

Half-year Report

Kingswood Holdings Limited (“Kingswood”) remains in a strong position and has delivered significant growth in the first half of 2021, with a robust foundation to deliver further growth

- *A period of consolidation and growth for the business, with the Group reporting £61.5m revenues, £3.1m Operating Profit and assets under advice/management of £6.2bn. UK and US Divisional Operating Profit for the period is £5.3m*
- *Kingswood continues to build a leading international integrated wealth and investment management business and was delighted to recently complete the acquisition of Admiral Wealth Management in the UK in August 2021. Inorganic growth remains a key focus and Kingswood has signed Heads of Terms, and is in exclusive discussions, with a further 9 UK businesses and 3 businesses outside the UK*
- *The UK Wealth Management and Investment Management Division delivered £10.6m revenue and £2.8m Operating Profit in the first six months of 2021, with Operating Profit growing 173% year over year*
- *The US Wealth and Investment Management Division delivered £50.9m revenues and £2.5m Operating Profit in the first six months of 2021*

Kingswood Holdings Limited (AIM: KWG), the international, fully integrated wealth and investment management group, is pleased to announce its unaudited interim financial results for the half year ended 30 June 2021.

David Hudd, Kingswood Group Chairman said: “We are pleased with the performance of the business in the first half of 2021. It has been a period of consolidation which has seen both the UK and US Divisions report material improvements to Operating Profit. Since I have been acting Chairman, I have been impressed with the dedication and commitment of our employees and leadership team. Not only have we minimised the effect of COVID-19 on the Group, but we are also making tremendous progress on our strategic priorities. I would like to place on record my thanks to Kenneth “Buzz” West, our former chairman, for his contribution to the business and also to welcome Mike Biggin and the Admiral team to Kingswood.”

Market Update

Strategic Highlights

- Kingswood has 16 UK regional network offices across the country with 64 client facing advisory colleagues and assets under advice/management of £4.5bn from c.8,000 active clients.
- Positioning for growth is a key focus following the successful integration of Regency Investment Services completed at the end of August.
- Flows into the Kingswood Discretionary Investment Management proposition continue to grow. MPS reported £186.5m assets under management as at June 2021 (June 2020: £41.9m) across our Core, Passive, ESG and Income portfolios, all of which exhibit a track record of performance above benchmark.
- Kingswood’s institutional business continues to deliver solid revenue growth supporting university and other clients with cash management and treasury needs in a period of extreme volatility.
- An extensive pipeline of potential UK M&A opportunities is under evaluation with nine transactions currently under exclusive due diligence including opportunities in key preferred markets across the UK.
- Since completing the acquisition of 50.1% of the US business in mid-November 2020, which represents a controlling interest, we now consolidate the financial performance of Kingswood US into our Group results.
- Significant progress has been made in the US which has reported revenue of £50.9m and Operating Profit of £2.5m (H1 2020 £(0.03)m). The Independent Broker Dealer (IBD) and Registered Investment Adviser (RIA) businesses has delivered significant organic growth through the recruitment of Independent Advisors. EF Hutton Investment Banking services was a particular driver of revenue growth which benefitted from strong capital market activity completing over 41 transactions raising \$1.8bn for its clients.

- The US team now comprises of 207 Authorised Representatives, represented in 11 States across the country, with 3 key hubs in New York, Atlanta and San Diego and will continue to recruit new Reps throughout H2. We have an extensive pipeline of potential M&A opportunities that can deliver significant inorganic growth to the business and are in exclusive negotiations with 2 wealth management businesses

Gary Wilder, Group CEO commented: “Kingswood continues to make major forward steps in achieving its strategy to build a best-in-class international wealth management business for the mass affluent market. We are now benefiting from our acquisition strategy and successful entry and consolidation of our position in the attractive high growth US market. The financial results for the first half of 2021 are very pleasing - we have been able to deliver growth across all our divisions in Wealth Planning, Investment Management, and the US, under the superb leadership of David Lawrence in the UK and Mike Nessim in the US, supported by all of our wonderful and committed staff on both sides of the Atlantic. Kingswood remains focussed on building its long-term value strategy, centred around vertical complementary growth business lines in the international independent retail wealth and investment management sectors. With the acquisition of Admiral Wealth Management in the UK in August and a strong pipeline of UK and international acquisition opportunities, the second half of 2021 promises to be another busy and exciting period for the Group. With the financial and strategic support of Pollen Street Capital and KPI, Kingswood will continue to capitalise on the consolidation, acquisition and integration opportunities across international wealth and investment management markets.”

