



KINGSWOOD HOLDINGS LIMITED

(formerly European Wealth Group Limited)

***CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019***

Company Registration No. 42316 (Guernsey Company)

KINGSWOOD HOLDINGS LIMITED AND ITS SUBSIDIARIES

("the Group" or "Kingswood")

Consolidated Interim Financial Statements for the six month period ended 30 June 2019

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KINGSWOOD HOLDINGS LIMITED

Interim Report and Chief Executive Officer's Statement

Introduction

The first half of 2019 has truly been a transformative period for Kingswood Holdings Limited (the "Company" or "KHL") and its subsidiaries (the "Group" or "Kingswood"). The last two years of restructuring the platform has now largely been completed and Kingswood is well positioned for growth. This was supported in recent weeks by the provision of up to £80m of growth capital by funds managed and/or advised by Pollen Street Capital ("Pollen Street"). This substantial investment is in the form of irredeemable convertible preference shares to be drawn in instalments to match acquisition funding needs. Pollen Street will also be appointing two directors to the Kingswood Board.

This is a strong affirmation of Kingswood's global vision and strategy and underpins share valuation growth not currently reflected in the market.

In addition, Kingswood recently announced the acquisition of the assets of WFI Financial ("WFI"), a high-quality IFA business with approximately £550m under management and advice. We are also currently reviewing a number of potential US opportunities and have entered exclusive discussions to acquire a regulated business in Singapore serving the South-East Asia market.

Growth capital

The raising of up to £80m by way of an issue of irredeemable convertible preference shares to certain investors and funds managed and/or advised by Pollen Street is a hugely significant milestone for the firm. Following significant investment and rigorous restructuring over the last two years, Kingswood now has a strong foundation in place to grow and expand, and this substantial investment will help the Group to execute its significant acquisition pipeline, including the recent acquisition of the business and assets of WFI, a significant independent regional financial planning business based in Sheffield with offices in Derby, Grimsby and Lincoln.

Pollen Street is a global, independent alternative asset investment management company focused on the financial and business services sectors, with significant experience in specialty finance. It was established in 2013 and now has over £2.6bn gross AUM across private equity and credit strategies. The Board believes they will be an excellent 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. We thank them for their efforts in getting to this significant milestone in Kingswood's further development and the trust they have placed in the Board and its staff.

This major investment by a global investor such as Pollen Street is a strong affirmation of the vision and growth strategy set by the Board at the beginning of the year. The level of commitment highlights the growth potential both Kingswood and Pollen Street see in our stock and the potential to add significant value for shareholders.

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 December 31, 2023, provides the certainty and timeliness of funds that Kingswood believes could not be assured from other funding alternatives.

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Interim Report and Chief Executive Officer's Statement

Financial review

The Board is keenly focused on enhancing financial performance and continues to explore ways to drive revenue and enhance the bottom line. In addition to recent acquisitions, newly implemented initiatives include updated fee tariffs across our wealth planning business, the hiring of a new Head of Client Proposition to expand our client offerings, and investment in our technology systems to expand our business support capabilities.

These initiatives will begin to deliver results going forward. The initial months of 2019 were reasonably challenging, with uncertain markets primarily driven by ongoing Brexit sentiment, particularly impacting our investment management segment. Sentiment did noticeably turn more positive in spring 2019.

For the six months to 30 June 2019, revenue from continuing operations was £4.2m compared to £3.7m in the same period for the previous year. The difference is mainly attributable to an increase in revenue from wealth planning as a result of the acquisition of Marchant McKechnie in October 2018 and the assets of Thomas & Co. in February 2019.

The Board believes Core EBITDA is the most critical measure of underlying business performance. The six month period to 30 June 2019 saw an improvement in Core EBITDA by £367k from the period to 30 June 2018 as follows.

