KINGSWOOD HOLDINGS LIMITED

CONSOLIDATED INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2020

Company Registration No. 42316 (Guernsey)

KINGSWOOD HOLDINGS LIMITED

("the Group" or "Kingswood")

Consolidated Interim Report for the six months ended 30 June 2020

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Introduction

It has been a challenging year on so many fronts, with considerable disruption to personal and professional lives, at an immeasurable economic cost to society as a whole. I feel thankful we here at Kingswood have still got our health, our families are safe and we are now beginning to return, albeit slowly, to some sense of 'new' normality.

We sadly lost one member of the Kingswood family to Covid-19 with the passing of our colleague Howard Moss from our affiliate Kingswood LLP. Howard supported us on many fronts and was a fountain of knowledge on all things financial; always keen to provide guidance and support across the team. We miss him greatly.

We also owe such a debt of gratitude to the amazing people in our health and support services and the sacrifices they continue to make to help us through this. And we will get through this and come out better, stronger.

In many respects our pace and focus did not change over the last six months and with the backing of our partner, Pollen Street Capital, we remained firmly focused on enhancing the value of the business for our shareholders. Covid-19 had some impact on revenues, as the lockdown made it challenging for advisers to write new business but we see this as only temporary. With staff coming back to our offices and face to face meetings with clients now possible (while still observing social distancing protocols), we expect to see this trend reverse in the coming months.

As we move forward from lockdown, there is heightened debate regarding the impact on future work practices. Much is still to be assessed but at Kingswood we are convinced we will be successful and deliver for our shareholders and clients within a structured corporate environment. Of course greater work flexibility can and will happen, but recent experience convinces us that it is impossible to build culture, solve complex problems, learn from experienced team members and creatively plan for the future, in the longer term, if everyone is dispersed and isolated away from the office.

Key highlights

The Kingswood Group is in a strong position with a robust foundation for growth in place.

January saw the re-launch of our wealth proposition under the leadership of Leigh Philpot. Through the half year period we began to see signs of real growth, despite the lockdown challenges, with clients attracted to our managed and bespoke portfolio services on the back of strong investment performance from our central investment proposition.

We are delighted 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 **February** Harriet Griffin joined us as Chief Operating Officer from Charles Stanley, with Richard Bernstein joining as Chief Risk Officer having spent the last eight years in senior risk and compliance roles at Close Brothers Asset Management.

March saw the re-launch of our website www.kingswood-group.com and this has already become a valuable marketing tool as we seek to expand and grow our business.

In **April** we announced the appointment of Peel Hunt as our Nominated Adviser and Broker, a crucial next step in Kingswood's strategy to broaden our market reach and attract institutional investors.

As a sign of our belief in our model and strategy, we committed in **May** to a new lease for expansion on the fourth floor at Austin Friars, our UK headquarters. We are in the process of building out the space with high quality meeting rooms to enable us to meet more clients, in a relaxed but professional setting.

On receipt of US regulatory approval, we also completed the formal closing of our acquisition of Chalice Capital Partners and Chalice Wealth Advisors (together "Chalice"), and announced our plan to combine Chalice into our existing investment in Manhattan Harbor Capital (MHC) and with further equity injection reach a majority interest in MHC. In recent weeks I am pleased to say we have completed formal agreements and, subject to regulatory approval, will achieve this majority ownership in MHC later this year. Since half year end, MHC has now been rebranded Kingswood US and provides the Group with a strong, robust and well-capitalised foundation to accelerate its US growth strategy including best in class, full service operational and technology infrastructure.

June saw completion of the acquisition of Sterling Trust (Sterling), a high-quality IFA business which operates from headquarters in Hull, Yorkshire and four satellite offices in Darlington, Newcastle, Sheffield and York. Sterling 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 was 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 are fortunate to have someone with Jeff's track record and experience as part of the Kingswood family, and in recent weeks Jeff has assumed a broader strategic role, and is now directly responsible for our UK wealth planning network. We believe Jeff's appointment further solidifies our foundation for growth across the UK Wealth business.

Our institutional business delivered a solid performance through the half year period, supporting our university and other clients with their cash management and treasury needs in a period of extreme volatility. The institutional team is awaiting regulatory approval in Ireland to launch its new ESG Enhanced Cash Fund which will target 'green' rated investments.

We have this week exchanged agreements to acquire, subject to regulatory approval, another quality IFA business – Regency Investments (Regency) in Egham, Surrey under the leadership of Dominique Vinecombe. Dominique is a third generation owner, and she and her family have built a business of six financial advisers servicing over 1,000 clients with £320 million of investable assets. We look forward to welcoming Dominique and the Regency team to the Kingswood Group.

