

Registered number: 09553255

**MFM HOLDING LTD**  
**GROUP REPORT AND FINANCIAL STATEMENTS**

For the year ended  
**31 DECEMBER 2017**



## Company information

Directors	Giovanni Daprà Paolo Galvani James Roy Clark Paolo Gesess Vittorio Emanuele Terzi (resigned on 17 August 2018) Claus Stickler (resigned on 17 August 2018) Thorsten Heymann (appointed on 17 August 2018) Juergen Weber (appointed on 18 August 2018)
Company Secretary	OHS Secretaries Limited
Registered Office	90-92 Pentonville Road London N1 9HS
Independent Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Registered Number	09553255

## **Strategic report**

The Directors present their Strategic report of MFM Holding Ltd for the year ended 31 December 2017.

### **Principal activities**

MFM Holding Ltd (“the Company”) was incorporated under the Companies Act 2006 on 21 April 2015 and is the parent company of MFM Investment Ltd (collectively “MFM Group” or “the Group”). MFM Investment Ltd is a wholly owned subsidiary of the Company and is authorised by the Financial Conduct Authority (“FCA”).

The MFM Group operates in the financial services industry, providing discretionary investment management, advisory & execution services through MFM Investment Ltd and its branch, in the UK and in Italy respectively. The principal activity of MFM Holding Ltd is that of a holding company of the Group.

### **Business review**

During 2017, the focus of the Group has been on delivering continuous growth in market share and customer base, and further investing in new product development. This has resulted in revenue for the year of £1,011,968 (2016: £509,223) and operating loss for the year of £15,993,773 (2016: £8,860,857) for the Group.

The year ended 31 December 2017 has been marked by some important developments: first of all the partnering with Allianz Group that led to the closing of a fundraising for £40 million in August 2018 with Allianz Asset Management being the lead investor. In addition, the Group has strengthened the B2B product lines and worked on the launch of a pension product in UK in 2018.

### **Principal risks and uncertainties**

The Group offers investment advisory services to its clients on a discretionary basis, through its subsidiary MFM Investment Ltd and its branch in Italy, it does not undertake any proprietary trading activities. As a result, the financial results and position of the Group are not directly exposed to fluctuations in underlying trading activity or the value of assets under management (“AUM”) held on behalf of clients other than in respect of future revenue entitlements, which are calculated as a proportion of AUM held.

The Group has a diversified customer base, which offers a degree of protection to revenue and underlying assets under management in the event that certain customers chose to withdraw capital in the future. Senior Management actively monitor the performance of AUM during the period and enter into an active dialogue with investors to manage expectations and reduce the risk of significant levels of capital withdrawals.

From an operational perspective, the key risk resides mainly in the operations of MFM

Investment Ltd and relates to the potential for non-compliance with the regulations issued by the FCA that could lead to the Group being subject to a fine or a ban on trading activities. The fine would be issued to MFM Investment Ltd, but would then have an impact on the financial performance of the Group as a whole. This risk is managed through regular review of the MFM Investment Ltd compliance framework by Senior Management.

In addition, the Group is heavily reliant on the effective and timely operation of its IT systems. The risk of IT failure is mitigated through regular revisions to systems and ensuring that back-up systems are in place that will enable both continuity of service and restoration of historic data. Starting from the year end the Group started on a project to implement an E.R.P. (Enterprise Resource Planning) system.

Management continues to review the Group's liquidity requirements through active budget forecasting and monitoring in order to keep its shareholders apprised of any future capital needs.

### **Key performance indicators**

The Group has experienced strong growth in 2017 through an increase in customers and assets under management. This was driven by the continued investment in commercial expenses as well as product enhancements translating into revenue growth. The Group continues to invest in marketing and technology as it expands its product offering.

The Group had management fee revenue in 2017 of £1,011,968 (2016: £509,223), primarily from the Italian branch of MFM Investment Ltd as the service in the UK is less mature.

The Group has a total cost base of £15,285,966 (2016: £9,374,733), comprising of salaries of £3,557,962 and other administrative expenses of £11,728,004. The main components of other administrative expenses include marketing costs for £5,717,196, depositary and trading costs of £749,129, legal & professional fees of £374,441 and IT costs for £665,290, which are associated with the growth of the business.

The Group employed 54 staff in the UK and 37 in Italy as at 31 December 2017.

The consolidated statement of financial position of the Group includes intangible assets of £5,289,994, cash and deposits of £1,206,139 and receivables of £730,935. As of 31 December 2017, the Group had net liabilities of £7,736,960 (2016: net assets of £8,053,189). This liability position is primarily driven by the convertible loan notes with a carrying value of £13,930,825. This convertible loan was converted into equity in August 2018.