	30-Jun-19 (unaudited) £'000	30-Jun-18 (unaudited) £'000	31-Dec-18 (audited) £'000
Revenue - Wealth Planning	2,144	1,441	3,025
Revenue - Investment Management	2,059	2,274	4,481
Total Revenue	4,203	3,715	7,506
Operating costs	(4,543)	(4,422)	(9,103)
Core EBITDA	(340)	(707)	(1,597)

A reconciliation of the statutory loss for the period to Core EBITDA is shown in the Interim Consolidated Statement of Comprehensive Income on page 6.

Strong foundation

Our vision is to become a leading global provider of trusted wealth planning and investment management solutions to clients, underpinned by investment in people and innovation with technology supporting our advisers and clients. Critical to delivery of our vision and underlying strategy are the continued development of our technology backbone, a rigorous risk management and compliance environment and the ongoing provision of attractive investment products to clients.

We have already solidified a number of strategic initiatives designed to deliver on the Group's vision and stimulate growth. Kingswood's wealth planning business recently expanded with the acquisition of WFI, a high-quality IFA business with approximately £550m under management and advice; Marchant McKechnie in East Yorkshire which completed in Q4 2018; and the acquisition in Q1 2019 of Oxford-based Thomas & Co. These acquisitions have broadened Kingswood's UK footprint, adding to its existing office network in London, Maidstone, Manchester and Worcester and upon completion of the WFI

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acquisition, Kingswood will have c. 5,500 active clients and AUM/AUA of c. £2.5bn. In May 2019, Kingswood acquired an interest in US-based Manhattan Harbor Capital Inc., enabling Kingswood to gain a key, strategic foothold in the largest global wealth and investment management market.

So far this year, Kingswood has appointed Richard Jeffrey as Chairman of the Investment Committee and has built a robust investment process with a group of highly experienced professionals under its stewardship. Richard Klein also joined to lead and expand the firm's alternative product offerings for distribution to its growing client base. Leigh Philpot recently joined in London, as Head of Client Proposition to help the firm grow and enhance its business proposition for clients and intermediaries and generate new sales opportunities. Najib Canaan joined earlier this year in New York as US CEO to lead the Group's growth efforts in that market, where he is already reviewing a number of potential opportunities.

A new fee structure was implemented across the wealth planning platform from June 2019 and Kingswood's Managed Portfolio Service ("MPS") has been enhanced and is now widely available across industry platforms. A new cash management product (in partnership with Flagstone) has also been launched and provides access to 550+ cash deposit options across 35 financial institutions.

Conclusion

Kingswood now has an established and experienced team in place with an expanding product line and an international footprint which solidifies our growth plans. Our core proposition centres on primary offerings in wealth planning and investment management to deliver trusted financial solutions for clients. As we continue into the second half of the year, we look forward to further exciting announcements in terms of both domestic and international expansion and new investment products.



Gary Wilder
Group Chief Executive Officer

30th September 2019

KINGSWOOD HOLDINGS LIMITED

Independent Review Report

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises of an interim consolidated statement of comprehensive income, interim consolidated statement of financial position, interim consolidated statement of changes in equity, interim consolidated statement of cash flows and the related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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Independent Review Report

