

COMPANY REGISTRATION NUMBER: 42316



KINGSWOOD HOLDINGS LIMITED

**ANNUAL REPORT AND
AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2022.

Registration number: 42316 (Guernsey)

Kingswood Holdings Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022

Kingswood Holdings Limited

Kingswood at a glance

- Kingswood Holdings Limited and its subsidiaries (the “Group” or “Kingswood”) is an international, fully integrated wealth and investment management business listed on the AIM market of the London Stock Exchange under ticker symbol (AIM: KWG).
- Kingswood offers a range of wealth planning and investment management solutions to its clients, which range from private individuals to some of the UK's largest universities and institutions. Kingswood is focussed on becoming a leading participant in its sector through targeted acquisitions in the UK and US, complemented by strong organic growth to create a global wealth management business.
- The Group’s core proposition centres on primary offerings in wealth planning and investment management to deliver best in class financial solutions for clients

Kingswood Holdings Limited

2022 Highlights

Strategic Highlights

- Group AuM/A of £10.5bn at December 2022 increased by £3.7bn compared to the prior year. The completion of Barry Fleming Partners and Moloney Investments Ltd (MMPI) acquisitions in Q1 2023 supported a further increase in AuM/A to £11.4bn at March 2023;
- Completed the acquisition of 10 UK IFA businesses in the year under review, having completed 5 acquisitions in 2021. The 15 acquisitions have added £11.8m of additional revenue in 2022;
- UK Assets under Management and Advice (AuM/A) increased by £3.2bn, which includes £1.5bn from the acquisition of Metnor Holdings Limited on 31 December 2021, to £8.1bn in 2022 driven by inorganic growth and positive net inflows across all business divisions;
- Kingswood places clients at the heart of everything we do and we are extremely proud to have a 4.8 out of 5 star rating on VouchedFor, home to the UK's most trusted advisers
- Secured a debt facility with a leading global financial institution to accelerate our strategic growth plans, providing additional capital to fund future acquisitions as well as fund existing deferred consideration payments;
- Our UK market leading 'Kingswood Go' app, launched in March 2022, has over 6,000 registered clients and we continue to focus on enhancing the client experience and developing the technology to provide additional in-app services;
- Continued to build out our UK service offering and investment proposition, signing a national distribution agreement with a UK law firm to provide financial advice to Court of Protection clients and launching a new AIM portfolio in December 2022
- As we build a business more representative of our society, good progress has been made to address diversity imbalances across the organisation – 40% of UK adviser hires in 2022 were female compared to an adviser community where c.19% of our advisers are female;
- Kingswood US added 21 new registered representatives, which further expanded our US footprint and grew our total AuM/A in the US division by \$0.3bn to \$3bn (£2.4bn);
- Continued to build on the growth experienced in the US Investment Banking operating segment seen in 2021, recruiting two new high quality investment banking groups in 2022 focused on mid-market equity capital markets;
- Our US industry-leading automated alternative investment platform has surpassed 1,200 subscriptions, representing \$129m in investments in three years

2022 Financial Highlights

- Group Revenue was £145.9m, £3.7m or 2.5% lower than 2021 as macro-economic headwinds and market volatility led to a slowdown in capital market activity in the US Investment Banking business
- 88% of 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 means that recurring revenue in the US was 15%. Combined, Group recurring revenue was 32% compared to 19% in 2021.
- Group Operating Profit of £8.7m was £2.3m higher compared to 2021. The Kingswood Board believes Operating Profit is the most appropriate indicator of 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).

Kingswood Holdings Limited

2022 Highlights

£000's (Unless otherwise stated)	2022	2021	2020
Total Revenue	145,998	149,716	25,477
Group Recurring Revenue %	32.0%	19.0%	61.0%
Operating Profit	8,697	6,327	862
Total Equity	73,979	76,898	50,152
AUM/A (£m) *	10,453	6,772	5,912
# of Advisers - UK	100	70	64
# of Authorised Representatives - US	232	211	174

* The US AUM/A is based on actuals and proforma assets from registered representatives as at 31 December 2022.

Kingswood Holdings Limited

Chairman Statement

I am pleased to report that 2022 has been another year of outstanding performance by the Kingswood Group. Despite challenging market conditions, we have made good progress against our UK inorganic growth strategy and have generated organic growth across the Group. The business delivered record levels of Operating Profit and completed a further 10 acquisitions in the year under review. The closing AuM/A figure for the year is £10.5bn with assets acquired during the year contributing an additional £3.2bn. Across the UK and US, net inflows grew organically 12% year over year.

We are delivering our growth strategy set out in 2019 to create a leading integrated wealth and investment management business. The UK wealth management sector continues to exhibit strong, long-term growth characteristics supported by demographic trends, a complex regulatory environment, and ongoing consolidation within a fragmented industry. Our acquisition strategy takes advantage of this by providing a seamless transition process with a centralised support service and investment proposition that allows advisers to spend more of their time with their clients. We have established ourselves as an M&A counterparty of choice and have a proven integration capability with an ability to complete over 10 integrations per year. Since 2018, the Group has acquired 20 UK wealth management businesses which are projected to deliver strong, sustainable revenues and operating profit. We now have 120 financial advisers and investment managers operating across 19 locations to support our retail and institutional client base. IBOSS provides Kingswood with an award-winning investment offering to our clients.

In the UK we reported record levels of revenue and operating profit with significant growth across Wealth Planning (WP) and Investment Management (IM). Under the leadership of David Lawrence, growth is supported by a strong and unrelenting focus on our client experience, supported by a progressive investment in technology and an equal investment in our colleagues, all of which is underpinned by strong integration and operational excellence.

Under the leadership of Mike Nessim, our US CEO, the US business delivered another year of growth and business expansion, adding 21 new registered representatives and growing total assets under management by \$0.3bn to \$2.9bn. The registered investment advisor (RIA) and broker/dealer business delivered organic revenue growth of 25% year over year. The US Investment Banking business is dependent on capital market activity to deliver revenues which are transactional in nature. Due to fewer IPOs in the Americas region in 2022 compared to 2021, the US investment banking business saw a year over year reduction in revenue of 23% to \$110.1m.

We have a strong, well-capitalised balance sheet and have benefited from our partnership with Pollen Street Capital which has invested £77.4m to enable our acquisition and growth strategies. We have also entered into a new debt facility with a leading global financial institution to provide funding to accelerate strategic growth as well as to fund existing deferred consideration liabilities. As at 31 March 2023 we employ over 400 people across the globe and manage £11.4bn of client assets.

The Board places great importance on building a business with strong governance and a culture that supports sustainable long-term success. With that in mind we focus on where we can make the largest positive impact on the environment, both in measuring and reducing our carbon footprint and offering clients a suite of ESG portfolios which consider environmental, social and governance issues. We are committed to creating a workplace and culture that is welcoming and inclusive for everyone and have taken steps to enhance this in 2022 through the creation of an employee-led Diversity and Inclusion Forum. We will continue to make a significant investment in Learning and Development for all colleagues by launching career paths and supporting colleagues with their professional and career development.

We are investing in our client experience through technology and other means. We launched our client portal in 2022 in the UK, Kingswood Go, which has transformed our client experience by providing a single client sign-on and view across multiple platforms. We are also improving operational efficiency and client experience through the creation of a client facing digital fact find and automated suitability reports. In the US we have invested in technology infrastructure to provide advisors with a superior integrated wealth management platform offering products such as Annuities, Equities, Alternatives, and Mutual Funds.

Kingswood Holdings Limited

Chairman Statement

The Board continues to operate a robust risk management framework so that we can maintain compliance with our regulatory responsibilities and ensure both customers and suppliers are always treated fairly. Jonathan Freeman, in his capacity as an independent Non-Executive Director, continues to assume responsibility for ensuring that the Group has appropriate corporate governance standards in place and that these standards are applied within the Group as a whole.

We were delighted to have recently announced that Gemma Godfrey and Jane Millar have been appointed to the board of Kingswood Holdings Limited as independent Non-Executive Directors. Gemma Godfrey is a Non-Executive Director and advisor, having founded two digital businesses, acquired by or built on behalf of publicly listed organisations. Jane Millar has over 30 years' financial services experience in Non-Executive Director, Board and Chief Executive Officer roles across the wealth management industry. These are important appointments in supporting our growth and ambitions and in enhancing the Board's diversity.

Turning to 2023, the UK macroeconomic outlook in the short term remains highly uncertain, with high inflation, a cost of living crisis, increasing interest rates, and recessionary risks. Nonetheless, the fundamental opportunity for Kingswood remains strong, driven by the market opportunity. We look to the future with confidence.

Finally, on behalf of the Board, I would like to thank our management team and all our colleagues for their effort, focus and commitment to achieving our goals in what has continued to be a challenging operating environment.

David Hudd
Chairman
Date: 23 May 2023

Kingswood Holdings Limited

Chief Executive Officer Statement

Introduction

I am delighted to present our financial results for 2022 which was another transformative year for Kingswood Group. As with previous years, I will limit my comments to that of the UK business and am accordingly grateful to Mike Nessim (US CEO) for his comments on our US business.

Market Overview

2022 saw huge turbulence in both the global economy and financial markets. A confluence of deteriorating macro-economic trends, not least increased energy prices, rising inflation and then interest rates have had a material impact on the lives of both clients and colleagues. If I then add Putin's invasion of Ukraine and political impacts resulting from changes in leadership in Number 10 Downing Street, saying that 2022 was a turbulent year is arguably an understatement.

Our clients want us to provide sound advice on some of the things that matter most in life. They trust us to do this well and, in most cases, also want us to manage their investments. This has never been truer than over the last twelve months where we have increased our client interaction, at times to provide reassurance and also to revise our advice where necessary.

We have seen an increase in demand for financial advice in some cases from clients who have previously self-served some or all of their investment needs. On this point, our diversified investment approach has provided some good insulation for our clients from the more volatile movements across global indices too.

Despite the macro-economic uncertainty and still unpredictable markets, the UK wealth management sector continues to exhibit strong, long-term growth characteristics as supported by the recurring nature of its revenues and demographic trends.

Complexity in laws and regulations continue to increase and consolidation opportunities continue to be a strong feature of the sector. These features are opportunities that Kingswood is in a strong position to take competitive advantage from and play to our strengths as a business.

Business Overview

Our strategic focus is single-mindedly on both Financial Advice / Planning and Investment Management activity, relying on leading market external expertise for other aspects of the client value-chain.

We have a broad Financial Advice Proposition that is holistic in its nature. This is predominantly delivered to clients face to face. We have taken early steps during 2022 to create a complementary low-cost digital advice channel for clients with straightforward needs and we are excited about how this can help more clients access financial advice. Led by our Co-Heads of Wealth Planning, Hayley Burton and Jeff Grantham, our Financial Advisers take time to understand our clients, their goals and what is important to them. From this, we are then able to provide a comprehensive range of solutions to meet their needs. By building enduring relationships with clients, we can help realise the best of financial outcomes for them. Our taglines of *Advice Every Step of the Way* and *Protect and Grow* are perfect manifestations of this.

The acquisition of IBOSS Asset Management in December 2021 has allowed us to deepen our Investment Management offering with an enhanced research capability, ably led by our CIO Chris Metcalfe and Head of Investment Management, Paul Surguy.

For Private Clients this now comprises:

· **IBOSS Model Portfolio Service** - in addition to a core range of actively managed risk-rated portfolio's, we provide passive, income and ESG variants too. This is our Central Investment Proposition (CIP) and is available on most of the recognised third-party platforms

Kingswood Holdings Limited

Chief Executive Officer Statement

· **Kingswood Personal** - a more tailored investment management service, often provided in parallel to a financial adviser relationship but led by an Investment Manager

· **Kingswood AiM Portfolio** - launched in December 2022 to help clients with their Inheritance Tax and similar needs

For Institutional Clients, particularly UK universities, we continue to provide a long-standing Fixed Income and Treasury offering led by Nigel Davies.

Delivering Business Growth

The UK strategy is focussed on building a leading business in the sector. Our delivery of this is through the optimising of a series of value drivers:

1 Acquisition

I am delighted that we were able to complete the purchase of 10 businesses in 2022:

- Strategic Asset Managers Limited
- Employee Benefit Solutions Limited
- Vincent & Co. Financial Ltd
- D.J. Cooke (Life & Pensions) Limited
- AIM Independent Limited
- Joseph R Lamb Independent Financial Advisers Limited
- Allotts Financial Services Limited
- Eurosure Limited
- JCH Investment Management Limited
- JFP Holdings Limited

Collectively, these businesses have added £1.7bn AuA, 28 advisers and £6.1m Operating Profit to the Group. In Q1 2023, Kingswood purchased a further 2 businesses:

- Barry Fleming & Partners
- Moloney Investments Limited

These two businesses have added a further £0.7bn AuA; 21 advisers and £3.8m Operating Profit to the Group.

The acquisition of Moloney Investments Limited, based in Dublin, creates for Kingswood an exciting entry point into the Irish market which displays similar features to those seen in the UK and some strong growth opportunities. We expect to commence a programme of acquisition and organic led growth in Ireland to complement that in the UK once this acquisition is embedded. We continue to seek strategic and tactical acquisition opportunities in the UK to further support the growth seen to date.

2 Integration

Effective integration is critical to an acquiring business. We have built a highly effective, collaborative and repeatable process for integration which is both client and colleague centric and respectful of the business being purchased. Successfully led by our COO Harriet Griffin, we are now able to substantially integrate a business within three months of purchase where so desired.

Kingswood Holdings Limited

Chief Executive Officer Statement

3 Organic Growth

Organic growth has a number of strands to it and in this regard, Kingswood is different to other businesses undertaking similar activity to ourselves:

•Growth in Financial Advice activity – 7% organic growth in adviser numbers, excluding acquisitions

We are actively hiring new financial advisers as well as developing colleagues in other roles to become financial advisers. This creates the capacity required for organic growth.

In terms of client demand, Kingswood is typically purchasing businesses where the principals remain committed and, in many cases, have unfulfilled ambitions but welcome a freeing up of some of the bureaucracy that has crept in to allow them to get back to advising clients. By creating the right environment for this and supporting the business where needed, we are able to foster an environment of organic growth. In addition to this, other initiatives to support organic growth range from strategic alliances with professional firms to introduce clients to early digital lead creation.

•Growth from vertical integration – £650m at December 2022

Acquiring IBOSS gave Kingswood a Managed Portfolio Service (MPS) solution and Centralised Investment Proposition (CIP) that has a long-term track record of high performance and low volatility, supported by an award-winning service proposition. Advisers and firms are not targeted in any way to move monies to our CIP, though from the individual customer appraisal process we consider it will be more suitable than their existing investment platform in a large minority of cases.

•Onboarding of IFA firms into IBOSS – 9 new IFA firms onboarded

IBOSS core activity is the provision of out-sourced DFM services to IFA firms. 2022 has been challenging as existing client IFA firms have needed greater re-assurance and investment of time and new target IFA firms have had increased reluctance to move whilst the markets remain turbulent. However, the pipeline is strong, and we expect 2023 to deliver a healthy increase in IFA firms using IBOSS.

•Institutional Growth - £130m AuM net inflows in the year, or 12% growth year-over-year

Kingswood's excellent reputation with UK universities and similar institutions enables the onboarding of new clients each year and 2022 was no different. This part of Kingswood demonstrates c.10% growth p.a.

Kingswood Holdings Limited

Chief Executive Officer Statement

4 Building a Leading Business

a. Under the leadership of Rachel Bailey (CPO), we continue to actively invest in our colleague proposition with a clear aim to become a magnetic people business. We have continued to invest in deepening our learning and development for all colleagues, launching our accelerator programme for advisers of the future, further adviser academy graduations and the completion of our first leadership development programme. Diversity is a challenge in our sector. We are significantly more effective for the diversity seen across our senior leadership team and are actively working to address imbalance elsewhere, especially in the adviser community where we aspire that at least 25% of our financial advisers will be female in the medium term, compared to c.19% at 2022. We are publishing our gender pay gap report for the first time with these results.

b. We continue to invest in our client experience through technology and other means. We launched our client portal - Kingswood Go in 2022 allowing clients to have single sign-on and single client view across multiple platforms which has transformed our client experience. During the first half of 2023, we expect to deploy further digitalise processes and open up new propositions for our existing and target clients.

c. We have invested in our Finance and Compliance functions under the leadership of Jon Millam and Richard Bernstein to create centres of excellence in the support of our core and acquired businesses. During 2022, we secured a facility with a leading global financial institution to support our ongoing growth.

Dimensions

As at December 2022, the UK business employed 335 people, of which 100 are client facing financial advisers / investment managers operating from 17 locations across the UK with £3.2bn asset under management and as further £4.9bn asset under advice / influence.

As at 31 March 2023, this had increased to 396 employees across the UK and Ireland of which 120 are client facing financial advisers / investment managers operating from 19 locations with £5.2bn asset under management and as further £5.7bn assets under advice / influence.

KPIs	Now	2022	2021	2020
Employees	396	335	203	185
Advisers	120	100	70	64
Locations	19	17	14	11
AUM (£bn)	3.3	3.2	1.7	1.4
AUA (£bn)	5.7	4.9	3.2	2.8
Total AUM/A (£bn)	9.0	8.1	4.9	4.2

Kingswood Holdings Limited

Chief Executive Officer Statement

Outlook

Building on the 17 acquisitions completed under my leadership to date and those that came before, we have 4 transactions in exclusive due diligence comprising a total of £3.5m operating profit. We expect to conclude these transactions during 2023. In addition, we have a healthy pipeline of future opportunities at various stage of study and negotiation.

Organic growth is a core focus post integration where we can confidently expect year on year growth in initial and ongoing fees from assets under advice, in addition to which we expect to see a healthy migration of assets to our CIP and an increase in IFA firms using IBOSS as their outsourced DFM.

I believe that successful firms will not only truly put the client at the heart of the relationship, but will also be highly accessible, have clear propositions and most importantly provide great value for money. Technology plays a key part in this as do our colleagues hence the focus on these areas as part of our strategy.

Key Performance Indicators

Jon Millam, Group CFO goes into more detail on financial performance in his section but total revenue for the year was £33.8m, a 54% increase on the prior year reflecting the impact of recent acquisitions. 88% of UK revenue is recurring in nature providing a strong, annuity style fee stream which is critical to delivering sustainable, long term returns to shareholders.