Financial Highlights

- Total Group revenue for the period was £61.5m, a 646% increase on prior year reflecting the impact of acquisitions and growth in the US.
- Wealth Planning revenues of £8.3m grew 78% year over year reflecting the successful acquisitions of Sterling Trust and Regency Investments. Investment Management revenues of £2.3m grew 8% year over year through Kingswood’s institutional business and new Managed Portfolio Service.
- US revenues of £50.9m performed exceptionally well. EF Hutton Investment Banking revenues were £41.8m in the period and benefitted from strong capital market activity. The Broker Dealer and Advisor business delivered revenues of £9.1m, reporting healthy double digit growth year over on a like for like basis.
- 86% of the UK’s revenue is recurring in nature providing a strong, annuity-style fee stream. Investment Banking Fees are a larger portion of Kingswood US revenues, and transactional in nature, which mean that recurring revenue in the US is 5% (29% excluding Investment Banking). Combined, group recurring revenue is 19%.
- Operating Expenditure was £58.5m (H1 2020: £9.5m). The increase in expenditure was mainly due to an increase in US Investment Banking cost of sales. In addition, operating costs increased in UK Wealth Management as a result of the 2 acquisitions in 2020. Central costs of £2.3m remained flat year over year (2020: £2.3m) through careful cost management.
- Operating Profit for the period to 30 June 2021 was £3.1m, an improvement of £4.3m over the six months to 30 June 2020 (H1 2020: Operating Loss £(1.3)m). The results reflect solid underlying business dynamics and the impact of acquisitions.
- The Kingswood Board believes Operating Profit is the most appropriate indicator to explain the underlying performance of the Group. The definition of Operating Profit is profit before finance costs, amortisation and depreciation, gains and losses, and exceptional costs (business re-positioning and transaction costs).
- Profit before Tax for the period to 30 June 2021 was a Loss of £(3.7)m reflecting £4.1m of acquisition related deferred consideration expense, £1.1m amortisation and depreciation, £0.8m finance costs and £0.7m business re-positioning and transaction costs.
- The Group had £24.7m of cash as at June 2021, an increase of £20.8m since 31 December 2020. This is largely driven by further investment from our private equity partners at Pollen Street Capital and £5.7m cashflow generated from operating activities, partly offset by investment activities and lease payments.
- Net Equity as at 30 June 2021 was £43.3m and the company has no debt. Equity includes £37.6m of irredeemable, convertible preference shares issued under the Pollen Street Capital subscription agreement.

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

£'000 (unless otherwise stated)	2021	2020	Change %
Wealth Management	8,307	4,678	78%
Investment Management	2,312	2,135	8%
Kingswood US	50,922 *	1,438	3441%
Total Revenue	61,541	8,251	646%
Recurring Revenue	19% **	84%	
Kingswood UK (WM + IM)	2,830	1,035	173%
Kingswood US	2,519	(28)	
Division Operating Profit	5,349	1,007	431%
Central Costs	(2,294)	(2,274)	1%
Operating Profit	3,055	(1,267)	n/a
Total Equity	43,315	32,886	32%
AUA/AUM (£ millions)	6,172	4,718	31%
# of UK Advisers	64	30	34

* £41.8m Investment Banking Fees and £9.1m Wealth Management Revenues. ** 60% excl. Inv. Bank Fees

The interim report be available to be viewed or downloaded from the Company's website.

For further details, please contact:

Kingswood Holdings Limited

Gary Wilder / David Lawrence

+44 (0)20 7293 0730

www.kingswood-group.com

Peel Hunt LLP (Nomad and Broker)

James Britton / Rishi Shah

+44 (0)20 7418 8900

Greentarget (for Kingswood media)

Jamie Brownlee / Alice Gasson / Ellie Basle

+44 (0)20 7324 5498

Jamie.Brownlee@greentarget.co.uk

About Kingswood

Kingswood Holdings Limited (trading as Kingswood) is an AIM-listed (AIM: KWG) international fully integrated wealth management group, with around 8,000 active clients and £6.2bn of Assets under Advice and Management. It has a growing network of offices in the UK including Abingdon, Beverley, Darlington, Derby, Grimsby, Hull, Lincoln, London, Maidstone, Newcastle, Sheffield (2), Worcester and York with offices in Johannesburg, South Africa and Atlanta, New York and San Diego in the US.

Kingswood offers a range of trusted investment solutions to its clients, which range from private individuals to some of the UK's largest universities and institutions, including investment advice and management, personal and company pensions and wealth planning. Kingswood is focused on becoming a leading player in the wealth and investment management market through targeted acquisitions in the UK and US, creating a global business through strategic partnerships.

Company Registration No. 42316 (Guernsey)

KINGSWOOD HOLDINGS LIMITED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

KINGSWOOD HOLDINGS LIMITED

CONTENTS

	Page
Financial and Operational Review	1 - 2
Interim Consolidated Statement of Comprehensive Income	3 - 4
Interim Consolidated Statement of Financial Position	5 - 6
Interim Consolidated Statement of Changes in Equity	7 - 8
Interim Consolidated Statement of Cash Flows	9
Notes to the Interim Consolidated Financial Statements	10 - 30

KINGSWOOD HOLDINGS LIMITED

FINANCIAL AND OPERATIONAL REVIEW

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

Group Review: Gary Wilder Kingswood Group CEO

After such disruption to personal and professional lives throughout 2020 and the beginning of 2021 it is pleasing to see that the re-opening of the global economy remains on track as COVID-19 vaccination rates climb. I, like all of us, hope that current vaccines continue to prevent the spread of more contagious COVID-19 variants. At a macro-economic level, the global economy in 2021 is set to expand at its strongest post-recession pace in 80 years with sharp re-bounds in both the UK and US economies. Equities in the US, UK, and Europe have returned double digit growth year to date in 2021.

With this backdrop, Kingswood has delivered an exceptional first half performance. In David Lawrence and Mike Nessim and their teams, we have leadership that is driving tangible results and executing our long-term strategy to be a leading participant in wealth & investment management in the UK, US and Internationally. The UK advice market remains ripe for ongoing consolidation, and we have built a health pipeline of acquisition opportunities in the UK, the US and further afield.

Financial Performance

During the period, total Group revenue was £61.5m, a 646% increase on prior year. Wealth Planning revenues of £8.3m grew 78% year over year and Investment Management revenues of £2.3m grew 8% year over year. US revenues of £50.9m performed well mainly from EF Hutton Investment Banking services which benefitted from strong capital market activity.

Operating Profit for the period to 30 June 2021 was £3.1m, an improvement of £4.3m over the six months to 30 June 2020 (H1 2020: Operating Loss £(1.3)m). The results reflect solid underlying business dynamics and the impact of acquisitions.

Net Equity as at 30 June 2021 was £43.3m and the company has no debt. Equity includes £37.6m 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.

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 Operating Profit growth combined with minimising our weighted average cost of capital.