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

BDO LLP
London
EC1A 4AB
United Kingdom

30th September 2019

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

KINGSWOOD HOLDINGS LIMITED

Interim Consolidated Statement of Comprehensive Income

For the six month period to 30 June 2019

		Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) Restated ¹ £'000	Year ended 31 Dec 2018 (audited) Restated ² £'000
	Note			
Revenue	6	4,203	3,715	7,506
Cost of sales		<u>(398)</u>	<u>(296)</u>	<u>(561)</u>
Gross profit		3,805	3,419	6,945
Administrative expenses		(5,279)	(5,034)	(9,913)
Amortisation and depreciation		(523)	(258)	(598)
Impairment of goodwill	11	(149)	-	-
Other gains/(losses)	7	-	210	(106)
Operating loss		(2,146)	(1,663)	(3,672)
Finance costs		<u>(34)</u>	<u>(7)</u>	<u>(17)</u>
Loss before tax		(2,180)	(1,670)	(3,689)
Tax		-	(1)	-
Loss after tax from continuing operations		(2,180)	(1,671)	(3,689)
(Loss)/profit from discontinued operations	8	<u>(140)</u>	<u>174</u>	<u>(1,029)</u>
Loss after tax for the period		(2,320)	(1,497)	(4,718)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		<u>(2,320)</u>	<u>(1,497)</u>	<u>(4,718)</u>
Loss per share - continuing operations:				
Basic loss per share	9	£ (0.01)	£ (0.02)	£ (0.03)
Diluted loss per share	9	£ (0.01)	£ (0.02)	£ (0.03)

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

Core EBITDA is calculated as follows:	£'000	£'000	£'000
Operating loss	(2,146)	(1,663)	(3,672)
Add back :			
Amortisation, depreciation and impairment	672	48	704
Exceptional costs	945	908	1,367
Share based payments	189	-	4
Core EBITDA	<u>(340)</u>	<u>(707)</u>	<u>(1,597)</u>

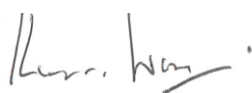
¹The results for the six month period ended 30 June 2018 were restated as a result of a reclassification of certain costs. Additionally, the results of discontinued operations have been separately presented. See note 7 and note 8 for further details.

²The results for the year ended 31 December 2018 were restated to separately present the results of discontinued operations.

KINGSWOOD HOLDINGS LIMITED
Interim Consolidated Statement of Financial Position
As at 30 June 2019

	Note	30 Jun 2019 (unaudited) £'000	30 Jun 2018 (unaudited) £'000	31 Dec 2018 (audited) £'000
Non-current assets				
Property, plant and equipment	10	1,091	76	148
Intangible assets and goodwill	11	27,999	22,173	25,536
Investments	12	416	-	-
Deferred tax asset		428	428	428
		29,934	22,677	26,112
Current assets				
Trade and other receivables		1,208	1,113	1,156
Cash and cash equivalents		156	4,520	2,410
		1,364	5,633	3,566
Total assets		31,298	28,310	29,678
Current liabilities				
Trade and other payables		2,326	1,898	2,131
Deferred liabilities	13	1,700	-	1,200
Lease liabilities	4	184	-	-
		4,210	1,898	3,331
Non-current liabilities				
Deferred liabilities	13	2,200	-	1,200
Other non-current liabilities	14	500	16	4
Lease liabilities	4	724	-	-
Total liabilities		7,634	1,914	4,535
Net assets		23,664	26,396	25,143
Equity				
Share capital	15	8,117	7,347	7,743
Share premium	15	6,552	5,363	6,274
Other equity		106	106	106
Other reserves		(549)	(1,508)	(738)
Retained earnings		9,438	15,088	11,758
Total equity		23,664	26,396	25,143

The financial statements of Kingswood Holdings Limited (registered number 42316) were approved by the Board of Directors and authorised for issue on 30th September 2019 signed on its behalf by:



Kenneth 'Buzz' West
Chairman

KINGSWOOD HOLDINGS LIMITED
Interim Consolidated Statement of Changes In Equity
For the six month period to 30 June 2019

	Share Capital and Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £'000
At 1 January 2018 (audited)	5,016	106	(734)	16,476	20,864
Loss for the period	-	-	-	(1,497)	(1,497)
Issue of share capital	7,694	-	-	-	7,694
Placing costs	-	-	(774)	-	(774)
Reversal of capitalised interest	-	-	-	109	109
At 30 June 2018 (unaudited)	12,710	106	(1,508)	15,088	26,396
Reclassification adjustment*	-	-	774	(774)	-
Loss for the period	-	-	-	(2,556)	(2,556)
Issue of share capital	1,307	-	-	-	1,307
Share based payments	-	-	4	-	4
Retranslation of overseas operations	-	-	(8)	-	(8)
At 31 December 2018 (audited)	14,017	106	(738)	11,758	25,143
Loss for the period	-	-	-	(2,320)	(2,320)
Issue of share capital	652	-	-	-	652
Share based payments	-	-	189	-	189
At 30 June 2019 (unaudited)	14,669	106	(549)	9,438	23,664

*The reclassification adjustment relates to the treatment of placing costs which were adjusted following the statutory audit for the year ended 31 December 2018.

