KINGSWOOD
PROTECT AND GROW YOUR WEALTH

INVESTING FOR THE NEXT GENERATION

Kingswood Holdings Limited
Annual Report for the year ended 31 December 2019

Company Registration No. 42316 (Guernsey)

KINGSWOOD

PROTECT AND GROW YOUR WEALTH

SUMMARY INFORMATION

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).

Kingswood aims 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 specialist advice and industry leading, distinctive investment products. 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. At publication, Kingswood has:

£4.8BN

Assets under advice & management

16,000

Active clients

174

Employees

CONTENTS

AN INTEGRATED WEALTH MANAGEMENT GROUP POSITIONED FOR GROWTH

CORE VALUES

Kingswood's ethos and mission is to create opportunities for people worldwide to experience financial freedom. Critical to success is the continuous investment in people, innovation and technology to support our advisers and clients.

The Group is built around the core principles of:

INTEGRITY

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

TEAMWORK

It is important to always apply understanding to the situation. Kingswood believes that by uniting the expertise of our people we build deeper relationships and better serve our clients.

IMPACT

We strive to make a difference and a positive impact with everything we do.

The Group is split into three core businesses: UK Wealth and Investment Management, UK Institutional and Kingswood US

UK Wealth is an integrated advisory business for retail and corporate clients providing a broad spectrum of financial planning and investment management solutions. At the date of this report the UK Wealth business had approximately £2.9 billion assets under advice/management and services approximately 11,700 private clients and 200 corporate pension schemes ranging in size from 10 to 5,000 members.

The UK Institutional business provides specialist fixed interest and cash enhanced investment management to private clients, trusts, pension funds, universities and charities. It also manages money on behalf of third party independent financial advisers. It currently manages total fixed interest investments of £0.9 billion.

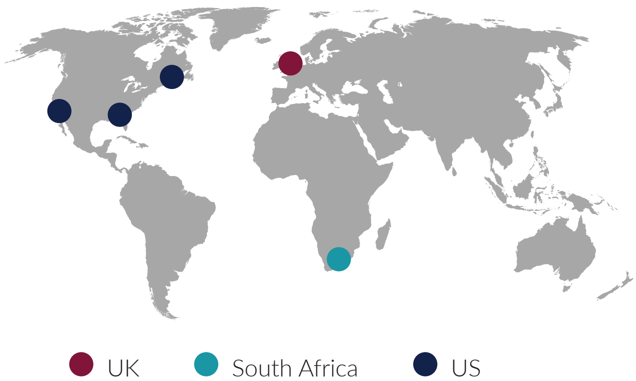
Kingswood US currently incorporates interests in an independent Broker Dealer (IBD) and Registered Investment Adviser (RIA) with current assets under management of £0.9 billion.

KINGSWOOD AT A GLANCE

GROWING UK NETWORK

1 Abingdon
2 Beverley
3 Darlington
4 Derby
5 East Malling
6 Grimsby
7 Hull
8 Lincoln
9 London
10 Newcastle upon Tyne
11 Sheffield (2)
12 Worcester
13 York

CREATING A GLOBAL FOOTPRINT



Our network of 14 regional offices across the UK, an office in Johannesburg, South Africa and distribution network in the USA ensures we have a physical presence in the local communities where our clients live and work. Enabling our clients to contact us whenever and wherever they want is helping us grow our client base and the proportion of their wealth we manage for them.

INVESTMENT PROPOSITION

GROWTH MARKETS

Grow by acquisition in globally fragmented markets

VERTICAL INTEGRATION

Holistic wealth and investment management drives revenue growth

DISTRIBUTION NETWORK

Focus on creating regional hubs for personal advice

SCALABLE PLATFORM

Centralised proposition to support economies of scale and sales efficiency

GLOBAL AMBITION

Access to capital provides capacity to execute our growth plan

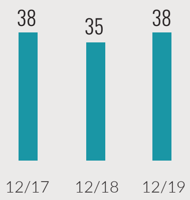
KEY HIGHLIGHTS

Advisers[1]

62

6/20

+63%

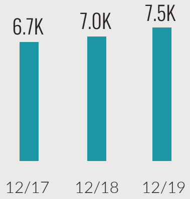


Clients[1]

16K

6/20

+113%



Recurring revenue

83%

(2018: 83%)

No change from 2018

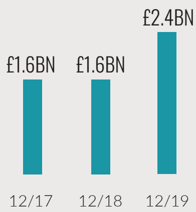
STRATEGIC HIGHLIGHTS

- Re-launched under new management in early 2019, and further bolstered by significant new hires with large firm experience and strong track records
- Pollen Street Capital, a major private equity manager, committed up to £80 million permanent growth capital underpinning a strong, debt-free balance sheet
- Sterling Trust acquisition in June transformative for business, with 22 financial advisers advising/managing £1.2 billion from 5 locations across Yorkshire and the North East of England
- Significant progress executing Kingswood's international strategy
- US infrastructure, management team and regulatory framework now in place to expand and grow
- Completed the acquisition of Chalice (an IBD and RIA) based in San Diego which provides full-service securities brokerage, advisory and investment banking services to broad client base
- Agreed to exercise option and increase interest in Manhattan Harbor Capital (MHC) from existing 7% to 20%
- Signed heads of terms – subject to DD and regulatory approval - to contemporaneously merge Chalice business into MHC
- Kingswood will then hold a 50.2% majority interest in MHC with commitment to contribute additional capital

AUA/AUM[1]

£4.8BN

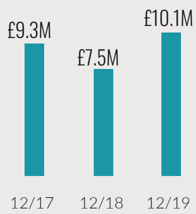
(+100%)



Total revenue[2]

£10.1M

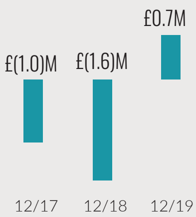
(+35%)



Operating EBITDA[2]

£0.7M

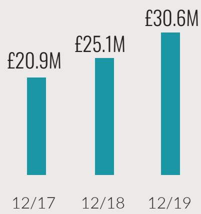
(+£2.3M)



Total equity[2]

£30.6

(+22%)



[1] As at June 2020 [2] As at December 2019

RECENT HISTORY

2018 2019

2017/2018
RECAPITALISATION

Q4 2018
UK EXPANSION

Acquisiton of Beverley based Marchant Mckechnie

Q1 2019
BUSINESS RE-LAUNCH

1. 
2. 
3. 
4. 

1. Gary Wilder, Group CEO
2. Patrick Goulding, CFO & CEO of Operating Platform
3. Richard Jeffrey, Chairman of Investment Committee
4. Richard Klein, Head of Alternatives

Q1 2019
UK EXPANSION

Acquisiton of Oxford based Thomas & Co.

Q1 2019
MODEL PORTFOLIO SERVICE

Launch of enhanced MPS

Q1

Q2 2019
US EXPANSION

Acquired a 7% interest in Manhattan Harbor Capital, first investment in the US

Q2 2019
CASH MANAGEMENT LAUNCH

White label cash deposit product with Flagstone

Q2 2019
ROBERT SUSS

Appointed to Board to advise on Global Wealth Management Strategy

Q2

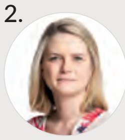
2020

Q3 2019
LEIGH PHILPOT
Joined as
Head of Wealth (UK)

Q3 2019
GROWTH EQUITY
Up to £80m growth
equity commitment from
Pollen Street Capital

Q3 2019
UK EXPANSION
Acquisition of Sheffield
based WFI

Q4 2019
US EXPANSION
Acquisiton of
Chalice

1.  2.  3. 

Q1 2020
SENIOR LEADERSHIP ADDITIONS
1. Richard Bernstein, Chief Risk Officer
2. Harriet Griffin, Chief Operating Officer
3. Paul Surguy, Head of Investment Management

Q2 2020
BUSINESS DEVELOPMENT
Hired three business
development executives to
expand distribution channels

Q2 2020
US EXPANSION
Announced preliminary
agreement to assume
majority interest in
Manhattan Harbor Capital

Q2 2020
UK EXPANSION
Acquisition of Hull
based Sterling Trust

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER STATEMENT

We hope that you and your family are safe, healthy and coping well through these extraordinary times. As we transitioned into 2020, we never expected to be updating you in such circumstances. It is certainly challenging to navigate but we are hopeful that some of the restrictions will soon be lifted and we can begin to return to some form of normality.

At Kingswood we are proud of the way our team has come together by staying apart. All staff have been working remotely since March and despite our remote locations, advisers have been actively engaged with clients and available at their usual email and telephone numbers to hear from clients. We have embraced Zoom meetings and other ways of working remotely and this has been a valuable way of interacting with our employees and clients in these times. Whilst virtual meetings are likely here to stay, we strongly believe in the importance of personal and local advice. We have plans in place to safely return to our office locations in line with government guidance and we are keen to get out and meet with shareholders and clients in person again, hopefully very soon. Despite the restrictions, we are delighted to have completed the Sterling Trust acquisition and welcome Jeff Grantham and his team to the Kingswood family. They will be a magnificent addition to our business.

The Board stands squarely behind the business and has waived near-term compensation as a gesture of support to shareholders, employees and clients. Team members have donated in excess of £24,000 in lieu of a day's holiday to NHS charities.

Looking back, 2019 was a milestone year for Kingswood. The major investment of up to £80 million growth capital by a global investor such as Pollen Street Capital was a strong affirmation of the vision and strategy set by the Board at the beginning of 2019. The level of commitment highlights the growth potential both Kingswood and Pollen Street Capital see in our business and the potential to add significant value for shareholders.

VISION & STRATEGY

The last eighteen months has seen a continual refinement of our investment proposition, and it might be helpful to set out what the Board have identified as the five key components of our strategy:

High Growth Markets: focus on growth by acquisition in globally fragmented markets

Vertical Integration: drive revenue growth by holistic wealth and investment management

Distribution Network: focus on the creation of regional hubs for personal advice

Scalable Platform: deliver a centralised proposition to support economies of scale and sales efficiencies

Global Ambition: execute growth plan from Pollen Street Capital growth equity

Following Pollen Street Capital's investment, and with the rigorous restructuring programme completed, the Group is now in prime position to capitalise on the numerous consolidation opportunities available in the global wealth management market.

PEOPLE

Our employees are our greatest asset and we are committed to ensuring we invest in, motivate and incentivise talented people to grow and develop their careers at Kingswood. We are delighted that we have been able to attract high quality, talented people to the Group and strive to ensure Kingswood is recognised as an employer of choice in global wealth management.

In April 2019, we appointed Richard Jeffrey as Chair of the Investment Committee and now have a robust investment process with a team of highly experienced professionals under Richard's stewardship. Most recently, Richard was Chief Investment Officer and Chief Economist at Cazenove Capital, part of the Schroders group.

We are focussed on creating solutions that combine personal contact with the convenience of technology

Richard Klein also joined us to lead and expand our alternative product offerings for distribution to our growing client base. Richard spent most of his career at Merrill Lynch. Leigh Philpot joined in September from Kleinwort Hambros as Head of UK Wealth to deliver our growth plans and enhance our offering for clients and intermediaries and generate new sales opportunities. Paul Surguy joined in January 2020 to lead our Investment Management team and create a direct link between our investment proposition and advice risk profiling.

We are highly conscious of the need to have a robust operating and support foundation in place to drive the business forward and have added depth to our resources across finance, human resources, IT, operations and risk to ensure we have a strong, solid backbone to support Group activities. We are delighted that Harriet Griffin joined us as Chief Operating Officer earlier this year from Charles Stanley, with Richard Bernstein joining as Chief Risk Officer in recent weeks. Richard spent the last eight years in senior risk and compliance roles at Close Brothers Asset Management.