UK Key Highlights: David Lawrence Kingswood UK Chief Executive Officer

My first nine months as the UK CEO for Kingswood have been spent consolidating progress built in 2020 whilst also charting a course in 2021 and beyond to become a leading UK wealth management business.

We have made key investments in our colleague proposition as we strive to make Kingswood a great place to work. I am also delighted to have appointed Lucy Whitehead to a new role as Chief Client Officer, to ensure we have a single-minded client focus across our core propositions and to improve the overall customer experience. I am similarly delighted to welcome Jon Millam as our new CFO, who joined Kingswood in early August.

By further strengthening my leadership team, and through a number of other key hires, we are now developing strategies and a technology roadmap to build a truly client and colleague centric business and proposition that can actively respond to emerging trends.

KINGSWOOD HOLDINGS LIMITED

FINANCIAL AND OPERATIONAL REVIEW

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

Acquisition, integration, and growth are stated imperatives for us. We have built some great momentum in developing a pipeline of acquisitions which we hope to convert during the remainder of 2021 and into 2022. The acquisition selection process is rigorous; targets must be singularly dedicated to servicing their clients with the Kingswood model designed to free up adviser time to focus more on 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.

Similarly, we have become well-practised at integrating acquired businesses, with specialist teams leading this activity, that will then create a platform for future growth.

I am confident that a combination of investment and proactive management of our business will serve us well as we go forward. My ambition is to make Kingswood a magnet business for all, not least for firms wanting to take their next step in joining a progressive and capable wealth management business.

US Key Highlights: Mike Nessim Kingswood US Chief Executive Officer

Significant progress has been made in the US and I am pleased to report revenues of £50.9m and an Operating Profit of £2.5m. The Independent Broker Dealer (IBD) and Registered Investment Adviser (RIA) businesses has delivered significant growth through the first half of 2021, largely due to the successful execution of several strategic initiatives, with a particular focus on driving organic growth through the recruitment of Independent Advisors. The team now comprises 207 Authorised Representatives managing \$2.3bn of client monies across the US.

Additionally, investment in a robust technology infrastructure has provided advisors with a superior integrated wealth management platform enabling the IBD & RIA to offer a much wider range and more diverse selection of products. Kingswood US has also delivered significant organic growth in recurring revenue streams through the build out of the full-service RIA which currently has 21 advisors managing over \$800m.

We have an extensive pipeline of potential M&A opportunities that can deliver significant inorganic growth to the business. I am particularly focused on acquiring small to mid-sized RIAs and IBDs where Kingswood can create margin accretion through synergies. Currently, two transactions are under exclusive due diligence, representing +\$10bn in Assets Under Management.

The EF Hutton Investment Banking services was a particular driver of revenue growth which benefitted from strong capital market activity. EF Hutton, a global full-service middle market investment bank, now has 30 bankers and 10 support staff and is headquartered in NYC. In the first half of 2021, EF Hutton completed over 41 transactions and raised \$1.8bn.

24 September 2021

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

		Six months to 30 Jun 2021 (unaudited)	Six months to 30 Jun 2020 (unaudited) restated	Year ended 31 Dec 2020 (audited)
	Notes	£'000	£'000	£'000
Revenue	4	61,541	8,251	25,477
Direct expenses		(47,824)	(1,938)	(8,471)
Gross profit		13,717	6,313	17,006
Operating staff costs		(7,631)	(5,426)	(11,148)
Other operating costs		(3,031)	(2,154)	(5,052)
Total operating costs		(10,662)	(7,580)	(16,200)
Share of post-tax profits of equity accounted associates		-	-	56
Operating profit / (loss)		3,055	(1,267)	862
<i>Non-operating costs:</i>				
Business re-positioning costs		(407)	(661)	(1,801)
Finance costs		(840)	(81)	(554)
<i>Acquisition-related adjustments:</i>				
Amortisation and depreciation		(1,117)	(785)	(1,822)
Other (losses) / gains	5	-	(10)	1,744
Remuneration charge (deferred consideration)	12	(4,145)	(3,059)	(7,254)
Transaction costs		(274)	(203)	(1,855)
Loss before tax		(3,728)	(6,066)	(10,680)
Tax		3	-	(60)
Loss after tax		(3,725)	(6,066)	(10,740)
Other comprehensive gain / (loss)		368	-	(855)
Total comprehensive loss		(3,357)	(6,066)	(11,595)

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021

Loss after tax is attributable to:

- Owners of the parent company	(4,857)	(6,066)	(11,000)
- Non-controlling interests	1,132	-	260

Total comprehensive loss is attributable to:

- Owners of the parent company	(4,489)	(6,066)	(11,855)
- Non-controlling interests	1,132	-	260

Loss per share:

- Basic loss per share	6	£ (0.02)	£ (0.03)	£ (0.05)
- Diluted loss per share	6	£ (0.02)	£ (0.03)	£ (0.05)