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Interim Consolidated Statement of Cash Flows
For the six month period to 30 June 2019

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) £'000	Year ended 31 Dec 2018 (audited) £'000
Net cash used in operating activities (note 16)	(1,418)	(1,061)	(3,867)
Investing activities			
Property, plant and equipment purchased	(58)	(38)	(138)
Acquisition of investments	(3,416)	-	(1,600)
Proceeds from sale of investments	-	-	234
Deferred consideration	-	-	(317)
Movements in Deferred Consideration	1,500	-	(210)
Cash acquired on acquisitions	-	-	106
Net cash used in investing activities	(1,974)	(38)	(1,925)
Financing activities			
Net proceeds on issue of shares	653	632	1,939
Interest paid	(15)	(1,104)	555
Loans repaid	-	(5,372)	(5,391)
Interest received	-	369	-
New loans received	500	1,300	1,300
Net cash from financing activities	1,138	(4,175)	(1,597)
Net (decrease)/increase in cash and cash equivalents	(2,254)	(5,274)	(7,389)
Cash and cash equivalents at beginning of period	2,410	9,799	9,799
Effects of movement in exchange rates	-	(5)	-
Cash and cash equivalents at end of period	156	4,520	2,410

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Notes to the Consolidated Financial Statements

For the six month period to 30 June 2019

1. General information

Kingswood Holdings Limited ("KHL") 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 Annual Report which is available at <http://www.kingswood-group.com>. Certain subsidiaries in the Group are subject to the FCA's regulatory capital requirements and therefore required to monitor their compliance with credit, market and operational risk requirements, in addition to performing their own assessment of capital requirements as part of the Individual Capital Adequacy Assessment Process ("ICAAP").

2. Accounting policies

Basis of preparation

The Group's interim condensed consolidated financial statements are prepared and presented in accordance with IAS 34 'Interim Financial Reporting'. The accounting policies adopted by the Group in the preparation of its 2019 interim report are consistent with those disclosed in the annual financial statements for the year ended 31 December 2018 except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019, and will be adopted in the 2019 annual financial statements.

The information relating to the six months ended 30 June 2019 and the six months ended 30 June 2018 do not constitute statutory financial statements and the information in relation to the six months ended 30 June 2019 and 30 June 2018 has not been audited. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying IFRS 16.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 4.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of not less than 12 months. Accordingly, the Group continues to prepare the condensed consolidated interim financial statements on a going concern basis.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16.

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Notes to the Consolidated Financial Statements
For the six month period to 30 June 2019

4. Changes in significant accounting policies

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.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2019.

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.

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For the six month period to 30 June 2019

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:

	Property, plant and equipment
	£'000
Carrying amounts of right-of-use assets	
Balance at 1 January 2019	779
Balance at 30 June 2019	910

	Lease liabilities
	£'000
Carrying amounts of lease liabilities	
Balance at 1 January 2019	779
Balance at 30 June 2019:	908
- Due within one year	184
- Due after more than one year	724

The Group presents lease liabilities as a separate line item in the statement of financial position.

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.

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For the six month period to 30 June 2019

Transition

Previously, the Group classified office property leases as operating leases under IAS 17. These include office property leases. 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:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- 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)	779
Lease liabilities	779
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%.

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Notes to the Consolidated Financial Statements
For the six month period to 30 June 2019

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:

	£'000
Total operating lease commitments disclosed at 31 December 2018	943
Recognition exemptions:	
Leases of low value assets	(30)
Leases with remaining lease term of less than 12 months	(31)
Undiscounted lease payments	882
Effect of discounting using the incremental borrowing rate as at 1 January 2019	(103)
Lease liabilities at 1 January 2019	779

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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.