£000's (Unless otherwise stated)	2022	2021	2020
Total Revenue	33,844	21,889	17,155
Recurring Revenue %	88%	87%	84%
WP & IM Operating Profit	11,488	6,144	4,273
AUM/A (£m)	8,073	4,883	4,378

To conclude, growing a sustainable business at the pace at which we are doing it requires colleagues who are special individuals. I am proud not only of our leadership team but of what everyone in Kingswood does each and every day for our clients and each other, without which the exciting story outlined in this report would not be possible.

David Lawrence
Chief Executive Officer
23 May 2023

Kingswood Holdings Limited

US Chief Executive Officer Statement

Introduction

Kingswood US is a premier wealth management firm with around \$3bn in assets and offices throughout the United States. The AUM/A values is based on actuals and proforma assets managed by the representatives as at the year end. With both an SEC-registered registered investment advisor (RIA) and a FINRA-licensed broker/dealer in-house alongside an institutional-quality product offering and a personal approach to service, Kingswood US is an ideal partner for independent financial advisors looking for a new place to call home. The business also includes Kingswood Capital Markets, a national investment banking platform that leverages our expanding distribution channels and drives growth across equity and debt advisory, capital raising and M&A.

2022 was another year of growth and business expansion for Kingswood US. We added 21 new registered representatives, which further expanded our US footprint and grew our total assets under management by \$0.9bn. Our newest members cited access to a larger universe of services, solutions and technology for their clients as a chief reason for their transition. We continue to grow the team, seek out strategic relationships to help these advisors expand their infrastructure and technology ecosystem, and work with innovative investment providers to help meet the needs of our financial advisors and their clients.

Our automated alternative investment platform surpassed 1,200 subscriptions representing \$129m in investments in three years. This automated subscription system streamlines operations and enables straight-through processing, reducing the time between initiation and completion of the investment from weeks to days.

Lastly, we consolidated our two SEC-registered RIAs, Benchmark Advisory Services, LLC and Kingswood Wealth Advisors, LLC, under the Kingswood Wealth Advisors (KWA) brand to streamline back-office processes and regulatory oversight while delivering an improved experience to advisors and their clients.

Market Overview

The US Wealth Management market is large and fragmented, comprised of standard broker-dealers, RIAs, and traditional, private wealth managers.

M&A activity in the US continued at record levels with a total of 340 wealth management M&A transactions completed, compared to 307 in 2021 and 205 in 2020. The robust level of deal flow was primarily driven by the continued prevalence of private-equity-backed consolidator models in addition to several favourable tailwinds forcing consolidation among small-to-mid sized wealth advisors.

Firm mix continues to shift from commission-oriented businesses towards fee-based, independent financial advisors as advisors adapt to the fast-evolving consumer needs and behaviours, driven by demographic shifts. Additionally, advisors are increasingly seeking complete independence, primarily due to the ability to retain a greater share of the economics associated with the wealth management services they provide, leading to a significant growth in advisors associated with hybrid and independent RIAs.

As a hybrid independent BD/RIA, Kingswood is ideally positioned to capitalize on these market trends, becoming an attractive proposition for advisors who want greater flexibility and ownership over their practices without sacrificing support systems and centralized resources.

Our Core Propositions

Our FINRA-supervised IBD platforms buy and sell securities on behalf of clients on a commission basis, executing trades and custody of assets. We offer fast, smooth service with access to many investment products and sectors including equities, fixed income, alternatives, and mutual funds. We also offer insurance products and related services.

Kingswood Holdings Limited

US Chief Executive Officer Statement

Through our SEC-registered RIA, we provide ongoing wealth, estate, philanthropic, tax and succession planning services. We generate predictable and recurring revenue streams from advice and management of our client assets through these programs.

Our strategy for growth can be broken down into four key pillars:

1.Revenuegrowth

- a. Enhanced advisor recruitment efforts supported by the continued build-out of our in-house recruitment team and relationships with third party recruiters
- b. Expansion of product offering for advisors with a particular focus on alternative investments, which can deliver yield and diversification benefits to investors.
- c. Continued build-out of advisory services and the transition existing commission-based assets to fee-based assets

1.MarginExpansion

- a. Recognize synergies across broker-dealers to drive down costs
- b. Expand upon shared services to enhance efficiency and provide more product offerings to advisers
- c. Transition away from low margin investment banking and capital markets revenue towards higher margin banking and fee-based revenue streams

2.Lift-outs&Acquisitions

- a. Expand advisor network via pipeline of potential lift-outs
- b. Continue to add scale through vertical and horizontal consolidation, with a particular focus on the IBD and RIA channels where valuation multiples are more attractive and where justification for consolidation is more pressing

3.Technology

- a. Continue to build upon tech stack through modernization and digitalisation
- b. Drive scale through technology products

Key Performance Indicators

\$000's (Unless otherwise stated)	2022	2021	2020
Total Revenue	138,074	175,545	35,318
Gross Profit	13,209	13,347	6,878
Operating Profit	3,651	7,035	2,232
AUM/A (\$m)	2,857	2,545	2,071
# of Authorised Representatives	232	211	174

* The US AUM/A is based on actuals and proforma assets from registered representatives as at 31 December 2022.

Mike Nessim
Kingswood US Chief Executive Officer
23 May 2023

Kingswood Holdings Limited

Group Chief Financial Officer

Introduction

The Group delivered another strong set of results in 2022 against the backdrop of market volatility following the Russian invasion of Ukraine and the announcement of the mini budget in late September. The 2 UK Divisions reported a material improvement in financial performance supported by the completion of 10 further acquisitions in 2022. The US Division reported a year over year reduction in revenue due to lower transactional Investment Banking revenues resulting from a slowdown in capital markets activity. However, RIA/BD revenues, recurring in nature and driven by AuM/A, grew by 25% compared to 2021. All 3 segments have reported strong net inflows of assets onto our platforms, delivered both organically and through acquisitions, with pleasing improvements in the percentage of recurring revenues.

We have maintained both cost and balance sheet discipline in 2022. Excluding the impact of acquisitions, operating expenditure is broadly flat year-over-year and our balance sheet remains well capitalised with strong support from Pollen Street Capital. We also continue to maintain a strong discipline in how we think about the businesses we acquire, ensuring that the multiples we pay are within our risk appetite and funding profile.

In Wealth Management, we provide holistic financial advice to our clients that generate both initial and ongoing fees. We provide a tailored IM offering, across an MPS and Personal Portfolio Service (PPS). This includes an open market advisory and discretionary portfolio service to more than 100 IFA firms. The acquisition of IBOSS has driven increased flows into Kingswood funds. Our Fixed Income business, included within IM, is a leading provider of liquidity and treasury services, to principally universities, that continues to generate growth in AuM. UK business performance is underpinned by organic growth in assets, greater than 85% of recurring revenues and a predictable cost base. Our acquisitions complement our offering and provide the opportunity to deliver both revenue and cost synergies.

Kingswood US operates across three core divisions; Independent Broker Dealers (IBD), Registered Independent Advisers (RIA), and Investment Banking (IB). IB serves mid-market corporate clients and helps raise capital. Our IBD business offers our clients investment opportunities across Alternatives, Mutual Funds and Equities. Our RIA business provides holistic financial advice to our clients, with similar characteristics to our Wealth Management business in the UK. Kingswood US has quickly produced significant amounts of revenue and Operating Profit.

Financial Performance

The Group's financial performance for the year was resilient. Group AuM/A of £10.5bn at December 2022 represents a £3.7bn, or 55%, increase compared to the prior year with 6% driven by organic growth and 49% from acquisitions. Group revenue was £145.9m, a 2.5% decrease compared to 2021, reflecting lower US Investment Banking revenues as macro-economic headwinds and market volatility led to a slowdown in capital market activity partially offset by a 55% increase in UK revenue achieved through a combination of acquisitions and organic growth. Operating Profit of £8.6m is 37.5% higher than 2021 reflecting acquisitions and organic growth in the UK partly offset by the drop through to profits of lower IB revenues in the US. Operating Expenditure of £33.4m was £10.5m higher than the prior year, supported by the impact of UK acquisitions (£6.6m), higher costs in the US (£3.2m) and higher Central Costs (£0.8m).

The result for the period to 31 December 2022 was a Loss of £10.2m reflecting £1.9m of acquisition related deferred consideration expense, £4.5m amortisation and depreciation, £5.6m finance costs and £6.9m business re-positioning and transaction costs.

The Group's balance sheet reflects the growth of the business. The Group had £19.6m of cash at December 2022, a decrease of £23.3m since 31 December 2021. This decrease is largely driven by £43.9m of acquisition payments and a £5.4m reduction due to the timing in settlement of US Investment Banking commission payments. This is partly offset by £23.9m debt funding and £1.3m positive cashflow in the UK from operating activities. Net Assets were £73.9m, a decrease of £3.0m compared to the prior year.

Kingswood Holdings Limited

Group Chief Financial Officer

Segmental Analysis

The table below provides a breakdown of the annual financial performance of the 3 Operating Segments within the Kingswood Group: Investment Management, Wealth Planning and Kingswood US. The Group separately reports on Central Costs incurred to support the running of the operating segments and the parent company.

2022 (£k)	Investment Management	Wealth Planning	US	Central Costs	Group Total
Revenue	7,183	26,662	112,153	0	145,998
Cost of Sales	(1,277)	(1,183)	(101,425)	7	(103,878)
Gross Profit	5,906	25,479	10,728	7	42,120
Operating Costs	(3,772)	(16,127)	(7,762)	(5,764)	(33,423)
Operating Profit	2,135	9,353	2,966	(5,757)	8,697
Recurring Revenue %	87.0%	88.7%	15.3%	n/a	32.2%
Operating Profit Margin %	29.7%	35.1%	2.6%	n/a	6.0%
AUM/A (£m)	3,185	4,889	2,380	n/a	10,453
# Advisers / Authorised Representatives	9	91	232	n/a	332
2021 (£k)					
Revenue	4,652	17,214	127,827	23	149,716
Cost of Sales	(1,476)	(913)	(118,108)	0	(120,497)
Gross Profit	3,176	16,301	9,719	23	29,219
Operating Costs	(2,811)	(10,522)	(4,596)	(4,963)	(22,892)
Operating Profit	365	5,779	5,123	(4,940)	6,327
Recurring Revenue %	81.1%	88.1%	7.4%	n/a	19.0%
Operating Profit Margin %	7.8%	33.6%	4.0%	n/a	4.2%
AUM/A (£m)	1,639	3,244	1,889	n/a	6,772
# Advisers / Authorised Representatives	10	60	211	n/a	281

Investment Management

AuM increased to £3.2bn in the year supported by the acquisition of Metnor Holdings Limited on 31 December 2021 and 12% organic net inflows largely through growth in the Fixed Income business. Vertical Integration assets, where an existing Wealth Planning client chooses a Kingswood investment product or service (MPS/PPS), increased to £650m (2021: £565m). Revenue was £7.2m, an increase of 54.4% compared to prior year and Operating Profit was £2.1m compared to £365k in 2021. Operating Expenditure of £3.8m increased by £1.0m as a result of the IBOSS acquisition, partly offset by cost reductions delivered in the year. Recurring revenue increased to 87.0% in 2022 compared to 81.1% in 2021, due to the higher recurring nature of IBOSS revenues.

Wealth Planning

AuA of £4.9bn increased by 50.7% compared to prior year and included £1.6bn of acquisition related inflows and 6% growth from organic net inflows. Revenue was £26.7m, an increase of 54.4% compared to 2021 and Operating Profit was £9.3m, an increase of 60.6%. Recurring Revenue was 88.7% an increase of 0.6% year over year.

Kingswood Holdings Limited

Group Chief Financial Officer

US

AuM/A of £2.4bn increased by 46% in 2022 on a reported currency basis and revenue of £112.1m represented a decrease compared to the prior year (2021: £127.8m). IB revenues were £77.3m in the period, impacted by a slowdown in capital market activity, reducing by 31% compared to 2021 and the BD/RIA business delivered revenues of £32.8m, a 25% increase year-over-year. The Kingswood US wealth management business increased its advisor representatives to 232 by December 2022, with \$3.0bn of client assets. Due to Investment Banking revenues being transactional in nature, recurring revenue in the US (2022: 29.8%, 2021: 7.4%) is lower than the UK but increased year over year due to the growth in RIA/BD revenues.

Central Costs were £5.8m in 2022 (2021: £4.9m). The Group continued to apply prudence to the management of its cost base in 2022. However, costs increased year over year as a result of the strengthening of the Executive Team and central functions to support a larger business, as well as higher audit fees.

Reconciliation between Operating Profits and Statutory Profits

Operating Profit is considered by the Board to be an accurate reflection of the Group's performance when compared to the statutory results, as this excludes income and expense categories which are deemed of a non-recurring nature or a non-cash operating item. A reconciliation between operating and statutory profit before tax for the year ended 31 December 2022 with comparatives is shown in the table below:

	Group	
	2022	2021
	£ 000	£ 000
Operating Profit	8,696	6,327
Business Re-positioning Costs	(1,964)	(1,564)
Transaction Costs	(4,924)	(1,836)
Finance Costs	(6,398)	(4,927)
Other Finance Costs	(4,507)	(2,399)
Remuneration Charge (Deferred Consideration)	(1,852)	(7,009)
Other Gains / (Losses)	(23)	(3,056)
	-	-
Profit / (Loss) before Tax	<u>(10,972)</u>	<u>(14,464)</u>

- 2022 Business Re-positioning Costs mainly comprise restructuring costs, share based payment expenses, US rep recruitment fees and technology investment costs
- Transaction costs are acquisition related (legal fees, due diligence, broker fees and project costs)
- Finance costs reflect £1.6m dividends that have accrued on the Group's preference shares in issue. The remaining £3.9m of finance costs charged to the P&L in 2022 largely comprise of costs related to the cost of deferred consideration and interest accrued from the debt facility
- Amortisation and Depreciation charges represent £3m from the amortisation of intangible assets and £1.5m depreciation of Right of Use Assets, property, and IT/office equipment
- £1.9m Remuneration Charges reflect deferred consideration payments resulting from acquisitions completed in 2019 and 2020. Under the treatment of deferred consideration per IFRS 3, 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 is treated as remuneration and accounted for as a charge against profits

Kingswood Holdings Limited

Group Chief Financial Officer

Balance Sheet

Net Assets at 31 December 2022 were £73.9m (2021: £76.9m). Non-current assets were £132.3m for the year-ended 2022 (2021: £83.9m), an increase of £48.4m compared to the prior year reflecting increases to intangible assets and goodwill from acquisitions completed in 2022. Current assets were £28.9m (2021: £48.8m) reflecting a £19.9m reduction in cash as a result of acquisition and deferred consideration payments as well as timing of US Investment Banking commission payments. This is partly offset by a £3.5m increase in trade receivables and a £4.4m deferred tax asset.

Current liabilities were £38.3m at 31 December 2022 (2021: £33.8m). The increase of £4.5m reflects a £13.1m increase in deferred consideration partially offset by a reduction in US IB commission accruals. Non-current liabilities were £48.9m as at 31 December 2022 (2021: £22.0m). The increase of £26.9m year over year reflects a £24.3m new debt facility, an increase of £8.0m in acquisition related deferred tax liabilities, partly offset by a £5.4m reduction in deferred consideration payments.

Cashflow

Cash at 31 December 2022 was £19.6m (2021: £42.9m). The £23.3m reduction year over year reflects £20.1m of acquisition payments (initial and deferred consideration, transaction and deal fees, net of funds received from the debt facility), a £5.4m reduction in US cash due to timing of Investment Banking commission payments, partly offset by a positive £1.5m UK operating cashflow.

Acquisitions

We are pleased with the progress made in expanding Kingswood in the UK and US, with ten regional businesses acquired in the UK in 2022. We have strong private equity experience across the senior management and have developed a strong internal capability to complete transactions quickly and efficiently, with a standardised documentation and process to simplify due diligence, execution, and subsequent integration.

Our selection process is rigorous, and we look at many factors including cultural fit, client focus and dedication, key personnel retention to preserve and grow those client relationships. Our model is to free up adviser time to focus on their clients, and provide a centralised, efficient support infrastructure. 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.

Financially, we assess businesses on strict performance parameters, with a focus not just on revenue and profit measures but also Assets under Advice and Management (AUA/M) and Return on Investment (ROI). Post-acquisition, we create monthly performance reports against these metrics and adjust strategy and implementation accordingly. The table below summarises acquisitions completed in 2022. The average multiple paid is 8.0x EBITDA. The Group’s 2022 Weighted Average Cost of Capital (WACC) is 13.7% and each acquisition targets an ROI that is greater than the WACC.

Kingswood Holdings Limited

Group Chief Financial Officer

Date	Acquisition	AUM/A £m	No. of Advisers	Acquired Operating Profit £m
Feb-22	Allotts	140	3	
Feb-22	Lamb	393		
Feb-22	AIM	217	7	2
Jul-22	Vincent	25	5	1
Feb-22	DJ Cooke	70	-	
Jul-22	Eurosure Ltd	70	-	
Oct-22	Employee Benefit Solutions	135	2	0.3
Oct-22	JCH Investment	105	3	0.8
Dec-22	JFP Holdings Limited	360	3	0.4
Nov-22	Strategic Asset Managers	200	2	1.5
	Total	1,715	3	0.5
			28	6

Outlook

2022's resilient financial performance has demonstrated the fundamental strengths of the Kingswood growth strategy and we continue to be well positioned for further growth in 2023. 2 further acquisitions have completed in 2023, Barry Fleming & Partners and Moloney Investments Ltd. As outlined in the Chairman's Statement, the UK macroeconomic outlook in the short term remains highly uncertain, with high inflation, a cost of living crisis, increasing interest rates, and recessionary risks. Despite these short-term headwinds, the Group is well placed to deliver on our strategy in the medium term. During 2023 we will continue to focus on integration, organic growth and to deliver against our acquisition strategy. Our near-term target is to build our AuM/A to £12.5bn globally.

Our medium-term target remains £20m Operating Profit and we believe that with our current acquisition pipeline and organic growth trajectory this is achievable. This medium-term target includes delivering Operating Profit margins for the UK of c.30% and ongoing margin improvement in the US.

Kingswood's financial strategy is to maintain a robust and disciplined balance sheet to ensure no deferred liability remains uncovered from a funding perspective, and we will continue to have a disciplined approach to expense management.

Jon Millam
Group Chief Financial Officer
23 May 2023

Kingswood Holdings Limited

Principal Risks and Uncertainties

Principal Risks and Uncertainties

The Board is ultimately responsible for the management of risk and regularly considers the most significant and potential risks likely to impact delivery of the Group's strategy. The Board also has responsibility for implementing and maintaining a Group-wide system of internal controls and a robust risk management framework, and to regularly review the efficiency and effectiveness of those systems and frameworks.