The notes on pages 10 - 30 form an integral part of the financial statements

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

		30 Jun 2021 (unaudited)	30 Jun 2020 (unaudited) restated	31 Dec 2020 (audited)
	Notes	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	7	915	576	927
Right-of-use assets	8	2,583	2,586	2,828
Goodwill and other intangible assets	9 / 19	46,943	41,702	47,616
Investments	10	20	416	-
Deferred tax asset		392	387	392
		<u>50,853</u>	<u>45,667</u>	<u>51,763</u>
Current assets				
Trade and other receivables		5,067	2,764	24,204
Cash and cash equivalents		24,733	1,945	3,899
		<u>29,800</u>	<u>4,709</u>	<u>28,103</u>
Total assets		<u>80,653</u>	<u>50,376</u>	<u>79,866</u>
Current liabilities				
Trade and other payables	19	20,077	6,920	12,955
Deferred consideration payable	12 / 19	900	2,197	836
		<u>20,977</u>	<u>9,117</u>	<u>13,791</u>
Non-current liabilities				
Deferred consideration payable	12 / 19	3,810	2,685	3,232
Other non-current liabilities	19	9,834	5,688	10,802
Deferred tax liability		1,889	-	1,889
		<u>36,510</u>	<u>17,490</u>	<u>29,714</u>
Total liabilities		<u>36,510</u>	<u>17,490</u>	<u>29,714</u>
Net assets		<u>44,143</u>	<u>32,886</u>	<u>50,152</u>
Equity				
Share capital	13	10,846	10,846	10,846
Share premium	13	8,224	8,224	8,224
Preference share capital	14 / 19	37,550	14,985	37,550
Deferred share capital		-	-	-
Other reserves		(459)	56	(519)
Foreign exchange reserve		(487)	-	(855)
Retained (loss) / earnings	19	(12,359)	(1,225)	(6,159)
		<u>43,315</u>	<u>32,886</u>	<u>49,087</u>
Equity attributable to the owners of the Parent Company		<u>43,315</u>	<u>32,886</u>	<u>49,087</u>
Non-controlling interests		828	-	1,065
		<u>44,143</u>	<u>32,886</u>	<u>50,152</u>
Total equity		<u>44,143</u>	<u>32,886</u>	<u>50,152</u>

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

The notes on pages 10 - 30 form an integral part of the financial statements

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

Chairman

Date:

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2021

	Share capital and share premium	Deferred share capital	Preference share capital	Other reserves	Foreign exchange reserve	Retained earnings	Equity attributable to the owners of the parent Company	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020 (audited)	19,070	-	4,586	(296)	-	4,841	28,201	-	28,201
Loss for the period	-	-	-	-	-	(6,066)	(6,066)	-	(6,066)
Issue of share capital	-	-	-	-	-	-	10,399	-	10,399
Issue of preference share capital	-	-	10,399	-	-	-	-	-	-
Foreign exchange reserve	-	-	-	2	-	-	2	-	2
Share based remuneration	-	-	-	350	-	-	350	-	350
Restated balance at 30 June 2020 (unaudited)	19,070	-	14,985	56	-	(1,225)	32,886	-	32,886
(Loss) / profit for the period	-	-	-	-	-	(4,934)	(4,934)	260	(4,674)
Amounts attributable to non-controlling interests	-	-	-	-	-	-	-	805	805
Issue of preference share capital	-	-	22,565	-	-	-	22,565	-	22,565
Share based remuneration	-	-	-	(573)	-	-	(573)	-	(573)
Foreign exchange loss	-	-	-	(2)	(855)	-	(857)	-	(857)
Balance at 31 December 2020 (audited)	19,070	-	37,550	(519)	(855)	(6,159)	49,087	1,065	50,152

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE PERIOD ENDED 30 JUNE 2021

(Loss) / profit for the period	-	-	-	-	-	(4,857)	(4,857)	1,132	(3,725)
Amounts attributable to non-controlling interests	-	-	-	-	-	-	-	(32)	(32)
Elimination of local goodwill on consolidation	-	-	-	-	-	(1,343)	(1,343)	(1,337)	(2,680)
Share based remuneration	-	-	-	60	-	-	60	-	60
Foreign exchange gain	-	-	-	-	368	-	368	-	368
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2021 (unaudited)	19,070	-	37,550	(459)	(487)	(12,359)	43,315	828	44,143

Note 13 provides further details of, and the split between, Share Capital and Share Premium.

Additional reserves consist of foreign exchange translation, other reserves including share-based remuneration and expenses charged against reserves.

The notes on pages 10 - 30 form an integral part of the financial statements

KINGSWOOD HOLDINGS LIMITED

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 30 JUNE 2021

		Six months to 30 Jun 2021 (unaudited)	Six months to 30 Jun 2020 (unaudited) restated	Year ended 31 Dec 2020 (audited)
	Notes	£'000	£'000	£'000
Net cash generated from / (used in) operating activities	15	5,654	3,909	(1,575)
Investing activities				
Property, plant and equipment purchased		(529)	(394)	(796)
Acquisition of investments		-	(12,068)	(10,579)
Remuneration charge (deferred consideration)		(3,975)	(3,953)	(5,153)
Net cash used in investing activities		(4,504)	(16,415)	(16,528)
Financing activities				
Proceeds from issue of shares		20,000	12,622	20,243
Interest paid		(12)	(3)	(17)
Lease payments		(304)	(174)	(421)
New loans received / loans repaid		-	-	255
Net cash generated from financing activities		19,684	12,445	20,060
Net increase/(decrease) in cash and cash equivalents		20,834	(61)	1,957
Cash and cash equivalents at beginning of Period		3,899	2,006	2,006
Effect of foreign exchange rates		-	-	(64)
Cash and cash equivalents at end of Period		<u>24,733</u>	<u>1,945</u>	<u>3,899</u>

The notes on pages 10 - 30 form an integral part of the financial statements

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

General information

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

1.1 Basis of accounting

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 2021 interim report are consistent with those disclosed in the annual financial statements for the year ended 31 December 2020 except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021, and will be adopted in the 2021 annual financial statements.

The information relating to the six months ended 30 June 2021 and the six months ended 30 June 2020 do not constitute statutory financial statements and have 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 2020.

1.2 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 2020 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 2021 (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.

1.3 Significant accounting policies

Going concern

The Directors review the going concern position of the Group on a regular basis as part of the monthly reporting process which includes consolidated management accounts and cash flow projections and have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue recognition

Performance obligations and timing of revenue recognition

The majority of the Group's UK 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. This also applies to the Group's US Registered Investment Advisor ("RIA") business.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

1 Accounting policies

For certain commission, fee-based and initial wealth advisory income, revenue is recognised at the point the service is completed. This applies in particular to the Group's US Independent Broker Dealer ("IBD") services, and its execution-only UK investment management. 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.

