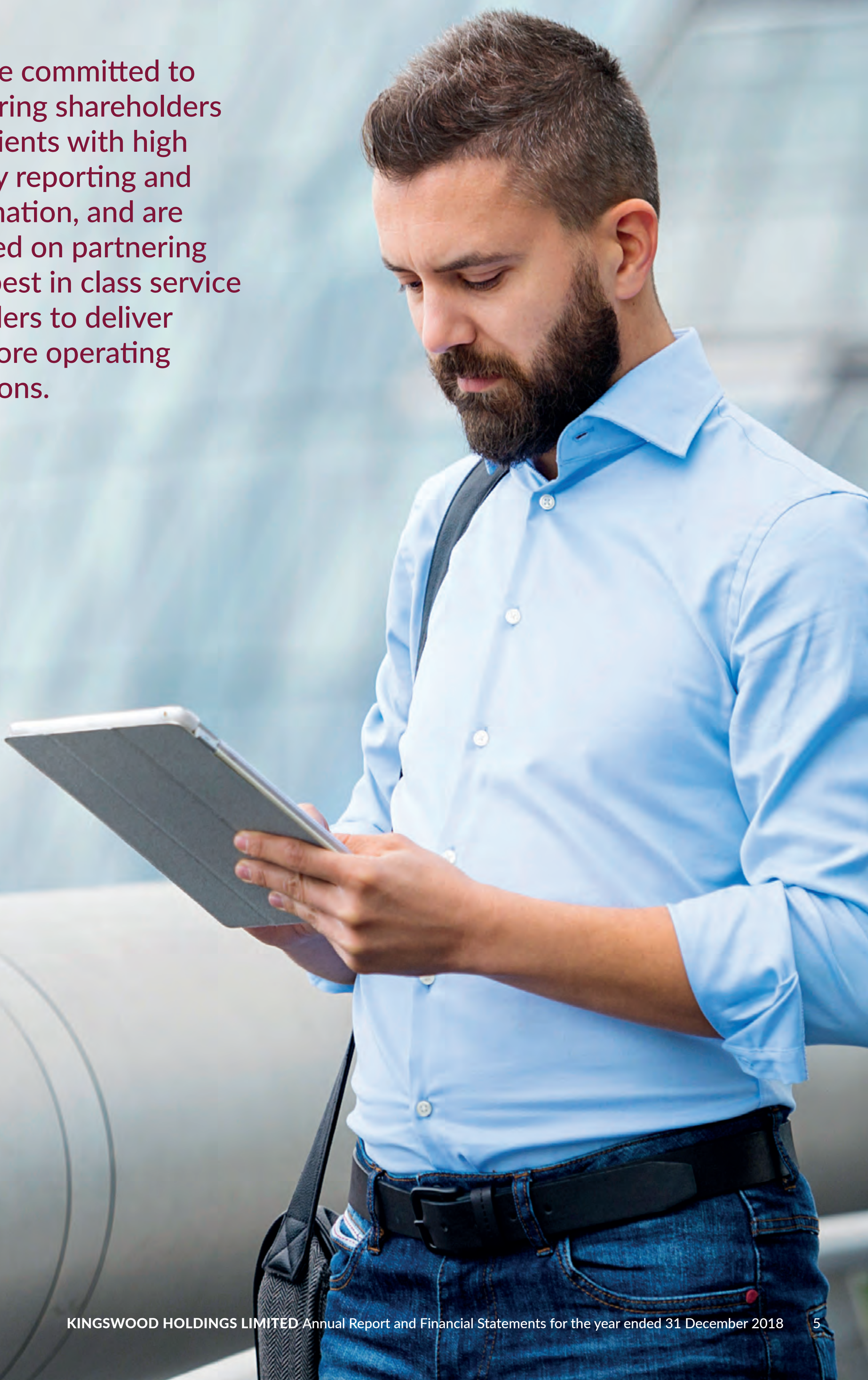
We would like to express our personal thanks and those of the Board to our clients, shareholders and staff for their strong support for the Group.

Kenneth 'Buzz' West
Chairman

Gary Wilder
Group Chief Executive Officer

12 April 2019

We are committed to delivering shareholders and clients with high quality reporting and information, and are focused on partnering with best in class service providers to deliver non-core operating functions.



STRATEGIC REPORT

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Kingswood Holdings Limited and its subsidiary undertakings, when viewed as a whole.

The strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

CORE PRINCIPLES AND OBJECTIVES

Kingswood's over-arching objective is to protect and grow our clients' wealth. Underpinning this are four guiding principles that drive that objective; these are integrity, purpose, teamwork and rigorous client focus.

The Group's mission is to provide existing and new clients unprecedented access to best in class, capital protected, yield enhanced investment products across equities, fixed income and alternatives managed by best in class global investment managers. These products are currently generally available only to institutional investors.

The ultimate goal is to provide clients with high quality products and service on a cost-effective basis under the global Kingswood brand resulting in consistent, stable and predictable investment returns to our clients.

STRATEGY

The Group's goal of becoming a leading provider of wealth planning and investment management services will be achieved organically and by selective acquisitions. This strategy has resulted in the Group increasing its total client assets under management or advice to £1.9bn over the last five years.

We are predominantly a private client business, but also have a strong fixed income institutional platform. We provide services in four main areas:

- Wealth planning and advice, including asset protection, pensions and tax and succession planning
- Private client investment management
- Institutional investment management
- Corporate solutions

Market growth in the UK remains strong, driven both by increasing personal wealth and by regulatory change, especially pension's freedom, which substantially drives demand for wealth planning. There is a shortage of skilled advisors, and many advice firms are too small to carry the increasing compliance burden.

The Group launched a new growth strategy in Q1 2019 and this is already bearing fruit; we are successfully hiring quality advisors, in a very tight market, and further investing in the quality of our investment research and pensions advisory compliance, to ensure we can provide the robust, quality advice which is so needed in the market. We have completed the acquisitions of good quality target firms which fit our culture and see the benefits of prospering within a business that has critical mass and a strong operating platform.

Our business structure is highly scalable; incremental revenue growth will disproportionately boost profitability, since our platform is now fit for purpose and has capacity. We are also looking to invest with best-in-class service providers to enhance our operating capabilities.

The Group today has 23 investment managers and wealth planners. Our plan over the next three years is to substantially grow this number, both through organic growth and acquisition. About 85% of our wealth planning assets are currently served from external operating platforms; we anticipate that the majority of this will be handled in-house going forward, whether under advisory or discretionary mandates.

We have a strong geographic base around the UK; and we continue to explore opportunities for the right acquisitions.

FINANCIAL OVERVIEW

A summary of the statement of comprehensive income for the financial year is set out below:

	2018 £'000	2017 £'000
CONTINUING OPERATIONS		
Revenue	8,787	9,267
Administrative and other expenses	(12,542)	(14,630)
Operating loss	(3,755)	(5,363)
Core adjusted loss	(3,051)	(1,031)
Other losses	(106)	(3,380)
Amortisation and depreciation	(598)	(669)
Internal restructuring	-	(283)
Operating loss	(3,755)	(5,363)
Finance costs, exceptionals and taxation	(18)	(701)
Loss for the year from continuing operations	(3,773)	(6,064)
DISCONTINUED OPERATIONS		
(Loss) / profit from discontinued operations	(945)	116
Loss after tax for the year	(4,718)	(5,948)

A reconciliation of core adjusted loss is set out below:

	2018 £'000	2017 £'000
Core adjusted loss	(3,051)	(1,031)
Acquisition costs[1]	(316)	(492)
Movement in deferred consideration[2]	210	-
Refinancing costs	-	(204)
Restructuring costs	-	(637)
Impairment of intangibles	-	(2,330)
Amortisation and depreciation	(598)	(669)
Operating loss	(3,755)	(5,363)

[1] Costs relate to the fees associated with the aborted acquisition of Newbridge.
[2] Movement in deferred consideration relating to the final Towry payment.

STATEMENT OF FINANCIAL POSITION

At 31 December 2017 the Group had drawn £10.4m under its debt facilities. On 29 May 2018, £7.0m of the drawn facilities, inclusive of interest and fees, were converted into KHL ordinary shares further strengthening the Group's financial position.

On 7 June 2018, the Group announced its decision not to pursue the Newbridge acquisition. The remainder of the drawn facilities were repaid to the lender, leaving the Group debt-free, with net assets and a strong cash position. This allowed the business to continue to restructure and pursue its stated growth strategy.

On 2 August 2018, Astoria Investments subscribed £1.3m cash for new ordinary shares further strengthening the Group's cash and financial position.

KEY PERFORMANCE INDICATORS ("KPIs")

A review of the Group's business and an indication of likely future developments are contained in the Chairman and Group Chief Executive Officer Statement. The Group's key performance indicators are highlighted below.

	2018	2017*
Assets under management and advice at 31 December	£1,649m	£1,641m
Revenue (£'000)	£8,787	£9,267
Core adjusted loss (£'000)	-£3,051	-£1,031
KWWP recurring revenue (percentage of total)	88%	79%
Number of employees	91	93

*Restated to exclude the results of discontinued operations.

KEY RISKS AFFECTING THE BUSINESS

There are a number of potential risks and uncertainties that could have an impact on the performance of the Group and Company.

Whilst there are other risks identified (and approved by the Board in terms of their management through its systems and controls) in the Company's documented risk management framework, the key risks include:

Operational risk

This is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or external events. The Group has embedded a risk management framework that identifies and assesses risks in order to manage and mitigate them in an efficient manner. The management of these risks is disclosed in the corporate governance statement in this report.

The Group in its current form is relatively young and has been loss making since its inception, which is a reflection of the cost of building a team and infrastructure to support the business. Consequently, the business expects its future growth to enhance operating margins whilst appreciating the risk that if this growth is not delivered then the business strategy will need to be reviewed.

Liquidity risk

The Group maintains a mixture of cash and cash equivalents designed to meet the Group's operational and trading activities. On the basis of its detailed forecasts and plans, the Group is confident it has sufficient liquidity for the foreseeable future.

Solvency risk

The Directors understand the risk of not being able to meet the long term and short term obligations of the business, especially with regards to its capital requirements. In order to mitigate this risk the Group's finance team analyses cash flow on a regular basis and has implemented strong internal controls so that all outgoings are budgeted for. The Company itself has robust plans in place that will enable it to bring in new capital and restructure the existing capital base if forecasted targets are not achieved and additional capital is required.

Key personnel dependency

The Group's performance is largely dependent on its current and future management team. The loss of a significant number of existing Directors or key employees or a failure to recruit additional Directors and/or Senior Executives could, therefore, significantly reduce the Group's ability to make successful acquisitions or effectively manage the Group and its operations. The Group manages this risk through the use of standard contracts with relevant restrictive covenants, where required, supported by an experienced Human Resources department.

Future performance of the Group cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Group will be able to achieve any returns referred to in this document. The financial operations of the Group may be adversely affected by general economic conditions, by conditions within the UK financial services market generally or by the particular financial condition of other parties doing business with the Group. Historically, the performance of the assets has been good and is under constant review by the firms experienced Investment Management Committee.

Prospective acquisitions may fail to deliver expected performance

There can be no guarantee that suitable companies or businesses will be available for the Group to successfully identify and acquire in the future. The wealth management sector has a number of large businesses operating within it, together with many of medium size and a substantial number of small operations. The Group therefore will face competition to acquire other operations. A number of competitors are larger and have greater resources than Kingswood and may prevent the successful implementation of the Group's business plan. The Group has a strong, experienced management team, all of whom have experience in working with growing acquisitive businesses, which allows for robust post acquisition integration plans to be implemented.