Our risk assessment process considers both the likelihood and impact of risk events which could prevent the implementation of Group strategy and have a material impact on the performance of the Group. These risks can arise from internal or external events. The principal risks identified as having a potential material impact on the Kingswood Group are summarised below together with our mitigation strategies. This list is by no means exhaustive and can and will change over time.

Industry Risks

Regulatory Risk

There remains a significant amount of regulatory change to be implemented and/or managed. Failure to correctly identify, interpret or implement regulatory change may result in an adverse impact for Kingswood

- Professionally staffed compliance department monitoring, interpreting and with business leaders implementing the latest FCA developments.
- A Risk & Compliance Committee takes place on a monthly basis which is attended by all Executive Committee members.
- Board level Audit & Risk Committee provides oversight and challenge.
- A suite of mandatory compliance training modules is in place for all staff

Market Risk

Macroeconomic pressures such as inflation and geopolitical tensions such as the conflict in Ukraine are impacting economic and financial markets and volatility. This may adversely affect advice and other services provided in addition to trading volumes and the value of client assets under management from which we derive fee revenue

- Broad range of client solutions offered to clients enabling them to protect assets through diversification, and continuing to generate revenues
- Our Investment Committee governance structure closely monitors and manages market movements

Operational Risks

Operational Resilience

Risk of a negative impact on clients, firm profitability, staff, and other stakeholders because of operational disruption (e.g. due to internal or external factors)

- Kingswood has benefited from robust cloud based operating systems allowing staff to seamlessly transition to remote working
- Core systems are cloud based allowing for ease of remote access
- The Company continues to invest in improved IT connectivity and leading-edge systems to improve resilience and ensure continued service to clients

Kingswood Holdings Limited

Principal Risks and Uncertainties

Integration Risk

Risk that we fail to deliver high-quality service to advisers and clients as acquisitions are integrated

- Senior management oversight and governance mechanisms in place
- Project management team in place to oversee integration
- Clear and transparent client communication ahead of any material changes
- Continue to embed and enhance the processes required to successfully integrate acquisitions into the Group's procedures and corporate governance.

Suitability of Advice

There is a risk of providing unsuitable advice or a failure to confirm ongoing suitability

- We maintain a skilled wealth planning workforce, trained to the highest industry standards
- A professional compliance team provides training, oversight, and ongoing monitoring to ensure that high standards are maintained
- Additional assurance is provided through specialist third party review
- Senior management provide direct oversight to ensure ongoing suitability of advice to clients

Reliance on Third Party Service Providers

Kingswood partners with best-in-class experts for certain key services- a financial or operational failure of our strategic partners could result in an adverse impact on our ability to service clients

- A third-party management framework is in place and overseen by the Group COO and Group CRO. This framework ensures extensive financial and operational due diligence is undertaken at the outset of 3rd party relationships and is continually monitored on an ongoing basis
- Contracts are in place with clear Service Level Agreements (SLAs) for all key suppliers

Business Conduct

The risk of poor business conduct resulting in client outcomes that do not meet their needs and circumstances

- Training & Competence programme in place for all client facing staff
- Kingswood culture is focused on client outcomes
- Consumer Duty project team in place to ensure the delivery of good outcomes for clients.

Data Protection & Cyber Security

External attacks on information technology systems could lead to loss of client data and breaches of data protection laws likely, resulting in regulatory fines, reputational damage, and financial remediation claims from clients

- Continual focus on data security, including penetration testing and 'phishing' exercises
- IT security & awareness training regularly conducted for all staff
- Senior management oversight of IT capability and resilience

Kingswood Holdings Limited

Principal Risks and Uncertainties

People Risk

Increasing workloads, key person risk or inability to adequately staff key roles could result in adverse business impact

- Competitive pay and benefits
- HR policies and procedures overseen by HR director
- Several HR initiatives aimed at improving employing wellbeing
- Training and development programme in place to help staff advance their careers
- Investment in learning and development programmes for all staff including training on culture and conduct

Financial Crime

Risk of Fraud, Money Laundering, Bribery & Corruption, Sanctions, Terrorism Financing, Tax Evasion, Market Abuse, Insider Dealing

- The Money Laundering Reporting Officer (MLRO) oversees the implementation of financial crime prevention policies and procedures
- An MLRO report is reviewed annually by the Risk & Compliance Committee. The number of high-risk clients is low
- An electronic ID verification system is in place for all new clients
- Awareness of Financial Crime policies & procedures across the Group is maintained through regular training

Investment Restrictions

There is a risk of breaching regulatory, product or client driven investment restrictions. This could result in the need to compensate clients and/or lead to regulatory censure

- Mandate restrictions are well understood by experienced investment management team
- Pre & Post trade alerts in place
- Investment Committee structure monitors ongoing adherence to portfolio strategies
- Independent compliance monitoring in place

Kingswood Holdings Limited

Corporate social responsibility

Introduction

Our commitment to Corporate Social Responsibility (CSR) reflects our values and our aspiration to create long-term value for all stakeholders, including our clients, employees, shareholders, suppliers, communities, and the environment. By embedding Corporate Responsibility in everything that we do, we will ensure that every single touch point for our clients adheres to consistent standards and objectives.

Our Environmental, Social, and Governance (ESG) framework helps us to identify and manage the material risks and opportunities related to environmental, social, and governance factors that can impact our long-term financial performance. This combined approach to CSR and ESG is integral to our strategy and our mission to be a sustainable and responsible business.

This CSR and ESG statement outlines our approach, our key priorities and our progress in the past year. As an acquisitive-based organisation, we also use measurement practices on our new acquisitions to ensure we have a clear benchmark upon integration into the Group.

Our Approach

Our approach to CSR and ESG is based on our commitment to creating sustainable value for all our stakeholders. We believe that our business operations should be conducted in a responsible and ethical manner that promotes economic, social, and environmental well-being. To achieve this, we have developed an ESG framework that is integrated into our business strategy, decision-making processes, and risk management framework. Our approach is guided by our values of impact, teamwork and integrity, and a respect for human rights and the environment.

Our Key Priorities

We are consciously focussing on where we can make the largest positive impacts on the environment and have identified the following ESG priorities as the most significant for our business and stakeholders: climate change, labour practices, data privacy, and stakeholder engagement. We recognize the potential risks and opportunities associated with these issues and have prioritized our efforts accordingly. We have established targets and KPIs to measure our performance and progress in these areas, and we regularly review and update our strategy to reflect changes in the external environment and stakeholder expectations.

The ever-increasing uptake of the 'Kingswood Go' app by clients and colleagues enables documents to be shared with prospects and clients digitally, which eliminates the need for printing and mailing of documents and enhances the security of data for our stakeholders. This digital solution not only saves costs and reduces paper waste, but also enables our customers to access information more quickly and conveniently. Moreover, the enhanced security features of the software protect the privacy and confidentiality of our stakeholders' information, which is of paramount importance to us.

We believe that a flexible working policy is an important way to reduce our carbon footprint and promote sustainability, while also providing greater flexibility and work-life balance for all our employees. Research shows that by 2025, 60% of the UK wealth pool will belong to women – it is crucial that we have appropriate female representation in our organisation. We recognize the importance of diversity and inclusion, and we are committed to fostering a culture that values and promotes it at all levels of our organisation. As part of this commitment, we will be focusing on increasing diversity across the organization, with a particular emphasis on recruitment, training, and development of our employees.

Our Performance

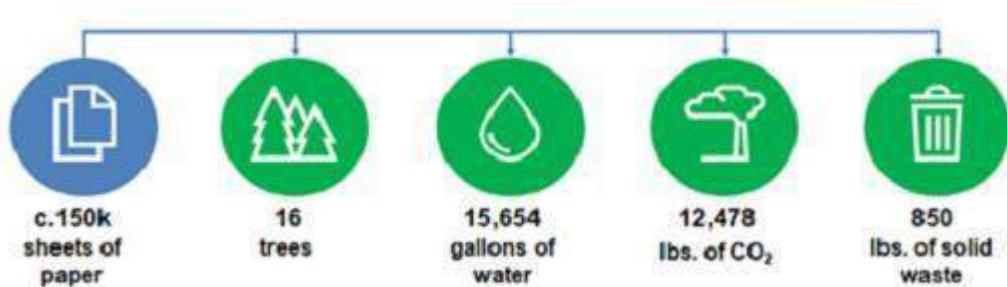
During 2022, we remained focused on becoming a more responsible corporate citizen in the communities in which we operate, taking the following actions across our ESG framework:

Kingswood Holdings Limited

Corporate social responsibility

The environment

- A 17.5% increase in DocuSign usage compared to the prior year has helped to reduce our carbon emissions by 12.5k lbs of CO₂ and reduce our water consumption by 15.7k gallons.
- Increased the number of client registrations on Kingswood Go to over 6,000 since launching in March 2022.
- Introduced Ecologi, a climate solution which enabled us to offset our entire carbon footprint through supporting a broad range of carbon avoidance and reforestation around the globe.



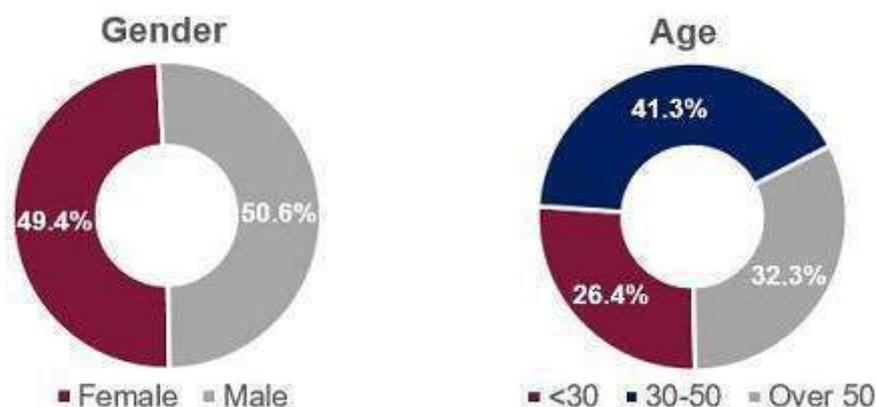
Social

- Increased the female population and representation in our UK adviser community by 4% to 19%.
- Actively supported several initiatives, including 'Black History Month', with diversity and inclusion remaining at the forefront of our agenda.
- Continued to develop our people through the roll-out of our Leadership Development Programme and extension of our Career Development Program. Onboarded four of our colleagues onto the Kingswood Academy, which provides a structured programme to nurture and build the talent within our adviser population.
- Heightened the focus on awareness dates that would affect a broad range of colleagues, such as Mental Health Awareness and introduced our mental health first aiders as a package of initiatives to colleagues when they need them.
- Continued to deliver an outstanding service to our clients across the globe. In the UK we continue to rate 4.8/5 on VouchedFor and regularly survey our clients, achieving a Net Promoter Score of +46 in December 2022 (2021: +35). In the US we are proud to have been named as one of the best Financial Advisory firms of 2023 by USA today, recognising the hard work our colleagues put in every day for our clients.
- In the UK we committed all fundraising activities to two charities, which were chosen by our colleagues: Great Ormond Street Hospital (GOSH) and SANDS. In the US, our growing partnership with A Friend's House enabled the re-modelling of living and recreation spaces for vulnerable children living in temporary living facilities.

We currently have 421 employees across our global operations:

Kingswood Holdings Limited

Corporate social responsibility



Governance

- Strengthened corporate governance structures and decision-making processes through the appointment of two independent Non-Executive Directors to our Board in October 2022, bringing a broad range of skills and expertise to the Board and providing additional oversight and challenge to our management teams.
- Demonstrated our commitment to improving our diversity and inclusion practices through increasing the female representation of our Board from 14% to 33%. We believe that this has brought us closer to achieving our goal of having a board that reflects the diversity of our stakeholders.

Our Governance

Our CSR and ESG governance structure is based on best practices and ensures that we have clear accountability, oversight, and transparency. Jonathan Freeman, in his capacity as an independent Non-Executive Director, continues to assume responsibility for ensuring that the Group has appropriate corporate governance standards in place and that these standards are applied within the Group as a whole. Our Chief Client Officer, Lucy Whitehead, assumes responsibility for our ESG initiatives and reporting to the Board.

We engage with our stakeholders regularly to ensure that their views and concerns are taken into account. We also disclose our ESG performance through various channels, including in our Annual Report, and company website.

Future commitments

We are committed to continuous improvement in our CSR and ESG performance and have outlined our commitments for the coming years below. We believe that these commitments will help us to create long-term value for our stakeholders and contribute to a more sustainable and responsible future.

- Reduce our Carbon Emissions Intensity year-over-year.
- Providing further educational based training for colleagues to learn more about diversity and behavioural issues in the workplace.
- Increase the female representation of our UK adviser population to at least 25% in the medium term.

We welcome feedback and suggestions from our stakeholders on how we can continue to improve our CSR and ESG practices and outcomes.

Kingswood Holdings Limited

Board of directors

Governance

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

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

During 2022, the Board of Kingswood Holdings Limited restructured its subsidiary companies to create the directly owned KW US Holdings Limited, and KW UK Financial Holdings Limited in order to reflect the distinction between the US and UK businesses.

KW UK BidCo Limited (“BidCo”) was incorporated as 100% owned subsidiary of KW UK Financial Holdings Limited. BidCo in turn is 100% owner of the newly incorporated KW UK Wealth Planning HoldCo Limited and KW UK Investment Management Limited.

These holdings companies own the Group’s UK regulated Wealth Planning and Investment Management firms. The objective of this restructure was to allow for expert oversight of each set of businesses by experienced Wealth Planning and Investment Management professionals.

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

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

The principal methods of communicating the application of the QCA Code are this Annual Report and the Group’s website which sets out the 10 QCA Code principles and how Kingswood Holdings Limited complies with those principles and the related disclosures: www.kingswood-group.com/corporate-governance. The Group applies all the QCA principles in full.

Corporate governance structure

The role of Non-Executive Chairman is held by David Hudd. The Board considers that the Non-Executive Directors provide a strong and consistent independence to the Executive members. During the year, two new independent Non-Executive Directors, Gemma Godfrey and Jane Millar joined the Group.

None of the Non-Executive Directors are involved in the day-to-day management of the Group and are free from any business or other relationship which could materially interfere with their judgement. Biographies of the Non-Executive Directors are contained on pages 31 to 32.

Kingswood Holdings Limited

Board of directors

During the year ended 31 December 2022, the Non-Executive Chairman was responsible for leadership of the Board, creating conditions for the effectiveness of the Board and individual Directors and developing the Group's strategy. The CEO and US CEO were responsible for running the Group's business day to day and, subject to Board agreement, the implementation of strategy.

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

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

Independence of Board of Directors

The Board considers that all Non-Executive Directors bring an independent judgement. The QCA code recommends that at least two independent Non-Executive Directors sit on the Board. At year-end, the Board had nine members, with one Executive and eight Non-Executive Directors. David Hudd, Gemma Godfrey, Jane Millar and Jonathan Freeman are considered 'independent'. Jonathan Massing, Gary Wilder Howard Garland and Lindsey McMurray are not considered independent due to the size of shareholding they are directly or indirectly associated with.

During the year under review, the Board comprised:

- Jonathan Freeman (Non-Executive Director)
- Howard Garland (Non-Executive Director)
- David Hudd (Non-Executive Chairman)
- Jonathan Massing (Deputy Non-Executive Chairman)
- Lindsey McMurray (Non-Executive Director)
- Robert Suss (Non-Executive Director)*
- Gary Wilder (Group Chief Executive Officer)**
- David Lawrence ** (Executive Director, Group Chief Executive Officer)
- Gemma Godfrey*** (Independent Non-Executive Director)
- Jane Millar *** (Independent Non-Executive Director)

*Robert Suss resigned from the board on 28 February 2022.

**In April 2022, Gary Wilder stepped back into a Non-Executive director role and David Lawrence was appointed to the Board as Chief Executive Officer.

*** In October 2022, Gemma Godfrey and Jane Millar joined the Board as independent Non-Executive Directors.

The Board has scheduled meetings at least quarterly with additional meetings taking place as required. The Board formally met four times throughout the year. Meetings of the Board are held at the Group's offices in London or via video call. In person meetings of the Subsidiary Boards take place at least quarterly. The number of main Board meetings and committees held in 2022 and individual attendance was as follows:

Kingswood Holdings Limited

Board of directors

Director	Board	Audit Committee	Nomination & Remuneration Committee
Jonathan Freeman	4/4	4/4	1/1
Howard Garland	4/4		
David Hudd	4/4	4/4	1/1
Jonathan Massing	4/4	4/4	
Lindsey McMurray	4/4		
Gary Wilder	3/4		
David Lawrence	4/4		
Gemma Godfrey	1/1		
Jane Millar	1/1		

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

- Constitution of the Board, including its various Committees, and succession planning (as recommended by the Nomination and Remuneration Committee).
- Group strategy and transactions.
- Financial reporting (including approval of interim and final financial statements).
- Group finance, banking, and capital structure arrangements.
- Regulatory matters (including the issue of shares, communication, and announcements to the market).
- Group compliance risk management and control processes and decisions (as recommended by the Audit and Risk Committee).
- Approval of remuneration policies (as recommended by the Nomination and Remuneration Committee).

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

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

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

Kingswood Holdings Limited

Board of directors

Subsidiary boards

Each of the Group's UK operating subsidiary companies has a separate Board which meets at least quarterly to discuss key matters pertaining to the subsidiaries' activities. The Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer and Howard Garland (Non-Executive Director) sit on each of the operating subsidiary boards, with Howard Garland chairing them. The Group's US interests are ultimately held through its subsidiary company KW Wealth Group Limited and to date US investments have been reviewed by the Group Board. In addition, key KHL Board members sit on the US division's advisory board.

Board committees

The Board has established committees including Audit & Risk and Nomination & Remuneration, each with separate terms of reference. These are available for viewing at Kingswood's London office.

Audit and Risk committee

The Audit and Risk Committee is chaired by Jonathan Freeman with David Hudd joining in January 2020 and Jonathan Massing in January 2021. In January 2023, Jonathan Massing resigned from the committee and Jane Millar joined. The Audit and Risk Committee is responsible for providing formal, transparent arrangements to the application of suitable financial reporting and internal control principles having regard to good corporate governance. The committee is also responsible for monitoring the external audit function including the independence, objectivity, and cost-effectiveness of the Group's external auditor. The meeting is attended by the Group Chief Executive Officer, Group Chief Financial Officer and Group Chief Risk Officer.