The statement of financial position of the Company includes investment in subsidiaries of £29,950,177 among the significant assets. As of 31 December 2017, the net assets of the Company amounted to £14,088,173 (2016: £16,092,854).

Approved by the Directors and signed on their behalf by:

Giovanni Dapra

**Director**

Date 17/10/2018

**Registered number 09553255**

## **Directors' report**

The Directors present their report, together with the audited consolidated financial statements of the Group and the audited financial statements of the Company for the year ended 31 December 2017.

## **Results for the year and dividends**

The Group made a loss before tax for the year of £15,993,773 (2016: loss of £8,860,857). The Directors do not recommend the payment of a dividend (2016: £nil).

## **Future developments**

The Group launched its pension product in UK in March 2018 and plans to expand its product suite further in the coming months.

## **Directors**

The Directors of the Company throughout the year and up to the date of this report are detailed below:

Giovanni Daprà  
Paolo Galvani  
James Roy Clark  
Paolo Gesess  
Vittorio Emanuele Terzi (resigned on 17 August 2018)  
Claus Stickler (resigned on 17 August 2018)  
Thorsten Heymann (appointed on 17 August 2018)  
Juergen Weber (appointed on 18 August 2018)

## **Post balance sheet events**

In May 2018, a new capital raise was signed for a total amount of £40 million, with a consideration of £14.5 million of this balance relating to the conversion of the Group's existing loan notes. The investment was driven by Allianz Asset Management (lead investor), and supported by the Venture Capital Endeavor Catalyst fund and the Fondazione di Sardegna. United Ventures and Cabot Square Capital also participated, following the investments already made in the Group in the previous rounds, respectively in 2012 and 2015.

No other significant events have occurred since 31 December 2017.

## **Auditor**

The Group appointed Ernst & Young LLP as auditor effective for the 31 December 2017 year end. The auditor shall hold office subject to and in accordance with the provisions of Sections

485 to 488 of the Companies Act 2006.

### **Going concern**


The Group recorded a loss after tax for the year of £15,993,773 (2016: loss of £8,860,857) and net liability position as at 31 December 2017 of £7,736,960 (2016: £8,053,189). However, the Directors consider this loss to be driven by the costs associated with establishing the business in the UK and growing the business in Italy and the net liability position to be driven by the existence of loan notes with an outstanding value of £13,930,825 at 31 December 2017 that have subsequently been converted in equity in August 2018. Whilst the Directors believe that Group will continue to be loss making in the short term, the Group continues to be supported by significant external capital investment through an additional £40m of capital that was raised in May 2018. The Directors have forecasted the Group's and Company's results for the next 12 months from the date of signing these financial statements and (following the completion of the capital raise) are satisfied that the Group and the Company have adequate liquid capital to meet the Group's liabilities as they fall due for the foreseeable future. For this reason, the Directors have prepared the financial statements on a going concern basis.

### **Disclosure of information to the auditor**

Pursuant to section 418 (2) of the Companies Act 2006, each of the Directors confirms that:

- so far as they are each aware, there was no relevant audit information of which the Group's and the Company's auditor is unaware; and
- they have taken all reasonable steps that a Director ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Group's and the Company's auditor is aware of that information.

This report was approved by the Directors and signed on their behalf on 17 October 2018 by:

  
Giovanni Dapra  
**Director**  
**Registered number 09553255**

## Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group or the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MFM HOLDING LTD**

### **Opinion**

We have audited the financial statements of MFM Holding Ltd (the "Company") and its subsidiary (together the "Group") for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity, the Company Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- the Group's and the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 below. We are independent of the Group and the Company in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, 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.

### **Conclusion related to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's financial's statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; 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' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company'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 the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://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 Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ernst + Young LLP*

Neil Parker (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor

London

Date: 19th October 2018

**Consolidated statement of comprehensive income for the year ended 31 December 2017**

	Notes	2017 £	2016 £
Revenue	3a	1,011,968	509,223
Other income	3b	211,050	4,653
Administrative expenses	4,5	(15,285,966)	(9,374,733)
<b>Operating loss</b>		<b>(14,062,948)</b>	<b>(8,860,857)</b>
Finance costs	19	<u>(1,930,825)</u>	<u>-</u>
<b>Loss for the period before tax</b>		<b>(15,993,773)</b>	<b>(8,860,857)</b>
Taxation	8	<u>-</u>	<u>-</u>
<b>Loss for the period after tax</b>		<b>(15,993,773)</b>	<b>(8,860,857)</b>
<b>Other comprehensive income</b>			
Foreign exchange gain arising on the re-translation of Italian operations and goodwill		<u>183,234</u>	<u>843,024</u>
<b>Total comprehensive loss for the year</b>		<b><u>(15,810,539)</u></b>	<b><u>(8,017,833)</u></b>

The results for the current year are derived from continuing operations.