Future funding requirements

Funding may be required in the future to implement the Group's strategy. The Group may attempt to raise additional funds through equity or debt financings or from other sources to implement this strategy. Any additional equity financing may be dilutive to holders of ordinary shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment (whether towards the Group in particular or towards the market sector in which the Group operates) are unfavourable. The Group's inability to raise additional funding may hinder its ability to implement its strategy, grow in the future or to maintain its existing levels of operation. The Group's experienced management team and Board have been successful in the past at raising equity and debt finance. There are robust plans in place to bring in new capital and restructure the existing capital base if required.

Regulatory risk

Regulatory risk is the risk that the regulated entities fail to comply with any of the regulations set by the various regulatory bodies that each company operates under. The Group is engaged in activities which are regulated by the Financial Conduct Authority ("FCA") in the UK and the Financial Services Conduct Authority ("FSCA") in South Africa. The Group may, therefore, be required from time to time to review and update its regulatory permissions and the status of its authorised persons to ensure that its existing and new activities, as they develop, are consistent with the Group's regulatory permissions including complying with Senior Managers Certification Regime as it takes effect in 2019. Failure to do so could lead to public reprimand, the imposition of fines, the revocation of permissions or authorisations and/or other regulatory sanctions, any of which could lead to adverse publicity and reputational damage and could have a material adverse effect on the continued conduct of the Group's business. There may, in the future, be changes to, or new laws and regulations that govern the operations of the Group. Kingswood cannot predict the full effect that any proposed or future law or regulation may have on the financial condition or results or operations of the Group. It is possible that the Group may be adversely affected by changes in the applicable laws or regulations.

The Group today has 23 investment managers and wealth planners. Our plan over the next three years is to substantially grow this number, both organically and through acquisition.

Key to managing this risk is:

1. Adopting a robust "top down" system of risk management headed by the Risk and Compliance committee which is chaired by a highly experienced, Non-Executive Director. The Committee meets in person every quarter and on an ad-hoc basis in between. The heads of each operating subsidiary attend all Committee meetings along with senior members of the Group's finance function.
2. A Board comprising five Non-Executive Directors that bring significant business expertise in the financial services sector, enhancing an independent and balanced decision-making process, particularly around regulatory matters.
3. An effective risk and compliance team handling day to day management of regulatory risk for the Group and monitoring of its business to ensure compliance with the rules of the Financial Reporting Council, the Financial Conduct Authority and the London Stock Exchange.

Stock market conditions

The Group's business will be partially dependent on market conditions. Adverse market conditions may have a significant negative effect on the Group's operations through reducing the assets under management.

Impact of Brexit

The continuing Brexit uncertainty is being closely monitored by Board and management. From a regulatory viewpoint, minimal impact is expected given the Group's business and client base is predominantly UK based. Market uncertainty around Brexit continues to have an impact on financial markets and consequently client valuations and performance will likely continue to experience volatility until a clear Brexit plan is forthcoming. As a Group, we have for over 18 months now adopted a conservative approach, seeking to manage downside protection across client portfolios in these challenging markets.

Approved by the Board

Kenneth 'Buzz' West
Chairman

12 April 2019

THE BOARD

Kenneth 'Buzz' West
Non-Executive Chairman

Gary Wilder
Group Chief Executive Officer

Jonathan Massing
Non-Executive Deputy Chairman

Patrick Goulding
Group Chief Financial Officer & Chief Executive Officer (subsidiaries)

KENNETH 'BUZZ' WEST

Non-Executive Chairman

Buzz is Non-Executive Chairman of the Board and is highly experienced in the financial services arena having held numerous board positions in addition to being Founder and Chairman of the AIM-listed wealth manager Ashcourt Rowan. Buzz sits on the Board of the Toronto listed Auxico Canada Inc. He is currently an advisor to several high-tech companies and also holds the Chair at Blackmore Group Ltd. With a strong entrepreneurial background, Buzz brings a track record of achieving success for shareholders and as Chairman he led major loss adjustors GAB Robins from a management buyout to successful trade sale. He uses his experience in both wealth management and the AIM market to lead the Board and drive Kingswood's strategic direction.

GARY WILDER

Group Chief Executive Officer

Gary is a Chartered Accountant and a graduate of the Cass Business School, University of London with over 30 years experience in pan European private equity and real estate particularly in the area of investment, capital raising, structuring, debt financing and asset management. He is the co founder of Kingswood Property Finance Limited Partnership where he made a series of long-term strategic investments in financial services. Gary's key responsibilities include building strategic relationships with new and existing investors, bankers, financial advisers and directing capital raising efforts to the growth and expansion of the platform.

JONATHAN MASSING

Non-Executive Deputy Chairman

Jonathan brings wide ranging experience to the Board, in particular in the area of corporate finance and acquisitions. A Chartered Accountant, he has a strong background in the provision of commercial and corporate finance advice, including management buyouts; raising venture capital; resolving shareholder disputes; and advising on private business valuations. He has extensive experience in the sale and acquisition of private companies and also provides advice on debt structures and working capital facilities. He originally founded the City-based advisory firm Kingswood in 1993, and in 1998 he set up Kingswood Investment Partners as a private equity investor. He is also a founder partner of Kingswood Property Finance Limited Partnership, which has developed a long and successful track record in providing finance to entrepreneurial and fast-growing businesses.

PATRICK GOULDING

Group Chief Financial Officer & Chief Executive Officer (subsidiaries)

Patrick is a Chartered Accountant with more than 25 years experience in strategy, finance and operational roles in the global financial services industry including senior roles at Morgan Stanley, Lend Lease, ING and Schroders in the US, Australia and Europe. Patrick works with the senior executive team to manage the business on a day to day basis to ensure financial and other performance targets are met. Patrick is a member of the Executive and Investment Committees as well as serving on the Audit and Risk & Compliance Committees.

Graydon Butler
Group Chief Operating Officer

Jonathan Freeman
Non-Executive Director

David Hudd
Non-Executive Director

Darryl Kaplan
Non-Executive Director

GRAYDON BUTLER

Group Chief Operating Officer

Graydon graduated from Southampton University and prior to joining Kingswood served as head of operations for Moor Park Capital Partners, a real estate private equity business, with a mandate to build an operations team which at its peak held over £2.5bn of commercial real estate assets under management. Graydon leads Kingswood's operations and support functions and is a member of the Executive Committee.

JONATHAN FREEMAN

Non-Executive Director

Jonathan chairs the Risk & Compliance Committee and the Audit Committee and is also a member of the Remuneration Committee. He is a seasoned corporate financier and company director with extensive experience of listed companies, financial services and FCA regulated entities. This experience is important to the Group as it is quoted on AIM and subsidiary entities are regulated by the FCA in the UK. Jonathan is also the senior independent Non-Executive Director of Futura Medical plc and chairs their Audit and Remuneration Committees, is also Non-Executive Chairman of PhotonStar LED Group plc and a Non-Executive Director of Braveheart Investment Group plc.

DAVID HUDD

Non-Executive Director

David chairs the Remuneration Committee. He is a capital markets specialist who brings to the Board over 35 years' experience of structuring and advising on a wide range of financings. After working at another City law firm and spending over nine years in investment banking, David joined global law firm Hogan Lovells as its first dedicated capital markets partner in London in 1994. He currently serves as Deputy CEO of Hogan Lovells.

DARRYL KAPLAN

Non-Executive Director

Darryl has experience across a range of disciplines having worked in the fields of law, corporate finance (including investor relations) and investments in South Africa and Australia. He has accumulated a broad range of experience and expertise highly relevant to Kingswood's business and governance. Darryl serves as CEO of Astoria Investments Limited, a significant shareholder in the Company. Darryl was educated in South Africa and holds Bachelor of Business Science and Bachelor of Law degrees from the University of Cape Town.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year to 31 December 2018. The Strategic Report is on page 6 and the Corporate Governance Statement is set out from page 18 onwards. All financial information given in this Directors' Report is taken solely from the statutory results prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

PRINCIPAL ACTIVITIES

The principal activities of the Group are the operation of a wealth management business providing wealth planning and investment management services.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Information about the Group's risk management is included in the Strategic Report.

RESULTS AND DIVIDENDS

The Group's performance during the year is discussed in the Strategic Report on pages 6 to 11. The results for the year are set out in the audited Statement of Comprehensive Income on page 34. The Directors do not recommend the payment of a dividend for the year ended 31 December 2018 (31 December 2017: £nil).

CAPITAL STRUCTURE

Details of KHL's issued share capital, together with details of the movements in the number of shares during the year, are shown in note 30.

On 29 May 2018, £7.0m of the Group's drawn debt facilities were converted into 42,801,341 Ordinary 5p shares and on 2 August 2018 £1.3m in cash was subscribed by Astoria Investments Limited for 7,920,000 Ordinary 5p shares, further strengthening the Group's financial position.

CAPITAL MANAGEMENT

The primary objective of the Company's capital management strategy is to ensure that it maintains a strong capital structure in order to support the development of its business, to maximise shareholder value and to provide benefits for its other stakeholders. Details of the management of this risk can be found in the Strategic Report.

In addition, KW Investment Management, KW Trading Services, KW Wealth Planning and Marchant McKechnie Financial Advisers (acquired 1 October 2018) are regulated by the FCA and have to comply with the FCA capital adequacy rules and regulations.

DIRECTORS

The names and a short biography of the Directors of the Company are set out on pages 12 and 13. Darryl Kaplan was appointed on 1 February 2018, Jonathan Freeman on 18 June 2018, David Hudd on 29 June 2018, Patrick Goulding on 8 January 2019 and Graydon Butler on 28 February 2019, further bolstering the quality and depth of the Board. Marianne Ismail resigned effective 16 January 2019 and Gary Wilder, a serving Non-Executive Director, was appointed Group Chief Executive Officer effective 17 January 2019.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, The Companies (Guernsey) Law, 2008 and related legislation. The Articles themselves may be amended by special resolution of the Company's shareholders. The Group also applies the Quoted Companies Alliance Corporate Governance Code.

The Company's Articles of Association provide that generally one third (rounded down to the nearest whole number) of the Board of Directors are required to retire by rotation, save for Directors who are appointed during the year, who must stand down and offer themselves for re-election at the next occurring Annual General Meeting ("AGM") of the Group. The Directors who will offer themselves for re-election will be announced in conjunction with the AGM announcement, expected to be held in early September.

DIRECTORS' INTERESTS

The Directors who held office at 31 December 2018 had the following beneficial interests in the ordinary shares of KHL as at 31 December 2018:

NAME OF DIRECTOR	NUMBER OF ORDINARY SHARES HELD 2018	NUMBER OF ORDINARY SHARES HELD 2017
Kenneth 'Buzz' West	3,183,793	2,062,581
Marianne Ismail	1,050,000	-
Gary Wilder*	56,600,368	56,600,368
Jonathan Massing*	56,600,368	56,600,368
Astoria Investments Limited**	28,059,272	19,139,272
Darryl Kaplan**	77,781	-
David Hudd	-	-
Jonathan Freeman	-	-

* Jonathan Massing and Gary Wilder's shares relate to KPI (Nominees) Limited's holding in which both have a beneficial shareholding.
** Darryl Kaplan is Astoria Investment Limited's representative on the Board.

No Directors who held office at 31 December 2018 had share options over the ordinary shares of the Company.

EMPLOYEES

It is the Company's policy to involve employees in the day to day operation of the Group's business and ensure that matters which could concern them, including the Group's strategic objectives and performance are communicated in an open and timely fashion. The Directors seek to achieve this through Management Committee meetings, subsidiary board meetings, e-mail communication and informal staff communication.

The Group is committed to an equal opportunity policy for all prospective and existing employees such that selection takes place on the basis of ability, qualifications and suitability for the job, irrespective of background, age, race, gender or sexual orientation. The Group's executives, senior management and employees are required to support and implement all such policies in their daily work ethic in order to maximise the potential of its entire workforce.