The independence and effectiveness of the external auditor is reviewed annually. The possibility of undertaking an audit tender process is considered on a regular basis and a formal tender process was undertaken in the second half of 2022 with the result being a change of auditor to PKF Littlejohn. The Audit and Risk Committee meets at least twice a year with the auditors to discuss their appointment, independence and objectivity, the issuance of the Interim and Annual Reports and any audit issues arising, internal control processes and any other appropriate matters. Fees in respect of audit services are set out in note 6 of the Notes to the Financial Statements. Fees for non-audit services paid to the auditors are not deemed to be of such significance as to impair independence and therefore the Audit Committee considers the objectivity and independence of the auditors safeguarded.

Internal control

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

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

Kingswood Holdings Limited

Board of directors

A control environment exists through close management of the business by the Executive Director. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Director.

The Board has a schedule of reserved matters expressly for its consideration and this includes approval of acquisitions and disposals, major capital projects, treasury and risk management and approval of business plans and budgets.

The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors and senior management and submitted to the Board for approval. Forecasts are regularly updated to reflect changes in the business including cash flow projections and are monitored by the Board. Actual results are monitored against budgets and variances reviewed by the Board. Financial risks are identified and evaluated for consideration by the Board and senior management. Standard financial control procedures are operated throughout the Group to ensure assets are safeguarded and proper accounting records maintained.

Nomination and Remuneration committee

The Nomination and Remuneration Committee is responsible for the consideration of Board appointments, the review of Board structure, its size and composition and the identification of future Board requirements by reference to the balance of skills, knowledge and experience present on the Board and the scale and direction of the Group. It is chaired by David Hudd, and Jonathan Freeman and Gemma Godfrey are also members.

The Committee is also responsible for establishing a formal and transparent procedure for executive remuneration policy and for determining the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Group Chief Executive Officer, the Company Secretary, and such other members of the executive management of the Group as it is designated to consider.

It is also responsible for recommending to the Board the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. No Director is involved in a decision regarding their personal remuneration. The Board considers the current composition of the Nomination and Remuneration Committee appropriate given the size of the Group. There was one Nomination and Remuneration Committee meeting held during the financial year ended 31 December 2022.

Remuneration policy

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

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

Kingswood Holdings Limited

Board of directors

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

1. Basic salaries and benefits in kind: Basic salaries are recommended to the Board by the Committee, based on the performance of the individual and the compensation for similar positions in comparable companies. Benefits in kind including death in service cover are available to all staff and Executive Directors. Benefits in kind are non-pensionable.
2. Share options: The Company operates approved share option schemes for key personnel to incentivise performance through equity participation. Exercise of share options under the schemes is subject to defined exercise periods and compliance with the AIM Rules. The schemes are overseen by the Nomination and Remuneration Committee which recommends to the Board all grants of share options based on the Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate. The AIM rules refer to the requirement for performance related elements of remuneration to form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of shareholders. The Nomination and Remuneration Committee currently considers that the best alignment of these interests is through the continued use of performance incentives through the award of share options in the Company's existing LTIP awards scheme.
3. Bonus scheme: The Group has a discretionary bonus scheme for Executive Directors and staff which is specific to each individual and their role within the Group.
4. Pension contributions: The Group pays a defined contribution to the pension schemes of Executive Directors and staff. The individual pension schemes are private, and assets are held separately from those of the Group.

Policy on non-executive remuneration

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

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

Ownership of the Company's shares by Non-Executive Directors is considered a positive alignment of interest with shareholders. The Board periodically reviews the shareholdings of Non-Executive Directors and seeks guidance from its advisors if, at any time, it is concerned that the shareholding of any Non-Executive Director may, or could appear to, conflict with their duties as an independent Non-Executive Director of the Company. Directors' remuneration, including Directors' interests in share options over the Company's share capital, are set out in the Directors' Report (page 35) and the Directors' Remuneration Report (page 38).

Re-election

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

Kingswood Holdings Limited

Board of directors

Performance evaluation

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

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

Relationship with shareholders and dialogue with institutional shareholders

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

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

The collection and analysis of shareholder proxy votes is handled independently by the Group's registrars. The Chairman announces the results of the proxy votes lodged after shareholders have voted on a show of hands. All Committee chairmen are, where possible, available at the AGM. The Non-Executive Directors are available to shareholders and may be contacted through the Chief Executive Officer's office.

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

Corporate culture and social responsibility

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

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

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

Kingswood Holdings Limited

Board of directors

DAVID HUDD - Non-Executive Chairman

David trained as a solicitor with Linklaters and, after a successful career as an investment banker in structured finance, joined Hogan Lovells, the international law firm, as a partner in 1994. He was consistently ranked as a market-leading lawyer for over 25 years. From 2005 David led the firm's global finance practice before assuming the role of Global Deputy CEO in 2014. He retired from this position and as a partner in June 2020 but continues to serve as Senior Counsel at Hogan Lovells. David earned his MA Jurisprudence (Oxon) in 1980 and qualified as a solicitor in 1983.

David joined the Board in June 2018 as a Non-Executive Director and subsequently became Non-Executive Chairman in July 2021.

JONATHAN MASSING - Non-Executive Deputy Chairman

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

Jonathan joined the Board in October 2017.

GARY WILDER - Non-Executive Director

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

Gary joined the Board in October 2017 as Group CEO. In April 2022, Gary stepped back into a Non-Executive Director role.

JONATHAN FREEMAN - Non-Executive Director

Jonathan is a Non-Executive Director and chairs the Audit and Risk Committee and is a member of the Nomination and Remuneration Committee. He is a seasoned corporate financier and company director with extensive experience of listed companies, financial services and FCA regulated entities. This experience is important to the Group as it is quoted on AIM and subsidiary entities are regulated by the Financial Conduct Authority in the UK. Jonathan was also the senior independent non-executive director of Futura Medical plc during the year under review.

Jonathan joined the Board in June 2018.

Kingswood Holdings Limited

Board of directors

HOWARD GARLAND - Non-Executive Director

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

Howard joined the Board in December 2019.

LINDSEY McMURRAY - Non-Executive Director

Lindsey holds a First-Class Honours degree in Accounting and Finance and holds an MPhil in Finance from Strathclyde University. Lindsey has been a private equity and credit investor for more than 26 years with a focus on the financial and business services sector. Alongside Kingswood, Lindsey sits on the Boards of Shawbrook Bank, CashFlows, 1st Stop Group and BidX1. Lindsey co-founded Pollen Street Capital in 2013 and serves as Managing Partner. Lindsey is the Chairman of the Pollen Street Capital's private equity and credit investment committees. Prior to Pollen Street Capital, Lindsey worked at RBS and spent six years at Cabot Square Capital, where she was a Partner focused on investments in the financial services sector.

Lindsey joined the Board in December 2019.

DAVID LAWRENCE - Group Chief Executive Officer

David was appointed as UK CEO of Kingswood in December 2020 and has over 30 years' experience in financial services, predominantly with Lloyds Banking Group where he held numerous executive leadership roles in distribution and functional areas across its Retail, Commercial and Insurance divisions. In 2014, David became the Commercial Director and then Chief Operating Officer for Lloyds' Private Banking and Wealth businesses with additional responsibility for its Mass Affluent proposition and strategy. He played a lead role in the establishment of Schroders Personal Wealth, a joint venture wealth management business between Lloyds Banking Group and Schroders, becoming Chief Commercial Officer for this business in March 2019.

David joined the Board in April 2022 as Chief Executive Officer.

GEMMA GODFREY - Non-Executive Director

Gemma is a Non-Executive Director and advisor, having founded two digital businesses. She specialises in helping businesses digitise and de-risk the delivery of new services. She is on the boards of publicly listed and private equity backed companies; for which she is a member of remuneration, risk and audit committees focused on ESG. Gemma was the Head of Investment Strategy for Brooks Macdonald Plc and, prior to this, chaired the investment committee for Credo Capital.

Gemma joined the board in October 2022.

JANE MILLAR - Non-Executive Director

Jane has over 30 years financial services experience as Non-Executive Director, Board and Chief Executive Officer roles across the wealth management industry. Jane is passionate about how the power of digital enablement brings large benefits to clients and organisations. Jane led the integrations of two major investment management businesses at Investec Wealth and Investment where she was also a Board director.

Jane joined the board in October 2022.

Kingswood Holdings Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report and the consolidated financial statements for the year ended 31 December 2022. The Corporate Governance Statement is set out from page 20 onwards. All financial information given in this Directors' Report is taken solely from the statutory results prepared in accordance with UK adopted international accounting standards.

Principal activity

The principal activity of the Group is the operation of a wealth planning and investment management business

Financial risk management objectives and policies

Information about the Group's risk management is included in the Strategy section under Risks & Uncertainties on page 20 to 22.

Results and dividends

The Group's performance during the year is discussed in the Strategy section on pages 1 to 23. The results for the year are set out in the audited Consolidated Statement of Comprehensive Income on page 45. The Directors do not recommend the payment of a dividend for the year ended 31 December 2022 (31 December 2021: £nil).

Capital structure

Details of KHL's issued share capital, together with details of the movements in the number of shares during the year, are shown in notes 24 and 25.

Capital management

The primary objective of the Company's capital management strategy is to maintain a strong capital structure in order to support the development of its business, to maximise shareholder value and to provide benefits for its other stakeholders. Details of the management of this risk can be found in the Strategy section under Risks & Uncertainties.

All of the regulated entities within the Group must also comply with the FCA capital adequacy rules.

Kingswood US has majority ownership interests in four US regulated entities - two are subject to regulatory oversight by FINRA and two come under the SEC's regulatory regime for Registered Investment Advisers (RIAs) - and must comply with certain capital adequacy requirements.

Directors' of the group

The names and a short biography of the Directors of the Company are set out on pages 31 to 32.

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

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

Directors interests

Directors who held office during 2022 had the following beneficial interests in the ordinary shares of the Company as of 31 December 2022:

Kingswood Holdings Limited

Directors' Report for the Year Ended 31 December 2022

Description	No. Ordinary shares held	
	2022	2021
Jonathan Freeman	87,750	87,780
David Hudd	650,000	500,000
Gary Wilder	1,115,051	1,115,051
Gary Wilder and Jonathan Massing	144,125,262	143,720,906
	<u>145,978,063</u>	<u>145,423,737</u>

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

Employees

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

The Group is committed to an equal opportunity policy for all prospective and existing employees such that selection takes place based on ability, qualifications and suitability for the job, irrespective of background, age, race, gender or sexual orientation. The Group's executives, senior management and employees are required to support and implement all such policies in their daily work ethic to maximise the potential of its entire workforce. A Diversity and Inclusion Forum comprising employees from across team has recently been formed to further encourage diversity and inclusion across the Group and make it a central tenet of Kingswood's culture.

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

Future developments and events after the statement of financial position date

A review of the Group's business and an indication of likely future developments are contained in the Strategy section of this report.

Substantial shareholdings

The Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights of shareholders holding 3% or more of the issued share capital of the Company as of 31 January 2023:

Name of Shareholder	Percentage of voting rights and issues share capital	No. of ordinary shares
KPI (Nominees) Limited	66.44%	144,125,262
Monecor (ETX Capital)	4.83%	10,476,969

All Shareholdings stated are beneficial. KPI (Nominees) Limited is owned and controlled by Gary Wilder and Jonathan Massing

The Company had issued 77,428,443 irredeemable, convertible preference shares at £1 per share to HSQ INVESTMENT LIMITED, a wholly owned indirect subsidiary of funds managed and/or advised by Pollen Street Capital at 31 December 2022.

The preference shares are convertible into Kingswood Holdings Limited ordinary shares at 16.5p per share on or before 31 December 2023.

Kingswood Holdings Limited

Directors' Report for the Year Ended 31 December 2022

Directors' liabilities

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

Going concern

In accordance with Financial Reporting Council guidance all companies are required to provide fuller disclosures regarding the Directors' assessment of going concern. The Group's business activities, together with the factors likely to affect its future development and liquidity and capital position, are reviewed under the key risks affecting the business section as set out in the Strategy section on pages 15 to 17.

The Directors have reviewed the cash flow forecast for the next 12 months and are satisfied that the Group can continue to prepare its financial statements on the going concern basis. As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the Annual Report, a range of scenarios have been considered, including a central scenario and a downside scenario, based on a number of macroeconomic assumptions. The Company and Group continue to operate with sufficient levels of liquidity and capital for the next 12 months in all modelled scenarios. The Group operates centralised treasury arrangements and shares banking arrangements between the parent and its subsidiaries.

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

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

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of Section 249 of The Companies (Guernsey) Law, 2008.

Approved by the board on and signed on its behalf by:



.....
David Hudd
Chairman

Date: 23 May 2023

Kingswood Holdings Limited

Directors' remuneration report

	Base salary inc. NIC £ 000	Pension and benefits £ 000	Option value of LTIP shares £ 000	2022 Total £ 000	2021 Total £ 000
Executive					
David Lawrence	208	-	204	412	-
Non-Executive					
Gary Wilder	63	-	-	63	100
Jonathan Freeman	53	-	-	53	61
David Hudd	75	-	-	75	73
Jonathan Massing	50	-	-	50	38
Jane Millar	11	-	-	11	-
Gemma Godfrey	11	-	-	11	-
Robert Suss (resigned 28/02/2022)	-	-	-	-	27
Aggregate emoluments	<u>471</u>	<u>-</u>	<u>204</u>	<u>675</u>	<u>299</u>

Approved by the board on and signed on its behalf by:



.....
David Hudd
Chairman

Kingswood Holdings Limited

Directors' responsibility statement

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

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK adopted international accounting standards. The Directors must not approve the annual financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the Consolidated Statement of Comprehensive Income for the year. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website www.kingswood-group.com. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The annual financial statements, prepared in accordance with UK adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategy includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approved by the board on and signed on its behalf by:



.....
David Hudd
Chairman

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

Opinion

We have audited the financial statements of Kingswood Holdings Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Confirmation of our understanding of management's going concern assessment process. We also engaged with management to ensure all key factors were considered in their assessment.
- We obtained management's going concern assessment, including the cash forecast for a period exceeding twelve months from the date the financial statements were approved by the directors. The group has modelled various scenarios in their cash forecasts to incorporate unexpected changes to the forecast liquidity of the group.
- We reviewed the factors and assumptions included in the cash forecast. We considered the appropriateness of the assumptions and methods used to calculate the cash flow forecasts and determined that the assumptions and methods utilised were appropriate to be able to make an assessment for the group.
- We reviewed the group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

Our application of materiality

The scope of our audit was influenced by our application of materiality. We determined materiality for the financial statements as a whole to be £1,460,000 for the consolidated financial statements using 1% of Group revenue based on the 31 December 2022 financial statements. We consider Group revenue to be the most stable benchmark and the most relevant determinant of the Group's performance used by shareholders.

We used a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is based on the overall materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This was set at 70% of overall materiality at £1,022,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of 5% of overall materiality at £73,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Whilst materiality for the Group's financial statements as a whole was set at £1,460,000, each significant component of the group was audited to an overall materiality ranging between £97,700 and £900,650 with performance materiality set at 70% of overall materiality. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement.

We reassessed materiality at the end of the audit and did not find it necessary to revise our planning materiality.

Our approach to the audit

Our audit approach was developed by obtaining an understanding of the Group's activities, the key subjective judgements made by the directors, for example in respect of significant accounting estimates that involved making assumptions, and considering future events that are inherently uncertain, and the overall control environment, such as impairment of goodwill, impairment of intangible assets and provision for deferred consideration payments.

Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement and were most susceptible to irregularities including fraud or error. Specifically, we identified what we considered to be key audit matters and planned our audit approach accordingly.

All the subsidiaries of the Group (components) are based in the United Kingdom ("UK") and the United States of America ("US"). The Group audit team have responsibility for the audit of all components included in the consolidated financial statements. We performed an assessment to determine which components were significant to the Group.

All components which contributed greater than 15% of the Group's net assets or Group's revenue were identified as financially significant and subject to a full scope audit of their complete financial information. Two components were financially significant to the Group, with one located in the UK and one located in the US. All work was performed by the Group audit team.

All components which included account balances that have the same significant risk profile as the Group were identified as risk significant. There were nine components which were subject to the audit of the relevant account balances, classes of transactions and disclosures.

For components that we considered to be non-significant, these components were principally subject to analytical review procedures performed by the Group audit team, together with additional testing over audit risk areas.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these key audit matters.