The US division also has significant Investment Banking operations, where commission is recognised on successful completion of the underlying transaction.

Determining the transaction price

Most of the Group's UK revenue is charged as a percentage of the total value of assets under management or advice. For revenue earned on a commission basis, such as the US broker dealing business, 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 largely either percentage-based or fixed for discrete services rendered, 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.

Further details on revenue, including disaggregation by operating segment and the timing of transfer of service(s), are provided in note 4 below.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 1, 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.

Critical judgements in applying the Group's accounting policies

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

Assessment of control

Control is considered to exist where an investor has power over an investee, or else is exposed, and has rights, to variable returns. The Group determines control to exist where its own direct and implicit voting rights relative to other investors afford KHL – via its board and senior management – the practical ability to direct, or as the case may be veto, the actions of its investees. KHL holds 50.1% of voting rights in MHC and its subsidiaries, as well as a majority stake in the US division's advisory board when grouped with affiliated entities. The Group has thus determined that the Company has the practical ability to direct the relevant activities of MHC and its subsidiaries, and has consolidated the sub-group as subsidiaries with a 49.9% non-controlling interest.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and Assumptions

Intangible assets:

Expected duration of client relationships

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 period, client relationships were amortised over a 10-20 year period.

Goodwill

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.

Share-based remuneration:

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.

Deferred tax:

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.

Leases:

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in leases where it is the lessee, therefore, it uses its incremental borrowing rate to measure lease liabilities. This is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The incremental borrowing rate therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

2 Critical accounting judgements and key sources of estimation uncertainty

Deferred consideration:

Payment of deferred consideration

The Group structures acquisitions such that consideration is split between initial cash or equity settlements and deferred payments. The initial value of the contingent consideration is determined by EBITDA and/or revenue targets agreed on the acquisition of each asset. It is subsequently remeasured at its fair value through the Statement of Comprehensive Income, based on the Directors' best estimate of amounts payable at a future point in time, as determined with reference to expected future performance. Forecasts are used to assist in the assumed settlement amount.

3 Significant events and transactions

On 16 June 2021, Kingswood signed definitive agreements to acquire 100% of the shares in Admiral Wealth Management, an independent financial advisory firm with a client base primarily in Lincolnshire and Yorkshire. Following regulatory approval, the business will be acquired for cash consideration of £4.0 million, payable over a 2-year period. £2.0 million will be paid at closing and the balance paid on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets.

Regulatory approval was received, and this deal formally completed, on 17 August 2021.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

4 Business and geographical segments

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

The Group's reportable segments under IFRS 8 are as follows: investment management, wealth planning and US operations.

The Group has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date and enable users to understand the relationship with revenue segment information provided below.

The following is an analysis of the Group's revenue and results by reportable segment for the six month period to 30 June 2021. The table below details six months worth of revenue and results for the principal business and geographical divisions, which has then reconciled to the results included in the Statement of Comprehensive Income:

	Investment management	Wealth planning	US operations	Group	Total
	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2021 (unaudited) £'000
Continuing operations:					
Revenue (disaggregated by timing):					
Point in time	513	953	48,162	-	49,628
Over time	1,799	7,354	2,760	-	11,913
External sales	2,312	8,307	50,922	-	61,541
Direct expenses	(790)	(460)	(46,574)	-	(47,824)
Gross profit	1,522	7,847	4,348	-	13,717
Operating profit / (loss)	56	2,774	2,519	(2,294)	3,055
Business re-positioning costs	(76)	(112)	(184)	(35)	(407)
Finance costs	-	(50)	5	(795)	(840)
Amortisation and depreciation	-	(522)	(15)	(580)	(1,117)
Remuneration charge (deferred consideration)	-	(2,128)	-	(2,017)	(4,145)
Transaction costs	-	(8)	-	(266)	(274)
(Loss) / profit before tax from continuing operations	(20)	(46)	2,325	(5,987)	(3,728)
Tax	-	-	(40)	43	3
(Loss) / profit after tax from continuing operations	(20)	46	2,285	(5,944)	(3,725)

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

4 Business and geographical segments

	Investment management	Wealth planning	US operations	Group	Total
	Six months to 30 Jun 2020 (unaudited) restated £'000	Six months to 30 Jun 2020 (unaudited) restated £'000	Six months to 30 Jun 2020 (unaudited) restated £'000	Six months to 30 Jun 2020 (unaudited) restated £'000	Six months to 30 Jun 2020 (unaudited) restated £'000
Continuing operations:					
Revenue (disaggregated by timing):					
Point in time	586	558	1,207	-	2,351
Over time	1,549	4,120	231	-	5,900
External sales	2,135	4,678	1,438	-	8,251
Direct expenses	(461)	(228)	(1,249)	-	(1,938)
Gross profit	1,674	4,450	189	-	6,313
Operating (loss) / profit	(329)	1,364	(28)	(2,274)	(1,267)
Business re-positioning costs	-	-	-	(661)	(661)
Finance costs	(1)	(8)	-	(72)	(81)
Amortisation and depreciation	-	(81)	-	(704)	(785)
Other losses	-	-	-	(10)	(10)
Remuneration charge (deferred consideration)	-	(2,413)	-	(646)	(3,059)
Transaction costs	-	-	-	(203)	(203)
(Loss) / profit before tax from continuing operations	(330)	(1,138)	(28)	(4,570)	(6,066)
Tax	-	-	-	-	-
(Loss) / profit after tax from continuing operations	(330)	1,138	(28)	(4,570)	(6,066)