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that has 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.

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.

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Notes to the Consolidated Financial Statements
For the six month period to 30 June 2019

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.

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.

6. Business and geographical segments

For management purposes, the Group has organised its activities into two operating divisions; Investment Management and Wealth Planning. All head office costs have been included in a separate column, Group, alongside the information presented for internal reporting to the Board of Directors. Therefore the Group's reportable segments under IFRS 8 are Investment Management and Wealth Planning. Information regarding the Group's operating segments is reported below.

Six months ended 30-Jun-19 (unaudited)	Investment Management £'000	Wealth Planning £'000	Group £'000	Total £'000
Continuing Operations				
Revenue	2,059	2,144	-	4,203
Core EBITDA	239	487	(1,066)	(340)
Amortisation and depreciation	-	(76)	(447)	(523)
Impairment of goodwill	-	-	(149)	(149)
Exceptional costs	-	-	(945)	(945)
Share based payments	-	-	(189)	(189)
Finance costs	(8)	(1)	(25)	(34)
Profit / (loss) before tax from continuing operations	231	410	(2,821)	(2,180)
Tax	-	-	-	-
Profit / (loss) after tax from continuing operations	231	410	(2,821)	(2,180)
Discounted Operations				
Loss from discontinued operations	(140)	-	-	(140)
Profit / (loss) after tax	91	410	(2,821)	(2,320)

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

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Notes to the Consolidated Financial Statements
For the six month period to 30 June 2019

Six months ended 30-Jun-18 (unaudited)	Investment Management £'000	Wealth Planning £'000	Group £'000	Total £'000
Continuing Operations				
Revenue	2,274	1,441	-	3,715
Core EBITDA	385	372	(1,464)	(707)
Amortisation and depreciation	-	(14)	(244)	(258)
Exceptional costs	-	-	(908)	(908)
Other losses	-	-	210	210
Finance costs	-	(1)	(6)	(7)
Profit / (loss) before tax from continuing operations	385	357	(2,412)	(1,670)
Tax	(1)	-	-	(1)
Profit / (loss) after tax from continuing operations	384	357	(2,413)	(1,671)
Discontinued Operations				
Profit from discontinued operations	174	-	-	174
Profit /(loss) after tax	558	357	(2,413)	(1,497)

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

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Year ended 31-Dec-18 (audited)	Investment Management £'000	Wealth Planning £'000	Group £'000	Total £'000
Continuing Operations				
Revenue	4,481	3,025	-	7,506
Core EBITDA	592	455	(2,644)	(1,597)
Amortisation and depreciation	-	(73)	(525)	(598)
Other losses	-	-	(106)	(106)
Finance costs	(2)	(2)	(13)	(17)
Exceptional costs	-	-	(1,367)	(1,367)
Share based payments	-	-	(4)	(4)
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)
(Loss) / profit after tax	(439)	380	(4,659)	(4,718)

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

7. Other gains / (losses)

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) Restated* £'000	Year ended 31 Dec 2018 (audited) £'000
Movements in deferred consideration	-	210	210
Refinancing costs	-	-	(316)
Total other gains / (losses)	-	210	(106)

*The Group revisited certain other losses amounting to £1,273k and these were reclassified as administrative expenses.

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8. Discontinued operations

In April 2019, the Group discontinued the activities of its subsidiary KW Trading Services Limited. The Group disposed of European Wealth (Switzerland) SA on 11 July 2018 and EW Gibraltar Limited on 30 June 2018. This is disclosed in note 16 of the audited financial statements for the year ended 31 December 2018.