The notes on page 20 to 38 are an integral part of these financial statements.

## Consolidated statement of financial position as at 31 December 2017

	Notes	2017 £	2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	426,906	98,962
Intangible assets	10	<u>5,289,994</u>	<u>5,133,636</u>
		5,716,900	5,232,598
<b>Current assets</b>			
Prepaid expenses		633,605	147,496
Rental deposits		65,561	45,787
Trade and other receivables	12	730,935	405,544
Short term cash deposit	14	-	3,004,653
Cash and cash equivalents	15	<u>1,206,139</u>	<u>525,518</u>
		2,636,240	4,128,998
<b>Total assets</b>		<u><b>8,353,140</b></u>	<u><b>9,361,596</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	17	2,159,275	1,308,407
<b>Non Current liabilities</b>			
Convertible loan	19	13,930,825	-
<b>Net (liabilities)/assets</b>		<u><b>(7,736,960)</b></u>	<u><b>8,053,189</b></u>
<b>Equity</b>			
Share capital	20	2,194	2,194
Share premium	21	15,511,266	15,511,266
Merger relief reserve		1,402,715	1,402,715
Retained earnings	22	(25,875,927)	(9,882,154)
Exchange rate translation reserve		1,143,287	960,053
Stock option plan reserve		<u>79,505</u>	<u>59,115</u>
<b>Total equity</b>		<u><b>(7,736,960)</b></u>	<u><b>8,053,189</b></u>

The notes on page 20 to 38 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 17 October 2018 and signed on their behalf by:

Giovanni Dapra  
Director

Registered number 09553255

## Consolidated statement of changes in equity as at 31 December 2017

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Exchange rate translation reserve £	Stock option plan reserve £	Total £
<b>Balance at 31 December 2015</b>	<b>1,973</b>	<b>11,309,158</b>	<b>1,402,715</b>	<b>(1,021,297)</b>	<b>117,029</b>	<b>-</b>	<b>11,809,578</b>
Total comprehensive loss for the year	-	-	-	(8,860,857)	-	-	(8,860,857)
Issue of ordinary shares	221	4,202,108	-	-	-	-	4,202,329
Foreign exchange gain arising on the re-translation of Italian operations and goodwill	-	-	-	-	843,024	-	843,024
Amount recognised in respect of pending stock options	-	-	-	-	-	59,115	59,115
<b>Balance at 31 December 2016</b>	<b>2,194</b>	<b>15,511,266</b>	<b>1,402,715</b>	<b>(9,882,154)</b>	<b>960,053</b>	<b>59,115</b>	<b>8,053,189</b>
Total comprehensive loss for the year	-	-	-	(15,993,773)	-	-	(15,993,773)
Issue of ordinary shares	-	-	-	-	-	-	-
Foreign exchange gain arising on the re-translation of Italian operations	-	-	-	-	38,935	-	38,935
Foreign exchange gain arising on the re-translation of goodwill	-	-	-	-	144,299	-	144,299
Amount recognised in respect of pending stock options	-	-	-	-	-	20,390	20,390
<b>Balance at 31 December 2017</b>	<b>2,194</b>	<b>15,511,266</b>	<b>1,402,715</b>	<b>(25,875,927)</b>	<b>1,143,287</b>	<b>79,505</b>	<b>(7,736,960)</b>

The notes on page 20 to 38 are an integral part of these financial statements.

## Consolidated statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss on ordinary activities before tax	(15,993,773)	(8,860,857)
<b>Adjustments for:</b>		
Payment of prepaid expenses	(486,109)	(147,496)
Payment of rental deposit	(19,774)	(45,787)
De-recognition of deferred tax asset	-	162,787
Increase in trade and other receivables	(325,391)	(182,637)
Decrease in trade and other payables	850,868	626,789
Costs associated with the stock option plan	20,390	59,115
Depreciation and amortisation charge	53,509	140,904
Finance costs	1,930,825	-
Foreign exchange loss	38,935	106,171
	<u>(13,930,521)</u>	<u>(8,141,011)</u>
<b>Net cash used in operating activities</b>		
<b>Cash flows from investing activities</b>		
Investment/divestment in time deposit	3,004,653	(3,000,000)
Purchase of property, plant and equipment	(375,424)	(100,119)
Acquisition of intangible assets	(18,087)	(45,000)
	<u>2,611,142</u>	<u>(3,145,119)</u>
<b>Net cash generated from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	4,202,329
Convertible loan received	12,000,000	-
	<u>12,000,000</u>	<u>4,202,329</u>
<b>Net cash generated from financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>680,621</u>	<u>(7,218,921)</u>
Cash and cash equivalents, beginning of the period	<u>525,518</u>	<u>7,609,339</u>
<b>Cash and cash equivalents, end of the period</b>	<u>1,206,139</u>	<u>525,518</u>