We have an extensive pipeline of potential M&A opportunities under evaluation. In addition to the Regency acquisition a further four transactions are currently under exclusive due diligence including opportunities in key preferred markets across the Midlands, Scotland and the South West.

How we think about acquisitions

We are very pleased with the progress made in expanding the Kingswood network, with five regional businesses acquired over the last 18 months. We continually look at our model and how to attract quality principals and their teams to the Kingswood Group.

Our selection process is rigorous:

1) We look firstly at culture – are the team a good fit within our organisation? Are they client focused? That is an absolute must have - they must be singularly dedicated to servicing their clients.
2) It is also critical to us that key personnel remain with the business to preserve and grow those client relationships.
3) Our model is to free up adviser time to focus on their clients, and provide a centralised, efficient support infrastructure to manage the routine but time consuming tasks required across compliance, finance, human resources, risk and technology. The team must have a strong appetite for this centralisation and the synergies it can bring.
4) We focus on the ability to migrate assets onto our wealth proposition which is centred on strong investment performance from managed and bespoke portfolio strategies.

We are committed to driving organic growth within every acquired business, and bring a 'whole of wallet' approach where Kingswood can bring considerable additional products and services to the table for clients, generating revenue growth from the existing client base. We are continually adding to our offering including cash deposits through Flagstone, foreign exchange services, mortgages, protection, with taxation and corporate finance expertise through our Kingswood affiliate. In addition, we have just launched the Kingswood Defensive Alpha fund, an alternative investment strategy not historically available to retail investors.

We tend to be the preferred bidder because of this client focus, and the underlying proposition we offer. We want the acquired teams to stay and grow the business. We ensure they are aligned and incentivised through a compensation structure that rewards short and long term performance, including a Long Term Incentive Plan (LTIP).

Financially, we assess businesses on strict performance parameters, with a focus not just on revenue and profit measures but also on Assets under Advice and Management (AUA/M), and Return on Capital Employed (ROCE). We seek to identify opportunities to enhance the revenue yield on AUA/M by providing enhanced services to clients. Post-acquisition, we benchmark quarterly performance against these metrics and adjust strategy and implementation accordingly.

Why U.S.?

I am often asked what attracts us to the US market. As the largest global wealth management market, the Board sees the US as a major growth opportunity and a market where we can differentiate ourselves from our peers. The market is still growing significantly year on year, with 9% compound historical annual growth.

We have therefore been keen to expand in that market for some time. In Mike Nessim we have identified a quality partner with shared values to help implement and drive our US growth strategy. Mike and his team have continually shown they are highly talented, best in class operators in the Independent Broker

Dealer (IBD) and Registered Investment Adviser (RIA) space and the recently formed full-service Investment banking business, Kingswood Capital Markets. We intend to grow this business substantially, leveraging our growing US distribution franchise. I have no doubt the capital we deploy will drive exceptional organic growth across the Kingswood US platform and reflects the desire of both parties to develop a highly accretive global platform providing clients access to investment products and services in major US and UK markets.

Kingswood's enhanced investment in Kingswood US will further 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. Mike and his team will oversee acquired entities and focus on delivering Kingswood US's full-service brokerage, investment advisory and investment banking proposition to clients. Combined with Derek Bruton, who joined our US business with the Chalice acquisition, we now have considerable industry knowledge and experience to deliver a successful US outcome for the Kingswood Group and I'm greatly looking forward to working with them. Kingswood US comprises strong Independent IBD and RIA businesses across the US with key hubs in Atlanta, New York and San Diego. In addition it incorporates Kingwood Capital Markets, a national Investment Banking platform now supported by significant capital to leverage our expanding distribution channels and drive growth across equity and debt advisory, capital raising and M&A.

Kingswood Defensive Alpha Fund (KDA)

We have this week launched KDA, our first in-house alternative investment strategy. One of our strengths is the ability to offer all our clients access to previously exclusive alternative investment opportunities. Institutional investors have traditionally enjoyed access to hedge funds, private equity and other diversified vehicles and we are committed to expanding these opportunities both to our clients and the broader UK market. We are partnering with MontLake, a leading player in the alternatives arena to provide access, hence the launch of KDA.

KDA is a fund of funds, investing in best-of-breed hedge fund managers to deliver a return stream that is defensive and uncorrelated to equity and fixed income markets. Our objective is to produce an absolute-return target of cash +4-5% (after fees) with a minimisation of capital loss. Hedge funds typically require capital to be tied up for a number of months but a key advantage of KDA is that investors benefit from daily liquidity should they wish to buy or sell.

KDA aims to provide portfolio stability with volatility of no more than 4-5%. This corresponds to the long term volatility profile of fixed income and to circa one-third of the long term volatility profile of equities. A further advantage for KDA investors is that through our MontLake partnership we gain access to institutional share classes unavailable to the retail market and otherwise subject to high minimum investment requirements.