Area	Reason	How our scope addressed this matter
<p>Revenue recognition</p> <p>Refer to note 2 (accounting policy) and 4 (financial disclosures) of the Group financial statements.</p>	<p>Revenue is the most relevant determinant of the Group's performance used by shareholders. Inaccurate or incomplete revenue could have a material impact on group performance.</p> <p>The Group's revenue amounting to £145,998,000 which was derived from the wealth planning business, investment management business and US operations from the following activities:</p> <ul style="list-style-type: none"> - Investment management; - Wealth planning; <ul style="list-style-type: none"> • Initial fees; • Ongoing fees; • Commissions; • Advisory Fees <p>For investment management fees, there is a risk that the fees have not been calculated accurately and have not been calculated in accordance with the signed investment management agreements.</p> <p>For wealth planning income (inc. initial fees, ongoing fees and commissions), there is a risk that such fees have not been calculated accurately.</p> <p>For advisory fees, there is a risk over the accuracy and completeness of these fees.</p>	<p>UK Business</p> <p>Our approach for the wealth planning and investment management segments in the UK included:</p> <ul style="list-style-type: none"> - Performing a walkthrough to understand the internal control environment in operation for the significant income streams. - Testing key manual controls in the KW Wealth Planning Limited and KW Investment Management Limited revenue business cycle to ensure they were operating effectively. <p>To address the accuracy assertion for investment management fee revenue, we used data analytics to check the accounting entries for all income postings. Any entries that did not follow the expectation were investigated and subject to substantive testing to confirm why this was the case. We verified whether revenue was accounted for in accordance with UK adopted international accounting standards.</p> <p>For wealth planning revenue, we selected a sample of revenue transactions throughout the year and traced to supporting documentation where possible, as well as vouching to cash receipts/ deductions in the respective client accounts and verified whether revenue was accounted for in accordance with UK adopted international accounting standards.</p> <p>To address the completeness assertion, we reconciled the revenue report to data extracted from the systems to the general ledger in the accounting system to ensure completeness of the balances.</p> <p>For a sample of fees, we obtained invoices and rate confirmation letters/signed client agreements to agree the fees charged to the clients.</p> <p>US Business</p> <p>Our approach for the broker dealers and investment banking revenue in the US included:</p> <ul style="list-style-type: none"> - Performing walkthroughs of the different revenue streams to understand and corroborate the controls in place. - Performing procedures to ensure revenue balances have been corrected converted from US GAAP to UK adopted international accounting standards. - Reviewing support to ensure that the US entities had met their obligations under the contracts and that there was a reasonable basis to believe that the obligation was in fact satisfied and the revenue appropriately recognised. - Reviewing respective bank movements as well as the postings to the general ledgers. - Reviewing the accounting policies and related procedures relative to IFRS 15 and reviewing the adequacy and completeness of the corresponding financial statement note disclosures. <p>Key observations:</p> <p>Based on the procedures performed, we are satisfied that revenue is appropriately recognised and classified.</p>

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

Area	Reason	How our scope addressed this matter
Accounting for the business combinations of:	The accounting and disclosure for these acquisitions is a key audit matter due to the significant judgement and complexity involved in assessing whether the control has passed.	We obtained an understanding of and tested the design and implementation of the Group's controls over the accounting of the business combinations process.
AIM Wealth Holdings Limited		We evaluated the appropriateness of management's basis for accounting for the business combination.
Financial Services Limited	The calculation of the final consideration can be complex due to the key terms and conditions in the different purchase and sale agreements.	We reviewed and performed the following work in respect of each acquisition:
Joseph R Lamb Independent Financial Advisers Limited	Assumptions were used in the fair value of identifiable assets and liabilities and the final consideration which includes any contingent deferred consideration (based on future revenue).	Reviewed the acquisition agreements to understand the key terms and conditions, and confirmed our understanding of the transaction; Obtained management's assessment as to whether control is established in accordance with IFRS 10 and challenged management on assumptions used in that assessment; Obtained management's assessment as to whether the business combination has been accounted for in accordance with IFRS 3 is appropriate i.e. as an acquisition or the purchase of a business;
Vincent & Co. Financial Limited	There is also a risk that business combinations have not been accounted for in accordance with IFRS 3.	Obtained management's calculation of any consideration due, including an estimation of any contingent consideration by assessing the reasonableness of management's forecasts by reference to comparisons with historical data. We reviewed and challenged management's key assumptions around the probability of the achievement of the earn-outs.
Strategic Asset Managers Limited		Reviewed the purchase and sale agreements to determine if any elements of deferred and contingent consideration would need to be treated as post-combination remuneration and whether it has been calculated and accounted for correctly.
JCH Investment Management Limited		Compared the assets and liabilities recognised on acquisition against the completion accounts for the acquired businesses. Assessed intangible assets such as client lists to ensure they have been separated from the identifiable assets and liabilities.
JFP Financial Services Limited		Evaluated the assumptions and methodology in management's determination of the fair value of assets and liabilities acquired and challenged management on the assumptions used. Determined based on the above that any goodwill arising on the business combination was not materially misstated.
Refer to notes 2 (accounting policy) and 29 (financial disclosures) of the Group financial statements.		Key observations: Based on the procedures performed, we are satisfied that business combinations have been appropriately recognised and classified in the financial statements.

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

Area	Reason	How our scope addressed this matter
<p>Impairment of goodwill and other intangible assets</p> <p>Refer to notes 3</p> <p>(accounting policy) and 15 (financial disclosures) of the Group financial statements.</p>	<p>Goodwill amounting to £55,538,000 (2021: £42,871,000) arose from the acquisitions in a business combination.</p> <p>Other intangible assets arise in respect of acquired client lists amounting to £67,931,000 (£37,384,000).</p> <p>Impairment of goodwill and other intangible assets is considered a significant risk as significant judgements and estimates are required to be exercised by management in assessing whether any impairment provision is required.</p> <p>Significant judgements and estimates are involved in the computation of the recoverable amount of goodwill such as fair value less cost to sell and value in use.</p> <p>In respect of the other intangible assets, significant judgements are involved to determine whether the initial recognition criteria have been met and the estimated useful life is appropriate and supportable.</p>	<p>We obtained an understanding and tested the design and implementation of the group's controls over the impairment assessment process.</p> <p>For Goodwill we performed the following:</p> <p>We evaluated the appropriateness of management's identification of the Group's Cash Generating Units.</p> <p>We challenged management on the appropriateness of the impairment models and reasonableness of the assumptions used through performing the following:</p> <ul style="list-style-type: none"> Benchmarking the Group's key market-related assumptions in the models, including discount rates and long term growth rates. Assessing the reliability of any forecasts through a review of actual and past performance and comparing to previous forecasts; Testing the mathematical accuracy and performing sensitivity analyses of the models; Understanding the commercial prospects of the assets, and where possible comparing the assumptions with external data sources; Assessing management's sensitivity analysis showing the impact of a reasonably possible change in the underlying assumptions; and Assessing the adequacy of the disclosures within the financial statements. <p>For Other intangible assets (client lists), we performed the following:</p> <ul style="list-style-type: none"> Verifying the amounts capitalised in the year against supporting agreements; Challenging management's assessment that any additions met the required capitalisation criteria; Performing an assessment of the appropriateness of the useful life applied to each new client list acquisition and considered the continued appropriateness of the existing useful lives for previously completed acquisitions; Reviewing management's assessment of any impairment indicators, considering both internal and external sources of information; and Assessing the sufficiency of the sensitivity analyses performed by management, focusing on what we considered to be reasonably possible changes in key assumptions. <p>Key observations:</p> <p>Based on the procedures performed, we consider management's assessment of no impairment on goodwill and other intangible assets to</p> <p>1 appropriate and the carrying value of goodwill and other intangible assets are appropriately stated.</p>

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard

Other Companies (Guernsey) Law, 2008 reporting

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Guernsey) Law, 2008 reporting requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibility statement (set out on page 37), the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Group financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor Responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Group and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research, application of cumulative audit knowledge and experience of the investment management and wealth management sectors.

Kingswood Holdings Limited

Independent Auditor's Report to the Members of Kingswood Holdings Limited

- We determined the principal laws and regulations relevant to the Group in this regard to be those arising from the Companies (Guernsey) Law, 2008, AIM Rules for Companies, those resulting from being authorised by the Financial Conduct Authority to undertake regulated activities in the UK, UK adopted international accounting standards and rules from the Financial Industry Regulatory Authority (FINRA) in respect of certain US businesses.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent company with those laws and regulations. These procedures included but were not limited to making enquiries of management and those responsible for legal and compliance matters, review of minutes of the Board and papers provided to the audit committee to identify any indications of non-compliance, and review of legal / regulatory correspondence with the FCA and FINRA.
- We also identified the possible risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in relation to the recognition of revenue, the assessment of any impairment of goodwill and other intangible assets and the assessment of the provision for deferred consideration. We addressed this by challenging the assumptions and judgements made by management when auditing those significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....
PKF Littlejohn LLP
Chartered Accountants
15 Westferry Circus
Canary Wharf
London E14 4HD

Date:.....

Kingswood Holdings Limited

Consolidated Statement of Total Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Revenue	4	145,998	149,716
Cost of sales		<u>(103,878)</u>	<u>(120,497)</u>
Gross profit		42,120	29,219
Administrative expenses	7	(23,720)	(15,157)
Other operating expenses		<u>(9,704)</u>	<u>(7,735)</u>
Operating profit		8,696	6,327
Non-operating costs:			
Business re-positioning costs	4	(1,964)	(1,564)
Finance costs	8	(6,398)	(4,927)
Other finance costs	4	(4,507)	(2,399)
Acquisition-related items:			
Transaction costs	4	(4,924)	(1,836)
Remuneration charge (deferred consideration)	22	(1,852)	(7,009)
Other gains or losses	9	<u>(23)</u>	<u>(3,056)</u>
Loss before tax		(10,972)	(14,464)
Income tax receipt/(expense)	10	<u>4,480</u>	<u>(761)</u>
Loss for the year		<u>(6,492)</u>	<u>(15,225)</u>
		2022	2021
		£ 000	£ 000
Loss for the year		(6,492)	(15,225)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		<u>-</u>	<u>367</u>
Total comprehensive income for the year		<u>(6,492)</u>	<u>(14,858)</u>
Loss after tax is attributable to:			
Owners of the company		<u>(7,797)</u>	<u>(17,432)</u>
Non-controlling interests		<u>1,305</u>	<u>2,207</u>
Total comprehensive income attributable to:			
Owners of the parent company		<u>(7,797)</u>	<u>(17,065)</u>
Non-controlling interests		<u>1,305</u>	<u>2,207</u>
	Note	2022	2021
		£ 000	£ 000

The notes on pages 52 to 106 form an integral part of these financial statements.

- Basic loss per share	Kingswood Holdings Limited	12	(0.04)	(0.08)
- Diluted loss per share		12	(0.01)	(0.03)

**Consolidated Statement of Total Comprehensive Income for the Year Ended 31
December 2022**

	2022	2021
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Kingswood Holdings Limited

Consolidated Statement of Total Comprehensive Income for the Year Ended 31
December 2022

The above results were derived from continuing operations.

The notes on pages 52 to 106 form an integral part of these financial statements.

Kingswood Holdings Limited

(Registration number: 42316 (Guernsey))

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Assets			
Non-current assets			
Property, plant and equipment	13	832	941
Right of use assets	14	3,553	2,719
Intangible assets	15	123,469	80,255
Deferred tax assets	16	4,492	-
		132,346	83,915
Current assets			
Trade and other receivables	17	9,274	5,749
Short term investments		52	65
Cash and cash equivalents	19	19,624	42,933
		28,950	48,747
Total assets		161,296	132,662
Equity and liabilities			
Equity			
Share capital	24	(10,846)	(10,846)
Share premium	24	(8,224)	(8,224)
Preference share capital	25	(70,150)	(70,150)
FX reserve		422	488
Other reserves		(14,373)	(11,041)
Retained earnings		31,595	23,800
		(71,576)	(75,973)
Equity attributable to owners of the company		(71,576)	(75,973)
Non-controlling interests		(2,391)	(925)
		(73,967)	(76,898)
Non-current liabilities			
Other non-current liabilities	23	(2,806)	(2,915)
Loans and borrowings	23	(24,343)	-
Deferred tax liabilities	16	(12,584)	(4,577)
Deferred consideration	22	(9,228)	(14,482)
		(48,961)	(21,974)
Current liabilities			
Trade and other payables	20	(17,597)	(26,084)
Deferred consideration	22	(20,771)	(7,706)
		(38,368)	(33,790)
Total liabilities		(87,329)	(55,764)

The notes on pages 52 to 106 form an integral part of these financial statements.

Kingswood Holdings Limited

(Registration number: 42316 (Guernsey))

Consolidated Statement of Financial Position as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
Total equity and liabilities		<u>(161,296)</u>	<u>(132,662)</u>

Approved by the board on and signed on its behalf by:



.....
David Hudd
Chairman

The notes on pages 52 to 106 form an integral part of these financial statements.

Kingswood Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital and share premium £ 000	Preference share capital £ 000	Foreign currency reserve £ 000	Other reserves £ 000	Retained earnings £ 000	Equity attributable to the owners of the parent Company £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2021	19,070	37,550	(855)	(519)	(6,159)	49,087	1,065	50,152
(Loss)/profit for the year	-	-	-	-	(17,432)	(17,432)	2,207	(15,225)
Dividends due to non-controlling interests	-	-	-	-	-	-	(2,402)	(2,402)
Issue of preference share capital	-	32,600	-	-	-	32,600	-	32,600
Other adjustment	-	-	-	-	(209)	(209)	-	(209)
Share based remuneration	-	-	-	94	-	94	-	94
Preference share capital reserve	-	-	-	11,466	-	11,466	-	11,466
Foreign exchange gain	-	-	367	-	-	367	55	422
At 31 December 2021	<u>19,070</u>	<u>70,150</u>	<u>(488)</u>	<u>11,041</u>	<u>(23,800)</u>	<u>75,973</u>	<u>925</u>	<u>76,898</u>
(Loss)/profit for the year	-	-	-	-	(7,797)	(7,797)	1,305	(6,492)
Other adjustment	-	-	-	-	-	-	21	21
Share based remuneration	-	-	-	852	-	852	-	852
Preference share capital reserve	-	-	-	2,480	-	2,480	-	2,480
Foreign exchange gain	-	-	66	-	2	68	140	208
At 31 December 2022	<u><u>19,070</u></u>	<u><u>70,150</u></u>	<u><u>(422)</u></u>	<u><u>14,373</u></u>	<u><u>(31,595)</u></u>	<u><u>71,576</u></u>	<u><u>2,391</u></u>	<u><u>73,967</u></u>

The notes on pages 52 to 106 form an integral part of these financial statements.

Kingswood Holdings Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

Note 24 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 52 to 106 form an integral part of the financial statements

The notes on pages 52 to 106 form an integral part of these financial statements.

Kingswood Holdings Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	2022 £ 000	2021 £ 000
Net cash from/(used in) operating activities	26	(2,704)	1,741
Investing activities			
Property, plant and equipment purchased		(113)	(127)
Business Combinations		(32,272)	(12,720)
Deferred consideration		(10,774)	(738)
Net cash outflow from investing activities		(43,159)	(13,585)
Financing activities			
Proceeds from issue of shares		-	52,600
Interest paid		(21)	(58)
Lease payments		(852)	(650)
Dividends paid to non-controlling interests		(811)	(1,272)
New loans received / loans repaid		23,784	18
Net cash generated from financing activities		22,100	50,638
Net (decrease)/increase in cash and cash equivalents		(23,763)	38,794
Cash and cash equivalents at 1 January		42,933	3,899
Effect of exchange rate fluctuations on cash held		454	240
Cash and cash equivalents at 31 December	19	19,624	42,933

The notes on pages 52 to 106 form an integral part of the financial statements

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

Kingswood Holdings Limited is a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The shares of the Company are traded on 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 Directors 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 ICARA. The US subsidiaries are required to be compliant under FINRA guidance.

These financial statements were authorised for issue by the board on 23 May 2023.

2 Accounting policies

Basis of accounting

The financial statements of the Group have been prepared in accordance with UK adopted international accounting standards and in line with the Guernsey Company Law.

The financial statements have been prepared on the historical cost basis; except for the revaluation of financial instruments (please refer to note 27 for details). Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Basis of consolidation

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

The subsidiaries of the Group are detailed in note 18.

All businesses are consolidated from the date of acquisition.

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

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Foreign currency

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction and recognized in the consolidated income statement. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are re translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation of a foreign entity are recognized in equity. Foreign entity income statements are translated to the Group's functional currency at the twelve month average for the relevant fiscal year.

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.

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.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 3 below.

Borrowings

All borrowing costs are measured at the present value of the contractual payments due to the lender over the loan term, with the discount rate determined by reference to the interest rate inherent in the loan.

Retirement benefit costs

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

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

The tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is recognised in the Statement of Comprehensive Income, except where a charge attributable to an item of income and expense is recognised as other comprehensive income, or where an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the Statement of Financial Position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Detailed financial forecasts are in place to support the carrying value of the deferred asset.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is recognised in the Statement of Comprehensive Income, except where a charge attributable to an item of income and expense is recognised as other comprehensive income, or where an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following basis:

Asset class

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

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

Depreciation periods for newly-acquired businesses may vary, however the Group aims to harmonise such accounting estimates within 12 months

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Business combinations

All business combinations are accounted for by applying the acquisition method. The acquisition method involves recognition, at fair value, of all identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. Where a full assessment of fair values is not practicable at the signing of these financial statements, provisional accounting has been adopted. The cost of business combinations is measured based on the fair value of the equity or debt instruments issued and cash or other consideration paid, plus any directly attributable costs. The consideration liability is contingent on performance requirements during the deferred consideration period. The value of the contingent consideration is determined by EBITDA and/or revenue targets agreed on the acquisition of each asset, as defined under the respective Purchase Agreements. As at the reporting date, the Group is expecting to pay the full value of its deferred consideration as all acquisitions are on target to meet the requirements.

Where the payment of deferred consideration is contingent on the continued employment of the seller(s) of a business post-acquisition during the deferred payment period, such contingent consideration is treated as remuneration in accordance with IFRS 3, and accounted for as a charge against profits as incurred. No deferred liability is created for this portion of consideration at the time of acquisition.

Goodwill arising on a business combination represents the excess of cost over the fair value of the Group's share of the identifiable net assets acquired and is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Any impairment is recognised immediately through the profit and loss. Negative goodwill arising on an acquisition is recognised immediately through the profit and loss.

Impairment

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units. The carrying amount of each CGU is compared to its recoverable amount. For more detail refer to note 14.

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

Intangible assets

Client relationships

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

Goodwill

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

Financial assets and liabilities

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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

Classification and initial measurement of financial assets

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

As required under IFRS 9, financial assets are classified into the following categories:

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

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

Subsequent measurement of financial assets

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Classification and measurement of financial liabilities

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

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Impairment of financial assets

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

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

The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

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

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

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

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

- 12 month expected credit losses (losses resulting from possible defaults within the next 12 months); or
- lifetime expected credit losses (losses resulting from possible defaults over the remaining life of the financial asset).

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

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Equity

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

Equity instruments

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

Effective interest rates

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Reclassification of equity

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

Trade payables

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

Client money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the Statement of Financial Position, as the Group is not beneficially entitled thereto. The amounts held on behalf of clients at the Statement of Financial Position date are stated in note 19.

Deferred consideration

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

The amount recognised as deferred consideration is dependent on the acquisition structure, specifically the employment terms of the seller(s) post acquisition. If payment of deferred consideration is contingent on the continued employment of the seller(s) during the deferred payment period, such contingent payment is treated as remuneration, not deferred consideration, and accounted for as a charge against profits as incurred over the deferred period.

Remuneration payable on business combinations

Payments due in relation to share or business purchase agreements, but which remain linked to the continued employment of the acquiree's employees, are recognised as a remuneration expense through the Consolidated Statement of Comprehensive Income. These costs are excluded from Operating Profit on the basis these costs relate to acquisitions and do not reflect the ongoing underlying business performance, and will cease when the earnout period on a given deal concludes.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Non-operating costs and other acquisition-related items

In addition to the above, certain other costs have been excluded from Operating Profit, on the basis these costs primarily relate to acquisitions or other non-recurring expenditure. The retained Operating Profit figure represents the Directors' assessment of the ongoing underlying performance of the core business.