At the Board level, Jonathan Massing assumed the role of Deputy Chairman, given Gary Wilder's installation as Group CEO earlier in 2019. The Board welcomed Rob Suss in June 2019. Rob spent most of his career running European wealth management at Goldman Sachs and will play a crucial role as we continue to roll-out our global wealth strategy. As a result of the Pollen Street Capital investment, we welcomed Howard Garland and Lindsey McMurray to the Board. Howard and Lindsey bring many years of expertise and experience in financial services and we look forward to their contribution.

Kingswood is committed to an employee ownership model, and early in 2019 rolled out a new organisation and title structure, culminating in the creation of our first group of Managing Directors and Partners in the firm to support the Board and senior management team in delivering the Group's growth strategy.

A Long Term Incentive Plan (LTIP) has been established to incentivise the Board and management to increase shareholder value over the long term. The Board's Nomination and Remuneration Committee is keen to ensure the remuneration of the Group's senior team is structured to ensure that it will be effective, fair and motivate the team to deliver success for the Company, its shareholders and employees over the long term. A total of 39.6 million LTIP awards have been made under the plan.

With Board support, our employees recently launched a Diversity and Inclusion Forum to encourage creative ideas and actions to further embed diversity and inclusion as a central tenet of our corporate culture. We are proud to be an equal opportunity employer committed to recruiting and maintaining a diverse and inclusive workforce.

POLLEN STREET CAPITAL

A major highlight in 2019 was the sealing of our partnership with Pollen Street Capital, a global independent alternative asset investment management company focused on the financial and business services sectors with over £2.8 billion Assets under Management across private equity and credit strategies.

Pollen Street Capital is providing up to £80 million by way of the issue of irredeemable convertible preference shares to certain investors and funds under their management. This is a hugely significant milestone for Kingswood and we now have a strong foundation in place to grow and expand. This substantial investment helps to execute our significant acquisition pipeline, including the acquisition in October 2019 of the business and assets of WFI Financial LLP (WFI), a significant independent regional financial planning business based in Sheffield with offices in Derby, Grimsby and Lincoln; and the recent addition of Sterling Trust a major financial planning business based in Hull with offices across Yorkshire and the North East of England. As of the date of this report, £18.4 million of funding has been drawn to fund acquisitions.

Kingswood considered a number of fundraising options through institutional markets and investors, but the issue of irredeemable convertible preference shares, convertible into Kingswood ordinary shares at 16.5p per share on or before 31 December 2023, provides the certainty and timeliness of funds that Kingswood believes could not be assured from other funding alternatives.

We are delighted to have Pollen Street Capital as our partner as we execute on our shared global vision for the Group. We have been extremely impressed by the depth of their industry knowledge, the thoroughness of their due diligence, and our shared belief in building a best in class global wealth management platform that delivers quality products to clients and outstanding shareholder value.

UK WEALTH AND INVESTMENT MANAGEMENT

Under Leigh Philpot's direction a clear, more focused integrated client proposition was launched in January 2020. The new proposition focuses on local and personal client service supported by a scalable, risk-controlled business model. Clients are at the centre of what we do. A new fee structure has been implemented across the wealth platform and Kingswood's Managed Portfolio Service (MPS) has been enhanced and is now widely available across industry platforms. MPS provides advisers with a discretionary managed, risk-rated investment solution for their clients.

The team has enhanced its product offering and a cash management product (in partnership with Flagstone) was launched during the year providing clients access to 550+ cash deposit options across 35 financial institutions. In real estate, Kingswood signed a cooperation agreement with its affiliate Moor Park Capital Partners, a leading independent pan-European real estate investment firm that creates a partnership to broaden Kingswood's alternative investment product offering to clients.

In recent months we have added three experienced business development executives to the team to further advance the distribution of our client proposition and related product offerings.

Rigorous investment research led by Rupert Thompson is the cornerstone of our proposition with weekly investment updates communicated via email and in audio form on our website: **www.kingswood-group.com**. Investment markets

Our network of regional offices across the UK and the US ensures we have a physical presence in the local communities where our clients live and work

CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER STATEMENT CONTINUED

Kenneth 'Buzz' West
Non-Executive Chairman

Gary Wilder
Group Chief Executive Officer

in 2020 have obviously been challenging, even if they have recovered some of their losses in recent weeks. The truth is that a great deal of uncertainty remains over how serious and prolonged this downturn will turn out to be. The latest edition of our magazine, 'Protect and Grow', is dedicated to covering issues and concerns around Covid-19 and is available here: **www.kingswood-group.com/knowledge**. We hope you find it interesting and informative.

UK INSTITUTIONAL

Our UK Institutional business, led by Nigel Davies, specialises in the management of surplus cash funds for institutions on both a discretionary and an advisory basis. The team works with building societies, universities, charities and public companies, amongst others, and focus on client specific investment solutions to meet client individual objectives and create a varied portfolio, using a range of assets that can be easily realised to ensure maximum liquidity whilst seeking the highest appropriate yield.

The team is currently in advanced stages of re-launching its Cash Enhanced Fund as a "Green" fund, targeting investments that meet stringent ESG criteria. Our research and discussions with target investors indicate strong support for this investment strategy.

ACQUISITIONS

2019 was a busy year on the acquisition front. In February, we completed the acquisition of the client book of Thomas & Co Financial Services (Thomas & Co), an Oxfordshire based financial advisory firm, for a maximum cash consideration of £3.3 million, subject to the achievement of revenue and profitability metrics over a three year period. Thomas & Co offers a wide range of services to its clients, including personal and company pensions, investments, and tax planning and serves around 500 clients with approximately £150 million of assets under advice (AUA). The principals and staff of Thomas & Co continue to operate from their office in Abingdon under the Kingswood brand.

In September 2019 we announced the acquisition of the client book of WFI Financial LLP (WFI), a regional financial planning business based in Sheffield, with satellite offices in Derby, Grimsby and Lincoln, and signalled the expansion of Kingswood's national wealth management footprint to the Midlands and North of England. The purchase price is a maximum cash consideration of £14 million, payable over a 30-month period, subject to WFI meeting pre-agreed asset migration, recurring revenue and EBITDA hurdles, with the final deferred payment due in February 2022.

WFI has in excess of £550 million AUM/AUA from over 970 family clients and 37 employees, consisting of 2 principals, 16 financial advisers and 19 support staff. The acquisition of WFI doubled the size of Kingswood's wealth planning business and provided an opportunity to own a very profitable regional financial planning business with built-in expertise and capacity to expand. The principals have strong track records in the industry and, along with their excellent teams, have continued to focus on their core strengths of client advice and business development, with Kingswood centrally managing regulatory and compliance, finance, HR and IT responsibilities.

On 24 June 2020, Kingswood completed the acquisition of Sterling Trust, a high-quality IFA business which operates from headquarters in Hull, Yorkshire and four satellite offices in Darlington, Newcastle, Sheffield and York. Sterling Trust provides independent financial advice to individuals and corporates within the UK and currently employs 48 people, with 22 financial advisers advising/managing £1.2 billion AUA/AUM and servicing over 5,000 clients.

Sterling Trust presents an opportunity for Kingswood to acquire an established business built by Jeff Grantham, which over the last 20 years has grown to generate annual revenues of £6.8 million and EBITDA of £2.5 million from £1.2 billion of client assets. Jeff's success is built around developing and maintaining long-term client relationships, making their culture a perfect fit for Kingswood. The business has a highly qualified and experienced team of financial advisors supported by a dedicated administration team.

We have an extensive pipeline of potential M&A opportunities under evaluation. In addition to the Sterling Trust acquisition, a further three transactions are currently under exclusive due diligence.

KINGSWOOD US

We are pleased at the significant progress made in advancing our US strategy. As the largest global wealth management market, estimated to be worth $32 trillion (£26 trillion) as at 2018, the Board sees the US as a major growth opportunity. The market is still growing significantly year on year, with 9% compound historical annual growth. By the end of 2025, it is estimated the North American market will be worth in excess of $70 trillion (£57 trillion).

We have been keen to expand in that market for some time, and in May 2019 acquired an initial 7% interest in Manhattan Harbor Capital (MHC) providing a key, strategic foothold in this largest global wealth and investment management market and a valuable support to our US expansion plans. This initial investment also provided Kingswood with an option to increase its interest in MHC to 20%.

MHC is a holding company with operations in New York and Atlanta that acquires, consolidates and manages independent Broker Dealers (IBDs) and Registered Investment Advisers (RIAs) across the US. It is led by Michael Nessim, who has a 24 year track record in the industry where he has consistently delivered strong, profitable revenue streams for investors.

In December 2019 we announced the acquisition of Chalice Capital Partners and Chalice Wealth Advisors (together 'Chalice'), an IBD and RIA, located in San Diego, California for a maximum consideration of US$4.0 million (£3.2 million). Chalice provides full service securities brokerage, advisory and investment banking services to a broad-based group of individuals and corporate clients with 96 authorised representatives managing assets of $1.1 billion (£0.9 billion). Regulatory approval was recently received and Kingswood has now completed the transaction.

In recent weeks we have signed heads of terms with MHC and, subject to final due diligence and regulatory approval, will exercise our option to increase our interest in MHC to 20%. Chalice will be contemporaneously merged MHC, bringing Kingswood's interest in MHC to a majority 50.2%, which is likely to increase further as additional capital is subscribed to fund organic growth.

Kingswood's enhanced investment in MHC will cement a key, strategic foothold in the largest global wealth and investment management market, differentiate us from our peers and support our aspirations of asset linking and cross-selling services to deliver a wider range of products and services for our clients. MHC will provide a significant base for potential further integration and a valuable support to Kingswood's US expansion plans. This puts us in a strong position to execute our robust US acquisition pipeline and adviser recruitment strategy, and Mike and his team will oversee acquired entities and focus on delivering Kingswood's full service brokerage, and our dedicated investment banking proposition through our Kingswood Capital Markets franchise.

MHC will be renamed Kingswood US and become the integrated platform that spearheads our US strategy. On completion of the MHC merger Kingswood US is projected to have approximately 180 Authorised Representatives managing AUM of approximately $2.0 billion (£1.6 billion) within a re-branded Kingswood US enterprise, with offices in New York, Atlanta and San Diego.

Derek Bruton, who joined Kingswood as part of the Chalice acquisition, will assume the role of CEO of Kingswood US and partner with Mike Nessim, the current majority owner and leader of MHC, combining their undoubted expertise and deep industry experience to further expand and consolidate Kingswood's ambitious US footprint.

FINANCIAL

2019 was a repositioning year, with further additional investment made in people, process and technology to ensure Kingswood has a robust foundation in place to avail of the opportunities ahead. Backed by the growth equity commitment from Pollen Street Capital, we are fully conscious of the need to drive enhanced financial performance from the up-scaled business.

Total revenue for the year reached £10.1 million, a 34% increase on the prior year reflecting the impact of recent acquisitions. 83% of the Group's revenue is recurring in nature providing a strong, annuity style fee stream which is critical to deliver long-term, sustainable returns to shareholders.

The Board believes Operating EBITDA is the most accurate measure of performance as it removes the impact of acquisition, re-positioning, investment amortisation and other costs which the company is required to write off for accounting purposes, and thus the statutory numbers give an inaccurate picture of business profitability given, as a Group, we will continue to make significant acquisitions.