We believe there is significantly increased demand for portfolio diversification in the post-Covid 19 world and hedge funds are often utilised to fill this role. Only low-correlated, alpha-generating funds can truly provide portfolio diversification and these represent a small proportion of the hedge fund market. KDA is constructed to produce high alpha (for return), low correlation (for diversification) with a defensive bias (for asset allocation benefits). This is achieved through targeted strategies only. KDA therefore provides a single solution for uncorrelated exposure in client portfolios.

We are incredibly excited to launch this product and over time look forward to adding further bespoke offerings to our client proposition.

Financial performance

We came into 2020 on the back of the considerable investment made in people, process and technology and strongly positioned to avail ourselves of the opportunities ahead notwithstanding the short term impact of Covid-19 on achievement of our revenue targets.

We are pleased with our ability to retain our clients, with no related loss of assets, reflecting the proactive client engagement programme put in place to reassure clients and answer questions about markets and individual financial plans. Market volatility in February through April did impact client asset values and recurring fee streams in those months, but these have since recovered. As mentioned previously, the biggest frustration was an inability to meet in person with clients thus impacting new business sales. The industry also suffered from a general slowdown in the ability to get things done, with teams working remotely and what were previously simple tasks requiring much greater co-ordination with external providers. The Kingswood team is now back in all offices with face to face client meetings again being held.

Total revenue for the half year reached £8.3 million, a 96% increase on the prior year period reflecting the impact of recent acquisitions. Over 80% 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 six months to 30 June 2020 was £0.1 million, an increase of £0.5 million over the six months to 30 June 2019. The result, although reflecting solid underlying business dynamics, was impacted by Covid-19 restrictions and its impact on business revenues, in addition to the significant investment in people and technology made by the group over the recent years, critical to positioning the company for future growth and the ability to scale.

Net equity at 30 June 2020 was £39.9 million and the company has no debt. Equity includes £18.4 million of irredeemable convertible preference shares issued under the Pollen Street Capital subscription agreement.

Backed by the growth equity commitment from Pollen Street Capital, we are fully conscious of the need to drive enhanced, organic financial performance from the up-scaled business. Under Jeff Grantham's leadership, we now have a united sense of purpose and direction across the wealth planning network. This, coupled with Leigh Philpot's focus on driving our re-launched wealth proposition enables us to deliver a co-ordinated wealth management strategy on a national scale.

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, and a disciplined approach to expense management. Our focus is to maximise shareholder returns through EBITDA growth combined with minimising our weighted average cost of capital. We continuously evaluate new opportunities to raise additional permanent equity to achieve this.

Gary Wilder
Group Chief Executive Officer

17 September 2020

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 2020 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 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 2020 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

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

Chartered Accountants

London

17 September 2020

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 months ended 30 June 2020

	Note	**Six months to 30 June 2020 (unaudited)**	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
		£'000	£'000	£'000
Revenue		**8,251**	4,203	10,053
Direct expenses		**(1,938)**	(398)	(868)
Gross profit		**6,313**	3,805	9,185
Administrative expenses		**(8,444)**	(5,279)	(12,555)
Amortisation, depreciation		**(1,065)**	(523)	(1,426)
Other losses	7	**(10)**	(149)	(381)
Operating loss		**(3,206)**	(2,146)	(5,177)
Finance costs		**(218)**	(34)	(384)
Loss before tax		**(3,424)**	(2,180)	(5,561)
Tax		-	-	-
Loss after tax from continuing operations		**(3,424)**	(2,180)	(5,561)
Loss from discontinued operations	8	-	(140)	(155)
Loss after tax for the period		**(3,424)**	(2,320)	(5,716)
Other comprehensive income		-	-	-
Total comprehensive loss for the period		**(3,424)**	(2,320)	(5,716)
Loss per share - continuing operations:				
Basic loss per share	9	£ (0.02)	£ (0.01)	£ (0.03)
Diluted loss per share	9	£ (0.02)	£ (0.01)	£ (0.03)

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

Operating EBITDA is calculated as follows:			
Operating loss	***(3,206)***	*(2,146)*	*(5,177)*
Add back :			
Amortisation, depreciation and impairment	***1,075***	*672*	*1,807*
Business re-positioning costs	***1,269***	*508*	*1,963*
Transaction costs	***656***	*436*	*1,618*
Share based remuneration	***350***	*189*	*442*
Operating EBITDA	***144***	*(340)*	*653*

The notes on pages 13 to 33 form an integral part of the interim financial statements.