Employees who become disabled during their employment with the Group will be retained and retrained where possible.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

A review of the Group's business and an indication of likely future developments are contained in the Strategic Report and the Chairman and Chief Executive Officer's Statement.

SUBSTANTIAL SHAREHOLDINGS

On 26 February 2019, the Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of KHL of 3% or more of the issued share capital:

NAME OF SHAREHOLDER	PERCENTAGE OF VOTING RIGHTS AND ISSUED SHARE CAPITAL	NUMBER OF ORDINARY SHARES
KPI (Nominees) Limited	36.55%	56,600,368
Astoria Investments Limited	18.12%	28,059,272
Monecor (ETX Capital)	6.26%	9,696,969
Anthony Lyons (Julius Baer PB)	3.87%	6,000,000
Michael Mechas	3.67%	5,682,610

All shareholdings stated above are beneficial.

DIRECTORS' INDEMNITIES

The Group has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

GOING CONCERN

The Financial Reporting Council issued a guidance note in April 2016 requiring all companies to provide fuller disclosures regarding the Directors' assessment of going concern. The Group's business activities, together with the factors likely to affect its future development and liquidity and capital position, are reviewed under the key risks affecting the business section as set out in the Strategic Report on page 6.

In the year ended 31 December 2018, the Group made a loss before tax on continuing operations of £3.8m (2017: loss of £6.1m), had a net asset position of £25m (2017: £21m), with net cash used in operating activities of £3.9m (2017: net cash used of £3.0m).

While the Group made further losses in 2018, a significant portion of the loss (£0.9m) was as a result of discontinued operations. During the year, the Group converted £7.0m of its outstanding facilities to equity and repaid the remaining outstanding balances. This has not only significantly strengthened the Group's financial position, but has the left the Group with cash reserves. The Group also has access to £4.9m under its debt facility.

Given this, the Directors have reviewed the cash flow forecast for the next 12 months and are satisfied that the Group can continue to prepare these financial statements on the going concern basis.

AUDITOR

Each of the persons who are Directors of KHL at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s249 of The Companies (Guernsey) Law, 2008.

On 1 February 2019 Moore Stephens LLP merged its practice with BDO LLP and resigned as auditors with effect from that date. BDO LLP was appointed as auditors with effect from 1 February 2019 and a resolution for their re-appointment will be proposed at the AGM.

Approved by the Board of Directors and signed on behalf of the Board on 12 April, 2019.

Kenneth 'Buzz' West
Chairman

Our goal is to provide current and new clients with a full suite of services and products designed to protect their wealth and provide sustainable and growing returns.

CORPORATE GOVERNANCE STATEMENT

The Directors of Kingswood Holdings Limited recognise the importance of sound corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code ("the QCA Code"). The QCA Code takes key elements of good governance and applies them in a manner that is workable for the different needs of growing companies and was developed by the Quoted Companies Alliance as an alternative corporate governance code applicable to AIM companies.

Jonathan Freeman, in his capacity as a Non-Executive Director, has assumed responsibility for ensuring that the Group has appropriate corporate governance standards in place and that these requirements are followed and applied within the Group as a whole. The QCA Code corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders and that shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Kingswood Holdings Limited Board.

The Directors have structured the relationship between the Board of the Group Holding Company, Kingswood Holdings Limited and the individual subsidiary boards which represent KW Investment Management Limited, KW Wealth Planning Limited, KW Trading Services Limited and Marchant McKechnie Independent Financial Advisers Limited (the operational companies which are regulated by the FCA).

The Company Board has the responsibility to set strategy for the Group, and monitor the performance of the operating subsidiaries. The Subsidiary Boards have the responsibility to oversee, govern and direct the operations of the subsidiary entities in line with relevant rules and regulations and overall Group strategy.

The respective Boards have established various committees, each of which has written terms of reference. The principal committees are the Audit, Nomination & Remuneration, and Risk & Compliance Committees.

The principal methods of communicating our application of the QCA Code are this Annual Report and through our website. The QCA Code sets out 10 principles and more details on how Kingswood Holdings Limited complies with the principles and disclosures of the QCA Code can be found at **www.kingswood-group.com/corporate-governance**.

CORPORATE GOVERNANCE STRUCTURE

The post of Non-Executive Chairman is held by Kenneth 'Buzz' West. The Board considers that the Non-Executive Directors provide a strong and consistent independence to the Executive Board. None of the Non-Executive Directors are involved with the day-to-day management of the Group and are free from any business or other relationship which could materially interfere with their judgement. Biographies of the Directors are contained on page 12 and 13.

During the year ended 31 December 2018, the Non-Executive Chairman was responsible for leadership of the Board, creating conditions for overall Board and individual Director effectiveness and developing the Group's strategy. The Group Chief Executive Officer was responsible for running the Group's business day to day and, subject to Board agreement, the implementation of strategy. After Marianne Ismail's resignation in January 2019, Gary Wilder assumed the responsibilities of Group Chief Executive Officer.

The minutes of scheduled meetings of the Board are taken by the Group Chief Executive Officer's personal assistant. In addition to constituting records of decisions taken, the minutes reflect questions raised by the Board members in relation to the Group's business and, in particular, issues raised from the reports included in the Board or Committee papers circulated prior to the relevant meeting. Unresolved issues (if any) are recorded in the minutes.

Corporate Governance and the management of the Group's resources is achieved by regular review through meetings and conference calls, management meetings, monthly management accounts, presentations and external consultant reports and briefings.

INDEPENDENCE OF BOARD DIRECTORS

The Board considers that all Non-Executive Directors bring an independent judgement. The QCA code recommends there should be at least two independent Non-Executive Directors that sit on the Board. Currently the Board has three such independent Directors, Jonathan Freeman, David Hudd and Kenneth 'Buzz' West. The Directors commit the necessary time required to fulfil their duties.

BOARD COMPOSITION

During the year under review, the Board comprised:

- Kenneth 'Buzz' West (Non-Executive Chairman)
- Gary Wilder (appointed Group Chief Executive Officer effective 17 January 2019)
- Jonathan Massing (appointed Deputy Non-Executive Chairman effective 26 March 2019)
- Darryl Kaplan (Non-Executive Director appointed 1 February 2018)
- Jonathan Freeman (Non-Executive Director appointed 18 June 2018)
- David Hudd (Non-Executive Director appointed 29 June 2018)

Post year end, a number of further Board changes were made as follows:

- Patrick Goulding (Group Finance Director appointed 8 January 2019)
- Graydon Butler (Executive Director appointed 28 February 2019)
- Marianne Ismail (Group Chief Executive Officer resigned 16 January 2019)

The full Board meets for scheduled meetings bi-monthly. In the year under review the full Board formally met seven times throughout the year.

Meetings of the full Board are held at the Group's offices in London or via conference call. In person meetings of the full subsidiary boards take place at least bi-monthly.

The number of meetings of the Board (excluding sub committees) together with individual Director attendance is as follows:

DIRECTOR	BOARD	AUDIT COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	RISK COMMITTEE
Kenneth 'Buzz' West	7/7	2/2	2/2	6/6
Gary Wilder	6/7	-	2/2	-
Jonathan Massing	5/7	-	-	-
Darryl Kaplan	5/7	-	-	-
Jonathan Freeman	3/3	2/2	-	6/6
David Hudd	3/3	-	-	-

The Board has approved a formal schedule of matters reserved for consideration and decision. These can be divided into a number of key areas, including but not limited to:

- Group strategy and transactions
- Financial reporting (including approval of interim and final financial statements)
- The Group's finance, banking and capital structure arrangements
- Regulatory matters (including the issue of shares, communication and announcements to the market)

- Approval of the Group's compliance and risk management and control (as recommended by the Audit and Risk and Compliance Committees)
- Approval of policies on remuneration (as recommended by the Nomination & Remuneration Committee);
- The constitution of the Board, including its various Committees, and succession planning (as recommended by the Nomination & Remuneration Committee)
- Approving the Group's policies in general in respect of, inter alia, Health & Safety, Corporate Responsibility and the environment; and
- Any Human Resource issues or concerns

Matters requiring Board and Committee approval are generally the subject of a written proposal by the Executive Directors to the Board, together with supporting information, as part of the Board or Committee papers circulated prior to the relevant meeting. All Directors receive appropriate information on the Group comprising a financial report and other relevant paperwork from each of the responsible executives and other members of senior management before each scheduled Board meeting. The Executive Directors or other invited members of senior management present reports on key issues including strategy, risk, compliance, finance, operations and legal matters at each meeting.

The Board recognises the importance of on-going professional development and education, particularly in respect of new laws and regulations to the business of the Group. Such training may be obtained by the Directors individually through the Group. Directors also maintain their skillsets through their day-to-day roles and may additionally obtain independent professional advice at the Group's expense. Third party Directors' and Officers' liability insurance at a level considered appropriate for the size and nature of the Group's business is maintained.

The terms and conditions of appointment of each Director are available for inspection at the Group's head office in London during normal business hours. The letters of appointment of each of the Non-Executive Directors specifies the anticipated level of time and commitment including, where relevant, additional responsibilities in respect of the Audit, Risk & Compliance and Nomination & Remuneration Committees. Details of other material commitments of the Non-Executive Directors are disclosed to the Board and a register is maintained by the Company Secretary.

SUBSIDIARY BOARDS

Each of the subsidiary companies in the Group has its own independent board which meets once a month to discuss key matters pertaining to each individual company. The Group Chief Executive Officer sits on each of these individual boards.

BOARD COMMITTEES

The Board has established various committees, each of which has written terms of reference. These are the Audit, Nomination & Remuneration, and Risk & Compliance Committees. The terms of reference for each Committee are available for viewing at the Group's London office.

AUDIT COMMITTEE

The Audit Committee is chaired by Jonathan Freeman. The Audit Committee is responsible for providing formal and transparent arrangements for considering how to apply suitable financial reporting and internal control principles having regard to good corporate governance and for monitoring the external audit function including the cost-effectiveness, independence and objectivity of the Group's auditor.

The independence and effectiveness of the external auditor is reviewed annually. The possibility of undertaking an audit tender process is considered on a regular basis.
The Audit Committee meets at least once a year with the auditors to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. The fees in respect of audit services are set out in note 10 of the Notes to the Group Financial Statements. Fees for non-audit services paid to the auditors are not deemed to be of such significance to them as to impair their independence and therefore the Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

INTERNAL CONTROL

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal controls is designed to manage, rather than eliminate, the risk of failure of the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations. The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Group, that an internal audit function was not required. The main features of the internal control system are outlined below:

- A control environment exists through the close management of the business by the Executive Directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Directors;
- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management and approval of budgets;
- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are updated to reflect changes in the business and are monitored by the Board including future cash flow projections. Actual results are monitored against annual budgets in detail with variances highlighted to the Board;
- Financial risks are identified and evaluated for consideration by the Board and senior management; and
- Standard financial control procedures are operated throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Kenneth 'Buzz' West. The Nomination Committee is responsible for considering Board appointments, reviewing Board structure, size and composition and identifying the need for Board appointments by reference to the balance of skills, knowledge and experience on the Board and the scale of the Group.

There was one Nomination Committee meeting held during the financial year ended 31 December 2018.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by David Hudd and also comprises Jonathan Freeman. The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on Executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Group Chief Executive Officer, all other Executive Directors, the Company Secretary and such other members of the executive management of the Group as it is designated to consider.

It is also responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. No Director will play a part in a decision regarding their personal remuneration.

The Board considers the composition of the Committee appropriate given the size of the Group. No Director has a service contract for longer than 12 months.