Operating EBITDA for the year to 31 December 2019 was £0.7 million, an improvement of £2.3 million over 2018, while also noting the 2019 results do not reflect a full year profitability impact from Thomas & Co and WFI which were acquired during the year. The result reflects solid underlying business dynamics, although impacted by further significant investment in people and technology during the year which were critical to position the Group for future growth and the ability to scale.

Net equity at year end was £30.6 million and the company has no debt. Equity includes £5.7 million of irredeemable convertible preference shares issued under the Pollen Street Capital subscription agreement.

Kingswood's financial strategy is to maintain a robust and disciplined balance sheet, ensuring no deferred liabilities relating to acquisition activities remain uncovered from a funding perspective.

PEEL HUNT

We were delighted to appoint Peel Hunt recently as our Nominated Adviser (Nomad) and broker as we continue our growth journey. Peel Hunt are market leading in the UK mid and small-cap sector, providing us with expanded access to investors as we look to broaden and strengthen our institutional shareholder base.

LOOKING FORWARD

One of the challenges we all face is staying positive and keeping spirits up through this period. To manage this, we have remained focused on staying connected - connected to family, to friends, to colleagues, shareholders and our clients and we have a number of initiatives running across the Kingswood team.

We are here to connect and help our clients to navigate these challenging times and beyond.

We are committed to serving clients with minimal interruption, providing the level of service expected from Kingswood and assisting in delivering financial planning and investment needs.

We have made huge strides in expanding and reinforcing the Kingswood brand in the UK over the last eighteen months and we see the US as a really exciting market to support continued growth. We are pleased with the direction of the company and the strong foundation now in place to grow the platform and add value for our shareholders.

Our success will be driven by disciplined execution and measured by AUM growth, strong EBITDA enhancement, and targets for adjusted Return of Capital Employed (ROCE) and Return on Tangible Assets (ROTA).

We look forward to working with our fellow Board members and executive team to deliver our strategy. Thank you for your continued support and trust.

Kenneth 'Buzz' West
Chairman

Gary Wilder
Group Chief
Executive Officer

24 June 2020

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 and its core guiding principles which drive that objective are Integrity, Teamwork and Impact.

The Group aims to offer a full suite of wealth planning and investment management services to clients. The ultimate goal is to provide clients with high quality products and services 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 strategy is to become a leading provider of wealth planning and investment management services in its chosen markets. This will be achieved both through organic growth and by selective acquisitions. This strategy has resulted in the Group increasing its total client assets under management/ advice to £4.8 billion over the last five years.

We are predominantly a private client wealth 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 advisers, and many advice firms are too small to carry the increasing compliance burden.

The Group launched a new growth strategy at the beginning of 2019 and this is beginning to bear fruit. We are successfully hiring quality client advisers, in a very tight market, and further investing in the quality of our investment research and risk and compliance support to ensure we provide the robust, quality advice which is so needed in the market. We have completed the acquisition of quality firms which fit our culture and see the benefits of prospering within a business that has critical mass and a strong scalable operating platform.

Our business is highly scalable and as such incremental revenue growth should disproportionately boost profitability, since our platform is now fully staffed and operational with capacity to grow. We are also looking to partner with best-in-class service providers to enhance our operating capabilities.

The Group today has 62 qualified client advisers across our financial planning and investment management teams. Our plan over the next three years is to substantially grow this number, both through organic growth and acquisition. The majority of our financial planning assets are currently served from external operating platforms; we anticipate that this will continue but from a smaller number of providers so that our clients can benefit from enhanced terms negotiated on their behalf by Kingswood. In addition, we expect an increasing number of higher value clients to move to our in-house platform and benefit from our integrated discretionary investment proposition.

We have a strong geographical base across the UK and with the closing of the Chalice acquisition in May 2020 continue to explore opportunities for further acquisitions in the US.

FINANCIAL OVERVIEW

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

	2019 £'000	2018* £'000
CONTINUING OPERATIONS		
Revenue	10,053	7,506
Direct expenses	(868)	(561)
Gross profit	9,185	6,945
Administrative expenses	(12,555)	(9,913)
Amortisation and depreciation	(1,426)	(598)
Other gains/(losses)	(381)	(106)
Operating loss	(5,177)	(3,672)
Finance costs	(384)	(17)
Loss before tax	(5,561)	(3,689)
Tax	-	-
Loss after tax from continuing operations	(5,561)	(3,689)
Loss from discontinued operations	(155)	(1,029)
Loss after tax for the period	(5,716)	(4,718)
Other comprehensive income	-	-
Total comprehensive loss for the period	(5,716)	(4,718)

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

Operating EBITDA is calculated as follows:		
Operating loss	(5,177)	(3,672)
Add back :		
Amortisation, depreciation and impairment	1,807	704
Business re-positioning costs	1,963	924
Transaction costs	1,618	443
Share based remuneration	442	4
Operating EBITDA	653	(1,597)

* The results for the year ended 31 December 2018 were restated to separately present the results of discontinued operations.

The Board believes Operating EBITDA is the most accurate measure of performance as it removes the impact of acquisition, re-positioning, investment amortisation and other costs which the Group is required to write off for accounting purposes, and thus the statutory numbers give an inaccurate picture of business profitability given we will continue to make significant acquisitions as a Group.

STATEMENT OF FINANCIAL POSITION

On 12 September 2019 the Group entered into a subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed and/or advised by Pollen Street Capital, to subscribe for up to 80 million irredeemable convertible preference shares, at a subscription price of £1 each to fund the Group's significant acquisition pipeline.

At 31 December 2019 the Group was debt-free and had share capital and share premium of £19 million (2018: £14 million) and £5.7 million of irredeemable, convertible preference share capital had been issued (2018: nil).

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 KPIs are summarised below.

	2019 £'000	2018* £'000
Total Revenue	10,053	7,506
Recurring Revenue %	83%	83%
Operating EBITDA	653	(1,597)
Total Assets	46,637	29,678
Total Equity	30,612	25,143
AUA/AUM	2,470,757	1,649,000

* 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.

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, 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 on page 24.

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 Group 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 and Company maintain 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 Company. 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 substantial number of businesses of all sizes, and the Group therefore will face competition to acquire other operations. A number of competitors are larger, with greater resources, which may prevent the successful execution of the Group's business plan. The Group has a strong, experienced management team, all with experience of 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 Board and experienced management team have been successful in the past at raising equity and debt finance. There are 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 govern and oversee each company. 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 the Senior Managers Certification Regime (SMRC) which took effect in December 2019 with the second phase of SMCR applying later in 2020. Failure to comply 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. The Company 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.

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 at least 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 seven Non-Executive Directors who 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 its business activities to ensure compliance with the rules of the Financial Reporting Council, the Financial Conduct Authority (FCA) and the London Stock Exchange (LSE).

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.

Future developments and events after the balance sheet date

The UK investment management industry is expected to become more competitive over the coming year. A new wealth proposition has been implemented across the Group and is expected to provide opportunities for the Company to continue to grow through acquisition and organically.

The continuing Brexit uncertainty coupled with the fallout from COVID-19 is being closely monitored by the 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 and COVID-19 continues to have an impact on investment markets and consequently client valuations and performance will likely continue to experience volatility in the coming months. As a firm, we have for a considerable period now adopted a conservative investment approach, seeking to ensure downside protection across client portfolios in these challenging markets.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. Kingswood was able to successfully transition staff to work from home, providing an effective IT infrastructure and on-line support. The highest priority was, and remains, the protection of clients and ensuring their assets are safely and appropriately managed. The Group has continued to monitor all aspects of these arrangements and has recently put in place 'return-to-office' plans for what is expected to be a gradual return to an office work environment.

The Group has not seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is affecting general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report. Nonetheless, Kingswood believes it is well-placed to continue operating under these conditions for a sustained period of time. All employees have been set-up to work remotely during the restrictive period, and the business has modelled future cash flows and profitability, based on the management stress scenario prepared to assess the impact of the market downturn, and has concluded no material uncertainty exists around the Company's status as a going concern.

Approved by the Board

Kenneth 'Buzz' West
Chairman

24 June 2020

BOARD OF DIRECTORS

Joined the Board in January 2014

KENNETH 'BUZZ' WEST Non-Executive Chairman

Buzz 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 Resources Canada Inc. He is currently an advisor to several high-tech companies and holds the Chair at Cannagrow Biosciences 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 (MBO) 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.

Joined the Board in October 2017

JONATHAN MASSING Non-Executive Deputy Chairman

Jonathan brings wide ranging experience to the Board, in particular in the area of corporate finance and acquisitions. He has a strong background in commercial and corporate finance advisory, buyouts, venture capital, shareholder dispute advisory, and private businesses valuation. A Chartered Accountant, he has extensive experience in the sale and acquisition of private companies and also provides advice on debt structures and working capital facilities. In 1998 he set up Kingswood Investment Partners Limited as a private equity investor. He is also a founder of Kingswood Property Finance Limited Partnership and founded a City-based advisory firm Kingswood in 1993.

Joined the Board in October 2017

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.

Joined the Board in January 2019

PATRICK GOULDING Group Chief Financial Officer and Chief Executive Officer (Platform)

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 serves on the Audit and Risk and Compliance Committees.

Joined the Board in February 2019

GRAYDON BUTLER Executive Director

Graydon graduated from Southampton University and prior to 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 £2.5 billion of commercial real estate assets under management. Graydon leads Kingswood's efforts to underwrite and integrate acquisition targets into the Kingswood Group.

Joined the Board in June 2018

JONATHAN FREEMAN Non-Executive Director

Jonathan chairs the Audit Committee and the Risk and Compliance Committee. He is also a member of the Nomination and 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 Financial Conduct Authority in the UK. Jonathan is also the senior independent non-executive director of Futura Medical plc and a non-executive director of Braveheart Investment Group plc.

Joined the Board in June 2018

DAVID HUDD Non-Executive Director

David chairs the Nomination and 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 a 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 and retires from that position on 30 June 2020.

Joined the Board in June 2019

ROBERT SUSS Non-Executive Director

Robert sits on the Board to advise on wealth management strategy. Robert is the Co-Chief Executive Officer of UK Agricultural Finance, a specialist lender in the UK serving the agricultural community as well as the founder of Global Tower Solutions, focused on delivering renewable solutions globally. Robert Chairs the Advisory Board for EG Capital an Emerging Market Debt Manager and he serves as a director for TPG Pace Holdings and B. Riley Principal Merger Corp.

Robert retired from his position as a Managing Director of Goldman Sachs where he spent 18 years building and turning around a number of businesses in their Investment Management Division. His last role was as Head of Private Wealth Management in London from 2012 to 2015.

Joined the Board in December 2019

LINDSEY McMURRAY Non-Executive Director

Lindsey holds a First-Class Honours degree in Accounting and Finance and a MPhil in Finance from Strathclyde University. Lindsey has been a private equity and credit investor for more than 26 years with a focus on the financial and business services sector. Alongside Kingswood, Lindsey sits on the Boards of Shawbrook Bank, CashFlows, 1st Stop Group and BidX1. Lindsey co-founded Pollen Street Capital in 2005 and serves as Managing Partner. Lindsey is the Chairman of the Pollen Street Capital's private equity and credit investment committees. Prior to Pollen Street Capital, Lindsey worked at RBS and spent six years at Cabot Square Capital, where she was a Partner focused on investments in the financial services sector.