KINGSWOOD HOLDINGS LIMITED

Interim Consolidated Statement of Financial Position

For the six months ended 30 June 2020

	Note	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Non-current assets				
Property, plant and equipment	10	**3,162**	1,091	1,322
Intangible assets and goodwill	11	**58,664**	27,999	40,191
Investments	12	**406**	416	416
Deferred tax asset		**387**	428	428
		62,619	29,934	42,357
Current assets				
Trade and other receivables		**2,764**	1,208	2,274
Cash and cash equivalents		**1,945**	156	2,006
		4,709	1,364	4,280
Total assets		**67,328**	31,298	46,637
Current liabilities				
Trade and other payables		**4,801**	2,326	2,329
Deferred liabilities	13	**10,006**	1,700	5,168
Lease liabilities	14	**405**	184	237
		15,212	4,210	7,734
Non-current liabilities				
Deferred liabilities	13	**9,890**	2,200	7,377
Lease liabilities	14	**2,294**	1,224	914
Total liabilities		**27,396**	7,634	16,025
Net assets		**39,932**	23,664	30,612
Equity				
Share capital	15	**10,846**	8,117	10,846
Share premium	15	**8,224**	6,552	8,224
Preference share capital	16	**18,350**	-	5,728
Deferred share capital		**-**	106	-
Other reserves		**56**	(549)	(296)
Retained earnings		**2,456**	9,438	6,110
Total equity		**39,932**	23,664	30,612

The notes on pages 13 to 33 form an integral part of the interim financial statements.

The interim financial statements of Kingswood Holdings Limited (Guernsey registration number 42316) were approved by the Board of Directors and authorised for issue on 17 September 2020 and signed on its behalf by:

Kenneth 'Buzz' West
Chairman

Kingswood Holdings Limited

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital & share premium £'000	Deferred share capital £'000	Preference share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance as at 1 January 2019 (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 remuneration	-	-	-	189	-	189
Balance as at 30 June 2019 (unaudited)	**14,669**	**106**	**-**	**(549)**	**9,438**	**23,664**
Loss for the period	-	-	-	-	(3,396)	(3,396)
Issue of share capital	4,401	-	-	-	-	4,401
Issue of preference share capital	-	-	5,728	-	-	5,728
Write back of deferred share capital	-	(106)	-	-	106	-
Share based remuneration	-	-	-	253	-	253
Preference dividends	-	-	-	-	(38)	(38)
Balance as at 31 December 2019 (audited)	**19,070**	**-**	**5,728**	**(296)**	**6,110**	**30,612**
Loss for the period	-	-	-	-	(3,424)	(3,424)
Issue of share capital	-	-	-	-	-	-
Issue of preference share capital	-	-	12,622	-	-	12,622
Foreign exchange gain	-	-	-	2	-	2
Share based remuneration	-	-	-	350	-	350
Preference dividends	-	-	-	-	(230)	(230)
Balance as at 30 June 2020 (unaudited)	**19,070**	**-**	**18,350**	**56**	**2,456**	**39,932**

Note 15 provides further details of share capital and share premium.

Other reserves consist of movement in foreign exchange translation amounts and share based remuneration expenses charged against reserves.

The notes on pages 13 to 33 form an integral part of the interim financial statements.

Interim Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019 (unaudited) Restated* £'000	Year ended 31 December 2019 (audited) £'000
Net cash used in operating activities	17	**(220)**	(1,418)	(4,270)
Investing activities				
Property, plant and equipment purchased		**(394)**	(58)	(133)
Acquisition of investments		**(13,134)**	(1,916)	(6,616)
Cash acquired on acquisitions		**1,066**	-	-
Net cash used in investing activities		**(12,462)**	(1,974)	(6,749)
Financing activities				
Net proceeds on issue of shares		**12,622**	653	10,780
Interest paid		**(3)**	(15)	(165)
Loans received		**-**	500	-
Net cash from financing activities		**12,619**	1,138	10,615
Net decrease in cash and cash equivalents		**(63)**	(2,254)	(404)
Cash and cash equivalents at beginning of period		**2,006**	2,410	2,410
Exchange gain on cash and cash equivalents		**2**	-	-
Cash and cash equivalents at end of period		**1,945**	156	2,006

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 2020 interim report are consistent with those disclosed in the annual financial statements for the year ended 31 December 2019 except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2020, and will be adopted in the 2020 annual financial statements.

The information relating to the six months ended 30 June 2020 and the six months ended 30 June 2019 do not constitute statutory financial statements and 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 2019.

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.

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.

2. Accounting policies (continued)

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.

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.

3. Changes in significant accounting policies

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2019 annual financial statements.

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective for periods beginning subsequent to 31 December 2020 (the date on which the company's next annual financial statements will be prepared up to) that the Group has decided not to adopt early. The Group does not believe these standards and interpretations will have a material impact on the financial statements once adopted.

4. 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 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 remuneration

The calculation of the fair value of share based remuneration 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 cash generating units (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.