In March 2019, the Board approved combining the Nomination and Remuneration Committees into one to be chaired by David Hudd and also comprising Jonathan Freeman.

REMUNERATION

The Board retains responsibility for overall remuneration policy. Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. The Remuneration Committee recommends to the Board the remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies, the financial services industry and market changes generally. The Nomination & Remuneration Committee has responsibility for recommending any long-term incentive schemes.

The Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission would only be granted on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles would be required to be disclosed to the Committee Chairman.

There are four main elements of the remuneration package for Executive Directors and staff:

1. **Basic salaries and benefits in kind**
   Basic salaries are recommended to the Board by the Remuneration Committee, considering the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind, comprising death in service cover are available to all staff and Executive Directors. Benefits in kind are non-pensionable.

2. **Share options**
   KHL operates approved share option schemes for key personnel to motivate those individuals through equity participation. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the AIM Rules. The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Nomination & Remuneration Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate. The Code refers to the requirement for the performance related elements of remuneration to form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of shareholders. In this re-structuring and development phase of the Group the Nomination & Remuneration Committee currently considers that the best alignment of these interests is through the continued use of incentives for performance through the award of share options.

3. **Bonus scheme**
   The Group has a bonus scheme for staff and Executive Directors which is specific to each individual and the role performed by that individual within the Group.

4. **Pension contributions**
   The Group pays a defined contribution to the pension schemes of Executive Directors and other employees. The individual pension schemes are private and their assets are held separately from those of the Group.

POLICY ON NON-EXECUTIVE REMUNERATION

Non-Executive Directors each receive a fee for their services as a Director which is approved by the Board, mindful of the time commitment and responsibilities of their roles and of current market rates for comparable organisations and appointments. Non-Executive Directors are also reimbursed for travelling and other incidental expenses incurred on Group business.

The Board encourages the ownership of shares in KHL by Executive and Non-Executive Directors alike and in normal circumstances does not allow Directors to undertake dealings of a short term nature.

The Board considers ownership of KHL's shares by Non-Executive Directors as a positive alignment of interest with shareholders. The Board will periodically review the shareholdings of the Non-Executive Directors and will seek guidance from its advisors if, at any time, it is concerned that the shareholding of any Non-Executive Director may, or could appear to, conflict with their duties as an independent Non-Executive Director of KHL. Directors' emoluments, including Directors' interest in share options over the Company's share capital, are set out in the Director's Report (page 14) and the Director's Remuneration Report (page 26).

Kingswood believes in loyalty and working as a team, allowing lasting relationships of trust to build.

RISK AND COMPLIANCE COMMITTEE

The Board has appointed a Risk & Compliance Committee comprising an independent Non-Executive Director, the Executive Directors of KHL, the FCA Compliance Oversight function holder (CF10) and the FCA CASS Operational Oversight function holder (CF10a) responsible for the compliance of each operating subsidiary, along with various Directors of the subsidiary boards. The Committee's Chairman is Jonathan Freeman. The Committee generally convenes every quarter and the Board considers the composition of the Committee appropriate given the size of the Group's business. During the year under review, the Committee met formally a total of six times.

The Committee is authorised and empowered by the Board to, inter alia, provide oversight and advice to the Board in relation to current and potential risk exposure and future compliance/ risk strategy, review the Group's risk profile relative to current and future risk appetite, monitor risk and make recommendations to the Board concerning all elements of the Group's compliance with the FCA's rules and those of the London Stock Exchange, make recommendations to the Board in respect of the Group's risk appetite and any associated authorities and limits and oversee the Group's risk management framework to ensure effective risk identification and management throughout the Group.

Certain subsidiaries in the Group are regulated by the FCA Rules and as such are required to ensure that they maintain sufficient regulatory capital at all times. The Group has developed a risk management framework that dovetails into its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP is used to ensure that the Group has sufficient capital in place to immediately cover risks identified. The ICAAP is regularly reviewed and updated.

In addition, the Group utilises various other means to ensure that it is in compliance with the rules set out by the FCA and operates within the appropriate risk limits set by the Board. These include a compliance manual covering significant business and operational activities, policies covering conflicts of interest, insider dealing, market abuse, personal account dealing and client acceptance procedures as well as regular monitoring of market and credit risk. These matters are the subject of periodic review by the Risk and Compliance Committee.

RE-ELECTION

Under the Company's articles of association, all Directors are subject to election by shareholders at the AGM following appointment and all Directors are subject to retirement by rotation requiring re-election at intervals of no more than three years.

PERFORMANCE EVALUATION

The Board regularly reviews the composition of the Board to ensure it maintains the necessary depth and breadth of skills to sustain the delivery of the Group's long-term strategy. The Board is committed to ensuring it maintains the necessary distribution of skill, experience and gender balance.

Evaluations of the Board, the committees and individual Directors' are undertaken on an annual basis in the form of peer appraisal, questionnaires and discussions to determine effectiveness and performance. This will include a review of success in achieving objectives set during the year and the Board may utilise the results of the annual evaluation process to identify training and development needs and succession planning.

RELATIONSHIP WITH SHAREHOLDERS AND DIALOGUE WITH INSTITUTIONAL SHAREHOLDERS

The Non-Executive Chairman and the Group Chief Executive Officer maintain dialogue with key shareholders in relation to, inter alia, strategy and corporate governance issues.

All shareholders will receive the Annual Report and financial statements and are welcome to attend the Company's AGM. The Directors attend the meeting and are available to answer questions both formally during the meeting and informally afterwards.

The collection and analysis of the proxy votes will be handled independently by the Group's registrars. The Chairman of the meeting announces the results of the proxy votes that have been lodged after shareholders have voted on a show of hands. Details of the AGM will be set out in a notice of the meeting sent to all shareholders and clearly displayed on the Company's website. All Committee chairmen are, where possible, available at the AGM. The Non-Executive Directors are available to shareholders and may be contacted through the Group Chief Executive Officer's office.

The Group's website at **www.kingswood-group.com** is an important source of information for investors, including information required in compliance with AIM Rule 26, and is updated regularly.

CORPORATE CULTURE AND SOCIAL RESPONSIBILITY

The Board seeks to maintain the highest standards of integrity in the conduct of the Group's operations. An open culture is encouraged within the Group with regular communications and meetings with staff regarding progress where there is open dialogue and feedback regularly sought.

The Group is committed to conducting its business in a socially responsible manner and to respect the needs of employees, investors, customers, suppliers, regulators and other stakeholders. The Group is also committed to being a responsible employer and to promoting values, standards and policies designed to assist our employees in their conduct, working and business relationships.

The most significant impact on the environment resulting from the Group's activities is the emission of greenhouse gases as a result of running the Group's offices, associated travel and the recycling of waste. The Group is committed to minimising the amount of travel that its employees undertake and to recycling as much of the Group's waste as possible. The Group will continue to look at ways to act in a socially responsible manner.

DIRECTORS' REMUNERATION REPORT

	BASE SALARY £	PENSION & BENEFITS £	2018 TOTAL £	2017 TOTAL £
EXECUTIVE				
Marianne Ismail (resigned 16/1/19)	240,000	30,246	270,246	107,332
Gary Wilder	25,000	-	25,000	5,069
John Morton (resigned 18/9/17)	-	-	-	421,939
Simon Ray (resigned 31/12/17)	-	-	-	401,756
NON-EXECUTIVE				
Kenneth 'Buzz' West	70,927	-	70,927	69,500
Jonathan Massing	25,000	-	25,000	5,069
Darryl Kaplan (appointed 19/2/18)	25,000	-	25,000	-
Jonathan Freeman (appointed 18/6/18)	22,385	-	22,385	-
David Hudd (appointed 29/6/18)	21,600	-	21,600	-
Kishore Gopaul (resigned 26/6/17)	-	-	-	8,800
Aggregate emoluments	429,912	30,246	460,158	1,019,465

Signed on behalf of the Board:

Kenneth 'Buzz' West
Chairman

12 April 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 of the Statement of Comprehensive Income of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence 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 Group's website **www.kingswood-group.com.** Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The Financial Statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

Signed on behalf of the Board:

Kenneth 'Buzz' West
Chairman

12 April 2019

Facts are important, permitting calculated decisions to be made, and being tenacious to get it right every time.

INDEPENDENT AUDITOR'S REPORT

To the members of Kingswood Holdings Limited

OPINION

We have audited the financial statements of Kingswood Holdings Limited (the 'Parent') and its subsidiaries (the 'Group') for the year ended 31 December 2018 which comprise the Consolidated statement of comprehensive income, Consolidated statement of changes in equity, Consolidated statement of financial position, 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 financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law 2008.

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 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 ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW WE ADDRESSED THE KEY AUDIT MATTER IN THE AUDIT
On acquisition of a subsidiary, goodwill arising is allocated to each of the Group's cash generating units (CGUs) and recognised as an asset in the consolidated statement of financial position. The Group has determined that it has two CGUs, being investment management and wealth planning. The allocation of the goodwill to the different CGUs requires management judgement. At the end of each financial period, the Group assesses whether there is any indication of impairment of the goodwill by comparing the carrying amount, and the recoverable amount, for each CGU. This assessment will impact the overall valuation of goodwill. There is also a risk that goodwill arising from the acquisition in the year has not been allocated to the correct CGU. The recoverable amount of the CGUs is determined using industry valuation techniques. This requires management to make key assumptions and judgements about the expected return based on assets under management or revenue multiples. Because of the assumptions and judgements that are required by management over this area, valuation of goodwill has been identified as a key audit matter.	**We performed the following procedures:** • We reviewed the assessment of the CGUs to determine the appropriateness, as a whole, to the Group's business operations. • For the newly purchased subsidiary Marchant McKechnie, we checked the calculation of goodwill and that it was allocated to the correct CGU. This was done by applying our understanding of the subsidiary's business and assessing the cash inflows generated by that subsidiary. We checked that the cash inflows generated aligned with the identifiable group of assets of that particular CGU. • For the recoverable amount of the CGUs, we checked that the inputs used in the calculation were based on current industry conditions, such as comparing to multiples achieved by other similar acquisitions. In addition, for acquisitions that happened in the past, we challenged management on whether there was any indication of impairment by reviewing the client's business books acquired to identify if there had been any drop in assets under management or client numbers. If such conditions existed, we obtained evidence and explanations from management as to why no impairment was recognised. • We then considered the Group's impairment review, which compared the carrying amount of goodwill with the recoverable amount of the CGUs. We obtained a written report of management's assessment, checked the inputs to supporting documentation and reperformed the calculations.

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality in planning and performing our audit, and in evaluating the effect of misstatements and omissions on our audit and on the financial statements. For the purposes of determining whether the financial statements are free from material misstatement we define materiality as the level of misstatement, including omissions that could influence the economic decisions of a reasonably knowledgeable user of the financial statements.

We determined materiality for the Group financial statements as a whole to be £754,000 (2017: £626,000) which was determined by reference to a benchmark of approximately 3% (2017: 3%) of the consolidated net assets of the Group. Net assets have been considered the most appropriate measure as we consider that this will be of particular interest to the users of the financial statements.

Performance materiality for the Group financial statements as a whole was set at £527,800 (2017: £438,200), which was based on 70% (2017: 70%) of financial statement materiality. This lower level of materiality is applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions. In setting performance materiality, we had regard to the financial statement materiality and the risk and control environment. Where it is assessed that the audit risk is high in relation to a specific area or balances, a lower level of performance materiality has been set ranging between £176,000 and £527,800.

Whilst materiality for the Group financial statements as whole was £754,000, each significant component of the Group was audited to a lower level of materiality. This gave component materialities in the range of £20,205 to £754,000.

We agreed with the Audit Committee that we would report all individual audit differences identified during the course of our audit in excess of £37,700 (2017: £38,000).