Share based remuneration

Equity-settled share-based remuneration to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

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

Cash and cash equivalents

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

Leases

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group initially records a lease liability reflecting the present value of the future contractual cash flows to be made over the lease term, discounted using the Group's incremental borrowing rate. This is the rate payable by the Group on a loan of a similar term, and with similar security to obtain an asset of similar value. A right-of-use asset is also recorded at the value of the lease liability plus any directly related costs and estimated dilapidation expenses.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets and leases with a duration of 12 months or less. The Group recognises the lease payments associated with such leases as an expense on a straight-line basis over the lease term.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, 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 Kingswood US, LLC and its subsidiaries, as well as having representation on the US division's advisory board by key KHL Board members. The Group has thus determined that the Company has the practical ability to direct the relevant activities of Manhattan Harbor Capital and its subsidiaries and has consolidated the sub-group as subsidiaries with a 49.9% non-controlling interest.

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 year, client relationships were amortised over a 10-20 year period as detailed in note 15.

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 remuneration

The calculation of the fair value of share-based payments requires assumptions to be made regarding market conditions and future events. These assumptions are based on historic knowledge and industry standards. Changes to the assumptions used would materially impact the charge to the Statement of Comprehensive Income. Details of the assumptions are set out in note 27.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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. More information is disclosed in note 16 to the financial statements.

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).

Deferred consideration:

Deferred payments

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.

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 data 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 year to 31 December 2022. The table below details a full year's worth of revenue and results for the principal business and geographical divisions, which has then reconciled to the results included in the Statement of Comprehensive Income:

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	Investment management 2022 £ 000	Wealth planning 2022 £ 000	US operations 2022 £ 000	Group 2022 £ 000	Total 2022 £'000
Continuing operations:					
Revenue (disaggregated by timing):					
Point in time	931	3,018	95,042	-	98,991
Over time	6,252	23,644	17,111	-	47,007
External sales	7,183	26,662	112,153	-	145,998
Direct expenses	(1,277)	(1,183)	(101,425)	7	(103,878)
Gross profit	5,906	25,479	10,728	7	42,120
Operating profit / (loss)	2,135	9,353	2,966	(5,758)	8,696
Business re-positioning costs	(282)	(378)	-	(1,304)	(1,964)
Finance costs	-	(130)	-	(6,268)	(6,398)
Amortisation and depreciation	(3)	(1,092)	(37)	(3,375)	(4,507)
Other gains / (losses)	-	-	(23)	-	(23)
Remuneration charge (deferred consideration)	-	-	-	(1,852)	(1,852)
Transaction costs	191	(1,389)	(593)	(3,133)	(4,924)
Profit / (loss) before tax from continuing operations	2,041	6,364	2,313	(21,690)	(10,972)
Tax	-	-	22	(4,502)	(4,480)
Profit / (loss) after tax from continuing operations	2,041	6,364	2,291	(17,188)	(6,492)
	Investment management 2021 £ 000	Wealth planning 2021 £ 000	US operations 2021 £ 000	Group 2021 £ 000	Total 2021 £'000
Continuing operations:					
Revenue (disaggregated by timing):					
Point in time	881	2,045	118,396	-	121,322
Over time	3,771	15,169	9,431	23	28,394
External sales	4,652	17,214	127,827	23	149,716
Direct expenses	(1,476)	(913)	(118,108)	-	(120,497)
Gross profit	3,176	16,301	9,719	23	29,219
Operating profit / (loss)	365	5,779	5,123	(4,940)	6,327
Business re-positioning costs	(177)	(239)	(263)	(885)	(1,564)
Finance costs	-	(72)	2	(4,857)	(4,927)
Amortisation and depreciation	-	(1,197)	(212)	(990)	(2,399)
Other gains / (losses)	-	-	-	(3,056)	(3,056)
Deferred payments	-	(3,691)	-	(3,318)	(7,009)
Transaction costs	-	(4)	-	(1,832)	(1,836)
Profit / (loss) before tax from continuing operations	188	576	4,650	(19,878)	(14,464)

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	Investment management 2021 £ 000	Wealth planning 2021 £ 000	US operations 2021 £ 000	Group 2021 £ 000	Total 2021 £'000
Continuing operations:					
Tax	-	16	317	428	761
Profit / (loss) after tax from continuing operations	188	560	4,333	(20,306)	(15,225)

	Investment management 2022 £'000	Wealth planning 2022 £'000	US operations 2022 £'000	Group 2022 £'000	Total 2022 £'000
Additions to non-current assets	(153)	3,011	1,130	39,951	43,939
Reportable segment assets	5,375	24,533	24,492	102,403	156,803
Tax assets					4,492
Total Group assets					161,295
Reportable segment liabilities	562	5,530	8,132	73,105	87,329
Total Group liabilities					87,329

	Investment management 2021 £'000	Wealth planning 2021 £'000	US operations 2021 £'000	Group 2021 £'000	Total 2021 £'000
Additions to non-current assets	2,113	839	3,995	27,994	34,941
Reportable segment assets	6,581	41,819	26,653	57,609	132,662
Tax assets					-
Total Group assets					132,662
Reportable segment liabilities	2,560	13,694	19,516	19,994	55,764
Total Group liabilities					55,764

5 Loss after tax

Loss after tax for the year is stated after charging

	2022 £ 000	2021 £ 000
Depreciation of property, plant and equipment (incl right of use asset)	1,069	925
Amortisation of intangible assets	2,944	1,474
Staff costs	23,720	15,953

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

See Directors' Remuneration Report on page 36 for details of Directors' remuneration during the year.

Included in the loss after tax are business re-positioning and transaction costs. Business re-positioning costs include restructuring costs in relation to staff and third-party suppliers. Transaction costs are primarily deal-related and driven by the acquisitions entered into by the Group.

6 Auditors' remuneration

The analysis of fees payable to the Group's auditor is as follows:

	2022	2021
	£ 000	£ 000
Audit of Company	320	200
Audit of Subsidiaries	135	200
CASS audit	31	25
Total auditor's remuneration	<u>486</u>	<u>425</u>

7 Staff costs

The average monthly number of persons (including Executive Directors) is as follows:

	2022	2021
	No.	No.
Management	4	6
Client advisers	93	49
Operations	173	99
Finance	17	13
Risk and Compliance	8	10
Human resources	10	4
Average number of employees	<u>305</u>	<u>181</u>

Aggregate staff remuneration comprised:

	2022	2021
	£ 000	£ 000
Wages and salaries	18,567	13,199
Social security costs	2,160	1,400
Pension costs, defined contribution scheme	1,364	602
Other short-term employee benefits	664	658
Redundancy costs	113	-
Share-based remuneration	852	94
Total staff costs	<u>23,720</u>	<u>15,953</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	£ 000	£ 000
Operating staff costs	22,936	15,157
Business re-positioning costs	250	739
Acquisition team costs	534	57
	<u>23,720</u>	<u>15,953</u>

8 Finance costs

	2022	2021
	£ 000	£ 000
Interest cost on external borrowings	456	-
Finance cost in relation to lease liability (note 21)	147	108
Finance cost in relation to deferred consideration	3,109	672
Preference share dividends	2,481	4,101
Other finance costs	205	46
	<u>6,398</u>	<u>4,927</u>

9 Other gains and losses

	2022	2021
	£ 000	£ 000
Additional payments due on acquired businesses	-	(2,983)
Unrealised gain/(loss) on investment	(23)	(73)
	<u>(23)</u>	<u>(3,056)</u>

10 Taxation

Tax charged/(credited) in the income statement

	2022	2021
	£ 000	£ 000
Current taxation		
Current year tax expense	-	317
Write off of historical corporation tax balance	-	(17)
	<u>-</u>	<u>300</u>
Foreign tax adjustment to prior periods	22	-
	<u>22</u>	<u>-</u>
Total current income tax	22	300
Deferred taxation		
Movement in deferred tax (note 16)	(4,502)	461
	<u>(4,480)</u>	<u>761</u>
Tax (receipt)/expense in the income statement	<u>(4,480)</u>	<u>761</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Factors affecting tax charge for the year

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19%(2021 - 19%).

The differences are reconciled below:

	2022	2021
	£ 000	£ 000
Loss before tax	(10,972)	(14,464)
Corporation tax at standard rate	(2,085)	(2,748)
Expenses not deductible for tax purposes	2,823	3,531
Adjustments for Statement of Financial Position items	210	133
Benefit of superdeduction	(6)	(2)
Prior year true-up	22	(17)
Adjustment for revenue ineligible for tax purposes	(48)	(250)
Unrelieved tax losses carried forward	(417)	202
Movement in deferred tax	(4,502)	461
Different tax rates applied in overseas jurisdictions	(477)	(549)
Total tax (credit)/charge	(4,480)	761

Factors that may affect future tax changes

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted 24 May 2021. Deferred taxes at the Statement of Financial Position date have been measured using these enacted tax rates and reflected in these financial statements.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Dividends

The Directors are not proposing to pay a dividend to ordinary shareholders in respect of the year ended 31 December 2022 (year ended 31 December 2021: £nil).

12 Earnings per share

	2022 £ 000	2021 £ 000
Loss from continuing operations for the purposes of basic loss per share, being net loss attributable to owners of the Group	<u>(7,797)</u>	<u>(17,432)</u>
Number of shares		
Weighted average number of ordinary shares assuming above conversion events	216,920,724	216,920,724
Convertible preference shares in issue	512,407,029	271,986,413
Share options	<u>5,897,018</u>	<u>5,702,567</u>
Weighted average number of ordinary shares assuming conversion	<u>735,224,771</u>	<u>494,609,704</u>

Owing to the Group being in a loss-making position for the years ending 31 December 2021 and 2022, the effect of any conversion events would be antidilutive to the loss per share. Therefore the diluted loss per share has not been restated from the basic loss per share of £0.04 (2021: loss per share £0.08).

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Property, plant and equipment

	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	1,380	1,380
Additions	275	275
	1,655	1,655
At 31 December 2021	1,655	1,655
At 1 January 2022	1,655	1,655
Additions	113	113
Reclassifications	1,438	1,438
Acquisitions NBV	80	80
Foreign exchange movements	17	17
	3,303	3,303
At 31 December 2022	3,303	3,303
Depreciation		
At 1 January 2021	453	453
Charge for year	261	261
	714	714
At 31 December 2021	714	714
At 1 January 2022	714	714
Charge for the year	310	310
Reclassifications	1,438	1,438
Foreign exchange movements	9	9
	2,471	2,471
At 31 December 2022	2,471	2,471
Carrying amount		
At 31 December 2022	832	832
At 31 December 2021	941	941

Current year reclassification is due to the disclosing of cost and deprecation for acquisitions.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Right of use assets

	Property £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	3,534	3,534
Additions	555	555
	4,089	4,089
At 31 December 2021	4,089	4,089
At 1 January 2022	4,089	4,089
Current year adjustment	(137)	(137)
Additions	1,705	1,705
	5,657	5,657
At 31 December 2022	5,657	5,657
Depreciation		
At 1 January 2021	706	706
Charge for year	664	664
	1,370	1,370
At 31 December 2021	1,370	1,370
At 1 January 2022	1,370	1,370
Current year adjustment	(25)	(25)
Charge for the year	759	759
	2,104	2,104
At 31 December 2022	2,104	2,104
Carrying amount		
At 31 December 2022	3,553	3,553
At 31 December 2021	2,719	2,719

Current year adjustment is in relation to a lease held within the Metnor Holdings Limited group of companies.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Goodwill and other intangible assets

	Goodwill £ 000	Other intangible assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	25,684	27,968	53,652
Additions	19,439	14,647	34,086
Revaluation of acquisition	(40)	-	(40)
Exchange adjustments	67	-	67
	45,150	42,615	87,765
At 31 December 2021	45,150	42,615	87,765
At 1 January 2022	45,150	42,615	87,765
Additions	18,402	33,491	51,893
Revaluation of acquisition (see below)	(6,364)	-	(6,364)
Exchange adjustments	629	-	629
	57,817	76,106	133,923
At 31 December 2022	57,817	76,106	133,923
Amortisation			
At 1 January 2021	2,279	3,757	6,036
Charge for year	-	1,474	1,474
	2,279	5,231	7,510
At 31 December 2021	2,279	5,231	7,510
At 1 January 2022	2,279	5,231	7,510
Charge for year	-	2,944	2,944
	2,279	8,175	10,454
At 31 December 2022	2,279	8,175	10,454
Carrying amount			
At 31 December 2022	55,538	67,931	123,469
At 31 December 2021	42,871	37,384	80,255

Following the acquisition of Metnor Holdings Limited on the 31st December 2021 new information has been obtained related to reduction in earn-out by this company. As such there has been an adjustment in the provisional amount by means of a decrease in goodwill.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination.

The Group has identified four CGUs at 31 December 2022 analysed between Investment Management, Wealth Planning and its US operations split between RIA and IBD operations and the Investment Banking business. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of asset. Key management information is prepared and reviewed across the Group's operating segments, and proposed acquisitions are analysed in one of those segments.

This is the ninth year in which the investment management and wealth planning CGUs have been analysed in this format. As the goodwill recognised on US acquisitions is not considered to be allocable on a non-arbitrary basis to individual CGUs, the carrying value of goodwill recognised on US acquisitions in 2020 is attributed to the combined US operating segment, made up of the RIA/IBD and Investment Banking CGUs. KHL acquired KW Wealth Group Limited (KWWG) in 2014. KWWG has been split between investment management and wealth planning CGUs depending on which CGU the relevant assets are allocated to.

The carrying value of goodwill at 31 December 2022 is allocated as follows:

	Investment Management £ 000	Wealth Planning £ 000	US Operations £ 000	Total £ 000
Goodwill	<u>16,338</u>	<u>33,291</u>	<u>5,909</u>	<u>55,538</u>

The Group tests each CGU, or groups of CGUs, at least annually for goodwill impairment. The recoverable amount of a CGU is determined as the higher of fair value less costs to sell and the value in use. Valuations are based on the discounted cash flow method. Projected cash flows are based on the most recent business plan, with a terminal growth rate of 2%, which is considered prudent in the context of the long-term average growth rate for the investment management and financial planning industries in which the CGUs operate. The discount rates used were 13.6% for the investment management and wealth planning CGUs and 15.1% for the US CGUs, reflecting the risk-free rate of interest and specific risks relating to each of the CGUs. The value of the CGU related to Level 3 fair value measurements.

The US group of CGUs exceeded its carrying amount by £19.6m. The value of the investment management and the wealth planning CGUs exceeded their carrying value by £13.0m and £12.8m respectively.

The projected cashflows prepared by management are considered to be prudent with natural sensitivities already built into the model. Further sensitivity analysis has been performed with clear headroom in the recoverable amount over the goodwill balance.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Intangible assets

Intangible assets are valued based on underlying assets under management (i.e., the client lists). The assets are assessed for their useful life on a client by client basis in order to determine amortisation rates. There are currently £67.2m of intangible assets being amortised over 20 years and £0.7m over 15 years.

The addition in 2022 and 2021 to intangible assets represents the value of assets under management and associated client lists acquired from business combinations in each of the two years.

16 Deferred tax

Group

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior year:

	At 1 January 2022 £ 000	Movement in year £ 000	Intangibles - customer relationships and brand recognised upon acquisition of subsidiaries £ 000	At 31 December 2022 £ 000
Assets	-	4,492	-	4,492
Liabilities	(4,577)	10	(8,018)	(12,584)
	<u>(4,577)</u>	<u>4,502</u>	<u>(8,018)</u>	<u>(8,092)</u>
	At 1 January 2021 £ 000	Recognised in income £ 000	Intangibles - customer relationships and brands recognised upon acquisition of subsidiaries £ 000	At 31 December 2021 £ 000
Assets	392	(392)	-	-
Liabilities	(1,889)	(69)	(2,619)	(4,577)
	<u>(1,497)</u>	<u>(461)</u>	<u>(2,619)</u>	<u>(4,577)</u>

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

At the Statement of Financial Position date, the Group has unused tax losses of £17.9m in the UK (2021: £19.3m) available for offset against future profits. A deferred tax asset has been recognised in respect of tax losses for the year ended 31st Dec 2022 (2021: £nil was recognised) as there is no longer uncertainty as to the timing of future expected profits.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 Trade and other receivables

	2022 £ 000	2021 £ 000
Current		
Trade receivables	7,440	1,844
Prepayments	1,834	1,307
Other receivables	-	2,598
	9,274	5,749

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

18 Subsidiaries

Details of the subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Activity	Ownership 2022
KW US Holdings Limited (Guernsey) *	Holding Company	100%
KW Wealth Group Ltd (England) *	Management Services	100%
KW UK Financial Holdings Limited (Guernsey) *	Holding Company	100%
KW UK Bidco Limited (Guernsey)	Holding Company	100%
KW UK Wealth Planning HoldCo Limited (Guernsey)	Holding Company	100%
KW UK Investment Management HoldCo Limited (Guernsey)	Holding Company	100%
KW Wealth Planning Limited (England)	Wealth Planning	100%
Admiral Wealth Management Limited (England)	Wealth Planning	100%
Regency Investment Services Limited (England)	Wealth Planning	100%
Money Matters (North East) Limited (England)	Wealth Planning	100%
Allotts Financial Services Limited (England)	Wealth Planning	100%
Vincent & Co Financial Ltd (England)	Wealth Planning	100%
Eurosure Limited (England)	Wealth Planning	100%
AIM Wealth Holdings (England)	Holding Company	100%
AIM Independent Limited (England)	Wealth Planning	100%
Casson Beckman Wealth Management (England)	Wealth Planning	100%
Sterling Trust Financial Consulting Limited (England)	Holding Company	100%
STP Wealth Management Limited (England)	Wealth Planning	100%
Sterling Trust Professional Limited (England)	Wealth Planning	100%
Sterling Trust Professional (North East) Limited (England)	Wealth Planning	100%
Sterling Trust Professional (Sheffield) Limited (England)	Wealth Planning	100%
NHA Financial Services Limited (England)	Holding Company	100%

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Name of subsidiary	Activity	Ownership 2022
Sterling Trust Professional (York) Limited (England)	Wealth Planning	100%
Strategic Asset Managers Limited (England)	Wealth Planning	100%
Employee Benefit Solutions Limited (England)	Wealth Planning	100%
JCH Investment Management Limited (England)	Wealth Planning	100%
JFP Holdings Limited (England)	Holding Company	100%
JFP Financial Services Limited (England)	Wealth Planning	100%
KW Investment Management Limited (England)	Investment Management	100%
EIM Nominees Limited (England)	Nominee Company	100%
XCAP Nominees Limited (England)	Nominee Company	100%
Joseph R Lamb Independent Financial Advisers Limited (England)	Investment Management	100%
Metnor Holdings Limited (England)	Holding Company	100%
IPN Partners Limited (England)	Management Services	100%
Novus Financial Services Limited (England)	Wealth Planning	100%
IBOSS Limited (England)	Investment Management	100%
IBOSS Asset Management Limited (England)	Investment Management	100%
Kingswood US Holdings Inc (USA)	Holding Company	50.1%
Kingswood Investments LLC (USA)	Holding Company	50.1%
Manhattan Harbor Capital LLC (USA)	Holding Company	50.1%
Kingswood Capital Partners LLC (USA)	Independent Broker Dealer	50.1%
Benchmark Investments LLC (USA)	Independent Broker Dealer	50.1%

* Direct investment

Profits attributable to non-controlling interests in KW US (formerly MHC) and its subsidiaries as at 31 December 2022 were £1,304,652 (US\$1,606,157) (2021: £2,206,889 (US\$3,030,793)). Dividends paid to non-controlling interest in the year were £810,646 (US\$998,000) (period post-acquisition to 31 December 2021 were £1,271,724 (US\$1,746,459))

Accumulated non-controlling interest of KW US and its subsidiaries as at 31 December 2022 were £2,390,686 (US\$2,878,386). (as at 31 December 2021: £924,858 (US\$1,246,431)).