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.

A discount rate has been used to calculate fair value of deferred consideration to reflect the time value of money. The fair value of deferred consideration is classified as level 3 in fair value hierarchy, as their valuation techniques incorporate unobservable inputs. The valuation technique used is disclosed in note 19.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

The methodology used to estimate the fair value of equity instruments is classified as level 3 in fair value hierarchy, as their valuation techniques incorporate unobservable inputs. The valuation technique used in disclosed in note 12.

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.

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods. However, as discussed in Note 5, the effects of Covid-19 have required significant judgments and estimates to be made, including:

(a) Calculating the recoverable amount for cash generating units that exhibit indicators of impairment as at the period end, and determining the amount of goodwill impairment attributable to the cash generating units; and
(b) Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period'). For disclosure of non-adjusting events after the reporting period, refer to Note 23.

5. Significant events and transactions

Significant events and transactions that have occurred since 31 December 2019 can be summarised as follows:

Covid-19

The World Health Organisation declared coronavirus and Covid-19 a global health emergency on 30 January 2020.

Covid-19 had some impact on revenues, as the lockdown made it challenging for advisers to write new business with a consequent impact on revenues, but we see this as only temporary. With staff coming back to our offices and face to face meetings with clients now possible (while still observing social distancing protocols) we expect to see this trend reverse in the coming months.

5. Significant events and transactions (continued)

Acquisition of Chalice

The Group formally closed the acquisition of Chalice Capital Partners, LLC and Chalice Wealth Advisors, LLC (together "Chalice"), on 30 April 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). The total consideration of $4.0 million (£3.2 million) consists of an initial payment of $2.0 million (£1.5 million) and two future payments of $1.0 million (£0.8 million) each, conditional on adviser retention and EBITDA targets.

Acquisition of Sterling Trust

On 24 June 2020 Kingswood acquired a 100% interest in the shares of the Sterling Trust Group of companies, a high-quality IFA business which operates from headquarters in Hull, Yorkshire with 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 total consideration of £17.75 million consists of an initial payment of £7.25 million and deferred consideration of £10.5 million payable in 3 instalments on the first, second and third anniversary of the transaction.

6. Business and geographical segments

For management purposes, the Group was organised into three operating divisions; Investment Management, Wealth Planning and US during the period under review. 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, Wealth Planning and US. Information regarding the Group's operating segments is reported below.

Six months ended 30 June 2020 (unaudited)	**Investment Management**	**Wealth Planning**	**US**	**Group**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
<u>**Continuing operations**</u>:					
Revenue					
External sales	**2,135**	**4,678**	**1,438**	-	**8,251**
Core adjusted profit/(loss)	**(329)**	**1,364**	**28**	**(3,194)**	**(2,131)**
Other losses	-	-	-	(10)	(10)
Finance costs	(1)	(175)	-	(42)	(218)
Amortisation and depreciation	-	(81)	-	(984)	(1,065)
Profit / (loss) before tax from continuing operations	**(330)**	**1,108**	**28**	**(4,230)**	**(3,424)**
Tax	-	-	-	-	-
Profit / (loss) after tax from continuing operations	**(330)**	**1,108**	**28**	**(4,230)**	**(3,424)**
<u>**Discontinued operations:**</u>					
Loss from discontinued operations	-	-	-	-	-
Profit / (loss) after tax	**(330)**	**1,108**	**28**	**(4,230)**	**(3,424)**

Six months ended 30 June 2019 (unaudited)	**Investment Management**	**Wealth Planning**	**US**	**Group**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
<u>**Continuing operations:**</u>					
Revenue					
External sales	**2,059**	**2,144**	-	-	**4,203**
Core adjusted profit/(loss)	**239**	**487**	-	**(2,200)**	**(1,474)**
Other losses	-	-	-	(149)	(149)
Finance costs	(8)	(1)	-	(25)	(34)
Amortisation and depreciation	-	(76)	-	(447)	(523)
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)**
<u>**Discontinued operations:**</u>					
Loss from discontinued operations	**(140)**	-	-	-	(140)
Profit / (loss) after tax	**91**	**410**	-	**(2,821)**	**(2,320)**

6. Business and geographical segments (continued)

Year ended 31 December 2019 (audited)	Investment Management	Wealth Planning	US	Group	Total
	£'000	£'000	£'000	£'000	£'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)**

As part of a restructure, which is currently in progress, the Group is being re-organised into three operating businesses: UK Wealth and Investment Management, UK Institutional and Kingswood US, which will be effective for future reporting and consolidated financial statements.