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

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) Restated* £'000	Year ended 31 Dec 2018 (audited) Restated* £'000
Revenue	279	1,074	1,281
Cost of sales	(109)	(192)	(272)
Gross profit	170	882	1,009
Administrative expenses	(308)	(704)	(1,092)
Amortisation and depreciation	-	(4)	-
Operating (loss) / profit	(138)	176	(83)
Finance costs	(2)	(1)	(1)
(Loss) / profit before tax	(140)	175	(84)
Tax	-	(1)	-
(Loss) / profit for the year	(140)	174	(84)
Loss on disposal of discontinued operations	-	-	(945)
(Loss) / profit from discontinued operations	(140)	174	(1,029)

*Restated to include the results of KW Trading Services Limited which was classified as a discontinued operation in April 2019.

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9. Earnings per share

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) Restated* £'000	Year ended 31 Dec 2018 (audited) Restated* £'000
Loss from continuing operations for the purposes of basic loss per share being net loss attributable to owners of the Group	(2,180)	(1,671)	(3,689)
Number of shares			
Weighted average number of ordinary shares in issue during period	156,886,656	108,819,547	131,361,701
Diluted weighted average number of shares in issue during period	156,886,656	108,819,547	131,361,701
Continuing operations:			
Basic loss per share	£(0.01)	£(0.02)	£(0.03)
Diluted loss per share	£(0.01)	£(0.02)	£(0.03)
Total loss:			
Basic loss per share	£(0.01)	£(0.01)	£(0.04)
Diluted loss per share	£(0.01)	£(0.01)	£(0.04)

*Restated to exclude the results of KW Trading Services Limited which was classified as a discontinued operation in April 2019.

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10. Property, plant and equipment

	Group Fixtures and Equipment £'000
Cost	
At 1 January 2018 (audited)	293
Additions	37
At 30 June 2018 (unaudited)	330
Additions	101
At 31 December 2018 (audited)	431
Additions	1,078
At 30 June 2019 (unaudited)	1,509
Accumulated depreciation	
At 1 January 2018 (audited)	225
Charge for half year	29
At 30 June 2018 (unaudited)	254
Charge for half year	29
At 31 December 2018 (audited)	283
Charge for half year	135
At 30 June 2019 (unaudited)	418
Carrying amount	
At 30 June 2018 (unaudited)	76
At 31 December 2018 (audited)	148
At 30 June 2019 (unaudited)	1,091

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	30 June 2019 £'000
Office property	910

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11. Intangible assets and goodwill

Group	Goodwill £'000	Intangible assets £'000	Total £'000
Cost			
As at 1 January 2018 (audited)	16,457	10,504	26,961
Additions	-	-	-
Disposals	-	-	-
As at 30 June 2018 (unaudited)	16,457	10,504	26,961
Additions	308	3,717	4,025
Disposals	-	(1,566)	(1,566)
As at 31 December 2018 (audited)	16,765	12,655	29,420
Additions	-	3,000	3,000
Disposals	-	-	-
As at 30 June 2019 (unaudited)	16,765	15,655	32,420
Accumulated amortisation			
As at 1 January 2018 (audited)	1,971	1,971	3,942
Charge for half year	-	262	262
Impairment	-	584	584
As at 30 June 2018 (unaudited)	1,971	2,817	4,788
Charge for half year	46	232	278
Disposals	-	(1,182)	(1,182)
As at 31 December 2018 (audited)	2,017	1,867	3,884
Charge for half year	-	388	388
Impairment	149	-	149
As at 30 June 2019 (unaudited)	2,166	2,255	4,421
Carrying amount			
As at 30 June 2018 (unaudited)	14,486	7,687	22,173
As at 31 December 2018 (audited)	14,748	10,788	25,536
As at 30 June 2019 (unaudited)	14,599	13,400	27,999

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Notes to the Consolidated Financial Statements

For the six month period to 30 June 2019

12. Investments

On 25 May 2019, Kingswood acquired a 7% interest in US based Manhattan Harbor 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 element of £152,693 (USD\$192,500) which was satisfied through the issuance of 1,654,787 new ordinary shares in KHL.