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

4 Business and geographical segments

	Investment management	Wealth planning	US operations	Group	Total
	Year ended 31 Dec 2020 (audited) £'000	Year ended 31 Dec 2020 (audited) £'000	Year ended 31 Dec 2020 (audited) £'000	Year ended 31 Dec 2020 (audited) £'000	Year ended 31 Dec 2020 (audited) £'000
Continuing operations:					
Revenue (disaggregated by timing):					
Point in time	1,071	1,595	7,299	-	9,965
Over time	3,169	11,320	1,023	-	15,512
External sales	4,240	12,915	8,322	-	25,477
Direct expenses	(1,158)	(643)	(6,670)	-	(8,471)
Gross profit	3,082	12,272	1,652	-	17,006
Operating (loss) / profit	(107)	4,380	543	(3,954)	862
Business re-positioning costs	-	-	-	(1,801)	(1,801)
Finance costs	(3)	(48)	(3)	(500)	(554)
Amortisation and depreciation	(10)	(835)	(3)	(974)	(1,822)
Other gains	-	-	-	1,744	1,744
Remuneration charge (deferred consideration)	-	-	-	(7,254)	(7,254)
Transaction costs	-	-	-	(1,855)	(1,855)
Share of profit from associates	-	-	-	-	-
(Loss) / profit before tax from continuing operations	(120)	3,497	537	(14,594)	(10,680)
Tax	-	(2)	(101)	43	(60)
(Loss) / profit after tax from continuing operations	(120)	3,495	436	(14,551)	(10,740)

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

5 Other (losses) / gains

	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2020 (unaudited) £'000	Year ended 31 Dec 2020 (audited) £'000
Net unrealised (loss) / gain on investments	-	(10)	1,744
	<u>-</u>	<u>(10)</u>	<u>1,744</u>

Unrealised losses and gains on investments relate to the US acquisitions.

6 Earnings per share

	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2020 (unaudited) restated £'000	Year ended 31 Dec 2020 (audited) £'000
Loss from continuing operations for the purposes of basic loss per share, being net loss attributable to owners of the Group	<u>(4,857)</u>	<u>(6,066)</u>	<u>(11,000)</u>
Number of shares			
Weighted average number of ordinary shares for the purposes of basic loss per share	216,920,719	216,920,719	216,920,719
Effect of dilutive potential ordinary shares:			
Share options	-	-	-
Convertible preference shares in issue	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average number of ordinary shares for the purposes of diluted loss per share	216,920,719	216,920,719	216,920,719
Basic loss per share	£(0.02)	£(0.03)	£(0.05)
Diluted loss per share	£(0.02)	£(0.03)	£(0.05)

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

7 Property, plant and equipment

	Fixtures and equipment £'000
Cost	
At 1 January 2020	564
Additions	393
	<hr/>
At 30 June 2020	957
Additions	423
	<hr/>
At 31 December 2020	1,380
Additions	79
	<hr/>
At 30 June 2021	1,459
	<hr/>
Depreciation and impairment	
At 1 January 2020	343
Depreciation charged in the Period	38
	<hr/>
At 30 June 2020	381
Depreciation charged in the Period	72
	<hr/>
At 31 December 2020	453
Depreciation charged in the Period	91
	<hr/>
At 30 June 2021	544
	<hr/>
Net book value	
At 30 June 2021	915
	<hr/> <hr/>
At 31 December 2020	927
	<hr/> <hr/>
At 30 June 2020	576
	<hr/> <hr/>

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

8 Right-of-use assets

	Land and buildings £'000
Cost	
At 1 January 2020	1,335
Additions	1,705
	<hr/>
At 30 June 2020	3,040
Additions	529
	<hr/>
At 31 December 2020	3,569
Additions	65
	<hr/>
At 30 June 2021	3,634
	<hr/>
Accumulated depreciation	
At 1 January 2020	234
Depreciation charged in the Period	220
	<hr/>
At 30 June 2020	454
Depreciation charged in the Period	287
	<hr/>
At 31 December 2020	741
Depreciation charged in the Period	310
	<hr/>
At 30 June 2021	1,051
	<hr/>
Net book value	
At 30 June 2021	2,583
	<hr/> <hr/>
At 31 December 2020	2,828
	<hr/> <hr/>
At 30 June 2020	2,586
	<hr/>

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

9 Goodwill and other intangible assets

	Goodwill	Other intangible assets	Total
	£'000	£'000	£'000
Cost			
At 1 January 2020	16,384	17,655	34,039
Additions	4,735	8,287	13,022
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2020 (restated)	21,119	25,942	47,061
Additions	4,565	2,026	6,591
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	25,684	27,968	53,652
Additions	35	-	35
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2021	<u>25,719</u>	<u>27,968</u>	<u>53,687</u>
Accumulated amortisation			
At 1 January 2020	2,202	2,629	4,831
Amortisation charged for the Period	77	451	528
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2020 (restated)	2,279	3,080	5,359
Amortisation charged for the Period	-	677	677
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	2,279	3,757	6,036
Amortisation charged for the Period	-	708	708
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2021	<u>2,279</u>	<u>4,465</u>	<u>6,744</u>
Net book value			
At 30 June 2021	<u>23,440</u>	<u>23,503</u>	<u>46,943</u>
At 31 December 2020	<u>23,405</u>	<u>24,211</u>	<u>47,616</u>
At 30 June 2020 (restated)	<u>18,840</u>	<u>22,862</u>	<u>41,702</u>

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

10 Investments

	£'000
Cost	
At 1 January 2020	416
Additions	-
	<hr/>
At 30 June 2020	416
Additions	1,101
Net movement on equity accounting of associate	(16)
Investment de-recognised on gain of control	(1,501)
	<hr/>
At 31 December 2020	-
Additions	20
	<hr/>
At 30 June 2021	20
	<hr/>

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

On 12 August 2020, Kingswood acquired an additional 17% interest in MHC for total cash consideration of £1,101,362 (US\$1,438,158).