7. Other losses

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	**£'000**	**£'000**
Net unrealised loss on investments	**10**	-	-
Impairment of intangibles	-	149	381
	10	149	381

8. Discontinued operations

In June 2019, the Group discontinued the activities of its subsidiary KW Trading Services Limited. This is disclosed in note 15 of the audited financial statements for the year ended 31 December 2019.

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

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	**£'000**	**£'000**
Loss from discontinued operations	-	(140)	(155)
Loss from discontinued operations	-	(140)	(155)

Loss from discontinued operations

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

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	**£'000**	**£'000**
Revenue	-	279	279
Cost of sales	-	(109)	(134)
Gross profit	-	170	145
Administrative expenses	-	(308)	(300)
Amortisation and depreciation	-	-	-
Operating loss	-	(138)	(155)
Finance costs	-	(2)	-
Loss before tax	-	(140)	(155)
Tax	-	-	-
Loss from discontinued operations	-	(140)	(155)

9. Earnings per share

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	**£'000**	**£'000**
Loss from continuing operations for the purposes of basic loss per share, being net loss attributable to owners of the Group	**(3,424)**	(2,180)	(5,561)
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	**216,920,724**	156,886,656	178,875,353
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	**216,920,724**	156,886,656	178,875,353
Continuing operations:			
Basic loss per share	**£(0.02)**	£(0.01)	£(0.03)
Diluted loss per share	**£(0.02)**	£(0.01)	£(0.03)
Total loss:			
Basic loss per share	**£(0.02)**	£(0.01)	£(0.03)
Diluted loss per share	**£(0.02)**	£(0.01)	£(0.03)

10. Property, plant and equipment

	Land and Buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 January 2019	-	431	431
Transitional adjustment due to adoption of IFRS 16	778	-	778
Additions	-	57	57
Additions due to adoption of IFRS 16	243	-	243
At 30 June 2019	1,021	488	1,509
Additions	-	76	76
Additions due to adoption of IFRS 16	314	-	314
At 31 December 2019	1,335	564	1,899
Additions	-	146	146
Additions due to IFRS 16	1,705	-	1,705
Additions due to acquisition of Sterling	-	247	247
At 30 June 2020	**3,040**	**957**	**3,997**
Accumulated depreciation			
At 1 January 2019	-	283	283
Charge for the period	110	25	135
At 30 June 2019	110	308	418
Charge for the period	124	35	159
At 31 December 2019	234	343	577
Charge for the period	220	38	258
At 30 June 2020	**454**	**381**	**835**
Net Book Value as at 30 June 2019	911	180	1,091
Net Book Value as at 31 December 2019	1,101	221	1,322
Net Book Value as at 30 June 2020	**2,586**	**576**	**3,162**

11. Intangible assets and goodwill

	Goodwill £'000	Intangible assets £'000	Total £'000
Cost			
As at 1 January 2019	16,765	12,655	29,420
Additions	-	3,000	3,000
Disposals	-	-	-
Impairment	(149)	-	(149)
As at 30 June 2019	**16,616**	**15,655**	**32,271**
Additions	-	13,168	13,168
Disposals	-	-	-
Impairment	(232)	-	(232)
As at 31 December 2019	**16,384**	**28,823**	**45,207**
Additions	4,904	14,376	19,280
Disposals	-	-	-
Impairment	-	-	-
As at 30 June 2020	**21,288**	**43,199**	**64,487**
Accumulated amortisation			
As at 1 January 2019	2,017	1,867	3,884
Disposals	-	-	-
Charge for period	-	388	388
As at 30 June 2019	2,017	2,255	4,272
Disposals	-	-	-
Charge for period	185	559	744
As at 31 December 2019	2,202	2,814	5,016
Disposals	-	-	-
Charge for period	77	730	807
As at 30 June 2020	**2,279**	**3,544**	**5,823**
Net book value			
As at 30 June 2019	14,599	13,400	27,999
As at 31 December 2019	14,182	26,009	40,191
As at 30 June 2020	**19,008**	**39,656**	**58,664**

12. Investments

	£'000
Cost	
At 1 January 2019	-
Acquisitions	416
Net unrealised gain/(loss) recognised during the period	-
At 30 June 2019	416
Acquisitions	-
Net unrealised gain/(loss) recognised during the period	-
As at 31 December 2019	416
Acquisitions	-
Net unrealised gain/(loss) recognised during the period	(10)
At 30 June 2020	**406**

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

Item	Fair Value £'000	Valuation technique	Fair value hierarchy level
Investments	406	Fair value of investments is estimated by using a valuation multiple of 5.1x EBITDA	Level 3

13. Deferred liabilities

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	£'000	£'000
Deferred consideration payable on acquisitions	**19,896**	3,900	12,545
- falling due within one year	**10,006**	1,700	5,168
- due after more than one year	**9,890**	2,200	7,377

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

13. Deferred liabilities (continued)

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 six month period.