13. Deferred liabilities

In line with its growth plans, on 31 January 2019 the Group acquired the client book of Thomas & Co Financial Services, an independent financial adviser, for a maximum consideration of £3.0m. This comprised an initial cash payment of £1.5m and a further deferred sum of a maximum £1.5m due which is subject to the achievement of revenue and profitability metrics over a three-year period. The assets under advice attributable to this client book are approximately £150m.

At 31 December 2018, deferred liabilities consisted of consideration payable as a result of the acquisition of Marchant McKechnie Independent Financial Advisers Limited on 1 October 2018.

	30 Jun 2019 (unaudited) £'000	30 Jun 2018 (unaudited) £'000	31 Dec 2018 (audited) £'000
Current liabilities	1,700	-	1,200
Non-current liabilities	2,200	-	1,200

14. Other non-current liabilities

	30 Jun 2019 (unaudited) £'000	30 Jun 2018 (unaudited) £'000	31 Dec 2018 (audited) £'000
Hire purchase creditor	-	16	4
Borrowings	500	-	-
	<hr/> 500	<hr/> 16	<hr/> 4

The borrowings of £500k (30 Jun 2018: £nil; 31 Dec 2018: £nil) relate to a loan drawdown from KPI (Nominees) Limited ("KPI"), KHL's major shareholder, on the convertible term loan facility in place since November 2017. The terms of this facility, which has duration of 3 years, are as follows: interest rate of 7.5%, an underwriting fee of 1%, an arrangement fee of 0.75% and a non-utilisation fee of 0.5%.

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15. Share capital and share premium

	Six months to 30 Jun 2019 (unaudited)	Six months to 30 Jun 2018 (unaudited)	Year ended 31 Dec 2018 (audited)	Six months to 30 Jun 2019 (unaudited)	Six months to 30 Jun 2018 (unaudited)	Year ended 31 Dec 2018 (audited)
	Shares	Shares	Shares	£'000	£'000	£'000
Fully paid 5 pence Ordinary shares	162,348,684	146,950,667	154,870,667	8,117	7,347	7,743

Movements in Ordinary shares	Number of Shares 000's	Par value £'000	Share Premium £'000	Total £'000
At 1 January 2018 (audited)	100,317	5,016	-	5,016
Issued H1 2018	46,634	2,331	5,363	7,694
At 30 June 2018 (unaudited)	146,951	7,347	5,363	12,710
Issued H2 2018	7,920	396	911	1,307
At 31 December 2018 (audited)	154,871	7,743	6,274	14,017
Issued H1 2019	7,478	374	278	652
At 30 June 2019 (unaudited)	162,349	8,117	6,552	14,669

On 30 September 2019, KHL had 216,920,720 fully paid 5 pence ordinary shares in issue.

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Notes to the Consolidated Financial Statements
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16. Notes to the cash flow statements

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) £'000	Year ended 31 Dec 2018 (audited) £'000
Loss before tax	(2,320)	(1,497)	(4,718)
Adjustments for :			
Finance costs	34	-	18
Foreign exchange	-	(56)	(70)
Depreciation and amortisation	523	291	598
Share-based payment expense	189	-	4
Loss on disposal of subsidiary	-	-	945
Movements in deferred consideration	-	210	-
Impairment of goodwill	149	584	-
Other gains and losses	-	479	316
Impact of adjustment for IFRS 16 - Leases	(215)	-	-
Operating cash flows before movements in working capital	(1,640)	12	(2,907)
Decrease/(Increase) in receivables	(51)	2	(42)
(Decrease)/Increase in payables	273	(1,074)	(918)
Net cash outflow from operating activities	(1,418)	(1,061)	(3,867)

17. Share based payments

The Group recognised total expenses of £188,833 (30 June 2018: £nil; 31 December 2018: £3,863) in relation to directors' and employees' share-based payments in the period.