The notes on page 20 to 38 are an integral part of these financial statements.

## Company statement of financial position as at 31 December 2017

	Notes	2017 £	2016 £
<b>Assets</b>			
<b>Non-current assets</b>			
Investments	11	<u>29,950,177</u>	<u>13,829,787</u>
		<b>29,950,177</b>	<b>13,829,787</b>
<b>Current assets</b>			
Trade and other receivables	13	19,608	60,358
Short term cash deposit	14	-	3,004,653
Cash and cash equivalents	16	<u>53,348</u>	<u>71,944</u>
		72,956	3,136,955
<b>Total assets</b>		<b><u>30,023,133</u></b>	<b><u>16,966,742</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	2,004,135	-
<b>Non current liabilities</b>			
Convertible loan	19	13,930,825	-
<b>Net assets</b>		<b><u>14,088,173</u></b>	<b><u>16,092,854</u></b>
<b>Equity</b>			
Share capital		2,194	2,194
Share premium		15,511,266	15,511,266
Merger relief reserve		1,402,715	1,402,715
Retained earnings		(2,907,507)	(882,436)
Stock option plan reserve		79,505	59,115
<b>Total equity</b>		<b><u>14,088,173</u></b>	<b><u>16,092,854</u></b>

The parent company MFM Holding Ltd made a loss for the year end 31 December 2017 equal to £2,025,071 (2016: £96,756).

The notes on page 20 to 38 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 17 October 2018 and signed on their behalf by:

  
Giovanni Dapra  
Director

Registered number 09553255

## Company statement of changes in equity as at 31 December 2017

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Stock option plan reserve £	Total £
<b>Balance at 21 April 2015</b>	-	-	-	-	-	-
Issue of ordinary shares	1,973	11,309,158	1,402,715	-	-	12,713,846
Total comprehensive loss for the year	-	-	-	(785,680)	-	(785,680)
<b>Balance at 31 December 2015</b>	<b>1,973</b>	<b>11,309,158</b>	<b>1,402,715</b>	<b>(785,680)</b>	<b>-</b>	<b>11,928,166</b>
Total comprehensive loss for the year	-	-	-	(96,756)	-	(96,756)
Issue of ordinary shares	221	4,202,108	-	-	-	4,202,329
Amount recognised in respect of pending stock options	-	-	-	-	59,115	59,115
<b>Balance at 31 December 2016</b>	<b>2,194</b>	<b>15,511,266</b>	<b>1,402,715</b>	<b>(882,436)</b>	<b>59,115</b>	<b>16,092,854</b>
Total comprehensive loss for the year	-	-	-	(2,025,071)	-	(2,025,071)
Issue of ordinary shares	-	-	-	-	-	-
Amount recognised in respect of pending stock options	-	-	-	-	20,390	20,390
<b>Balance at 31 December 2017</b>	<b>2,194</b>	<b>15,511,266</b>	<b>1,402,715</b>	<b>(2,907,507)</b>	<b>79,505</b>	<b>14,088,173</b>

The notes on page 20 to 38 are an integral part of these financial statements.

## Company statement of cash flows for the year ended 31 December 2017

	2017 £	2016 £
<b>Cash flows from operating activities</b>		
Loss on ordinary activities before tax	(2,025,071)	(96,756)
<b>Adjustments for:</b>		
Decrease in trade and other receivables	40,750	3,000,000
(Increase)/Decrease in trade and other payables	(1,130,247)	861,013
Finance costs	1,930,825	4,202,239
<b>Net cash used in operating activities</b>	<u>1,076,751</u>	<u>6,132,546</u>
<b>Cash flows from investing activities</b>		
(Investment)/divestment in time deposit	3,004,653	(3,000,000)
Investment in subsidiaries	(16,100,000)	(7,950,480)
<b>Net cash used in investing activities</b>	<u>(13,095,347)</u>	<u>(10,950,480)</u>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	4,202,329
Convertible loan received	12,000,000	-
<b>Net cash generated from financing activities</b>	<u>12,000,000</u>	<u>4,202,329</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(18,596)</u>	<u>(4,817,934)</u>
Cash and cash equivalents, beginning of the period	<u>71,944</u>	<u>4,889,878</u>
<b>Cash and cash equivalents, end of the period</b>	<u>53,348</u>	<u>71,944</u>

The notes on page 20 to 38 are an integral part of these financial statements.