Joined the Board in December 2019

HOWARD GARLAND Non-Executive Director

Howard holds a First Class Honours degree in Mathematics from University College London. Howard is also on the Board of BIK. He is a partner at Pollen Street Capital and a member of its private equity and credit investment committees. Howard re-joined Pollen Street Capital in 2015 having been a Principal at RBS until 2012. Prior to re-joining, Howard assisted the Swedish credit institution Hoist Finance in entering the UK debt collecting and NPL debt purchasing sector, supporting the acquisition of a number of UK companies and debt portfolios in both structuring and operational roles.

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 2019. The Strategic Report is on page 13 and the Corporate Governance Statement is set out from page 24 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 an investment management and financial planning business.

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 13 to 17. The results for the year are set out in the audited Statement of Comprehensive Income on page 38. The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (31 December 2018: £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 notes 29 and 30 on pages 63 and 64 of the report.

During the year ending 31 December 2019 £4.9 million of the Company's drawn debt facilities were converted into 60,395,265 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 Wealth Planning and Marchant McKechnie Financial Advisers (acquired 1 October 2018) which were regulated by the FCA at year end must also comply with the FCA capital adequacy rules.

DIRECTORS

The names and a short biography of the Directors of the Company are set out on pages 18 to 19. Darryl Kaplan resigned on 8 May 2019 and Robert Suss was appointed on 10 June 2019. Lindsey McMurray and Howard Garland were appointed as Pollen Street Capital's representatives on 16 December 2019, further bolstering the quality and depth of the Board.

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 Company 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 had the following beneficial interests in the ordinary shares of the Company as at 31 December 2019:

NAME OF DIRECTOR	NUMBER OF ORDINARY SHARES HELD 2019	NUMBER OF ORDINARY SHARES HELD 2018
Astoria Investments[1]	-	28,059,272
Graydon Butler	1,050,000	-
Jonathan Freeman	60,606	-
Howard Garland	-	-
Patrick Goulding	-	-
David Hudd	-	-
Marianne Ismail [1]	-	1,050,000
Darryl Kaplan [1]	-	77,781
Lindsey McMurray	-	-
Robert Suss	-	-
Kenneth 'Buzz' West	4,536,076	3,183,793
Gary Wilder and Jonathan Massing [2]	142,944,905	56,600,368

[1] Marianne Ismail and Darryl Kaplan (representative of Astoria Investments) resigned in 2019 (See Directors Remuneration Report)

[2] Gary Wilder and Jonathan Massing's shares relates to KPI (Nominees) Limited's holding as both have a beneficial interest in that entity.

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 executive 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. A Diversity and Inclusion Forum comprising employees from across team has recently been formed to further encourage diversity and inclusion across the Group and make it a central tenet of Kingswood's culture.

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 indication of likely future developments are contained in the Chairman and Chief Executive Officer Statement and the Strategic Report.

SUBSTANTIAL SHAREHOLDINGS

The Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights of shareholders holding 3% or more of the issued share capital of the Company as at 31 March 2020:

NAME OF SHAREHOLDER	PERCENTAGE OF VOTING RIGHTS AND ISSUED SHARE CAPITAL	NUMBER OF ORDINARY SHARES
KPI (Nominees) Limited	66.02%	143,220,905
Monecor (ETX Capital)	4.59%	9,946,969

All shareholdings stated above are beneficial.

KPI (Nominees) Limited is owned and controlled by Gary Wilder and Jonathan Massing.

The Company has issued 5,727,655 irredeemable, convertible preference shares at £1 per share to a subsidiary of Pollen Street Capital at 31 December 2019. The preference shares are convertible into Kingswood ordinary shares at 16.5p per share on or before 31 December 2023.

DIRECTORS' INDEMNITIES

During the year the Group made qualifying third-party indemnity provisions for the benefit of its Directors and these remain in force at the date of this report.

GOING CONCERN

In accordance with Financial Reporting Council guidance all companies are required 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 13.

The Directors have reviewed the cash flow forecast for the next 12 months and are satisfied that the Group can continue to prepare its financial statements on the going concern basis. This includes a preliminary assessment of the COVID-19 outbreak and any potential impact on the Group and its business.

Whilst the outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business, the Group is expected to generate positive cash flows on its own account for the foreseeable future. The Group operates centralised treasury arrangements and shares banking arrangements between the parent and its subsidiaries.

The Directors, having appropriate enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of Kingswood Holdings Limited and its subsidiaries to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Group's financial position and of the enquiries made of the Directors of Kingswood Holdings Limited, the Directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AUDITOR

Each of the persons who are Directors of Kingswood Holdings Limited 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 Section 249 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 the same date and a resolution for their re-appointment proposed and adopted at the Company's AGM on 2 December 2019.

Approved by the Board of Directors and signed on behalf of the Board on 24 June 2020.

Kenneth 'Buzz' West
Chairman

A diversity and Inclusion Forum comprising employees from the Group has recently been formed to further encourage diversity and inclusion as a central tenet of our culture

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 and KW Wealth Planning Limited (the operational companies regulated by the FCA).

Kingswood Holdings Limited's 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 and Remuneration, and Risk and 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 role 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 members. None of the Non-Executive Directors is involved in 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 Non-Executive Directors are contained on pages 18 to 19.

During the year ended 31 December 2019, the Non-Executive Chairman was responsible for leadership of the Board, creating conditions for the effectiveness of the Board and individual Directors 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.

The minutes of scheduled meetings of the Board are taken by the Company Secretary. In addition to constituting a formal record of decisions taken, the minutes reflect questions raised by Board members in relation to the Group's business and, in particular, issues arising 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 and discussion, through meetings and conference calls, 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 that at least two independent Non-Executive Directors sit on the Board. Currently the Board has seven non-executive directors with Kenneth 'Buzz' West, Jonathan Freeman, David Hudd and Robert Suss considered as 'independent'. Jonathan Massing, Howard Garland and Lindsey McMurray are not considered independent due to the size of the shareholding they are directly or indirectly associated with. The Executive Directors work full time for the Group and the Non-Executive 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)
- Jonathan Massing (appointed Deputy Non-Executive Chairman 26 March 2019)
- Gary Wilder (appointed Group Chief Executive Officer 17 January 2019)
- Patrick Goulding (appointed Group Chief Financial Officer and Chief Executive Officer (Platform) 8 January 2019)
- Graydon Butler (appointed Executive Director 28 February 2019)
- Jonathan Freeman (Non-Executive Director)
- David Hudd (Non-Executive Director)
- Robert Suss (appointed Non-Executive Director 10 June 2019)
- Lindsey McMurray (appointed Non-Executive Director 16 December 2019)
- Howard Garland (appointed Non-Executive Director appointed 16 December 2019)
- Marianne Ismail (resigned as Group Chief Executive Officer 16 January 2019)
- Darryl Kaplan (resigned as Non-Executive Director 8 May 2019)

The Board has scheduled meetings on a bi-monthly basis. The Board formally met eight times throughout the year.

Meetings of the Board are held at the Group's offices in London or via conference call. In person meetings of the Subsidiary Boards take place at least quarterly.

The number of main Board meetings held in 2019 and individual attendance was as follows:

DIRECTOR	BOARD	AUDIT COMMITTEE	NOMINATION & REMUNERATION COMMITTEE	RISK & COMPLIANCE COMMITTEE
Graydon Butler	6/7	-	-	5/6
Jonathan Freeman	8/8	2/2	2/2	5/6
Howard Garland [1]	1/1	-	-	-
Patrick Goulding	8/8	2/2	-	6/6
David Hudd	8/8	-	2/2	-
Darryl Kaplan [2]	2/4	-	-	-
Jonathan Massing	8/8	-	-	-
Lindsey McMurray [1]	0/1	-	-	-
Robert Suss [3]	4/4	-	-	-
Kenneth 'Buzz' West [4]	8/8	-	-	2/2
Gary Wilder	8/8	-	2/2	-

[1] Joined the Board 16 December 2019
[2] Resigned from the Board 8 May 2019
[3] Joined the Board 10 June 2019
[4] Joined Risk & Compliance Committee 1 November 2019

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:

- Constitution of the Board, including its various Committees, and succession planning (as recommended by the Nomination and Remuneration Committee)
- Group strategy and transactions
- Financial reporting (including approval of interim and final financial statements)
- Group finance, banking and capital structure arrangements
- Regulatory matters (including the issue of shares, communication and announcements to the market)
- Group compliance risk management and control processes and decisions (as recommended by the Audit and Risk and Compliance Committees)
- Approval of remuneration policies (as recommended by the Nomination and Remuneration Committee);
- Approval of Group policies in general in respect of, inter alia, Health and Safety, Corporate Responsibility and the environment; and
- 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, 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 and other invited members of senior management present reports to each meeting on key issues including strategy, risk and compliance, finance, operations, people and legal matters.

The Board recognises the importance of on-going professional development and education, particularly in relation to new laws and regulations potentially impacting the business of the Group. Such training may be obtained by Directors individually or through the Group. Directors also maintain knowledge and skills 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 each Director's appointment are available for inspection at the Group's head office in London during normal business hours. The letters of appointment of each Non-Executive Director specifies the anticipated level of time and commitment including, where relevant, additional responsibilities in respect of the Audit, Nomination and Remuneration and Risk and Compliance Committees. Details of other material commitments of the Non-Executive Directors are disclosed to the Board and maintained in a register by the Company Secretary.

SUBSIDIARY BOARDS

Each of the Group's subsidiary companies has a separate Board which meets at least quarterly to discuss key matters pertaining to the subsidiary. The Group Financial Officer and the Chief Operating Officer sit on each of these individual boards.

BOARD COMMITTEES

The Board has established various committees including the Audit, Nomination and Remuneration and Risk and Compliance Committees, each with separate terms of reference. These terms are available for viewing at the Group's London office and on the Group's website.

AUDIT COMMITTEE

The Audit Committee is chaired by Jonathan Freeman with Buzz West joining the committee in 2020. 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 appointment, independence and objectivity, the Annual Report and any audit issues arising, internal control processes and any other appropriate matters. Fees in respect of audit services are set out in note 10 of the Notes to the Financial Statements. Fees for non- audit services paid to the auditors are not deemed to be of such significance as to impair independence and therefore the Audit Committee considers the objectivity and independence of the auditors 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 control is designed to manage, rather than eliminate, the risk of failure to achieve 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 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 reserved matters expressly for its consideration and this includes approval of acquisitions and disposals, major capital projects, treasury and risk management and approval of business plans and budgets;
- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors and submitted to the Board for approval. Forecasts are regularly updated to reflect changes in the business including cash flow projections and are monitored by the Board. Actual results are monitored against budgets and variances reviewed by 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 assets are safeguarded and proper accounting records maintained.

NOMINATION AND REMUNERATION COMMITTEE

In March 2019, the Board approved combining the then separate Nomination and Remuneration Committees into one Committee, chaired by David Hudd and also comprising Jonathan Freeman and Gary Wilder.

The Nomination and Remuneration Committee is responsible for the consideration of Board appointments, the review of the Board structure, its size and composition and the identification of future Board requirements by reference to the balance of skills, knowledge and experience present on the Board and the scale and direction of the Group.

The Committee is also responsible for establishing a formal and transparent procedure for executive remuneration policy and to determine the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Group Chief Executive Officer, 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 is involved in a decision regarding their personal remuneration.

The Board considers the current composition of the Committee appropriate given the size of the Group.

There were two Nomination and Remuneration Committee meetings held during the financial year ended 31 December 2019.

REMUNERATION POLICY

The Board retains responsibility for overall remuneration policy. Executive remuneration packages are designed to attract and retain executives with the necessary skill and experience to hold a senior management role in the Group. The 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 Committee has responsibility for recommending any long-term incentive schemes.