During the six month period ended 30 June 2019, the Group granted 37,600,000 options under the 2019 LTIP scheme to various employees and directors with an exercise price of 5p. The vesting date of these share options is 31 December 2021.

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Notes to the Consolidated Financial Statements
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18. Financial instruments

The following table states the classification of financial instruments:

Group	At 30 June 2019 (unaudited) Carrying amount £'000	At 30 June 2018 (unaudited) Carrying amount £'000	At 31 December 2018 (audited) Carrying amount £'000
Financial assets measured at amortised cost			
Trade and other receivables	816	794	969
Cash and bank balances	156	4,520	2,410
Financial liabilities measured at amortised cost			
Trade and other payables	(2,326)	(1,898)	(2,131)
Deferred liabilities	(1,700)	-	(1,200)
Current lease liabilities	(184)	-	-
Non-current lease liabilities	(724)	-	-
Non-current deferred liabilities	(2,200)	-	(1,200)
Loans and Other non-current liabilities	(500)	(16)	(4)
	(6,662)	3,400	(1,156)

The carrying amount of financial assets and financial liabilities approximates to their fair value.

19. Related party transactions

Remuneration of key management personnel

The remuneration of the Board of 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.

	Six months to 30 Jun 2019 (unaudited) £'000	Six months to 30 Jun 2018 (unaudited) £'000	Year ended 31 Dec 2018 (audited) £'000
Short-term employee benefits	398	203	430
Post-employment benefits	-	11	30
Share based payments	124	-	-
	522	214	460

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For the six month period to 30 June 2019

Other related party transactions

At 30 June 2019 outstanding borrowings of £500k (30 Jun 2018: £nil; 31 Dec 2018: £nil) relate to a loan drawdown from KPI (Nominees) Limited - KHL's major shareholder and related party. The terms of this loan are disclosed in note 14.

20. Ultimate controlling party

As at the date of approving the interim financial statements, the ultimate controlling party of the Group was KPI. See note 21 for further details.

21. Events after the reporting period

On 16 July 2019, KPI converted £500k of its convertible term loan facility disclosed in other non-current liabilities into ordinary shares of 5 pence each in the Company at a price of 7.850 pence. Subsequently, on 17 July 2019, KPI converted £750k of its convertible term loan facility into ordinary shares of 5 pence each in the Company at a price of 7.850 pence. On 22 August 2019, KPI requested to convert £1.725m of the convertible term loan facility into ordinary shares of 5 pence each at a price of 8.163 pence. Additionally, on 27 August 2019, KPI requested to convert £1.425m of the convertible term loan facility into ordinary shares of 5 pence each at a price of 8.138 pence.

On 4 September 2019 KPI 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 145,054,905 Ordinary Shares in KHL, representing 66.9 per cent of ordinary shares in issue.

On 4 September 2019, Kingswood exchanged contracts to acquire the book of business of a significant independent regional financial planning business, WFI Financial LLP ("WFI"), based in Sheffield for a maximum cash consideration of £14m, which will be payable over a 30 month period; £3.5m will be payable at closing at the end of September 2019 and the balance on a deferred basis subject to WFI meeting pre-agreed asset migration, recurring revenue and EBITDA hurdles, with the final deferred payment due in February 2022.

The Company entered into a subscription agreement on 12 September 2019 with HSQ Investment Limited, which is a wholly owned indirect subsidiary of funds managed and/or advised by Pollen Street Capital Limited ("Pollen Street"), to subscribe for up to 80m irredeemable convertible preference shares, at a subscription price of £1 each ("the Subscription"). Pollen Street is a global, independent alternative asset investment management company, established in 2013 with currently over £2.6bn 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 will be used to fund the acquisition of WFI referred to above and execute its significant acquisition pipeline.

All of the irredeemable convertible preference shares shall convert into new ordinary shares at Pollen Street'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 will accrue daily at a fixed rate of five per cent per annum from the date of issue.

KINGSWOOD HOLDINGS LIMITED

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