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We tailored the scope of our audit to ensure that we performed sufficient audit procedures to be able to give an opinion on financial statements as a whole, taking into consideration the structure of the Group, the accounting policies and controls and the wider industry in which the Group operates.

The Group is structured into two divisions, being Investment Management and Wealth Planning, with each division being made up of a number of components.

The Group consists of 8 components, of which we identified 5 as significant components, 1 as a non-significant component based on each individual component's contribution to the Group's overall result and net assets and 2 nominee companies that were dormant throughout the year. The 1 non-significant component related to the Group's newly purchased subsidiary which represented less than 5% of the Group's result and less than 2% of the Group's net assets.

The 5 significant components identified, which represent some 96% of the Group's result and 98% of the Group's net assets, have all been subjected to full statutory audits under the International Standards of Auditing (UK). These audits have all been conducted by BDO LLP, with no use of any component auditors. The non-significant component was subject to analytical review procedures together with substantive testing on Group audit risk areas applicable to that component, carried out by the Group audit team.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies (Guernsey) Law, 2008 and FCA regulations and requirements.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We focused on laws and regulations that could give rise to a material misstatement in the company financial statements. Our tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of board meetings throughout the period; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

OTHER INFORMATION

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION BY THE COMPANIES (GUERNSEY) LAW 2008

In the light of the knowledge and understanding of the Group and its 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 (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- the Parent Company financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on page 27, 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 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 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: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Moore Stephens LLP were appointed as auditors by the Directors on 12 January 2017, and following the recommendation of the Directors, we were re-appointed by the members on 28 June 2017 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the Directors have appointed BDO LLP as auditor in their place. The period of total uninterrupted engagement is 3 years, covering the years ending 31 December 2016, 31 December 2017 and 31 December 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

USE OF OUR REPORT

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law 2008. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lorraine Bay

Lorraine Bay (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

12 April 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 £'000	2017 RESTATED* £'000
Revenue	8	8,787	9,267
Cost of sales		(833)	(1,076)
Gross profit		7,954	8,191
Administrative expenses		(11,005)	(9,222)
Amortisation and depreciation		(598)	(669)
Other (losses) / gains	12	(106)	(3,380)
Internal restructuring	13	-	(283)
Operating loss		(3,755)	(5,363)
Finance costs	14	(18)	(701)
Loss before tax		(3,773)	(6,064)
Tax	15	-	-
Loss after tax from continuing operations		(3,773)	(6,064)
(Loss) / profit from discontinued operations	16	(945)	116
Loss after tax for the year		(4,718)	(5,948)
Other comprehensive income			
Items that may be reclassified subsequently to profit & loss:			
Exchange difference on translation of foreign operations		-	(22)
Total comprehensive loss for the year		(4,718)	(5,970)

LOSS PER SHARE	CONTINUING OPERATIONS 2018	TOTAL LOSS 2018	CONTINUING OPERATIONS 2017	TOTAL LOSS 2017
Basic	£(0.03)	£(0.04)	£(0.06)	£(0.06)
Diluted	£(0.03)	£(0.04)	£(0.06)	£(0.06)

The operating loss and total comprehensive loss for the year are attributable to the equity holders.

* Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 16 for further details of the results of the discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	NOTE	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Non-current assets			
Property, plant and equipment	19	148	68
Intangible assets and goodwill	21	25,536	23,019
Investments	22	-	-
Deferred tax asset	23	428	428
		26,112	23,515
Current assets			
Trade and other receivables	24	1,156	1,114
Cash and cash equivalents	26	2,410	9,799
		3,566	10,913
Total assets		29,678	34,428
Current liabilities			
Trade and other payables	27	3,331	3,165
Short term borrowings	28	-	10,367
		3,331	13,532
Non-current liabilities			
Other non-current liabilities	29	1,204	32
Total liabilities		4,535	13,564
Net assets		25,143	20,864
Equity			
Share capital	30	7,743	5,016
Share premium	30	6,274	-
Other equity		106	106
Other reserves		(738)	(734)
Retained earnings		11,758	16,476
Total equity		25,143	20,864

The financial statements of Kingswood Holdings Limited (registered number 42316) were approved and authorised for issue by the Board of Directors, and signed on its behalf by:

Kenneth 'Buzz' West
Chairman

12 April 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	SHARE CAPITAL & PREMIUM £'000	DEFERRED SHARE CAPITAL £'000	OTHER RESERVES £'000	RETAINED EARNINGS £'000	TOTAL £'000
Balance at 1 January 2017	**14,866**	**356**	**277**	**2,346**	**17,845**
Loss for the year	-	-	-	(5,948)	(5,948)
Issue of share capital	9,205	-	-	-	9,205
Share based settlement of deferred consideration	917	(250)	-	-	667
Transfer to retained earnings	(19,972)	-	(106)	20,078	-
Reversal of convertible loan note	-	-	(203)	-	(203)
Share based payments	-	-	10	-	10
Placing costs	-	-	(690)	-	(690)
Retranslation of overseas operations	-	-	(22)	-	(22)
Balance at 31 December 2017	**5,016**	**106**	**(734)**	**16,476**	**20,864**
Loss for the year	-	-	-	(4,718)	(4,718)
Issue of share capital	9,001	-	-	-	9,001
Share based payments	-	-	4	-	4
Retranslation of overseas operations	-	-	(8)	-	(8)
Balance at 31 December 2018	**14,017**	**106**	**(738)**	**11,758**	**25,143**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTE	2018 £'000	2017 £'000
Net cash used in operating activities	31	(3,867)	(3,027)
Investing activities			
Property, plant & equipment purchased		(138)	(26)
Acquisition of investments		(1,600)	(48)
Proceeds from sale of investments		234	-
Deferred consideration		(527)	(1,204)
Cash acquired on acquisitions		106	-
Net cash used in investing activities		(1,925)	(1,278)
Financing activities			
Net proceeds on issue of shares		1,939	9,213
Interest received		555	-
Interest paid		-	(705)
Loans repaid		(5,391)	(11,236)
New loans received		1,300	16,451
Net cash from financing activities		(1,597)	13,723
Net increase / (decrease) in cash and cash equivalents		(7,389)	9,418
Cash and cash equivalents at beginning of year		9,799	375
Effects of movement in exchange rates on cash held by foreign operations		-	6
Cash and cash equivalents at end of year	26	2,410	9,799

Refer to note 16 in respect of the cash flows from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

Kingswood Holdings Limited is a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The shares of the Company are traded on AIM. The nature of the Group's operations and its principal activities are set out in the Strategic Report. Certain subsidiaries in the Group are subject to the FCA's regulatory capital requirements and therefore required to monitor their compliance with credit, market and operational risk requirements, in addition to performing their own assessment of capital requirements as part of the Individual Capital Adequacy Assessment Process ("ICAAP").

Following the result of the AGM held on 4 September 2018, the Company changed its name from European Wealth Group Limited to Kingswood Holdings Limited.

2. BASIS OF ACCOUNTING

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and in line with Guernsey Company Law.

The financial statements have been prepared on the historical cost basis; except for the revaluation of financial instruments (please refer to significant accounting policies note 5 for details). Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

During the year, the Group disposed of its two overseas subsidiaries European Wealth (Switzerland) SA and EW Gibraltar Limited ("discontinued operations"). As a result, prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 16 for details of discontinued operations.

3. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year.

On 1 October 2018, KHL purchased the entire ordinary share capital of Marchant McKechnie Independent Financial Advisers Limited.

The Group now consists of the following subsidiaries: KW Wealth Group Limited (formerly European Wealth Management Group Limited), KW Investment Management Limited (formerly European Investment Management Limited), KW Wealth Planning Limited (formerly European Financial Planning Limited), KW Trading Services Limited (formerly European Wealth Trading Limited), EIM Nominees Limited, XCAP Nominees Limited and Marchant McKechnie Independent Financial Advisers Limited.

All acquisitions are consolidated from the date of acquisition.

For the purpose of the consolidated financial statements, the results and financial position of each subsidiary are expressed in pounds sterling, which is the functional and presentation currency for the consolidated financial statements.

Marchant McKechnie has been consolidated into the consolidated statement of comprehensive income as of 1 October 2018.

KW Wealth Group Limited, KW Investment Management Limited, KW Wealth Planning Limited, and KW Trading Services Limited have been consolidated in to the consolidated statement of comprehensive income since 7 May 2014.

3. BASIS OF CONSOLIDATION continued

EIM Nominees Limited has net assets of £21 and therefore that company's information is not shown separately. Under The Companies (Guernsey) Law, 2008, EIM Nominees Limited is exempt from the requirement to present its own Statement of Comprehensive Income.

XCAP Nominees Limited is a non-trading entity and is exempt from the requirement to present its own Statement of Comprehensive Income.

4. ADOPTION OF NEW AND REVISED STANDARDS

New accounting standards, amendments and interpretations adopted in the period

In the year ended 31 December 2018, the Group adopted the following new standards or amendments issued by the IASB or interpretations issued by the IFRS Interpretations Committee (IFRS IC):

IFRS 15	Revenue from Contracts with Customers
IFRS 9	Financial Instruments

Details of the impact these two standards have had are given in note 7.

New accounting standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 16	Leases
IFRIC 23	Uncertainties over Income Tax Treatments
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 14	Regulatory Deferral Accounts
IFRS 3 (Amendments)	Definition of a Business
IAS 1 and IAS 8 (Amendments)	Definition of Material
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases for lessees. Any leases with more than 12 months' term are to be recognised as a lease asset on the Statement of Financial Position and the related future lease obligations as a liability. IFRS 16 is only mandatorily effective for annual periods beginning on or after 1 January 2019. The Group did not apply early adoption, and its effects are yet to be determined.

At 31 December 2018 operating lease commitments amounted to £943k (see note 32). However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognised being higher than this. Instead of recognising an operating expense for its operating lease payments, the Group will instead recognise interest on its lease liabilities and amortisation on its right-of-use assets.

The above standards have not had a significant impact on the Group in the current year, other than on disclosures.

5. SIGNIFICANT ACCOUNTING POLICIES

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 14.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Management fees	Investment management fees are based on funds under management and are recognised over the period in which the related service is completed.
Commission income	Commissions are recognised when the service is completed.
Fee income	Fees for consultancy services are recognised as the service is performed.
Other income	Other income is recognised as the services are provided.
Interest income	Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The impact of adopting IFRS 15 is disclosed in note 7.

Operating lease payments

The rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Borrowing costs

All borrowing costs are charged to profit and loss in the period in which they are incurred.

Retirement benefit costs

The Group contributes to defined contribution pension schemes, held in separately administered funds. Contributions to the schemes are charged as per employee contracts to the profit or loss as they fall due.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as 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. Tax is recognised in the Statement of Comprehensive Income, except where a charge attributable to an item of income and expense is recognised as other comprehensive income, or where an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable 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, and is accounted for using the Statement of Financial Position liability method. 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 the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

5. **SIGNIFICANT ACCOUNTING POLICIES continued**

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position 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. Detailed financial forecasts are in place to support the carrying value of the deferred asset.

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 profit or loss, 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 set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line basis, on the following bases:

Office equipment, fixtures and fittings:	over 60 months on a straight-line basis
IT equipment and software:	over 36 months on a straight-line basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Business combinations

All business combinations are accounted for by applying the acquisition method. The acquisition method involves recognition, at fair value, of all identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The cost of business combinations is measured based on the fair value of the equity or debt instruments issued and cash or other consideration paid, plus any directly attributable costs.