The Board determines if Executive Directors are permitted to serve in roles with other companies. Such permission would 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 Committee, based on the performance of the individual and the compensation for similar positions in comparable companies. Benefits in kind including death in service cover are available to all staff and Executive Directors. Benefits in kind are non-pensionable.
2. Share options: the Company operates approved share option schemes for key personnel to incentivise performance through equity participation. Exercise of share options under the schemes is subject to defined exercise periods and compliance with the AIM Rules. The schemes are overseen by the Nomination and Remuneration Committee which recommends to the Board all grants of share options based on the Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate. The AIM rules refer to the requirement for 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. The Nomination and Remuneration Committee currently considers that the best alignment of these interests is through the continued use of performance incentives through the award of share options in the Company's existing LTIP awards scheme.
3. Bonus scheme: The Group has a discretionary bonus scheme for Executive Directors and staff which is specific to each individual and their role within the Group.
4. Pension contributions: The Group pays a defined contribution to the pension schemes of Executive Directors and staff. The individual pension schemes are private and assets are held separately from those of the Group.
5. No Director has a service contract for longer than 12 months.

POLICY ON NON-EXECUTIVE REMUNERATION

All Non-Executive Directors, except Pollen Street Capital's representatives to the Board, receive a fee for their services as a Director which is approved by the Board, mindful of their time commitment and responsibilities and current market rates for comparable organisations and roles. Non-Executive Directors are also reimbursed for travelling and other incidental expenses incurred on Group business.

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

We are committed to invest in, motivate and incentivise talented people to grow and develop their Kingswood careers

Ownership of the Company's shares by Non-Executive Directors is considered a positive alignment of interest with shareholders. The Board periodically reviews the shareholdings of Non-Executive Directors and seeks 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 the Company. Directors' remuneration, including Directors' interests in share options over the Company's share capital, are set out in the Directors' Report (page 20) and the Directors' Remuneration Report (page 32).

RISK AND COMPLIANCE COMMITTEE

The Board has established a Risk and Compliance Committee comprising an independent Non-Executive Director, Senior Management, the FCA Compliance Oversight function holder (was CF10, now SMF16 and SMF17) and the FCA CASS Operational Oversight function holder (previously CF10a). The Committee's Chairman is Jonathan Freeman a Non-Executive Director of the Company. The Committee generally convenes monthly 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 formally met 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 and risk strategy to review the Group's risk profile relative to current and future risk appetite, to 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, and to make recommendations to the Board in respect of the Group's risk appetite. The Risk and Compliance Committee also oversees 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 and are therefore required to maintain sufficient regulatory capital at all times.

The Group uses an Internal Capital Adequacy Assessment Process (ICAAP) to ensure that the Group has sufficient capital in place to immediately cover risks identified through its risk management framework. The ICAAP is regularly updated, and reviewed and approved by the Risk and Compliance Committee and the Board on an annual basis.

In addition, the Group utilises various other means to ensure that it is in compliance with the rules set out by the FCA and that it 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 regular 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 immediately following appointment. All Directors formally retire by rotation at intervals of no more than three years, requiring re-election by shareholders.

PERFORMANCE EVALUATION

The composition of the Board is regularly reviewed 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 includes a review of success in achieving annual objectives set by the Board. 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 Chairman and the Group Chief Executive Officer maintain dialogue with key shareholders in relation to, strategy and corporate governance issues.

All shareholders receive the Annual Report incorporating audited 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 shareholder proxy votes is handled independently by the Group's registrars. The Chairman announces the results of the proxy votes lodged after shareholders have voted on a show of hands. 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 where open dialogue and feedback is 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 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.

The Group has recently launched a Diversity and Inclusion Forum, run by employees, to encourage creative ideas and action to further embed diversity and inclusion as a central tenet of its corporate culture. Kingswood is proud to be an equal opportunity employer committed to recruiting and maintaining a diverse workforce irrespective of race, religion, age, disability, gender or sexual orientation or bias.

DIRECTORS' REMUNERATION REPORT

	BASE SALARY £	PENSION & BENEFITS £	TERMINATION £	OPTION VALUE OF LTIP SHARES £	2019 TOTAL £	2018 TOTAL £
EXECUTIVE						
Graydon Butler *(appointed 28/2/19)*	125,000	-	-	172,149	297,149	-
Patrick Goulding *(appointed 8/1/19)*	227,564	210,399	-	411,133	849,096	-
Marianne Ismail *(resigned 16/1/19)*	12,000	1,656	272,432	-	286,088	270,246
Gary Wilder	100,000	-	-	286,915	386,915	25,000
NON-EXECUTIVE						
Jonathan Freeman	48,750	5,544	-	-	54,294	22,385
David Hudd	36,000	-	-	86,075	122,075	21,600
Darryl Kaplan *(resigned 8/5/19)*	6,250	-	-	-	6,250	25,000
Jonathan Massing	25,000	-	-	286,915	311,915	25,000
Robert Suss *(appointed 10/6/19)*	13,942	1,229	-	114,924	130,095	-
Kenneth 'Buzz' West	72,000	-	-	172,149	244,149	70,927
Aggregate emoluments	**666,506**	**218,828**	**272,432**	**1,530,260**	**2,688,027**	**460,158**

Signed on behalf of the Board:

Kenneth 'Buzz' West
Chairman

24 June 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

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

The Companies (Guernsey) Law, 2008 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 (IFRS) as adopted by the European Union. The Directors must not approve the annual 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 Consolidated Statement of Comprehensive Income for the year. 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 annual financial statements, prepared in accordance with International Financial Reporting Standards (IFRS) 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 position and performance, business model and strategy.

Signed on behalf of the Board:

Kenneth 'Buzz' West
Chairman

24 June 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Kingswood Holdings Limited

OPINION

We have audited the financial statements of Kingswood Holdings Limited (referred to as the 'Parent Company' throughout the report) and its subsidiaries (the 'Group') for the year ended 31 December 2019 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 2019 and its 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
Valuation of goodwill (note 5 on page 45, note 6 on page 49 and note 19 on pages 58 and 59) 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 financial 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. To assess the recoverable amount of the CGUs management have 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. • We recalculated the carrying amount to ensure it was in accordance with the accounting standard. 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. We then considered the Group's impairment review by comparing the carrying amount of goodwill against the recoverable amount of the CGUs. 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. **Key observations:** Based on the work undertaken, we concur with the judgements made by management in the valuation of goodwill.

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. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the Group financial statements as a whole to be £931,000 (2018: £754,000) which was determined by reference to a benchmark of 3% (2018: 3%) of the consolidated net assets of the Group. Net assets has 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 £698,000 (2018: £527,800), which was based on 75% (2018: 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. The percentage applied has changed from prior year as a result of the change in audit methodology due to the merger between Moore Stephens LLP and BDO LLP.

Each significant component of the Group was audited to a lower level of materiality. This gave component materialities in the range of £24,000 to £609,000 (2018: £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 £18,620 (2018: £37,700). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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 consists of 9 components, of which we identified 6 as significant components based on each individual component's contribution to the Group's overall result and net assets. 4 of the significant components, representing 90% of the Group's net assets, have been subject to full statutory audits conducted by BDO LLP.

The revenue balance was audited to Group materiality on 1 significant component, as this component was not subject to a full statutory audit.

Revenue balance was audited, bank balance was vouched to year-end bank statement and an analytical review was carried out on expense balances for the other significant component.

No significant audit work was conducted over the remaining 3 components, as we have considered the risk of material misstatement to the Group accounts to be acceptably low.

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

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 33, 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

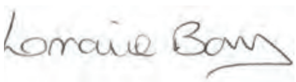
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

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

24 June 2020

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 2019

	NOTE	2019 £'000	2018 RESTATED* £'000
Revenue	8	10,053	7,506
Direct expenses		(868)	(561)
Gross profit		9,185	6,945
Administrative expenses		(12,555)	(9,913)
Amortisation and depreciation		(1,426)	(598)
Other (losses) / gains	12	(381)	(106)
Operating loss	9	(5,177)	(3,672)
Finance costs	13	(384)	(17)
Loss before tax		(5,561)	(3,689)
Tax	14	-	-
Loss after tax from continuing operations		(5,561)	(3,689)
Loss from discontinued operations	15	(155)	(1,029)
Loss after tax for the year		(5,716)	(4,718)
Other comprehensive income		-	-
Total comprehensive loss for the year		(5,716)	(4,718)
Loss per share - continuing operations:			
Basic loss per share	17	£ (0.03)	£ (0.03)
Diluted loss per share	17	£ (0.03)	£ (0.03)

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

Operating EBITDA is calculated as follows:		
Operating loss	(5,177)	(3,672)
Add back :		
Amortisation, depreciation and impairment	1,807	704
Business re-positioning costs	1,963	924
Transaction costs	1,618	443
Share based remuneration	442	4
Operating EBITDA	653	(1,597)

The notes on pages 42 to 72 form an integral part of the financial statements.

* Prior periods have been restated to separate the results of discontinued operations, consistent with the presentation in the current period. Refer to note 15 for further details of the results of the discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	NOTE	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Non-current assets			
Property, plant and equipment	18	1,322	148
Intangible assets and goodwill	19	40,191	25,536
Investments	20	416	-
Deferred tax asset	21	428	428
		42,357	26,112
Current assets			
Trade and other receivables	22	2,274	1,156
Cash and cash equivalents	24	2,006	2,410
		4,280	3,566
Total assets		46,637	29,678
Current liabilities			
Trade and other payables	25	2,566	2,131
Deferred consideration payable	26	5,168	1,200
Short term borrowings	27	-	-
		7,734	3,331
Non-current liabilities			
Deferred consideration payable	26	7,377	1,200
Other non-current liabilities	28	914	4
Total liabilities		16,025	4,535
Net assets		30,612	25,143
Equity			
Share capital	29	10,846	7,743
Share premium	29	8,224	6,274
Preference share capital	30	5,728	-
Deferred share capital		-	106
Other reserves		(296)	(738)
Retained earnings		6,110	11,758
Total equity		30,612	25,143

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
24 June 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	SHARE CAPITAL & PREMIUM £'000	DEFERRED SHARE CAPITAL £'000	PREFERENCE SHARE CAPITAL £'000	OTHER RESERVES £'000	RETAINED EARNINGS £'000	TOTAL £'000
Balance at 1 January 2018	**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 remuneration	-	-	-	4	-	4
Retranslation of overseas operations	-	-	-	(8)	-	(8)
Balance at 31 December 2018	**14,017**	**106**	**-**	**(738)**	**11,758**	**25,143**
Loss for the year	-	-	-	-	(5,716)	(5,716)
Issue of share capital	5,053	-	-	-	-	5,053
Issue of preference share capital	-	-	5,728	-	-	5,728
Write back of deferred share capital	-	(106)	-	-	106	-
Share based remuneration	-	-	-	442	-	442
Preference dividends	-	-	-	-	(38)	(38)
Balance at 31 December 2019	**19,070**	**-**	**5,728**	**(296)**	**6,110**	**30,612**

Note 29 provides further details of, and the split between, Share Capital and Share Premium. Other reserves consist of foreign exchange translation and expenses charged against reserves.