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Summarised financial information (material subsidiaries with non-controlling interests) before intra-group adjustments:

	2022 \$ 000	2022 £ 000	2021 \$ 000	2021 £ 000
As at 31 December:				
Current assets	15,400	12,792	21,318	15,818
Non-current assets	158	132	204	151
Current liabilities	(9,731)	(8,083)	(19,049)	(14,135)
Non-current liabilities	(59)	(49)	(59)	(44)
	2022 \$ 000	2022 £ 000	2021 \$ 000	2021 £ 000

12 months ended 31 December:

Revenue	138,074	112,154	174,367	126,967
Profit after tax	3,104	2,521	5,740	4,180
Other comprehensive income	-	-	-	-
Total comprehensive income	3,104	2,521	5,740	4,180

19 Cash and cash equivalents

	2022 £ 000	2021 £ 000
Cash at bank and in hand	19,624	42,933

Client money

In November 2020, the Group's subsidiary KWIM moved to a Model B structure and transferred its CASS obligations to a third party service provider. Consequently, no client money was held in segregated bank accounts at 31 December 2022 (31 December 2021: £nil).

20 Trade and other payables

	2022 £ 000	2021 £ 000
Trade payables	2,976	789
Accrued expenses	11,812	22,967
Social security and other taxes	1,283	1,581
Lease liability and dilapidations provision	1,467	677
Other borrowings	59	70
	17,597	26,084

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

The group's exposure to market and liquidity risks, including maturity analysis, relating to trade and other payables is disclosed in note "Financial risk review".

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

21 Leases 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 2022 £ 000	Land and Buildings 2021 £ 000
At 1 Jan	3,274	3,234
Additions	1,705	582
Interest expense	147	108
Lease payments	(852)	(650)
	4,274	3,274

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.

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	2022 £ 000	2021 £ 000
Due within one year	1,467	677
Due after more than one year	2,806	2,597
At 31 December	4,273	3,274
	2022 £ 000	2021 £ 000

Dilapidations provisions relating to lease liabilities

Due within one year	7	28
Due after more than one year	559	538
At 31 December	566	566

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	2022	2021
	£ 000	£ 000
Low value lease expense	99	96
Short term lease expense	14	10

22 Deferred consideration payable

	2022	2021
	£ 000	£ 000
- falling due within one year	20,771	7,706
- due after more than one year	9,228	14,482
Deferred consideration payable on acquisitions:	29,999	22,188

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 Share or 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 there were additional payments for Sterling and Regency due to the Sellers achieving these contractual requirements.

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 is not 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.

During the year, deferred consideration expensed as remuneration through profit or loss was £1,852,225 (2021: £7,008,600).

23 Other non-current liabilities

	2022	2021
	£ 000	£ 000
Lease liability and dilapidations provision	2,806	2,597
Other borrowings	24,343	318
	27,149	2,915

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

24 Share capital

Allotted, called up and fully paid shares

	2022	£ 000	2021	£ 000
	No. 000		No. 000	
Fully paid of £0.05 each	216,921	10,846	216,921	10,846
	Number of		Share	
	ordinary	Par value	premium	Total
Share capital and share premium	shares	£ 000	£ 000	£ 000
	'000			
At 1 January 2021	216,921	10,846	8,224	19,070
At 31 December 2021	216,921	10,846	8,224	19,070
At 1 January 2022	216,921	10,846	8,224	19,070
At 31 December 2022	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.

As at 31 December 2022, KPI (Nominees) Limited held 144,125,262 Ordinary Shares, representing 66.4 per cent of ordinary shares in issue at year end.

25 Preference share capital

	2022	2021	2022	2021
	Shares	Shares	£ 000	£ 000
Irredeemable convertible preference shares				
Fully paid	77,428,443	77,428,443	70,150	70,150
	77,428,443	77,428,443	70,150	70,150

Preference share capital movements are as follows:

	Number of shares	Par value £ 000
At 1 January 2021	45	45
Issued during year	32	32
At 31 December 2021	77	77
Issued during year	-	-
At 31 December 2022	77	77

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	£ 000	£ 000
Equity component	70,150	70,150
Liability component	-	-
	<u>70,150</u>	<u>70,150</u>

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 5% pa from the date of issue. They do not hold any voting rights. Effective 17 December 2021 onwards, these will be settled via the issue of additional ordinary shares, thereby extinguishing the liability component.

26 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 19.

	2022	2021
	£ 000	£ 000
Loss before tax	(10,972)	(14,464)
Adjustments for:		
Depreciation and amortisation	4,507	2,399
Finance costs	6,398	4,927
Remuneration charge (deferred consideration)	1,852	234
Acquisition of investments	586	-
Share-based payment expense	878	94
Other losses / (gains)	23	1,281
Foreign exchange gain	-	(6)
Tax paid	(22)	(318)
	<u>3,250</u>	<u>(5,853)</u>
Operating cash flows before movements in working capital	3,250	(5,853)
(Increase)/decrease in receivables	1,821	(449)
Increase/(decrease) in payables	(7,775)	8,043
	<u>(2,704)</u>	<u>1,741</u>
Net cash inflow / (outflow) from operating activities	(2,704)	1,741

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

27 Share-based remuneration

Employee Option Plan

Scheme details and movements

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

- The European Wealth Group Limited EMI Scheme 2014, an HMRC approved scheme under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 pursuant to which options over ordinary shares of the Group may be granted to individuals (as selected by and in amounts determined by the Group's Remuneration Committee) who are employees of the Group.
- The 2019 Kingswood Group LTIP scheme under which options are granted over ordinary shares of the Group to employees and Directors. 39,750,000 options were issued with an exercise price of 5p. The vesting date of these share options is 31 December 2021. Vesting conditions include a mixture of performance and market-based conditions, tailored to the employee or director.
- The 2021 Kingswood Group LTIP scheme under which options are granted over ordinary shares of the Group to employees and Directors. 15,708,333 options were issued with an exercise price of 16.5p. The vesting date of these share options is 31 December 2023. Vesting conditions include a mixture of performance and market-based conditions, tailored to the employee or director.
- The 2022 Kingswood Group LTIP scheme under which options are granted over ordinary shares of the Group to employees and Directors. 6,700,000 options were issued with an exercise price of 16.5p. The vesting date of these share options is 31 December 2024. Vesting conditions include a mixture of performance and market-based conditions, tailored to the employee or director.

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

In the event of cessation of employment or engagement of the option holder by reason of his/her death, his/her personal representatives will be entitled to exercise the option within twelve months following the date of his/her death. Where an option holder ceases to be employed within the Group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee. .

The movements in the number of share options during the year were as follows:

	2022	2021
	Number	Number
Outstanding, start of period	16,799,167	19,949,167
Granted during the period	6,700,000	15,708,333
Forfeited during the period	(5,342,778)	(18,858,333)
Outstanding, end of period	18,156,389	16,799,167
Exercisable, end of period	<u>1,090,833</u>	<u>1,090,833</u>

No share options were exercised during the year.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	2022	2021
	pence	pence
Outstanding, start of period	16.78	5.87
Granted during the period	16.50	16.50
Forfeited during the period	16.50	5.50
Outstanding, end of period	16.76	16.78
Exercisable, end of period	<u>20.85</u>	<u>20.85</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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

Grant date	Expiry date	Exercise price Pence	Share options 2022	Share options 2021
04 August 2014	03 August 2024	100.00	105,000	105,000
01 August 2016	31 July 2026	53.00	152,500	152,500
15 February 2019	14 February 2029	5.00	833,334	833,334
12 April 2021	11 April 2031	16.50	3,076,667	4,775,000
25 June 2021	24 June 2031	16.50	3,333,333	5,000,000
05 July 2021	04 July 2031	16.50	3,288,889	4,933,333
06 September 2021	05 September 2031	16.50	666,667	1,000,000
16 March 2022	15 March 2032	16.50	1,500,000	-
12 April 2022	11 April 2032	16.50	75,000	-
03 May 2022	02 May 2032	16.50	1,000,000	-
06 May 2022	05 May 2032	16.50	1,050,000	-
28 June 2022	27 June 2032	16.50	3,000,000	-
11 July 2022	12 July 2032	16.50	75,000	-
Total			<u>18,156,389</u>	<u>16,799,167</u>

Weighted average contractual life of options outstanding at end of period

8.59 years 3.22 years

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

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	2,022
Option pricing model used	Monte Carlo
Weighted average share price at grant date (p)	25.85
Exercise price (p)	16.50
Weighted average contractual life (in days)	3,134
Expected volatility (12 April 2021 tranche)	-
Expected volatility (25 June 2021 tranche)	-
Expected volatility (5 July 2021 tranche)	-
Expected volatility (6 September 2021 tranche)	-
Expected volatility (16 Mar 2022 tranche)	60%
Expected volatility (12 Apr 2022 tranche)	60%
Expected volatility (3 May 2022 tranche)	60%
Expected volatility (6 May 2022 tranche)	60%
Expected volatility (28 Jun 2022 tranche)	60%
Expected volatility (1 Jul 2022 tranche)	60%
Expected volatility (11 Jul 2022 tranche)	60%
Expected dividend growth rate	N/A
Risk-free interest rate	1.50% - 2.71%

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

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

Total (expense) / gain arising from share-based transactions recognised during the period as part of employee benefit expense is as follows:

	2022	2021
	£ 000	£ 000
Options issued under employee option plan	852	(94)

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

28 Financial instruments

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

	2022	2021
	Carrying amount	Carrying amount
	£ 000	£ 000
Financial assets measured at amortised cost		
Trade and other receivables	9,273	4,308
Cash and cash equivalents	19,624	42,933
Financial liabilities measured at amortised cost		
Trade and other payables	(16,130)	(23,826)
Other non-current liabilities	(2,806)	(318)
Lease liability	(1,467)	(3,274)
Financial liabilities measured at fair value through profit and loss		
Deferred consideration payable	(29,999)	(22,188)
	<u>(21,505)</u>	<u>(2,365)</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	Valuation technique	Fair value hierarchy level
	£'000		
Deferred consideration payable	29,999	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

There have been no transfers between levels during the period.

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%)	(133)	155

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Credit risk

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

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

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

	Total £ 000	Total prior year £ 000
Cash	19,624	42,933
Trade and other receivables	9,274	5,749
	28,898	48,682

The Group's exposure to credit risk on cash and cash equivalents is considered by the Directors to be low as the Group holds accounts at banks with strong credit ratings. The majority of funds are held with A rated (S&P) institutions, with a minimum rating of BBB+. See note 19 for further detail on cash and cash equivalents.

Liquidity risk

Liquidity risk represents the potential that the Group will be unable to meet its financial obligations as they fall due. The controls and limits surrounding the Group's credit risk together with cash monitoring processes ensure that liquidity risk is minimised. The table below illustrates the maturity profile of all financial liabilities outstanding at 31 December 2022.

	Repayable between 0-12 months £ 000	Repayable after more than 12 months £ 000
2022		
Non-derivative liabilities		
Trade payables	2,976	-
Other payables	13,154	24,343
Deferred consideration payable	20,771	9,228
Lease liabilities	1,467	2,806
	38,368	36,377

	3 months - 1 year £ 000	1-5 years £ 000
2021		
Non-derivative liabilities		
Trade payables	789	-
Other payables	23,037	318

Deferred consideration payable	Kingswood Holdings Limited	8,466	19,430
Lease liabilities		<u>725</u>	<u>2,248</u>

Notes to the Financial Statements for the Year Ended 31 December 2022

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Market risk

Market risk arises from the Group's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Price risk

As with other firms in our sector, the Group is vulnerable to adverse movements in the value of financial instruments. The Group's business will be partially dependent on market conditions and adverse movements may have a significant negative effect on the Group's operations through reducing off-Balance Sheet assets under management, given its fees are largely calculated at a percentage of these client assets.

It is not practicable to quantify the price risk to our business, owing to variability in how fees are charged.

Interest rate risk

Interest rate risk is the risk of financial loss as a result of an increase in interest rates on borrowings.

Sensitivity analysis has not been performed on the Group as the Group's only interest-bearing instrument is at a fixed rate until maturity. As such, a 10% movement in interest rates would have no impact on the financial statements.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Group has minimal exposure to foreign exchange risk, operating as it does in stable currencies – namely Sterling, US dollar, and the Euro

The Group aims to fund expenses and investments in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

The effect of a 5% strengthening of the US dollar against Sterling, based on 2022 figures, would have increased the US division's overall profit as recognised in the Statement of Comprehensive Income by £126,057. A 5% weakening of the US dollar, conversely, would have decreased the profit contribution by £120,054.

Assessment of exposure to foreign exchange risk

Individual Group companies infrequently enter into transactions denominated in a currency other than their functional currencies, and these are typically immaterial in value. The primary risk is foreign currency rates will move adversely, reducing on consolidation the carrying value of financial assets or increasing the financial liabilities recognised by the US division. The Group does not consider this risk to be material.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29 Business combinations

29.1 Acquisition of AIM Independent Ltd

On 16 February 2022, the Company completed the acquisition of AIM Independent Ltd, an independent financial advice business based in Eastleigh serving clients throughout Hampshire

AIM has 5 advisers providing financial advice to over 750 clients holding around £217m AuA/M. In the year ending 31 July 2021, AIM generated revenue of £1.2m and profit before tax of £479k.

The business was acquired for a total cash consideration of up to £3.6m, payable over a 2-year period. £1.8m was paid at closing and the balance will be paid on a deferred basis subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The acquisition was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, the AIM group contributed £0.456 million to Group revenues and £0.042 million to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired the purchase consideration and goodwill are as follows:

	Book value £ 000	Adjustment £ 000	Fair value £ 000
Property, plant and equipment	13	-	13
Goodwill & Intangibles	1	2,278	2,279
Investments in subsidiaries	1	-	1
Receivables	83	-	83
Cash	88	-	88
Payables	(147)	-	(147)
Deferred tax liability	-	(570)	(570)
Total identifiable net assets	39	1,708	1,747

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022 £ 000
Initial cash paid	1,711
Deferred consideration	1,318
Total purchase consideration	3,029
Goodwill recognised on acquisition	1,281

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The main factors leading to the recognition of goodwill are:

- the strategic foothold the AIM team and business gives the Group in the Hampshire market.
- the ability to leverage the AIM platform and achieve economies of scale.

Consideration

	Cash outflows £ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	3,029
Less: Deferred consideration	<u>(1,318)</u>
Cash paid to acquire AIM Independent Ltd	1,711
Less: cash held by AIM Independent Ltd	<u>(88)</u>
Net cash outflow	<u><u>1,623</u></u>

29.2 Acquisition of Allotts Financial Services Ltd

On 4 February 2022, the Company completed the acquisition of Allotts Business Services Ltd, a high-quality long established financial advisory firm based in Rotherham and serves clients covering primarily in South Yorkshire.

Allotts provides independent financial advice to over 400 active clients and currently employs 3 advisers covering clients primarily in South Yorkshire with approximately £140m AuA. In the year ended 31 March 2021, AFS generated revenue of £791k and profit before tax of £355k

The business was acquired for total cash consideration of up to £2.5m, payable over a two-year period. £1.25m was paid at closing and the balance will be paid on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The acquisition was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, Allotts Financial Services Limited contributed £0.276 million to Group revenues and £0.066 million loss to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired the purchase consideration and goodwill are as follows:

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	Book value £ 000	Adjustment £ 000	Fair value £ 000
Goodwill and intangibles	-	1,294	1,294
Receivables	78	-	78
Cash	149	-	149
Payables	(67)	-	(67)
Taxation	(67)	-	(67)
Deferred tax liability	-	(324)	(324)
Total identifiable net assets	93	970	1,063

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022 £ 000
Initial cash paid	1,287
Deferred cash consideration	879
Total purchase consideration	2,166
Goodwill recognised on acquisition	1,103

Acquisition costs have been recognised as transaction costs under acquisition-related adjustments in the Consolidated Statement of Comprehensive Income.

The main factors leading to the recognition of goodwill are:

- the strategic foothold the Allots team and business gives the Group in the South Yorkshire market; and
- the ability to leverage Allots platform and achieve economies of scale.

Consideration

	2022 £ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	2,166
Less: Deferred consideration	(879)
Initial cash paid to acquire Allotts Financial Services Ltd	1,287
Less: cash held by Allotts Financial Services Ltd	(149)
Net cash outflow	1,138

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29.3 Acquisition of Joseph R Lamb Independent Financial Advisors Ltd

On 7 February 2022, the Company completed the acquisition of Joseph R Lamb Independent Financial Advisors Ltd "Joseph Lamb", a long established advisory business based in Rayleigh, Essex.

Established in 1970, Joseph Lamb provides financial advice to over 1930 active clients and currently employs 7 advisors covering clients primarily in Essex with approximately £393m AuA. On an underlying basis for the 12 month period to 30 June 2021, Joseph Lamb generated revenue of £3.8m and EBITDA of £1.5m.