Goodwill arising on a business combination represents the excess of cost over the fair value of the Group's share of the identifiable net assets acquired and is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Any impairment is recognised immediately through the profit and loss. Negative goodwill arising on an acquisition is recognised immediately through the profit and loss. On disposal of a subsidiary, attributable goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Impairment

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units. The carrying amount of each CGU is compared to its recoverable amount, which is determined using an industry revenue multiple and percentage of assets under management.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets

Client relationships

Client relationships acquired in a business combination are recognised at fair value at the acquisition date. Relationships acquired outside of a business combination are initially recognised at cost. In assessing the fair value of these relationships, the Group has estimated their finite life based on information about the typical length of existing client relationships. Amortisation is calculated using the straight-line basis over their useful lives, ranging from 10 to 20 years.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

This is the first year the Group adopted IFRS 9 – Financial Instruments. The impact of adopting this new standard is disclosed in note 7.

Classification and initial measurement of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Group did not have any financial assets categorised as FVTPL or FVOCI.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The entire Group's financial assets fall into this category.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Group's financial liabilities were not impacted by the adoption of IFRS 9. Under IFRS 9, the Group has classified all financial liabilities at amortised cost.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss ("ECL") model'. This replaces IAS 39's 'incurred loss model' meaning there no longer needs to be a triggering event in order to recognise impairment losses. A credit loss provision must be made for the amount of any loss expected to arise, whereas under IAS 39, credit losses are recognised when they are incurred.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, IFRS 9 makes a distinction between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- financial assets that have objective evidence of impairment at the reporting date ('Stage 3').

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Under the ECL model, a dual measurement approach applies whereby a financial asset will attract an ECL allowance equal to either:

12 month expected credit losses (losses resulting from possible defaults within the next 12 months);

or

lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest rates

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, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Reclassification of equity

Under Guernsey Company law, KHL reserves the right to set movement from share premium into another reserve.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Client money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the Statement of Financial Position, as the Group is not beneficially entitled thereto. The amounts held on behalf of clients at the Statement of Financial Position date are stated in note 26.

Deferred consideration

Deferred consideration, which is included within liabilities or equity depending on the form it takes, relates to the Directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. Deferred consideration is recognised in equity when the amount payable is for a fixed amount of shares at a fixed price.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Statement of Financial Position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with original maturities of three months or less. Cash and cash equivalents are stated net of bank overdrafts, if any.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Share based payments

The calculation of the fair value of share based payments requires assumptions to be made regarding market conditions and future events. These assumptions are based on historic knowledge and industry standards. Changes to the assumptions used would materially impact the charge to the Statement of Comprehensive Income. Details of the assumptions are set out in note 33.

Goodwill and intangible assets

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Goodwill is reviewed annually for impairment by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis.

Recoverability of deferred tax assets

The amount of deferred tax assets recognised requires assumptions to be made to the financial forecasts that probable sufficient taxable profits will be available to allow all or part of the asset to be recovered. More information is disclosed in note 23 to the financial statements.

Estimates and assumptions

The Group makes estimates as to the expected duration of client relationships to determine the period over which related intangible assets are amortised. The amortisation period is estimated with reference to historical data on account closure rates and expectations for the future. During the year, client relationships were amortised over a 10-20 year period.

7. EFFECT OF CHANGES IN ACCOUNTING POLICIES

This is the first time the Group has applied IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers' to its financial statements. These new standards were adopted from 1 January 2018.

The effect of applying IFRS 9 and IFRS 15 is discussed below.

(a) IFRS 9 – Financial instruments

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

7. EFFECT OF CHANGES IN ACCOUNTING POLICIES continued

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. IFRS 9 does not require the Group to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Any differences in the carrying amounts of financial instruments as a result of adopting IFRS 9 are recognised in retained earnings as at 1 January 2018. Consequently, the comparative information presented for the year ended 31 December 2017 reflects the requirements of IAS 39 rather than IFRS 9.

Classification and measurement of financial assets and financial liabilities
The Group adopted IFRS 9 with a transition date of 1 January 2018. On the date of the initial application, 1 January 2018, there were no reclassifications of measurement categories with all financial assets and financial liabilities continued to be measured at amortised cost.

The Directors reviewed and assessed the group's existing financial instruments and as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 had no material impact on the Group's financial instruments with regards to their classification and measurement.

The original measurement categories under IAS 39 are compared with the new measurement categories under IFRS 9 in the table below for each class of financial asset held by the Group as at 1 January 2018:

CLASS OF FINANCIAL ASSET	ORIGINAL CLASSIFICATION UNDER IAS 39	NEW CLASSIFICATION UNDER IFRS 9
Trade and other receivables	Loans and receivables	Amortised cost
Cash and bank balances	Loans and receivables	Amortised cost

There is no change in the basis of classification for financial liabilities under IFRS 9 and these remain unchanged from under IAS 39. All financial liabilities are classified and measured as amortised cost with no material impact on adoption of IFRS 9.

Overall, the Group has considered IFRS 9 impairment requirements using the incurred losses model in relation to its financial assets and concluded there is no material impact to the Group's financial statements.

(b) IFRS 15 – Revenue from contracts with customers

TRANSITION

The Group adopted IFRS 15 Revenue from Contracts with Customers using the cumulative effect method. Accordingly, the information presented for 2017 has not been restated – i.e. it is presented as previously reported under IAS 18 Revenue. Under the cumulative effect method, transitional adjustments are recognised in opening retaining earnings on 1 January 2018. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

An assessment was performed to quantify the impact of IFRS 15 on the Group's financial statements. The five-step model prescribed by IFRS 15 was applied, considering the types of contracts the group has with its clients, the types of services provided and when the performance obligations arising from these contracts are satisfied.

IMPACT ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Net fee and commission income
Included within net fee and commission income are initial fees, charged by a number of Group companies in relation to certain business activities. Under IFRS 15, the Group has made an assessment as to whether the work performed to earn such fees constitutes the transfer of services and, therefore, fulfils any performance obligation(s). If so, then these fees can be recognised when the relevant performance obligation has been satisfied; if not, then the fees can only be recognised in the period in which the services are provided.

7. EFFECT OF CHANGES IN ACCOUNTING POLICIES continued

Capitalisation of incremental costs of obtaining customer contracts

IFRS 15 prescribes that the incremental costs of obtaining a contract with a customer shall be recognised as an asset if the entity expects to recover those costs. The incremental costs of obtaining a contract are those costs that an entity incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The adoption of IFRS 15 has not had a material impact on the Group's accounting policies for revenue recognition and consequently there has been no adjustment to opening reserves.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

Information reported to the Group's Non-Executive Chairman for the purposes of resource allocation and assessment of segment performance is focussed on the category of customer for each type of activity.

The Group's reportable segments under IFRS 8 are as follows:

- Investment management; and
- Wealth planning

Information regarding the Group's operating segments is reported below.

The following is an analysis of the Group's revenue and results by reportable segment for the year to 31 December 2018. The table below details full year's worth of revenue and results for the principal business and geographical divisions, which has then reconciled to the results included in the Statement of Comprehensive Income:

	INVESTMENT MANAGEMENT 2018 £'000	WEALTH PLANNING 2018 £'000	GROUP 2018 £'000	TOTAL 2018 £'000
CONTINUING OPERATIONS				
Revenue				
External sales	**5,762**	**3,025**	-	**8,787**
Core adjusted profit/(loss)	**509**	**455**	**(4,015)**	**(3,051)**
Other losses	-	-	(106)	(106)
Finance costs	(3)	(2)	(13)	(18)
Amortisation and depreciation	-	(73)	(525)	(598)
Profit / (loss) before tax from continuing operations	**506**	**380**	**(4,659)**	**(3,773)**
Tax	-	-	-	-
Profit / (loss) after tax from continuing operations	**506**	**380**	**(4,659)**	**(3,773)**
DISCONTINUED OPERATIONS				
Loss from discontinued operations	(945)	-	-	(945)
Profit / (loss) after tax	**(439)**	**380**	**(4,659)**	**(4,718)**

All revenue from continuing operations are generated in the United Kingdom.

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	INVESTMENT MANAGEMENT 2017 £'000	WEALTH PLANNING 2017 £'000	GROUP 2017 £'000	TOTAL 2017 £'000
CONTINUING OPERATIONS				
Revenue				
External sales	**5,839**	**3,428**	-	**9,267**
Core adjusted profit/(loss)	**698**	**403**	**(2,132)**	**(1,031)**
Other losses	(1,875)	-	(1,505)	(3,380)
Exceptional items	1	-	(284)	(283)
Finance costs	-	-	(701)	(701)
Amortisation and depreciation	-	(32)	(637)	(669)
(Loss) / profit before tax from continuing operations	**(1,176)**	**371**	**(5,259)**	**(6,064)**
Tax	-	-	-	-
(Loss) / profit after tax from continuing operations	**(1,176)**	**371**	**(5,259)**	**(6,064)**
DISCONTINUED OPERATIONS				
Profit from discontinued operations	116	-	-	116
(Loss) / Profit after tax	**(1,060)**	**371**	**(5,259)**	**(5,948)**

All revenue from continuing operations are generated in the United Kingdom.

9. LOSS FOR THE YEAR

The loss for year ended 31 December 2018 has been derived after charging:

	2018 £'000	2017 £'000
Depreciation of property, plant and equipment	58	117
Amortisation of intangible assets	540	553
Operating lease	171	127
Staff costs	6,219	6,273

See Directors' remuneration report for details of Directors' remuneration during the year (page 26).

10. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2018 £'000	2017 £'000
Fees payable to the Group's auditor		
Audit of Company	39	83
Audit of Subsidiaries	44	44
Total audit fees	83	127
CASS audit	32	28
Total non-audit fees	32	28

11. STAFF COSTS

The average monthly number of employees (including Executive Directors, but excluding self employed advisers) is as follows:

	2018	2017
Management	7	7
Fee earning	23	39
Administration	56	45
Self employed	5	6
Average number of employees	91	97

Their aggregate remuneration comprised:

	2018 £'000	2017 £'000
Wages and salaries	5,298	5,319
Social security costs	538	**586**
Pension costs	278	285
Other benefits	101	73
Share based payments	4	10
Total staff costs	6,219	6,273

12. OTHER (GAINS) AND LOSSES

	2018 £'000	2017 £'000
Impairment of intangibles	-	2,330
Refinancing costs	316	204
Movements in deferred consideration	(210)	492
Restructuring costs	-	354
	106	3,380

The impairment of intangibles for the year ended 31 December 2017 relates to the write-off of the goodwill on acquisition of P&C and CIMCO.

13. INTERNAL RESTRUCTURING COSTS

During the year, the Group incurred £nil of internal restructuring costs (2017: £283k), which were part of a formal restructuring plan approved by the Board.

14. FINANCE COSTS

	2018 £'000	2017 RESTATED* £'000
Bank and other finance charges	18	701

*Restated to exclude finance costs from discontinued operations.

15. TAX

	2018 £'000	2017 £'000
Corporation tax		
Current year on discontinued operations	-	9
	-	9
Movement in Deferred tax (note 23)	-	-
	-	9

UK corporation tax is calculated at 19.00% (2017: 19.25%) of the estimated assessable profits for the year.

	2018 £'000	2017 RESTATED* £'000
Loss before tax on continuing operations	(3,773)	(6,064)
(Loss) / profit before tax on discontinued operations	(945)	**125**
Loss before taxation	(4,718)	**(5,939)**
Tax at the UK corporation tax rate of 19.00% (2017: 19.25%)	(896)	**(1,143)**
Expenses not deductible for tax purposes	109	**227**
Adjustments for Statement of Financial Position items	27	**11**
Unrelieved tax losses carried forward	760	**905**
Tax charge on profits ineligible for Group relief	-	**9**
Total tax charge for the year	-	9

*Restated to reflect loss before tax from continuing and discontinued operations.