The notes on pages 42 to 72 form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	NOTE	2019 £'000	2018 £'000
Net cash used in operating activities	31	(4,270)	(3,867)
Investing activities			
Property, plant & equipment purchased		(133)	(138)
Acquisition of investments		(6,616)	(2,127)
Proceeds from sale of investments		-	234
Cash acquired on acquisitions		-	106
Interest received		-	555
Net cash used in investing activities		(6,749)	(1,370)
Financing activities			
Net proceeds on issue of shares		10,780	1,939
Interest paid		(165)	-
Loans repaid		-	(5,391)
Loans received		-	1,300
Net cash from financing activities		10,615	(2,152)
Net decrease in cash and cash equivalents		(404)	(7,389)
Cash and cash equivalents at beginning of year		2,410	9,799
Cash and cash equivalents at end of year	24	2,006	2,410

The notes on pages 42 to 72 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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 ICAAP.

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 a subsidiary, Kingswood Trading Services Limited, ceased trading. 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 15 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.

At 31 December 2019, the Group consisted 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 (Marchant McKechnie).

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.

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 2019, the Group adopted the following new standards or amendments issued by the IASB or interpretations issued by the IFRS Interpretations Committee (IFRS IC):

IFRS 16	Leases

The impact of adopting this standard is disclosed in note 7.

New accounting standards, amendments and interpretations not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

IFRS 3 (Amendments)	Definition of a Business
IAS 1 and IAS 8 (Amendments)	Definition of Material Revised Conceptual Framework for Financial Reporting

The above standards have not had a significant impact on the Group in the current year and are not expected to have a significant impact on the Group's financial statements in future accounting periods when the standards become effective.

5. SIGNIFICANT ACCOUNTING POLICIES

Going concern

The Directors review the going concern position of the Group on a regular basis as part of the monthly reporting process which includes consolidated management accounts and cash flow projections and 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 the Directors continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail in relation to how the Group arrived at the going concern assumption given the Covid-19 pandemic is contained in the Directors' Report on page 22.

Revenue recognition

Performance obligations and timing of revenue recognition

The majority of the Group's revenue, being investment management fees and ongoing wealth advisory, is derived from the value of funds under management / advice, with revenue recognised over the period in which the related service is rendered. This method reflects the ongoing portfolio servicing required to ensure the group's contractual obligations to its clients are met.

For certain commission, fee-based and initial wealth advisory income, revenue is recognised over the period in which the service was completed. There is limited judgement needed in identifying the point such a service has been provided, owing to the necessity of evidencing, typically via third-party support, a discharge of pre-agreed duties.

Determining the transaction price

Most of the Group's revenue is charged as a percentage of the total value of assets under management or advice. For revenue earned on a commission basis, a set percentage of the trade value will be charged. In the case of one-off or ad hoc engagements, a fixed fee may be agreed.

Allocating amounts to performance obligations

Owing to the way in which the Group earns its revenue, which is primarily percentage-based, there is no judgement required in determining the allocation of amounts received. Where clients benefit from the provision of both investment management and wealth advisory services, the Group is able to separately determine the quantum of fees payable for each business stream.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Costs of obtaining long-term contracts and costs of fulfilling contracts
The Group aims to retain its clients indefinitely, and will thus enter into a contractual relationship that may hold for a number of years. However, as rolling month-by-month agreements are the norm, there is no obligation binding either party for periods greater than one year, which would thus be classified as 'long-term' contracts.

The cost of fulfilling contracts, such as they are, are either charged per transaction, such that no judgement is needed to measure the cost to the Group of fulfilling its obligations, or else not directly linked to any one client or agreement.

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.

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.

5. SIGNIFICANT ACCOUNTING POLICIES continued

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 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.

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 method, 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. The consideration liability is contingent on performance requirements during the deferred consideration period. The value of the contingent consideration is determined by EBITDA and/or revenue targets agreed on the acquisition of each asset, as defined under the respective Business Purchase Agreements. As at the reporting date, the Group is expecting to pay the full value of its deferred consideration as all acquisitions are on target to meet the requirements, and therefore no gains or losses have arisen from this during the year.

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 method 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.

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.

As required under IFRS 9, 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 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.

Classification and measurement of financial liabilities

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

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group considers a broad 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 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 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.

5. SIGNIFICANT ACCOUNTING POLICIES continued

Reclassification of equity
Under Guernsey Company law, Kingswood Holdings Limited 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.

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 24.

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 remuneration
Equity-settled share-based remuneration 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 32.

5. SIGNIFICANT ACCOUNTING POLICIES continued

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 that had 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 32.

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 21 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

IFRS 16 – Leases

This is the first time the Group has applied IFRS 16 – Leases to its financial statements. These new standards were adopted from 1 January 2019.

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

The Group leases a number of assets, including properties and printers.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on- balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets such as printers. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. A total of £33k relating to low-value assets was expensed in the year.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

CARRYING AMOUNTS OF RIGHT-OF-USE ASSETS	PROPERTY, PLANT AND EQUIPMENT £'000
Balance at 1 January 2019 Additions	788
Depreciation	547
Balance at 31 December 2019	(234)
Staff costs	1,101

7. EFFECT OF CHANGES IN ACCOUNTING POLICIES continued

CARRYING AMOUNTS OF LEASE LIABILITIES	LEASE LIABILITIES £'000
Balance at 1 January 2019	788
Balance at 31 December 2019	1,151
• Due within one year	237
• Due after more than one year	914

Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Transition

Previously, the Group classified office property leases as operating leases under IAS 17. The leases typically run for a period of 3 to 10 years.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 - the date of initial application of IFRS 16. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Impact on financial statements

On transition to IFRS 16, the impact is summarised below:

	1 JANUARY 2019 £'000
Right-of-use assets (included in PPE)	788
Lease liabilities	788
Retained earnings	-

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.50%.

7. EFFECT OF CHANGES IN ACCOUNTING POLICIES continued

The following is a reconciliation of total operating lease commitments disclosed at 31 December 2018 under IAS 17 to the lease liabilities recognised at 1 January 2019 under IFRS 16:

	1 JANUARY 2019 £'000
Total operating lease commitments disclosed at 31 December 2018	943
Recognition exemptions:	
Leases of low value assets	(30)
Undiscounted lease payments	913
Effect of discounting using the incremental borrowing rate at 1 January 2019	(125)
Lease liabilities at 1 January 2019	788

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
- Financial 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 2019. The table below details a 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 2019 £'000	FINANCIAL PLANNING 2019 £'000	GROUP 2019 £'000	TOTAL 2019 £'000
CONTINUING OPERATIONS				
Revenue				
External sales	4,187	5,854	12	10,053
Core adjusted profit/(loss)	90	1,905	(5,365)	(3,370)
Other losses	-	-	(381)	(381)
Finance costs	(2)	(180)	(202)	(384)
Amortisation and depreciation	-	(513)	(913)	(1,426)
Profit / (loss) before tax from continuing operations	88	1,212	(6,861)	(5,561)
Tax	-	-	-	-
Profit / (loss) after tax from continuing operations	88	1,212	(6,861)	(5,561)
DISCONTINUED OPERATIONS				
Loss from discontinued operations	(155)	-	-	(155)
Profit / (loss) after tax	(67)	1,212	(6,861)	(5,716)

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

8. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	INVESTMENT MANAGEMENT 2018 £'000	FINANCIAL PLANNING 2018 £'000	GROUP 2018 £'000	TOTAL 2018 £'000
CONTINUING OPERATIONS				
Revenue				
External sales	4,481	3,025	-	7,506
Core adjusted profit/(loss)	593	455	(4,016)	(2,968)
Other losses	-	-	(106)	(106)
Finance costs	(3)	(2)	(12)	(17)
Amortisation and depreciation	-	(73)	(525)	(598)
Profit / (loss) before tax from continuing operations	590	380	(4,659)	(3,689)
Tax	-	-	-	-
Profit / (loss) after tax from continuing operations	590	380	(4,659)	(3,689)
DISCONTINUED OPERATIONS				
Loss from discontinued operations	-	-	(1,029)	(1,029)
Profit / (loss) after tax	590	380	(5,688)	(4,718)

Excerpts for the statement of financial position, by business division, as at 31 December 2019:

	INVESTMENT MANAGEMENT 2019 £'000	FINANCIAL PLANNING 2019 £'000	GROUP 2019 £'000	TOTAL 2019 £'000
Additions to non-current assets	21	16,720	932	17,672
Reportable segment assets	2,685	31,012	12,096	45,793
Investment in associates			416	416
Tax assets				428
Total Group assets				46,637
Reportable segment liabilities	808	12,477	2,740	16,025
Total Group liabilities				16,025

	INVESTMENT MANAGEMENT 2018 £'000	FINANCIAL PLANNING 2018 £'000	GROUP 2018 £'000	TOTAL 2018 £'000
Additions to non-current assets	-	-	3,195	3,195
Reportable segment assets	4,460	5,009	19,781	29,250
Tax assets				428
Total Group assets				29,678
Reportable segment liabilities	2,674	754	1,107	4,535
Total Group liabilities				4,535

9. LOSS FOR THE YEAR

The operating loss for year has been derived after charging:

	2019 £'000	2018 £'000
Depreciation of property, plant and equipment	294	58
Amortisation of intangible assets	1,132	540
Operating lease cost	-	171
Staff costs	7,947	6,219

See Directors' Remuneration Report on page 32 for details of Directors' remuneration during the year.

10. AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2019 £'000	2018 £'000
Fees payable to the Group's auditor		
Audit of company	53	39
Audit of subsidiaries	61	44
CASS audit	31	32
Total fees	145	115

11. STAFF COSTS

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

	2019	2018
Management	10	8
Client advisers	30	28
Operations	43	35
Finance	6	5
Human resources	2	3
Risk and compliance	8	7
Average number of employees	99	86

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	6,602	5,298
Social security costs	460	538
Pension costs	226	278
Other benefits	217	101
Share based payments	442	4
Total staff costs	7,947	6,219

12. OTHER (GAINS) AND LOSSES

	2019 £'000	2018 £'000
Impairment of intangibles	381	-
Refinancing costs	-	316
Movements in deferred consideration	-	(210)
	381	106

The impairment of intangibles for the year ended 31 December 2019 relates to the write-off of the goodwill on KWWP CGU.

13. FINANCE COSTS

	2019 £'000	2018 £'000
Bank and other finance charges	384	17

14. TAX

	2019 £'000	2018 £'000
Corporation tax for the year:		
Current year on discontinued operations	-	-
	-	-
Movement in deferred tax (note 21)	-	-
	-	-

UK corporation tax is calculated at 19.00% (2018: 19.00%) of the estimated assessable profits for the year.

	2019 £'000	2018 RESTATED* £'000
Loss before tax on continuing operations	(5,561)	(3,689)
(Loss) / profit before tax on discontinued operations	(155)	(1,029)
Loss before taxation	(5,716)	(4,718)
Tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	(1,086)	(896)
Expenses not deductible for tax purposes	327	109
Adjustments for Statement of Financial Position items	178	27
Unrelieved tax losses carried forward	584	760
Adjustment for revenue ineligible for tax purposes	(3)	-
Total tax charge for the year	-	-

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

15. DISCONTINUED OPERATIONS

Kingswood Trading Services Limited ceased trading during the year. The loss from discontinued operations is disclosed separately in the Consolidated Statement of Comprehensive Income.