14. Lease liabilities

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
Carrying amounts of right-of-use assets	**£'000**
Balance at 1 January 2020	1,101
Additions	1,705
Depreciation	(220)
Balance at 30 June 2020	2,586

	Lease liabilities
Carrying amounts of lease liabilities	**£'000**
Balance at 1 January 2020	1,151
Balance at 30 June 2020	2,699
- Due within one year	405
- Due after more than one year	2,294

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.

14. Lease liabilities (continued)

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.

15. Share capital and share premium

	Six months to 30 June 2020 (unaudited) Shares	Six months to 30 June 2019 (unaudited) Shares	Year ended 31 December 2019 (audited) Shares	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Ordinary shares issued:						
Fully paid	**216,920,719**	162,348,684	216,920,719	**10,846**	8,117	10,846

Share capital and share premium movements:

	Number of ordinary shares ***'000***	**Par Value** **£'000**	**Share Premium** **£'000**	**Total** **£'000**
Opening balance at 1 January 2019	*154,871*	7,743	6,274	**14,017**
Issued during period	*7,478*	374	278	**652**
As at 30 June 2019	*162,349*	8,117	6,552	**14,669**
Issued during period	*54,572*	2,729	1,672	**4,401**
As at 31 December 2019	*216,921*	10,846	8,224	**19,070**
Issued during period	-	-	-	-
As at 30 June 2020	***216,921***	**10,846**	**8,224**	**19,070**

On 17th September 2020, KHL had 216,920,719 fully paid 5 pence ordinary shares in issue.

16. Preference share capital

	Six months to 30 June 2020 (unaudited) Shares	Six months to 30 June 2019 (unaudited) Shares	Year ended 31 December 2019 (audited) Shares	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019 (unaudited) £'000	Year ended 31 December 2019 (audited) £'000
Convertible preference shares issued:						
Fully paid	**18,350,043**	-	5,727,655	**18,350**	-	5,728

Preference share capital movements:

	Number of shares ‘000	Par Value £'000
Opening balance at 1 January 2019	-	-
Issued during period	-	-
As at 30 June 2019	-	-
Issued during period	*5,728*	5,728
As at 31 December 2019	*5,728*	5,728
Issued during period	*12,622*	12,622
As at 30 June 2020	***18,350***	**18,350**

On 17th September 2020, KHL had 21,000,043 Preference shares in issue.

17. Notes to the statement of cash flows

	Six months to 30 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited) Restated*	Year ended 31 December 2019 (audited)
	£'000	£'000	£'000
Loss before tax	**(3,424)**	(2,180)	(5,561)
Adjustments for:			
Finance costs	**190**	34	341
Foreign exchange	**(47)**	-	-
Depreciation and amortisation	**845**	523	1,192
Share-based remuneration expense	**350**	189	442
Loss from discontinued operations	**-**	(140)	(155)
Impairment of goodwill / subsidiaries	**10**	149	382
Impact of adjustment for IFRS 16 - Leases	**37**	(215)	(67)
Operating cash flows before movements in working capital	**(2,039)**	(1,640)	(3,426)
Increase in receivables	**(449)**	(51)	(1,115)
Increase in payables	**2,268**	273	271
Net cash outflow from operating activities	**(220)**	(1,418)	(4,270)

** The results for the six months ended 30 June 2019 were restated to reflect the loss before tax from continuing and discontinued operations.*

18. Share based remuneration

The Group recognised total expenses of £349,559 (30 June 2019: £188,833; 31 December 2019: £442,301) in relation to directors' and employees' share-based remuneration in the period.

No options were granted during the six months ended 30 June 2020.

19. Financial instruments

The following table details the classification of financial instruments:

	Six months to 30 June 2020 (unaudited) Carrying amount £'000	Six months to 30 June 2019 (unaudited) Carrying amount £'000	Year ended 31 December 2019 (audited) Carrying amount £'000
Financial assets measured at amortised cost			
Trade and other receivables	**889**	816	501
Cash and bank balances	**1,945**	156	2,006
Financial assets measured at fair value through profit and loss			
Investments	**406**	416	416
Financial liabilities measured at amortised cost			
Trade and other payables	**(3,214)**	(2,510)	(2,303)
Other non-current liabilities	**(2,294)**	(1,224)	(914)
Financial liabilities measured at fair value through profit and loss			
Deferred consideration	**(19,896)**	(3,900)	(12,545)
	(22,164)	(6,246)	(12,839)

Item	Fair Value £'000	Valuation Technique	Fair Value hierarchy level
Deferred Consideration	19,896	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:

Assumption	**Reasonably Possible Change**	**Deferred Consideration £'000 Increase**	**Decrease**
Discount rate	(+ / - 1.00%)	(257)	264

20. Business combinations

Acquisition of Chalice

On 30 April 2020 the Group purchased 100% of the equity of Chalice Capital Partners, LLC and Chalice Wealth Advisors, LLC. The total consideration of $4.0 million (£3.2 million) consists of an initial payment of $2.0 million (£1.5 million) and two future payments of $1.0 million (£0.8 million) each conditional on retention of advisers and EBITDA targets.