In the period during which Kingswood held 24% interest in MHC, equity accounting was applied and Kingswood's unrealised gain on investment during this period equalled £57,349 (US\$75,563).

On 23 November 2020, Kingswood acquired a controlling 50.1% share in MHC and its subsidiaries for consideration of £3,841,268 (US\$5,106,582), comprising a cash payment of £832,392 (US\$1,106,582), a deferred cash payment of £752,219 (US\$1,000,000) and the contribution of a 49.9% non-controlling interest in Kingswood Capital Partners, LLC and Kingswood Wealth Advisors, LLC, together valued at £99,210 (US\$131,890).

The carrying value of Kingswood's 24% share of MHC immediately prior to acquiring control, from which was MHC and its subsidiaries was consolidated, was £2,334,365 (US\$3,103,304). This investment is no longer recognised in the consolidated financial statements at 30 June 2021, with Kingswood instead fully consolidating MHC and its subsidiaries.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

11 Lease liabilities

The lease liabilities are included in trade and other payables and other non-current liabilities in the statement of financial position.

	Land and buildings £'000
At 1 January 2020	1,151
Additions	1,693
Interest expense	28
Lease payments	(173)
At 30 June 2020	2,699
Additions	701
Interest expense	82
Lease payments	(248)
At 31 December 2020	3,234
Additions	65
Interest expense	92
Lease payments	315
At 30 June 2021	3,076

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.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

12 Deferred consideration payable

	30 Jun 2021 (unaudited) £'000	30 Jun 2020 (unaudited) restated £'000	31 Dec 2020 (audited) £'000
Deferred consideration payable on acquisitions:	4,710	4,882	4,068
- falling due within one year	900	2,197	836
- due after more than one year	3,810	2,685	3,232

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

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

During the period, deferred consideration expensed as remuneration through profit or loss was £4,145,000 (year ended 31 Dec 2020: £7,253,510; six month period ended 30 Jun 2020: £3,059,173).

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

13 Share capital

	Six months to 30 Jun 2021	Six months to 30 Jun 2020	Year ended 31 Dec 2020	Six months to 30 Jun 2021	Six months to 30 Jun 2020	Year ended 31 Dec 2020
	Shares (unaudited)	Shares (unaudited)	Shares (audited)	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Ordinary shares issued:						
Fully paid	216,920,719	216,920,719	216,920,719	10,846	10,846	10,846
	<u>216,920,719</u>	<u>216,920,719</u>	<u>216,920,719</u>	<u>10,846</u>	<u>10,846</u>	<u>10,846</u>

Share capital and share premium

	Number of ordinary shares '000	Par value £'000	Share premium £'000	Total £'000
At 1 January 2020	216,921	10,846	8,224	19,070
Issued during year	-	-	-	-
At 30 June 2020	216,921	10,846	8,224	19,070
Issued during year	-	-	-	-
At 31 December 2020	216,921	10,846	8,224	19,070
Issued during year	-	-	-	-
At 30 June 2021	216,921	10,846	8,224	19,070

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

Kingswood Holdings Limited does not have a limit on the amount of authorised capital.

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

14 Preference share capital

	Six months to 30 Jun 2021	Six months to 30 Jun 2020	Year ended 31 Dec 2020	Six months to 30 Jun 2021	Six months to 30 Jun 2020	Year ended 31 Dec 2020
	Shares (unaudited)	Shares (unaudited)	Shares (audited)	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Convertible preference shares issued:						
Fully paid	44,828,443	18,350,043	44,828,443	37,550	18,350	37,550
	<u>44,828,443</u>	<u>18,350,043</u>	<u>44,828,443</u>	<u>37,550</u>	<u>18,350</u>	<u>37,550</u>

Preference share capital movements are as follows:

	Number of shares '000	Par value £'000
At 1 January 2020	5,728	5,728
Issued during year	12,622	12,622
At 30 June 2020	18,350	18,350
Issued during year	26,478	26,478
At 31 December 2020	44,828	44,828
Issued during year	-	-
At 30 June 2021	44,828	44,828

	Six months to 30 Jun 2021	Six months to 30 Jun 2020	Year ended 31 Dec 2020
	£'000 (unaudited)	£'000 (unaudited) restated	£'000 (audited)
Equity component	37,550	14,985	37,550
Liability component	7,469	3,395	7,365
	<u>45,019</u>	<u>18,380</u>	<u>44,915</u>

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

14 Preference share capital

On 12 September 2019, Kingswood Holdings Limited entered into a subscription agreement with HSQ INVESTMENT LIMITED, a wholly owned indirect subsidiary of funds managed and/or advised by Pollen Street, to subscribe for up to 80 million 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 £2.6 billion gross AUM across private equity and credit strategies, focused on the financial and business services sectors, with significant experience in specialty finance.