	2019 £'000	2018 RESTATED* £'000
Loss from discontinued operations	(155)	(84)
Loss on disposal of discontinued operations	-	(945)
Loss from discontinued operations	(155)	(1,029)

Loss from discontinued operations

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

	2019 £'000	2018 RESTATED* £'000
Revenue	279	1,589
Cost of sales	(134)	(374)
Gross profit	145	1,215
Administrative expenses	(300)	(1,295)
Amortisation and depreciation	-	(3)
Operating profit	(155)	(83)
Finance costs	-	(1)
Loss before tax	(155)	(84)
Tax	-	-
Loss from discontinued operations for the year	(155)	(84)

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

Earnings per share from discontinued operations

The basic and diluted loss per share from discontinued operations for 2019 were £(0.008) (2018: loss per share £(0.007)).

Cash flows from discontinued operations

The net operating cash used attributable to discontinued operations for 2019 was £155k (2018: net cash used £84k). There were no cash flows from investing and financing activities.

16. DIVIDENDS

The Directors are not proposing to pay a dividend in respect of the year ended 31 December 2019 (year ended 31 December 2018: £nil).

Preference share dividends of £38,305 were due during the year ended 31 December 2019 (2018: £nil).

17. EARNINGS PER SHARE

	2019 £'000	2018 RESTATED* £'000
Loss from continuing operations for the purposes of basic loss per share, being net loss attributable to owners of the Group	(5,561)	(3,689)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	178,875,353	131,361,701
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	178,875,353	131,361,701

The basic loss per share is £(0.03) (2018: loss per share £(0.03)). The diluted loss per share is £(0.03) (2018: loss per share £(0.03)).

*The basic and diluted loss per share for 2018 has been restated to reflect the loss for the year from continuing operations only.

18. PROPERTY, PLANT & EQUIPMENT

	LAND AND BUILDINGS £'000	FIXTURES AND EQUIPMENT £'000	TOTAL £'000
Cost			
At 1 January 2019	-	431	431
Transactional adjustment due to adoption of IFRS 16	788	-	788
Additions	-	133	133
Additions due to adoption of IFRS 16	547	-	547
At 31 December 2019	1,335	564	1,899
Accumulated depreciation			
At 1 January 2019	-	283	283
Charge for the year	234	60	294
At 31 December 2019	234	343	577
Net book value at 31 December 2019	1,101	221	1,322

18. PROPERTY, PLANT AND EQUIPMENT (continued)

	LAND AND BUILDINGS £'000	FIXTURES AND EQUIPMENT £'000	TOTAL £'000
Cost			
At 1 January 2018	-	293	293
Additions	-	138	138
At 31 December 2018	-	431	431
Accumulated depreciation			
At 1 January 2018	-	225	225
Charge for the year	-	58	58
At 31 December 2018	-	283	283
Net book value at 31 December 2018	-	148	148

19. INTANGIBLE ASSETS AND GOODWILL

	GOODWILL £'000	INTANGIBLE ASSETS £'000	TOTAL £'000
Cost			
As at 1 January 2018	16,457	10,504	26,961
Additions	308	3,717	4,025
Disposals	-	(1,566)	(1,566)
Impairment	-	-	-
As at 31 December 2018	16,765	12,655	29,420
Additions	-	16,168	16,168
Disposals	-	-	-
Impairment	(381)	-	(381)
As at 31 December 2019	16,384	28,823	45,207
Accumulated amortisation			
As at 1 January 2018	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
Disposals	-	-	-
Charge for year	185	947	1,132
As at 31 December 2019	2,202	2,814	5,016
Net book value			
As at 31 December 2018	14,748	10,788	25,536
As at 31 December 2019	14,182	26,009	40,191

19. INTANGIBLE ASSETS AND GOODWILL (continued)

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 financial planning.

	INVESTMENT MANAGEMENT £'000	FINANCIAL PLANNING £'000	TOTAL £'000
Goodwill	8,965	5,217	14,182

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 the Group are its two divisions, investment management and financial 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) in 2014. KWWG has been split between the two CGUs depending on which CGU the relevant assets are allocated to.

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 financial 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 value of the investment management and the financial planning CGU exceeded its carrying value by £2.3m and £7.1m respectively. The impairment charge in the year relates to Bradley Stewart goodwill in KW Wealth Planning's financial statements.

Valuations are based on an assets under management multiple of 3.02 (the investment management CGU), a recurring revenue multiple of 4.09 (financial planning CGU) and a review of industry standard valuation metrics in order to analyse the individual CGUs. The value of the CGU relates to a Level 2 fair value measurement.

The impact to the value of the CGUs of a reasonably possible change to assumptions is presented in the table below:

		CGU VALUATION	
	REASONABLY POSSIBLE	INCREASE £'000	DECREASE £'000
Investment Management			
Asset under management multiple	(+ / - 5%)	561	(561)
Financial Planning			
Recurring revenue multiple goodwill	(+ / - 5%)	1,233	(1,233)

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 £24.92m of intangible assets being amortised over 20 years, £0.93m over 15 years and £0.16m over 10 years.

The addition in 2019 to intangible assets represents the value of funds under management and client base acquired from Thomas and Co and WFI Financial.

The addition in 2018 to intangible assets represents the value of funds under management and client base acquired as part of the acquisition of Marchant McKechnie.

20. INVESTMENTS

	£'000
Cost	
At 1 January 2019	-
Acquisitions	416
Impairment	-
Disposals	-
As at 31 December 2019	416

On 25 May 2019, Kingswood acquired a 7% interest in US based Manhattan Harbour Capital Inc. for an initial consideration of £416,435 (USD$525,000), comprising a cash payment of £263,742 (USD$332,500) and a share component of £152,693 (USD$192,500) which was satisfied through the issuance of 1,654,787 new ordinary shares in the Company.

ITEM	FAIR VALUE £'000	VALUATION TECHNIQUE	FAIR VALUE HIERARCHY LEVEL
Investments	416	Fair value of investments is estimated by using a valuation multiple of 5x EBITDA	Level 2

21. 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 2019	428
Movement in the year	-
As at 31 December 2019	428

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

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

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Deferred tax assets	428	428

At the Statement of Financial Position date, the Group has unused tax losses of £13.19m (2018: £10.4m) available for offset against future profits. A deferred tax asset of £428,000 (2018: £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 £10.67m tax losses as there is some uncertainty as to the timing of future expected profit.

22. TRADE AND OTHER RECEIVABLES

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Trade receivables	462	600
Prepayments	274	187
Other debtors	784	369
Promissory note	754	-
	2,274	1,156

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.

23. SUBSIDIARIES

Kingswood Holdings Limited, the parent company incorporated in Guernsey, has the following subsidiaries as at 31 December 2019:

KW Wealth Group Limited ("KWWG") (UK company)	100% owned by KHL	Holding company
KW Investment Management Limited ("KWIM") (UK company)	100% owned by KHL	Investment management
KW Wealth Planning Limited ("KWWP") (UK company)	100% owned by KHL	Financial planning
KW Trading Services Limited ("KWTS") (UK company)	100% owned by KHL – no longer trading	Trading and broking services
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)	100% owned by KHL	Financial planning
Kingswood US Holdings Inc. (US company)	100% owned by KWWG – non trading company	Holding company

24. CASH AND CASH EQUIVALENTS

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Cash at bank and in hand	2,006	2,410

Client money

Client money held in segregated accounts but not included in the Statement of Financial Position was £16.0m at 31 December 2019 (31 December 2018: £26.4m).

25. TRADE AND OTHER PAYABLES

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Trade payables	863	263
Accruals and other creditors	1,203	1,353
Lease liability	237	-
Other taxation and social security	263	515
	2,566	2,131

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

26. DEFERRED CONSIDERATION PAYABLE

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Deferred consideration payable on acquisitions	12,545	2,400
• falling due within one year	5,168	1,200
• due after more than one year	7,377	1,200

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

The consideration liability is contingent on performance requirements during the deferred consideration period. The value of the contingent consideration is determined by EBITDA and/or revenue targets agreed on the acquisition of each asset, as defined under the respective Business Purchase Agreement. As at the reporting date, the Group is expecting to pay the full value of its deferred consideration as all acquisitions are on target to meet the requirements, and therefore no gains or losses have arisen from this during the year.

27. SHORT TERM BORROWINGS

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%.

During the year ended 31 December 2018, £7m drawn under this facility was converted into equity.

During the year ended 31 December 2019, the remaining £4.9 million borrowing capacity was utilised and subsequently converted into equity and the Convertible Facilities Agreement cancelled. See note 29 for further details.

28. OTHER NON-CURRENT LIABILITIES

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Hire purchase creditor	-	4
Lease liability	914	-
	914	4

29. SHARE CAPITAL AND SHARE PREMIUM

	2019 SHARES	2018 SHARES	2019 £'000	2018 £'000
Ordinary shares issued:				
Fully paid	216,920,719	154,870,667	10,846	7,743

Share capital and premium movements:

	NUMBER OF ORDINARY SHARES '000	PAR VALUE £'000	SHARE PREMIUM £'000	TOTAL £'000
Opening balance as at 1 January 2018	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
Issued during year	62,050	3,103	1,950	5,053
As at 31 December 2019	216,921	10,846	8,224	19,070

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 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.

On 8 May 2019 KPI (Nominees) Limited converted £500,000 under the Convertible Facilities Agreement into 5,823,230 ordinary shares of 8.5863p each.

On 30 May 2019 KHL issued 1,654,787 ordinary shares at 9.227p per share as part of an investment in Manhattan Harbour raising £152,687.

On 23 July 2019 KPI (Nominees) Limited converted £500,000 under the Convertible Facilities Agreement into 6,369,426 ordinary shares of 7.85p each.

29. SHARE CAPITAL AND SHARE PREMIUM continued

On 25 July 2019 KPI (Nominees) Limited converted £750,000 under the Convertible Facilities Agreement into 9,560,229 ordinary shares of 7.845p each.

On 30 August 2019 KPI (Nominees) Limited converted £1,725,000 under the Convertible Facilities Agreement into 21,131,936 ordinary shares of 8.163p each.

On 3 September 2019 KPI (Nominees) Limited converted £1,425,000 under the Convertible Facilities Agreement into 17,510,444 ordinary shares of 8.138p each.

On 4 September 2019 KPI (Nominees) Limited purchased Astoria Investments (UK) Limited's entire holding of 28,059,272 ordinary shares of 5 pence each in the Company at a price of 7.5 pence. As a result of this transaction, KPI currently holds 142,944,905 Ordinary Shares, representing 65.9 per cent of ordinary shares in issue at 31 December 2019

30. PREFERENCE SHARE CAPITAL

	2019 SHARES	2018 SHARES	2019 £'000	2018 £'000
Convertible preference shares issued:				
Fully paid	5,727,655	-	5,728	-

Preference share capital movements:

	NUMBER OF SHARES '000	PAR VALUE £'000
Issued during year	5,728	5,728
As at 31 December 2019	5,728	5,728

On 12 September 2019, Kingswood Holdings Limited entered into a subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed and/or advised by Pollen Street Capital, to subscribe for up to 80 million irredeemable convertible preference shares, at a subscription price of £1 each (the Subscription). Pollen Street Capital is a global, independent alternative asset investment management company, established in 2013 with currently over £2.6 billion gross AUM across private equity and credit strategies, focused on the financial and business services sectors, with significant experience in specialty finance. The initial proceeds of the Subscription were used to fund the acquisition of WFI.

All irredeemable convertible preference shares convert into new ordinary shares at Pollen Street Capital's option at any time from the earlier of an early conversion trigger or a fundraising, or automatically on 31 December 2023. Preferential dividends on the irredeemable convertible preference shares accrue daily at a fixed rate of five per cent per annum from the date of issue.

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 24.