16. DISCONTINUED OPERATIONS

The Group disposed of European Wealth (Switzerland) SA on 11 July 2018 and EW Gibraltar Limited on 30 June 2018. The loss from discontinued operations is disclosed separately in the Consolidated Statement of Comprehensive Income, being the results of the two companies disposed of to the date of disposal and the loss on disposal.

	2018 £'000	2017 £'000
Profit of discontinued operations	-	116
Loss on disposal of discontinued operations	(945)	-
(Loss) / profit from discontinued operations	(945)	116

Profit / (loss) of discontinued operations

The results of discontinued operations for the period prior to the disposal date are shown below:

	2018 £'000	2017 £'000
Revenue	308	762
Cost of sales	(102)	(235)
Gross profit	206	527
Administrative expenses	(202)	(398)
Amortisation and depreciation	(3)	(1)
Operating profit	1	128
Finance costs	(1)	(3)
Profit before tax	-	125
Tax	-	(9)
Profit for the year	-	116

Loss on disposal of discontinued operations

A loss of £938k arose on the disposal of European Wealth (Switzerland) SA and a loss of £7k arose on the disposal of EW Gibraltar Limited. Gains / (losses) on disposals are the differences between total consideration received and receivable less the carrying value of net assets of the disposal group.

	£'000	£'000
Consideration received or receivable		
Initial consideration received	234	
Deferred consideration receivable	149	
Total disposal consideration		383
Net assets on disposal		
Carrying value of net assets	(170)	
Carrying value of intangibles	(997)	(1,167)
Total net assets on disposal		(784)
Selling costs and foreign exchange differences		(161)
Loss on disposal of discontinued operations		(945)

Earnings per share from discontinued operations

The basic and diluted loss per share from discontinued operations for 2018 were £(0.007) (2017: profit per share £0.002).

16. DISCONTINUED OPERATIONS continued

Earnings per share from discontinued operations

The basic and diluted loss per share from discontinued operations for 2018 were £(0.007) (2017: profit per share £0.002).

Cash flows from discontinued operations

The net operating cash generated attributable to discontinued operations for 2018 was £61k (2017: net cash used £144k). There were no cash flows from investing and financing activities.

17. DIVIDENDS

The Directors are not proposing to pay a dividend in respect of the year ended 31 December 2018 (year ended 31 December 2017: £nil).

18. EARNINGS PER SHARE

	2018 £'000	2017 RESTATED* £'000
Loss from continuing operations for the purposes of basic loss per share, being net loss attributable to owners of the Group	(3,773)	(6,064)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	131,361,701	100,317,338
Effect of dilutive potential ordinary shares:		
Share options	-	-
Convertible loan notes in issue	-	-
Weighted average number of ordinary shares for the purposes of diluted loss per share	131,361,701	100,317,338

The basic loss per share is £(0.03) (2017: loss per share £(0.06)). The diluted loss per share is £(0.03) (2017: loss per share £(0.06)).

*The basic and diluted loss per share for 2017 has been restated to reflect the loss for the year from continuing operations only.

19. PROPERTY, PLANT & EQUIPMENT

	GROUP FIXTURES AND EQUIPMENT £'000
Cost	
At 1 January 2018	293
Additions	138
At 31 December 2018	**431**
Accumulated depreciation	
At 1 January 2018	225
Charge for the year	58
At 31 December 2018	**283**
Net book value	
At 31 December 2017	68
At 31 December 2018	**148**

20. BUSINESS COMBINATIONS

Acquisition of Marchant McKechnie Independent Financial Advisers Limited

During the period under review, the Group completed one acquisition. On 1 October 2018, Kingswood Holdings Limited purchased 100% of the ordinary share capital of Marchant McKechnie Independent Financial Advisers Limited for a purchase price of £4m - a company offering a wide range of services to its clients including personal and company pensions, investments, and tax planning. The purchase price is payable on a deferred basis, with £1.6m paid on completion and £2.4m payable over a two year period subject to the business meeting certain performance criteria.

The acquisition is part of the Group's strategy to become a leader in the UK wealth management market and represents the Group's first acquisition since the rebrand from European Wealth in September 2018.

	£'000
Property, plant and equipment	2
Goodwill	308
Receivables	204
Cash	236
Payables	(224)
Taxation	(243)
Total identifiable net assets*	283
Goodwill	3,717
Total expected consideration	4,000
Satisfied by:	
Initial cash consideration	1,600
Deferred cash consideration	2,400

*On acquisition, the book value of the net assets acquired was equal to their fair value.

The goodwill arising on the acquisition of Marchant McKechnie is not deductible for tax purposes. Acquisition costs in relation to this acquisition amounted to £221k. These costs were recognised in profit and loss for the year.

The amount of revenue and profit after tax contributed by Marchant McKechnie from the acquisition date of 1 October 2018 to 31 December 2018 included in these consolidated financial statements was £339k and £179k respectively.

Assuming Marchant McKechnie was consolidated from 1 January 2018, the amount of revenue and profit after tax that would have been contributed would be approximately £1.4m and £700k respectively.

21. INTANGIBLE ASSETS AND GOODWILL

	GOODWILL £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
Cost			
As at 1 January 2017	16,457	10,546	27,003
Additions	-	84	84
Disposals / impairment	-	(126)	(126)
As at 31 December 2017	16,457	10,504	26,961
Additions	308	3,717	4,025
Disposals	-	(1,566)	(1,566)
As at 31 December 2018	**16,765**	**12,655**	**29,420**
Accumulated amortisation			
As at 1 January 2017	-	1,059	1,059
Impairment	1,971	359	2,330
Charge for year	-	553	553
As at 31 December 2017	1,971	1,971	3,942
Disposals	-	(598)	(598)
Charge for year	46	494	540
As at 31 December 2018	**2,017**	**1,867**	**3,884**
Net book value			
As at 31 December 2017	14,486	8,533	23,019
As at 31 December 2018	**14,748**	**10,788**	**25,536**

Group Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination. The Group has identified two CGUs: investment management and wealth planning.

	INVESTMENT MANAGEMENT £'000	WEALTH PLANNING £'000	TOTAL £'000
Goodwill	8,965	5,783	14,748

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of asset. The smallest identifiable group of assets in Kingswood Holdings Limited are its two divisions, investment management and wealth planning. All key management information is prepared and reviewed across these two divisions, and proposed acquisitions are analysed in either of those divisions. The different groups of assets within those two divisions do not generate independent cash flows enabling them to be classed as separate CGUs. This is the sixth year in which the CGUs have been analysed in this format.

KHL acquired KW Wealth Group Limited ("KWWG" formerly European Wealth Management Group Limited) in 2014. KWWG has been split between the two CGUs depending on which CGU the relevant assets are allocated to.

21. INTANGIBLE ASSETS AND GOODWILL continued

The Group tests each CGU at least annually for goodwill impairment. The recoverable amount of a CGU is determined as the higher of fair value less costs to sell and the value in use. For the investment management and wealth planning CGUs, fair value less costs to sell is greater than the carrying value. No further assessment of value in use has been performed.

The additions to the Group's goodwill outlined in the table shown in Note 20 represents the acquired goodwill arising on the acquisition of Marchant McKechnie.

Valuations are based on assets under management multiple (the investment management CGU) and recurring revenue multiple (wealth planning CGU) and a review of industry standard valuation metrics in order to analyse the individual CGUs.

Intangible assets

Intangible assets are valued based on underlying Assets under Management (i.e. the client lists). The assets are assessed for their useful life on an asset by asset basis in order to determine amortisation rates. There are currently £9.6m of intangible assets being amortised over 20 years (17 years remaining), £1.0m over 15 years (12 years remaining) and £0.2m over 10 years (7 years remaining).

The addition in 2018 to the Group's intangible assets, represents the value of Marchant McKechnie's recurring revenue of their client book acquired.

The addition in 2017 to the Group's intangible assets represents the value of the funds under management and client base acquired as part of the acquisitions of Towry and Montpelier and their subsequent impairment/disposal.

22. INVESTMENTS

	£'000
Cost	
At 1 January 2017	13
Acquisitions	-
Impairment	(13)
Disposals	-
As at 31 December 2017	-
Acquisitions	-
Impairment	-
Disposals	-
As at 31 December 2018	-

23. DEFERRED TAX ASSET

The following are the major deferred tax asset and liabilities recognised by the group and movements thereon during the current and prior year.

	£'000
At 1 January 2018	428
Addition / (reduction)	-
As at 31 December 2018	428

Deferred tax assets and liabilities may only be offset where the Group has a legally enforceable right to do so.

23. DEFERRED TAX ASSET continued

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Deferred tax assets	**428**	428

At the Statement of Financial Position date, the Group has unused tax losses of £10.4m (2017: £4.6m) available for offset against future profits. A deferred tax asset of £428,000 (2017: £428,000) has been recognised as the Group expects to be able to restructure to utilise these losses. No deferred tax asset has been recognised in respect of the remaining tax losses as there is some uncertainty as to the timing of future expected profit.

24. TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Prepayments	187	213
Other debtors	369	343
Trade receivables	600	558
	1,156	1,114

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. All trade and other receivables represent current receivables which are due within 12 months.

25. SUBSIDIARIES

Kingswood Holdings Limited, a parent company incorporated in Guernsey, has the following subsidiaries as at 31 December 2018:

KW Wealth Group Limited ("KWWG") – formerly European Wealth Management Group Limited ("EWMG") (UK Company)	100% owned subsidiary	Holding Company
KW Investment Management Limited ("KWIM") – formerly European Investment Management Limited ("EIM") (UK Company)	100% owned by KWWG	Investment management
KW Wealth Planning Limited ("KWWP") – formerly European Financial Planning Limited (UK Company)	100% owned by KWWG	Wealth planning
KW Trading Services Limited ("KWTS") – formerly European Wealth Trading Limited (UK Company)	100% owned by KWWG	Investment management
EIM Nominees Limited (UK Company)	100% owned by KWIM – non trading company	Nominee Company
XCAP Nominees Limited (UK Company)	100% owned by KWIM – non trading company	Nominee Company
Marchant McKechnie Independent Financial Advisers Limited (UK Company) (acquired 1 October 2018)	100% owned subsidiary	Wealth planning

26. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Cash at bank and in hand	2,410	9,799

Client money
Client money held in segregated accounts but not included in the Statement of Financial Position was £26.4m at 31 December 2018 (31 December 2017: £32.8m).

27. TRADE AND OTHER PAYABLES

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Trade payables	263	891
Accruals and other creditors	1,353	1,529
Deferred consideration	1,200	527
Other taxation and social security	515	218
	3,331	3,165

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The deferred consideration payable is due to be paid in cash.

28. SHORT TERM BORROWINGS

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Short term borrowings	-	10,367

In March 2017, KHL entered into two facility agreements, each for £250,000, with Phoenix Investments Inc and Michael Mechas. At 31 December 2018 these had both been repaid (2017: £250,000 and £221,688 was outstanding respectively).

On 7 November 2017, KHL entered into a Convertible Facilities Agreement with KPI (Nominees) Limited. As part of this agreement, KHL had access to two facilities as follows:

1. £10m term facility loan
2. $5m term facility loan

Each facility had a duration of three years, an interest rate of 7.5%, an underwriting fee of 1%, an arrangement fee of 0.75% and a non-utilisation fee of 0.5%.

In the year ended 31 December 2018, £7m was converted into equity. See note 30 for further details. At 31 December 2018, £4.9 million of borrowing capacity remained under the facilities.