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

15 Notes to the cash flow statement

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

	Six months to 30 Jun 2021 £'000 (unaudited)	Six months to 30 Jun 2020 £'000 (unaudited) restated	Year ended 31 Dec 2020 £'000 (audited)
Loss before tax	(3,728)	(6,066)	(10,680)
Adjustments for:			
Depreciation and amortisation	1,117	785	1,822
Finance costs	840	218	554
Remuneration charge (deferred consideration)	4,145	3,059	7,254
Share-based payment expense	60	350	(223)
Other (losses) / gains	-	10	(1,744)
Foreign exchange gain	4	(47)	(22)
Tax paid	(40)	-	(103)
Share of post-tax profits of equity accounted associates	-	-	(56)
Operating cash flows before movements in working capital	2,398	(1,691)	(3,198)
(Increase)/decrease in receivables	(863)	(449)	(1,893)
Increase/(decrease) in payables	4,119	6,049	3,516
Net cash inflow / (outflow) from operating activities	5,654	3,909	(1,575)

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

16 Financial instruments

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

	30 Jun 2021 Carrying amount (unaudited) £'000	30 Jun 2020 Carrying amount (unaudited) £'000	31 Dec 2020 Carrying amount (audited) £'000
Financial assets measured at amortised cost			
Trade and other receivables	3,790	889	23,048
Cash and cash equivalents	24,733	1,945	3,899
Financial liabilities measured at amortised cost			
Trade and other payables	(17,495)	(4,512)	(10,483)
Other non-current liabilities	-	-	(794)
Lease liability	(3,076)	(2,699)	(3,234)
Preference share liability	(7,469)	(3,395)	(7,365)
Financial liabilities measured at fair value through profit and loss			
Deferred consideration payable	(4,710)	(4,882)	(4,068)
	<u>(4,227)</u>	<u>(12,654)</u>	<u>1,003</u>

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and other non-current liabilities.

Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates fair value.

Item	Fair value £'000	Valuation technique	Fair value hierarchy level
Deferred consideration payable	4,710	Fair value of deferred consideration payable is estimated by discounting the future cash flows using the IRR inherent in the company's acquisition price.	Level 3

The potential profit or loss impact in relation to deferred consideration payable of a reasonably possible change to the discount rate is as follows:

Assumption	Reasonably possible	Profit or (loss) impact	
		Increase	Decrease
		£'000	£'000
Discount rate change	(+ / - 5%)	(64)	66

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

17 Related party transactions

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Six months to 30 Jun 2021 (unaudited) £'000	Six months to 30 Jun 2020 (unaudited) £'000	Year ended 31 Dec 2020 (audited) £'000
Short-term employee benefits	371	338	898
Share based payments	34	260	68
	<u>405</u>	<u>598</u>	<u>966</u>

Other related parties

During the period, KHL incurred fees of £62,500 (30 June 2020: £62,500; 31 December 2020: £125,000) from KPI (Nominees) Limited in relation to Non-Executive Director remuneration. At 30 June 2021, £37,500 of these fees remained unpaid (30 June 2020: £nil; 31 December 2020: £112,500).

Fees received from Moor Park Capital Partners LLP, in which Gary Wilder holds a beneficial interest, relating to property related services provided by KHL totalled £23,708 for the period ended 30 June 2021 (30 June 2020: £20,000; 31 December 2020: £20,000), of which £nil (30 June 2020: £nil; 31 December 2020: £nil) was outstanding at 30 June 2021.

Fees paid for financial and due diligence services to Kingswood LLP and Kingswood Corporate Finance Limited, in which Gary Wilder and Jonathan Massing hold a beneficial interest, totalled £201,829 for the period to 30 June 2021 (30 June 2020: £38,900; 31 December 2020: £184,426), of which £5,430 (30 June 2020: £12,132; 31 December 2020: £29,280) was outstanding at 30 June 2021.

18 Ultimate controlling party

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

KINGSWOOD HOLDINGS LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2021

19 Restatement of prior periods

Deferred consideration

In 2020, the Group restated its accounting treatment regarding business combinations and deferred consideration to conform with the required treatment of deferred consideration under IFRS 3. Previously all deferred consideration payable on acquisitions was recorded as a deferred liability and included in the fair value of the consideration of the business acquired. However, in circumstances where the payment of deferred consideration is contingent on the seller remaining within the employment of the Group during the deferred period, the contingent portion of deferred consideration should not have been included in the fair value of consideration paid, rather is treated as remuneration and accounted for as a charge against profits over the deferred period.

This has therefore required the restatement of prior years and the reclassification of certain deferred payments as remuneration. The following restatement covers the share purchase acquisition of Marchant McKechnie in 2018 and the asset purchases of WFI and Thomas & Co in 2019.

(a) Statement of Comprehensive Income (extract)

	Six months to 30 Jun 2020	Increase / (decrease)	Six months to 30 Jun 2020 (restated)
	£'000	£'000	£'000
Finance charge	218	(137)	81
Amortisation charge	807	(279)	528
Remuneration charge (previously deferred consideration)	-	3,059	3,059
	<u> </u>	<u> </u>	<u> </u>
Total comprehensive loss	(3,424)	(2,642)	(6,066)
	<u> </u>	<u> </u>	<u> </u>
Earnings per share - basic and diluted	£(0.02)	£(0.01)	£(0.03)

KINGSWOOD HOLDINGS LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2021

19 Restatement of prior periods

(b) Statement of Financial Position (extract)

	30 Jun 2020	Increase / (decrease)	30 Jun 2020 (restated)
	£'000	£'000	£'000
Intangible assets and goodwill	58,664	(16,962)	41,702
Total non-current assets	62,619	(16,952)	45,667
Trade and other payables	4,801	2,119	6,920
Deferred consideration payable in less than 1 year	10,006	(7,809)	2,197
Total current liabilities	15,212	(6,095)	9,117
Deferred consideration payable in more than 1 year	9,890	(7,205)	2,685
Other non-current liabilities	2,294	3,394	5,688
Total liabilities	27,396	(9,906)	17,490
Net assets	39,932	(7,046)	32,886
Retained earnings	2,456	(3,681)	(1,225)
Preference share capital	18,350	(3,365)	14,985
Total equity	39,932	(7,046)	32,886

20 Events after the reporting date

Regulatory approval for the acquisition of 100% of the shares in Admiral Wealth Management was received on 17 August 2021. Full details can be found in note 3.