The acquisition is part of the Group's strategy to create a foothold in the US wealth and investment management market.

	£'000
Property, plant and equipment	-
Goodwill	-
Receivables	337
Cash	116
Payables	(244)
Taxation	-
Total identifiable net assets	209
Goodwill	2,945
Total expected consideration	**3,154**
Satisfied by:	
Initial cash consideration	1,520
Deferred cash consideration	1,634

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

The goodwill arising on the acquisition of Chalice Capital Partners, LLC and Chalice Wealth Advisors, LLC is not deductible for tax purposes.

The amount of revenue and losses contributed by Chalice from the acquisition date 30 April 2020 to 30 June 2020 included in these interim consolidated financial statements is £1,369,012 and £41,791 respectively.

20. Business combinations (continued)

Acquisition of Sterling Trust Group

On 24 June 2020, Kingswood Holdings Limited purchased a 100% interest in the Sterling Trust Group for a total purchase consideration of £17.75 million. The total consideration is payable on a deferred basis, with £7.25 million paid at completion, and £10.5 million payable over a three year period subject to certain minimum performance criteria being achieved.

The acquisition is part of the Group's strategy to become a leader in the UK wealth management market.

	£'000
Property, plant and equipment	247
Goodwill	3,276
Receivables	194
Cash	949
Payables	(404)
Taxation	(539)
Total identifiable net assets	3,723
Goodwill	13,059
Total expected consideration	**16,782**
Satisfied by:	
Initial cash consideration	7,250
Deferred cash consideration	9,532

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

The goodwill arising on the acquisition of Sterling Trust is not deductible for tax purposes.

No revenue or profit contribution from Sterling Trust from the acquisition date 24 June 2020 to 30 June 2020 is included in these interim consolidated financial statements, as the amounts involved are not material.

21. 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 June 2020 (unaudited)	Six months to 30 June 2019 (unaudited)	Year ended 31 December 2019 (audited)
	£'000	£'000	£'000
Short-term employee benefits	**338**	412	2,317
Termination benefits	**-**	250	272
Share based remuneration	**260**	124	371
	598	786	2,960

Other related party transactions

At 30 June 2020 outstanding borrowings from KPI (Nominees) Limited, KHL's major shareholder and related party, had been fully repaid. (30 Jun 2019: £500,000; 31 Dec 2019: nil).

22. Ultimate controlling party

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

23. Events after the reporting period

On 12 August 2020, Kingswood announced that, subject to FINRA regulatory approval, the Group will achieve majority ownership in Manhattan Harbor Capital ("MHC") by exercising its call option and increasing its interest in MHC from an existing 7% to 20% and acquiring a further 4% of MHC prior to contemporaneously folding Chalice into MHC, as announced on 5 May 2020, taking the pre-combination holding to 24%. Kingswood has agreed to contribute its existing Chalice platform (with its businesses now renamed Kingswood Capital Partners and Kingswood Wealth Advisors) into MHC at a valuation of $4.0 million (£3.2 million). A minimum of $1.1 million (£0.9 million) additional capital will be funded into MHC at closing taking Kingswood's interest to 50.1%.

MHC has been rebranded Kingswood US and provides the Kingswood Group with a strong, robust and well-capitalised foundation to accelerate its US growth strategy including best in class, full service operational and technology infrastructure.

23. Events after the reporting period (continued)

Kingswood intends to contribute up to $8.0 million (£6.1 million) of additional growth equity to further build US distribution channels through active adviser recruitment and acquisitions. Once all capital is fully deployed, the Kingswood Group is projected to own approximately 67% of the integrated Kingswood US financial services platform.

Kingswood has exchanged agreements to acquire, subject to regulatory approval, another wealth planning business, Regency Investments (Regency), for a maximum cash consideration of £3.45million, which will be payable over a 3 year period; £1.38 million will be payable at closing and the balance on a deferred basis subject to Regency meeting pre-agreed asset migration, recurring revenue and EBITDA hurdles, with the final deferred payment due at the end of the three year period. An additional deferred payment of maximum £1.2 million is potentially payable at the end of the 3-year period subject to achievement of an excess EBITDA target over that period.

Regency is based in Egham, Surrey and brings six financial advisers servicing over 1,000 clients with £320 million of investable assets. The transaction is expected to be completed in September 2020.

KINGSWOOD HOLDINGS LIMITED

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