	2019 £'000	2018 £'000
Loss before tax	(5,561)	(4,718)
Adjustments for:		
Loss before tax Adjustments for: Finance costs	341	18
Foreign exchange	-	(70)
Depreciation and amortisation	1,192	598
Share-based payment expense	442	4
Loss from discontinued operations	(155)	945
Impairment of goodwill / subsidiaries	382	-
Other gains / (losses)	-	316
Impact of adjustment for IFRS 16 - Leases	(67)	-
Operating cash flows before movements in working capital	(3,426)	(2,907)
(Increase)/Decrease in receivables	(1,115)	(42)
Increase/(Decrease) in payables	271	(918)
Net cash outflow from operating activities	(4,270)	(3,867)

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
As at 1 January 2019	1,204
Cash flows:	
Lease liability	(217)
Non-cash flows:	
Deferred consideration	6,177
Hire purchase creditor	(4)
Lease liability	1,131
As at 31 December 2019	8,291

32. SHARE BASED REMUNERATION

Employee Option Plan

The Group has the following share option schemes established for employees and Directors

- 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.

- The 2019 Kingswood Group LTIP scheme under which options are granted over ordinary shares of the Group to employees and Directors. 39,600,000 options were issued with an exercise price of 5p. The vesting date of these share options is 31 December 2021.

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 2019 PENCE	NUMBER OF OPTIONS 2019	AVERAGE EXERCISE PRICE PER SHARE OPTION 2018 PENCE	NUMBER OF OPTIONS 2018
Outstanding as at 1 January	77.21	314,500	71.98	436,440
Granted during the year	5.00	39,600,000	-	-
Exercised during the year	-	-	-	-
Forfeited during the year	5.99	(5,457,000)	58.49	(121,940)
Outstanding as at 31 December	5.49	34,457,500	77.21	314,500
Vested and exercisable at 31 December	72.17	257,500		162,000

32. SHARE BASED REMUNERATION continued

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 2019	SHARE OPTIONS 31 DECEMBER 2018
04 August 2014	03-Aug-24	100.00	105,000	162,000
01 August 2016	31-Jul-26	53.00	152,500	152,500
15 February 2019	31-Dec-23	5.00	9,950,000	-
09 May 2019	31-Dec-23	5.00	21,250,000	-
28 June 2019	31-Dec-23	5.00	3,000,000	-
Total			34,457,500	314,500

Weighted average contractual life of options outstanding at end of period	4.13 years	7.28 years

The following information is relevant to the determination of the fair value of options granted during the year under equity settled share based remuneration schemes operated by the group.

	2019 £'000
Equity-settled	
Option pricing model used	Monte Carlo
Weighted average share price at grant date (p)	10.04
Exercise price (p)	5.00
Weighted average contractual life (in days)	986
Expected volatility (tranch 1)	15.9%
Expected volatility (tranch 2)	17.6%
Expected volatility (tranch 3)	20.7%
Expected dividend growth rate	N/A
Risk-free interest rate	0.7%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

The dividend growth rate has been assumed to be 0% as no dividends have been paid.

Expenses arising from share-based payment transactions

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

	2019 £'000	2018 £'000
Options issued under employee option plan	442	4

33. FINANCIAL INSTRUMENTS

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

	2019 CARRYING AMOUNT £'000	2018 CARRYING AMOUNT £'000
Financial assets measured at amortised cost		
Trade and other receivables	501	969
Cash and bank balances	2,006	2,410
Financial liabilities measured at amortised cost		
Trade and other payables	(2,303)	(3,331)
Other non-current liabilities	(914)	(1,204)
Financial liabilities measured at fair value through profit and loss		
Deferred consideration	(12,545)	-
	(13,255)	(1,156)

ITEM	FAIR VALUE £'000	VALUATION TECHNIQUE	FAIR VALUE HIERARCHY LEVEL
Deferred Consideration	12,545	Fair value of deferred consideration is estimated by discounting the future contractual cash flows at an interest rate of 5%	Level 3

The impact to the value of deferred consideration of a reasonably possible change to the discount is presented in the table below:

		DEFERRED CONSIDERATION	
ASSUMPTION	REASONABLY POSSIBLE	INCREASE £'000	DECREASE £'000
Discount rate	(+ / - 1%)	(121)	124

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.

33. FINANCIAL INSTRUMENTS continued

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

	31 DECEMBER 2019 £'000	31 DECEMBER 2018 £'000
Cash	2,006	2,410
Trade and other receivables	2,274	1,156
	4,280	3,566

The Group's exposure to credit risk on cash and cash equivalents is considered by the Directors to be low as the Group holds accounts at banks with strong credit ratings. See note 24 for further detail on cash and cash equivalents.

Trade and other receivables were neither impaired nor past due on the reporting date. Due to the nature of trade and other receivable balance the group is not subject to any expected credit losses. See note 22 for further detail on trade and other receivables.

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 table below illustrates the maturity profile of all financial liabilities outstanding as at 31 December 2019.

	REPAYABLE ON DEMAND £'000	REPAYABLE BETWEEN 0 AND 12 MONTHS £'000	REPAYABLE AFTER MORE THAN 12 MONTHS £'000	TOTAL £'000
As at 31 December 2019				
Trade payables	-	863	1,203	2,066
Other payables	-	263	-	263
Deferred consideration		5,200	8,000	13,200
Lease liabilities	-	329	957	1,286
	-	6,655	10,160	16,815
As at 31 December 2018				
Trade payables	-	263	-	263
Other payables	-	1,868	-	1,868
Deferred consideration	-	1,200	1,200	2,400
Lease liabilities	-	4	-	4
	-	3,335	1,200	4,535

33. FINANCIAL INSTRUMENTS continued

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 the deal agreed in Britain leaving the European Union.

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.

34. 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 32.

	YEAR ENDED 31 DECEMBER 2019 £'000	YEAR ENDED 31 DECEMBER 2018 £'000
Short-term employee benefits	2,317	430
Post-employment benefits	-	30
Termination benefits	272	-
Share based payments	371	-
	2,960	460

During the year ended 31 December 2019, KWIM charged fees totalling £nil (2018: £442) to related parties who have assets managed by KWIM. In addition, KWTS charged commission on trades for related parties of £nil (2018: £18,436).

During the year, KHL incurred fees of £125,000 and paid interest of £141,113 to KPI (Nominees) Limited, its major shareholder (2018: £20,242). At 31 December 2019, £75,000 of these fees and interest remained unpaid (2018: £nil).

Fees paid to Moor Park Capital Partners LLP, in which Gary Wilder and Jonathan Massing hold a beneficial interest, totalled £nil for the year to 31 December 2019 (2018: £167,428).

Fees received from Moor Park Capital Partners LLP in relation to property related services provide by KHL totalled £20,000 for the year ended 31 December 2019 (2018: £nil), of which £20,000 (2018: £nil) was outstanding at 31 December 2019.

Fees paid for financial and due diligence services to Kingswood LLP, in which Gary Wilder and Jonathan Massing hold a beneficial interest, totalled £90,894 for the year to 31 December 2019 (2018: £25,038), of which £22,849 (2018: £nil) was outstanding at 31 December 2019.

35. CAPITAL MANAGEMENT

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The primary objective of the Group's capital management plan is to ensure that it maintains a strong capital structure in order to protect clients' interests, meet regulatory requirements, protect creditors' interests, support the development of its business and maximise shareholder value. Each subsidiary manages its own capital, in particular to maintain regulatory solvency. Details of the management of this risk can be found in the Strategic Report and the Directors' Report.

The Group's capital management policy is, for each subsidiary, to hold the higher of:

- the capital required by any relevant supervisory body; or
- the capital required based on each subsidiary's internal assessment.

The following entities are subject to regulatory supervision and must comply with capital adequacy rules and regulations:

ENTITY	REGULATORY BODY AND JURISDICTION
KW Investment Management Limited	FCA Investment Firm
KW Investment Management Limited	FSCA South Africa : Financial Services Provider
KW Wealth Planning Limited	FCA Personal Investment Firm
Marchant McKechnie Financial Advisers Ltd	FCA Personal Investment Firm

The regulatory capital requirements of companies within the Group, and the associated solvency of the Group, are assessed and monitored by the Board of Directors. Ultimate responsibility for an individual company's regulatory capital lies with the relevant subsidiary Board. There has been no material change in the level of capital requirements of individual companies during the year, nor in the Group's management of capital. All regulated entities exceeded the minimum solvency requirements at the reporting date and during the year.

The debt to equity ratios at 31 December 2019 and 31 December 2018 were as follows:

	2019 £'000	2018 £'000
Loans and borrowings	-	-
Lease liabilities	1,151	4
Less: cash and cash equivalents	(2,006)	(2,410)
Net debt	-	-
Total equity	30,612	25,143
Debt to capital ration (%)	0%	0%

36. ULTIMATE CONTROLLING PARTY

As at the date of approving the financial statements, the ultimate controlling party of the Group was KPI (Nominees) Ltd.

37. SUBSEQUENT EVENTS

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organisation.

We have not seen a significant impact on our business to date. The outbreak and the general governmental response to dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report. Nonetheless, the Group is well-placed to continue operating under these conditions for a sustained period of time. All employees are set up to work remotely, and the business has modelled future cash flows and profitability, based on downside market scenarios, and concluded that no material uncertainty exists around the Group's status as a going concern.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

In December 2019, the Group announced the acquisition of Chalice Capital Partners and Chalice Wealth Advisors (together Chalice), an IBD and an RIA, both located in San Diego, California, USA for a maximum consideration of US$4.0 million (£3.2 million).

The Group formally closed the acquisition on 4 May 2020 on receipt of US regulatory approval. Chalice provides full service securities brokerage, advisory and investment banking services to a broad-based group of individuals and corporate clients with 96 authorised representatives managing assets of $1.1 billion (circa £0.9 billion).

An initial consideration of US$1.0 million (£0.8 million) was paid on exchange in December 2019 with the second tranche of $1.0 million (£0.8 million) paid on closing in May 2020. The maximum remaining balance of $2.0 million (£1.6 million) will be disbursed on a deferred basis in 2020 subject to Chalice meeting pre-agreed asset migration, revenue and EBITDA hurdles.

In May 2020 the Group signed conditional heads of terms to increase its interest in Manhattan Harbor Capital (MHC) from an existing 7% to 20%. Chalice will be contemporaneously folded into MHC, increasing Kingswood's interest in MHC to a majority 50.2%. Both Chalice and MHC will be rebranded Kingswood US which will put the Group in a strong position to drive its US growth strategy.

In June 2020 Kingswood completed the acquisition of Sterling Trust, a high-quality IFA business which operates from headquarters in Hull, Yorkshire and four satellite offices in Darlington, Newcastle, Sheffield and York. Sterling Trust provides independent financial advice to individuals and corporates within the UK and currently employs 48 people, with 22 financial advisers advising/managing £1.2 billion AUA/AUM and servicing over 5,000 clients.

The Company has issued 12.7m irredeemable convertible preference shares at £1 per share to fund acquisitions closed since year end.

ADVISERS AND COMPANY INFORMATION

Auditor
BDO LLP
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London EC1A 4AB

Nominated Adviser and Broker
(effective 20 April 2020):
Peel Hunt LLP
Moor House
120 London Wall
London EC2Y 5ET

Registrars
Link Asset Services
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Registered Office
Regency Court
Glategny Esplanade
St Peter Port
Guernsey GY1 1WW

Registered Number
42316

Kingswood Holdings Limited
13 Austin Friars
London
EC2N 2HE

info@kingswood-group.com
020 7293 0730

kingswood-group.com