29. OTHER NON-CURRENT LIABILITIES

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Hire purchase creditor	4	32
Deferred consideration	1,200	-
	1,204	32

30. SHARE CAPITAL AND SHARE PREMIUM

	2018 SHARES	2017 SHARES	2018 £'000	2017 £'000
Ordinary shares issued:				
Fully paid	154,870,667	100,317,338	7,743	5,016

Share capital and premium movements:

	NUMBER OF ORDINARY SHARES IN THOUSANDS	PAR VALUE £'000	SHARE PREMIUM £'000	TOTAL £'000
Opening balance as at				
1 January 2017	25,187	1,270	13,596	14,866
Issued during year	75,130	3,746	6,376	10,122
Transferred to Retained Earnings	-	-	(19,972)	(19,972)
As at 31 December 2017	**100,317**	**5,016**	**-**	**5,016**
Issued during year	**54,554**	**2,727**	**6,274**	**9,001**
As at 31 December 2018	**154,871**	**7,743**	**6,274**	**14,017**

Ordinary shares have a par value of £0.05. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of, and amounts paid on, shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote and upon a poll each share is entitled to one vote.

KHL does not have a limit on the amount of authorised capital.

Movements in ordinary shares can be summarised as follows:

On 17 January 2017, KHL issued 854,735 ordinary shares of 5p each at an issue price of 51.6p per share as part of the consideration for the acquisition of ISM.

On 1 March 2017, KHL issued 626,808 ordinary shares of 5p each at an issue price of 53.4p per share as part of the consideration for the acquisition of Compass.

On 27 July 2017, KHL announced the completion of a placing of 72,786,620 ordinary shares of 5p each at an issue price of 12.8p per share to raise £9,196,078.

On 21 September 2017, KHL issued 78,886 ordinary shares of 5p each at an issue price of 21p per share as part of the consideration for the acquisition of Bells.

30. SHARE CAPITAL AND SHARE PREMIUM continued

On 13 October 2017, KHL issued 637,158 ordinary shares of 5p each at an issue price of 19.6p per share as part of the consideration for the acquisition of CIMCO.

On 31 December 2017, KHL issued 146,023 ordinary shares of 5p each in settlement of share options.

On 29 May 2018, KPI (Nominees) Limited converted £7,062,221 under the Convertible Facilities Agreement into 42,801,341 ordinary shares of 5p each at the conversion price of 16.5p.

On 29 May 2018, KHL issued 3,831,988 ordinary shares of 5p each at the conversion price of 16.5p per share as part of a staff share issue.

On 2 August 2018, Astoria Investments Limited subscribed for 7,920,000 new ordinary shares of 5p each at an issue price of 16.5p raising proceeds of £1,306,800.

31. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and cash equivalents with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents are detailed in note 26.

	2018 £'000	2017 £'000
(Loss)/profit before tax	(4,718)	(5,939)
Adjustments for:		
Finance costs	18	704
Forex	(70)	4
Expenses charged to capital	-	(1,043)
CLS redemption charge	-	(203)
Depreciation and amortisation	598	670
Share-based payment expense	4	10
Loss on disposal of subsidiary	945	-
Impairment of goodwill / subsidiaries	-	(2,330)
Other gains / (losses)	316	-
Bad debt expense	-	200
Exceptional items	-	3,380
Movements in deferred consideration	-	(1,865)
Operating cash flows before movements in working capital	(2,907)	(6,412)
Decrease/(Increase) in receivables	(42)	(177)
(Decrease)/Increase in payables	(918)	3,562
Net cash in/(out) flow from operating activities	(3,867)	(3,027)

31. NOTES TO THE CASH FLOW STATEMENT continued

Changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes are shown below:

	NON-CURRENT LIABILITIES £'000	SHORT-TERM BORROWINGS £'000	TOTAL £'000
As at 1 January 2018	32	10,367	10,399
Cash flows	-	(3,867)	(3,867)
Non-cash flows:			
Deferred consideration	1,200	-	1,200
Hire purchase creditor	(28)	-	(28)
Conversion of term and working capital	-	(6,700)	(6,700)
Facility and amortised loan costs	-	200	200
As at 31 December 2018	1,204	-	(1,204)

32. OPERATING LEASE ARRANGEMENTS

At the Statement of Financial Position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Within one year	187	224
In the second to fifth years inclusive	756	239
	943	463

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**171**	306

Operating lease payments represent rentals payable by the Group on office leases which are generally negotiated for an average five year term.

33. SHARE BASED PAYMENTS

Employee Option Plan

The Group has one share option scheme established for the Group's employees or consultants (as appropriate):

- The European Wealth Group Limited EMI Scheme 2014, an HMRC approved scheme under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 pursuant to which options over ordinary shares of the Group may be granted to individuals (as selected by and in amounts determined by the Group's Remuneration Committee) who are employees of the Group.

If options granted under any of the schemes remain unexercised for a period of 10 years from the date of grant then the options expire. In certain circumstances, options may be exercised earlier than the vesting date if the option holder ceases to be an employee of the relevant Group company. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement on or after reaching the age of 55 or upon the sale or transfer out of the Group of the relevant Group member or undertaking employing or contracting with him/her.

In the event of cessation of employment or engagement of the option holder by reason of his/her death, his/her personal representatives will be entitled to exercise the option within twelve months following the date of his/her death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee. There are no additional performance conditions attached to the share options presently issued.

	AVERAGE EXERCISE PRICE PER SHARE OPTION 2018 PENCE	NUMBER OF OPTIONS 2018	AVERAGE EXERCISE PRICE PER SHARE OPTION 2017 PENCE	NUMBER OF OPTIONS 2017
Outstanding as at 1 January	71.98	436,440	42.28	1,352,940
Granted during the year	-	-	-	-
Exercised during the year *	-	-	0.02	(146,018)
Forfeited during the year	58.49	(121,940)	28.90	(770,482)
Outstanding as at 31 December	77.21	314,500	71.98	436,440
Vested and exercisable at 31 December		162,000		238,940

*The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2018 was nil (2017 – 34.75p).

No options expired in 2018 or 2017.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE PENCE	SHARE OPTIONS 31 DECEMBER 2018	SHARE OPTIONS 31 DECEMBER 2017
1 April 2012	31 March 22	25.30	-	39,440
4 August 2014	3 August 24	100.00	162,000	199,500
1 August 2016	31 July 26	53.00	152,500	197,500
Total			314,500	436,440

Weighted average contractual life of options outstanding at end of period	6.56 years	7.28 years

33. SHARE BASED PAYMENTS continued

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2018 £'000	2017 £'000
Options issued under employee option plan	4	10

34. FINANCIAL INSTRUMENTS

The following table states the classification of financial instruments and is reconciled to the Statement of Financial Position:

	2018 CARRYING AMOUNT £'000	2017 CARRYING AMOUNT £'000
Financial assets measured at amortised cost		
Trade and other receivables	969	901
Cash and bank balances	2,410	9,799
Financial liabilities measured at amortised cost		
Trade and other payables	(3,331)	(3,165)
Short term borrowing	-	(10,367)
Other non-current liabilities	(1,204)	(32)
	(1,156)	(2,864)

Credit Risk

Credit risk represents the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group. Credit risk is monitored on a regular basis by the finance team along with support from back office functions with the respective business divisions.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date.

At the reporting date, the Group's financial assets exposed to credit risk were as follows:

	31 DECEMBER 2018 £'000	31 DECEMBER 2017 £'000
Cash	2,410	9,799
Trade and other receivables	1,156	1,114
	3,566	10,913

The Group's exposure to credit risk on cash and bank balances is considered by the Directors to be low as the Group holds accounts at banks with strong credit ratings.

Trade and other receivables were neither impaired nor past due on the reporting date.

34. FINANCIAL INSTRUMENTS continued

Liquidity Risk

Liquidity risk represents the risk that the Group will be unable to meet its financial obligations as they fall due. The controls and limits surrounding the Group's credit risk together with cash monitoring processes ensure that liquidity risk is minimised.

The below table illustrates the maturity profile of all financial liabilities outstanding as at 31 December 2018.

	REPAYABLE ON DEMAND £'000	REPAYABLE BETWEEN 0 AND 6 MONTHS £'000	REPAYABLE BETWEEN 6 AND 12 MONTHS £'000	REPAYABLE AFTER MORE THAN 12 MONTHS £'000	TOTAL £'000
As at 31 December 2018					
Trade payables	-	263	-	-	263
Other payables	-	3,068	-	1,200	4,268
Finance lease liabilities	-	4	-	-	4
	-	**3,335**	**-**	**1,200**	**4,535**
As at 31 December 2017					
Trade payables	-	891	-	-	891
Other payables	-	2,207	67	-	2,274
Borrowings	-	10,367	-	-	10,367
Finance lease liabilities	-	32	-	-	32
	-	**13,497**	**67**	**-**	**13,564**

Market Risk

As with other firms in our sector, the Group is vulnerable to adverse movements in the value of financial instruments. The Group's business will be partially dependent on market conditions. Adverse market conditions may have a significant negative effect on the Group's operations through reducing the assets under management. Market conditions may be affected by Brexit decisions.

Interest Rate Risk

Interest rate risk is the risk of financial loss as a result of an increase in interest rates on borrowings. Sensitivity analysis has not been performed on the Group as all of the Group's interest bearing instruments are at fixed rates. As such, a 10% movement in interest rates would have an immaterial impact on the financial statements.

35. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on page 26.

	YEAR ENDED 31 DECEMBER 2018 £'000	YEAR ENDED 31 DECEMBER 2017 £'000
Short-term employee benefits	430	566
Post-employment benefits	30	107
Termination benefits	-	346
	460	1,019

During the year ended 31 December 2018, KWIM charged fees totalling £442 (2017: £1,802) to related parties who have assets managed by KWIM. In addition, KWTS charged commission on trades for related parties of £18,436 (2017: £2,571). This cash was managed at the standard rate for staff and related parties.

During the year, KHL incurred fees of £20,242 from KPI (Nominees) Ltd, the Group's major shareholder (2017: £735,014). At 31 December 2018 of this, £nil was outstanding (2017: £385,697). The majority of the 2017 balance related to fees charged in relation to the June 2017 refinancing in and to the financing of the aborted Newbridge acquisition.

Fees paid to Moor Park Capital Partners LLP, of which Gary Wilder is a partner, totalled £167,428 for the year to 31 December 2018 (2017: £41,250), of which £nil (2017: £41,250) was outstanding at 31 December 2018.

Fees paid to Kingswood LLP, of which Jonathan Massing is a partner, totalled £25,038 for the year to 31 December 2018 (2017: £nil), of which £nil (2017: £nil) was outstanding at 31 December 2018.

Fees paid to Kingswood Corporate Finance Limited of which Jonathan Massing is a director, totalled £85,812 for the year to 31 December 2018 (2017: £nil), of which £85,812 (2017: £nil) was outstanding at 31 December 2018.

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong capital structure in order to support the development of its business and maximise shareholder value. Details of the management of this risk can be found in the Strategic Report and the Directors' Report.

In addition, KWIM, KWTS, KWWP and Marchant McKechnie are regulated by the FCA and must comply with the FCA capital adequacy rules and regulations.

37. ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be an ultimate controlling party for the Group.

38. EVENTS AFTER THE REPORTING PERIOD

On 1 February 2019, KHL acquired the Thomas & Co book of business for a maximum cash consideration payable of £3.3m. The consideration comprises an initial cash payment of £1.5m and a further deferred sum of maximum £1.8m which is subject to the achievement of revenue and profitability metrics over a three-year period. The acquisition is expected to be immediately earnings accretive to the Group, with future income growth anticipated from additional revenue enhancement and cost synergies.

In Q1 2019, a Group LTIP plan was announced for its key employees. Through this scheme the Partners will have a significant portion of their compensation aligned with Group targets, with some subject to Group target EBITDA and TSR performance conditions, and some subject to Group target EBITDA and individual portfolio targets.

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