The business was acquired for total cash consideration of up to £17.5m, payable over a 2 year period, £10.7m was paid at closing and the balance will be paid on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The acquisition was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, Joseph R Lamb Independent Financial Advisors Limited contributed £2.82 million to Group revenues and £0.199 million to Group profits before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

	Book value £'000	Adjustment £'000	Fair value £'000
Property, plant and equipment	47	-	47
Goodwill & Intangibles	350	9,834	10,183
Receivables	2,062	-	2,062
Cash	1,670	-	1,670
Payables	(976)	-	(976)
Deferred tax liability	-	(2,458)	(2,458)
Total identifiable net assets	3,153	7,376	10,528

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	10,715
Deferred cash consideration	5,641
Total purchase consideration	16,356
Goodwill recognised on acquisition	5,828

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The main factors leading to the recognition of goodwill are:

- the strategic foothold the Joseph Lamb team and business gives the Group in the Essex market.
- the ability to leverage the Joseph Lamb platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	16,356
Less: Deferred cash consideration	<u>(5,641)</u>
Initial cash paid to acquire Joseph R Lamb	10,715
Less: cash held by Joseph R Lamb	<u>(1,670)</u>
Net cash outflow	<u><u>9,045</u></u>

29.4 Acquisition of Eurosure Ltd

On 29 July 2022, the Company completed the acquisition of Eurosure Ltd, an independent financial advice company based in Hampshire.

Established for over 30 years, Eurosure Ltd have been offering a tailored and bespoke approach to enabling their clients to achieve their financial goals. The company looks after 240 clients with around £70m in AuA. In the year ending 30th April 2021, Eurosure Ltd generated revenue of £514k.

Eurosure was acquired for total cash consideration of up to £1.7m, payable over a 2 year period, £1.02m will be paid at closing and the balance on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The acquisition was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, Eurosure Limited contributed £0.165 million to Group revenues and £0.019 million loss to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	Book Value £ 000	Adjustment £ 000	Fair value £ 000
Intangibles		1,029	1,029
Receivables	22		22
Cash	165		165
Payables	(49)		(49)
Taxation	(67)		(67)
Deferred tax liability		(257)	(257)
Total identifiable net assets	71	772	843

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022 £ 000
Initial cash consideration	1,036
Deferred cash consideration	323
Total purchase consideration	1,359
Goodwill recognised on acquisition	517

The main factors leading to the recognition of goodwill are:

- the strategic foothold the Eurosure team and business gives the Group in the Hampshire market.
- the ability to leverage the Eurosure platform and achieve economies of scale.

Consideration

	2022 £ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	1,359
Less: Deferred cash consideration	(323)
Initial cash paid to acquire Eurosure Ltd	1,036
Less: cash held by Eurosure Ltd	(165)
Net cash outflow	871

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29.5 Acquisition of Vincent & Co Financial Ltd

On 15 June 2022, the Company completed the acquisition of Vincent & Co Financial Ltd, a privately owned independent financial adviser based in Lincolnshire.

Established for over 20 years, Vincent & Co Ltd provide financial advice to over 130 clients in the Lincolnshire area. They hold £25m AuA and in the year ending 31 October 2021 generated revenue of £135k and a profit before tax of £83k.

Vincent & Co was acquired for total cash consideration of up to £421k, payable over a 2 year period, £211k was paid upon completion of the transaction and the balance will be paid on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The acquisition was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, Vincent & Co Financial Limited contributed £0.117 million to Group revenues and £0.004 million loss to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

	Book Value	Adjustment	Fair value
	£ 000	£ 000	£ 000
Intangibles		467	467
Cash	71		71
Payables	(31)		(31)
Taxation	(12)		(12)
Deferred tax liability		(117)	(117)
Total identifiable net assets	<u>28</u>	<u>350</u>	<u>378</u>

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	211
Deferred cash consideration	<u>174</u>
Total purchase consideration	<u>385</u>
Goodwill recognised on acquisition	<u>7</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The main factors leading to the recognition of goodwill are:

- the strategic foothold the Vincent & Co team and business gives the Group in the Lincolnshire market; and
- the ability to leverage the Vincent & Co platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	385
Less: Deferred cash consideration	(174)
Initial cash paid to acquire Vincent & Co	211
Less: cash held by Vincent & Co	(71)
Net cash outflow	<u>140</u>

29.6 Acquisition of Employee Benefit Solutions (EBS) Ltd

On 2 November 2022, the Company completed the acquisition of Employee Benefit Solutions Ltd, a financial planning firm based in Buckinghamshire.

Established for over 30 years, EBS offer a wide range of financial planning services including: retirement planning, savings and investment advice, protection and inheritance tax planning. With three lead advisers and seven colleagues in total, EBS hold over £135m AuA. In the year ending March 2022 EBS generated revenue of £1.56m and profit before tax of £806k.

EBS was acquired for total cash consideration of up to £5.08m, payable over a 5 year period, £2.75m 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. The fair value of this final cash consideration is detailed further in the below tables.

Kingswood satisfied the consideration through the utilisation of its new funding facility, as announced on 17 October 2022.

From the acquisition date to 31 December 2022, Employee Benefit Solutions Limited contributed £0.277 million to Group revenues and £0.230 million to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

	Book Value £ 000	Adjustment £ 000	Fair value £ 000
Property, plant and equipment	3		3
Intangibles		3,640	3,640
Receivables	71		71
Cash	1,114		1,114
Payables	(148)		(148)
Taxation	(18)		(18)
Deferred tax liability		(910)	(910)
Total identifiable net assets	1,022	2,730	3,752

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	3,556
Deferred cash consideration	1,226
Other	500
Total purchase consideration	5,282
Goodwill recognised on acquisition	1,530

The main factors leading to the recognition of goodwill are:

- the strategic foothold the (EBS) team and business gives the Group in the Buckinghamshire market.
- the ability to leverage the (EBS) platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	5,282
Less: Deferred cash consideration	(1,226)
Less: Other	(500)
Initial cash paid to acquire EBS	3,556
Less: cash held by EBS	(1,114)
Net cash outflow	2,442

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29.7 Acquisition of Strategic Asset Managers (SAM) Ltd

On 11 November 2022, the Company completed the acquisition of Strategic Asset Managers Ltd ('SAM'), a leading financial advice firm based in Glasgow. SAM works with families, businesses, and professional partners. The company consists of 3 advisers managing over 400 clients, with over £200m of AUA. In the year ending 31 March 2022 SAM generated revenue of £1.2m and profit before tax of £517k.

SAM was acquired for total cash consideration of up to £5.1m, payable over a 2 year period, £3.1m paid on completion and the balance paid on a deferred basis, which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

Kingswood satisfied the consideration through the utilisation of its new funding facility, as announced on 17 October 2022.

From the acquisition date to 31 December 2022, Strategic Asset Managers Limited contributed £0.144 million to Group revenues and £0.083 million loss to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

	Book Value £ 000	Adjustment £ 000	Fair value £ 000
Property, plant and equipment	3		3
Intangibles		3,349	3,349
Receivables	15		15
Cash	455		455
Payables	(8)		(8)
Taxation & Social security	(154)		(154)
Deferred tax liability		(837)	(837)
Total identifiable net assets	311	2,512	2,823

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	3,210
Deferred cash consideration	1,696
Total purchase consideration	4,906
Goodwill recognised on acquisition	2,084

Kingswood Holdings Limited

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The main factors leading to the recognition of goodwill are:

- the strategic foothold the (SAM) team and business gives the Group in the Scottish market.
- the ability to leverage the (SAM) platform and achieve economies of scale.

Consideration

	2022 £ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	4,906
Less: Deferred cash consideration	(1,696)
Initial cash paid to acquire SAM	3,210
Less: cash held by SAM	(455)
Net cash outflow	2,755

29.8 Acquisition of JCH Investment Management Ltd

On 30 November 2022, the Company completed the acquisition of JCH Investment Management Ltd ('JCH'), a leading financial advice firm based in Lincoln. The company has 3 advisers managing over £105m of AuA with over 240 clients. In the year ending 31 July 2022 JCH generated revenue of £901k and profit before tax of £406k.

JCH will be acquired for Total Cash consideration of up to £3.5m, payable over a 2 year period, £2.1m of which will be paid upon receipt of regulatory approval and the balance paid on a deferred basis which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

Kingswood will satisfy the consideration due to the shareholders of JCH through the utilisation of its new funding facility, as announced on 17 October 2022.

From the acquisition date to 31 December 2022, JCH Investment Management Limited contributed £0.076 million to Group revenues and £0.048 million to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

	Book Value £ 000	Adjustment £ 000	Fair value £ 000
Property, plant and equipment	4		4
Intangibles		2,341	2,341
Receivables	414		414
Cash	350		350
Payables	(299)		(299)
Deferred tax liability		(585)	(585)
Total identifiable net assets	469	1,756	2,225

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	2,100
Deferred cash consideration	1,158
Total purchase consideration	<u>3,258</u>
Goodwill recognised on acquisition	<u>1,033</u>

The main factors leading to the recognition of goodwill are:

- the strategic foothold the (JCH) team and business gives the Group in Lincolnshire market
- the ability to leverage the (JCH) platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	3,258
Less: Deferred cash consideration	<u>(1,158)</u>
Initial cash paid to acquire JCH	2,100
Less: cash held by JCH	<u>(350)</u>
Net cash outflow	<u>1,750</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29.9 Acquisition of JFP Financial Services Ltd

On 30 November 2022, the Company completed the acquisition of JFP Holdings Ltd ('JFP'), a leading financial advisory firm based in Macclesfield, Cheshire. Established over 40 years ago, JFP manages £360m AuA across 1,295 clients. In the year ending 31 March 2022, JFP generated revenue of £2.5m and profit before tax of £1.5m.

JFP was acquired for total cash consideration of up to £12.4m, payable over a 2 year period, £7.44m of which will be paid upon receipt of regulatory approval and the balance paid on a deferred basis which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

Kingswood satisfied the consideration through the utilisation of its funding facility, as announced on 17 October 2022.

From the acquisition date to 31 December 2022, JFP Financial Services Limited contributed £0.183 million to Group revenues and £0.107 million to Group profit before tax.

Details of the fair value of identifiable assets and liabilities acquired, the purchase consideration and goodwill are as follows:

	Book Value £ 000	Adjustment £ 000	Fair value £ 000
Property, plant and equipment	10		10
Intangibles		7,892	7,892
Receivables	2,828		2,828
Cash	570		570
Payables	(77)		(77)
Taxation	(457)		(457)
Deferred tax liability		(1,973)	(1,973)
Total identifiable net assets	<u>2,874</u>	<u>5,919</u>	<u>8,793</u>

The trade and other receivables were recognised at fair value, being the gross contractual amounts.

Fair value of consideration paid

The acquisition has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022 £ 000
Initial cash consideration	10,153
Deferred cash consideration	<u>3,766</u>
Total purchase consideration	<u>13,919</u>
Goodwill recognised on acquisition	<u>5,126</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

The main factors leading to the recognition of goodwill are:

- the strategic foothold the (JFP) team and business gives the Group in the Cheshire market
- the ability to leverage the (JFP) platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	13,919
Less: Deferred cash consideration	<u>(3,766)</u>
Initial cash paid to acquire JFP	10,153
Less: cash held by JFP	<u>(570)</u>
Net cash outflow	<u><u>9,583</u></u>

29.10 Purchase of trade and assets of D.J.Cooke Ltd

On 21 February 2022, the Company completed the purchase of the trade carried on by and business assets of D.J.Cooke (Life & Pensions) Ltd, an independent financial planning business servicing clients across South Yorkshire.

The company looks after c.340 client households with around £70m AuA. On an underlying basis for the 12 month period up to the end of December 2021, DJ Cooke Ltd generated unaudited revenue of approximately £474k and unaudited EBITDA of approximately £227k.

Following Completion, around £1.5m is payable over a 2 year period. £749k was paid at closing and the balance paid on a deferred basis, some of which is subject to the achievement of pre-agreed performance targets. The fair value of this final cash consideration is detailed further in the below tables.

The purchase was funded by the issue of convertible preference shares, under the terms of its Convertible Preference Share subscription agreement with HSQ Investment Limited, a wholly owned indirect subsidiary of funds managed by Pollen Street.

From the acquisition date to 31 December 2022, DJ Cooke contributed £0.330 million to Group revenues and £0.275 million to Group profit before tax.

Fair value of consideration paid

The purchase has been accounted for using the acquisition method and details of the purchase consideration are as follows:

	2022
	£ 000
Initial cash consideration	749
Deferred cash consideration	<u>619</u>
Total consideration	<u><u>1,368</u></u>

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Notes to the Financial Statements for the Year Ended 31 December 2022

The main factors leading to the recognition of goodwill are:

- the strategic foothold the (D.J.Cooke) team and business gives the company in the South Yorkshire market
- the ability to leverage the (D.J.Cooke) platform and achieve economies of scale.

Consideration

	2022
	£ 000
Net cash outflow arising on acquisition:	
Total purchase consideration	1,368
Less: Deferred cash consideration	(619)
Initial cash paid to acquire D.J Cooke	<u>749</u>
Net cash outflow	<u>749</u>

30 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.

	2022	2021
	£ 000	£ 000
Salaries and other short term employee benefits	<u>678</u>	<u>340</u>

Other related parties

KHL incurred fees of £116,000 (2021: £137,500) from KPI (Nominees) Limited in relation to Non-Executive Director remuneration. At 31 December 2022, £nil of these fees remained unpaid (2021: £nil).

Fees received from Moor Park Capital Partners LLP, in which Gary Wilder and Jonathan Massing hold a beneficial interest through one of the members, KPI (Nominees) Limited, relating to property related services provided by KHL totalled £23,708 for the year ended 31 December 2022 (2021: £23,090), of which £nil (2021: £nil) was outstanding at 31 December 2022.

Fees paid for financial and due diligence services to Kingswood LLP and Kingswood Corporate Finance Limited, in which Jonathan Massing holds a beneficial interest as LLP members, totalled £479,955 for the year to 31 December 2022 (2021: £384,750).

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

31 Capital management

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

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

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

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

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

Entity	Regulatory body and jurisdiction
KW Investment Management Limited	FCA Investment Firm
KW Investment Management Limited	FSCA South Africa: Financial Services Provider
KW Wealth Planning Limited	FCA Personal Investment Firm
Sterling Trust Professional Limited	FCA Personal Investment Firm
Regency Investment Services Limited	FCA Personal Investment Firm
Admiral Wealth Management Limited	FCA Personal Investment Firm
Money Matters (North East) Limited	FCA Personal Investment Firm
IBOSS Asset Management Limited	FCA Investment Firm
Novus Financial Services Limited	FCA Personal Investment Firm (De-registered on 8 March 2022)
Strategic Asset Managers Limited	FCA Personal Investment Firm
Employee Benefit Solutions	FCA Personal Investment Firm
JCH Investment Management Limited	FCA Personal Investment Firm
Allots Financial Services Limited	FCA Personal Investment Firm
Vincent & Co Financial Ltd	FCA Personal Investment Firm
Eurosure Limited	FCA Personal Investment Firm
Joseph R Lamb Financial Advisers Limited	FCA Investment Firm
AIM Independent Limited	FCA Personal Investment Firm JFP
Financial Services Limited	FCA Personal Investment Firm
Benchmark Investments, Inc	FINRA-regulated brokerage firm (USA)
Kingswood Capital Partners, LLC	FINRA-regulated brokerage firm (USA)

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Benchmark Advisory Services, LLC	SEC-regulated advisory firm (USA)
Kingswood Wealth Advisors, LLC	SEC-regulated advisory firm (USA)

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

The debt-to-equity ratios at 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
	£'000	£'000
Loans and borrowings	24,402	388
Lease liabilities	4,273	3,274
Less: cash and cash equivalents	(19,624)	(42,933)
Net debt	-	-
Total equity	<u>73,966</u>	<u>76,898</u>
Debt to equity ratio (%)	<u>0%</u>	<u>0%</u>

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

32 Financial commitments

Subject to conditions being met, Kingswood Holdings Limited had committed to contributing £5.9m (US\$8.0m) of additional growth equity to the Kingswood US Holdings Inc group before 31 December 2022, to further build US distribution channels through active adviser recruitment and acquisitions. Following further review throughout this fiscal year it was confirmed this commitment was no longer required and as such no commitment was noted for 31st December 2022

	2022	2021
	£ 000	£ 000
Commitments	<u>-</u>	<u>5,936</u>

33 Ultimate controlling party

As at the date of approving the financial statements, the ultimate controlling party of the Group was KPI (Nominees) Limited. KPI (Nominees) Limited, which holds 66.44% of the voting rights and issued share capital of the Group, is owned and controlled by Gary Wilder and Jonathan Massing.

34 Events after the reporting date

Acquisition of Barry Fleming & Partners

On the 15th December 2022, Kingswood Holdings Ltd agreed to acquire, the business assets of Barry Fleming & Partners. The acquisition completed on the 6th January 2023.

Barry Fleming & Partners advises individuals, companies, trustees and charities. This capability allows Barry Fleming & Partners to use its strength in tax advice to take a 360-degree-view of a financial situation to give much broader, more comprehensive advice. The team have three advisers and a total of six employees.

Founded in 1975, Barry Fleming & Partners looks after over 415 clients with over c.£140m AUA. In the year ending 28 February 2022, Barry Fleming & Partners generated revenue of £1.4m and profit before tax of £190k. The business will be acquired for total cash consideration of up to £6.2m, payable over a two-year period, £3.1m paid on completion and the balance paid on a deferred basis which is subject to the achievement of pre-agreed performance targets

Kingswood satisfied the consideration through the utilisation of its funding facility, as announced on 17 October 2022.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Acquisition of Moloney Investments Ltd (MMPI)

On the 3rd March 2023, Kingswood Holdings Ltd agreed upon, and completed, the acquisition of the business assets of Moloney Investments Ltd (MMPI).

Established in 1993, MMPI is a leading financial advisory group based in Dublin, Ireland providing financial planning, general and protection insurance, as well as investments, pensions, and mortgage advice to principally mass affluent and high net worth individuals. MMPI currently employs 54 people, including 18 advisors.

On a pro forma basis, for the 12 months to 30 April 2022, MMPI had EBITDA of EUR 4.0m and in excess of EUR 700m assets under advice. Following receipt of regulatory approval, Kingswood will acquire 70% of MMPI for a total cash consideration of EUR 25.8m, with the existing shareholders retaining the remaining 30% and benefiting from the growth in the business as both management teams work together to grow MMPI and the wider Kingswood group both organically and through further acquisitions. Post-Acquisition, MMPI will continue to operate from its existing premises and be led by the same experienced team that have served its clients since inception in 1993.

Kingswood satisfied the consideration due to the shareholders of MMPI through a new debt facility it completed prior to the closing of the Acquisition.

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

Kingswood Holdings Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