## Notes to the financial statements for the year ended 31 December 2017

### 1 General information

MFM Holding Ltd (“the Company”) is a limited company incorporated on 21 April 2015 and domiciled in England and Wales. The address of its registered office is 90-92 Pentonville Road, N1 9HS, London. These financial statements are prepared for the year ended 31 December 2017.

The Company acts as a holding company for the MFM Group and is the parent company of MFM Investment Ltd (its wholly owned subsidiary), whose principal activity is to provide discretionary investment management, advisory & execution services to retail customers.

### 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### 2.1 Statement of compliance

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

#### 2.2 Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going concern basis in accordance with IFRS as adopted by the European Union and applied in accordance with the provisions of the Companies Act 2006.

The consolidated financial statements are presented in the currency of the primary activities of the Group (its functional currency, which is also the currency in which the Company has raised its equity capital). For the purpose of the financial statements, the results and financial position are presented in Pound Sterling (£).

The preparation of these financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies (refer to section 2.13 for more details).

As at 31 December 2017, the following financial reporting standards had been issued but were not yet effective:

## IFRS 9 – Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required but comparative information is not compulsory. The adoption of IFRS 9 is unlikely to have a material effect on the classification and measurement of the Group's financial assets or financial liabilities given the conversion of the loan notes completed in August 2018.

## IFRS-15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group will adopt IFRS 15 on the required effective date and does not expect the adoption to have a material impact on its financial statements and related disclosures.

## IFRS-16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (the lease liability) and an asset representing the right to use the underlying asset during the lease term (the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to re-measure the lease liability upon the occurrence of certain events such as a change in the lease term or a change in future lease payments. The lessee will recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15 (as discussed above). The Group will continue to assess the potential effect of IFRS 16 on the financial statements and plans to adopt the new standard on the required effective date.

## **2.3 Basis of consolidation**

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) as of 31 December each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect these returns through its power over the investee. Subsidiaries are fully consolidated from the date on which the Group effectively obtains control. They are de-consolidated from the date that control ceases.

All intra-group balances, transactions, income and expenses are eliminated in preparing the consolidated financial statements.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

Costs related to acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination, are expensed as incurred.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual Statement of comprehensive income and related notes.

## **2.4 Revenue**

Revenue is measured at the fair value of the consideration received or receivable. Revenue represents management fees received from retail customers for the provision of investment management related services and is calculated on an accrual basis based on the average value of assets under management each day.

## **2.5 Administrative expenses**

Expenses are recognised on an accrual basis.

## **2.6 Foreign currency translation**

Relevant transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each year-end-date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at the year-end date. Exchange differences on these transactions are taken to the statement of comprehensive income.

## 2.7 Foreign operations translation

In accordance with IAS 21 – Foreign Currency transactions and Foreign operations, the economic result for the period of the Company’s Italian branch is translated from Euro (its functional currency) into Pound Sterling (the presentational currency of the Company) using the average exchange rate for the period.

In addition, the financial position of the Italian branch (assets and liabilities) is translated using the exchange rate at the end of the year.

The differences arising from the different exchange rates used to translate the economic result for the period and the financial position of the Italian operations of the Group is included in a specific equity reserve, the exchange rate translation reserve, and is also included in the statement of comprehensive income as Foreign exchange gain/loss on the re-translation of Italian operations.

## 2.8 Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### *Financial assets*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected. Any impairment is recognised in the Statement of Comprehensive Income.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts.

### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

The Group consider its loan obligation to be a basic financial instrument. Accordingly the

financial liability was recognised at the cost of the consideration received net of any transaction costs and is subsequently re-measured at amortised cost using the effective interest method. Interest payable is recognized on an accrual basis using the effective interest method.

## **2.9 Policy for Investment in subsidiary**

Investments in subsidiaries are held at cost less impairment. Any impairment is recognized in the Statement as Comprehensive Income.

## **2.10 Property, plant and equipment**

Property, plant and equipment are recorded at historical cost less accumulated depreciation. Depreciation is calculated to write down the cost of all property, plant and equipment to estimated residual value over their expected useful economic life on a straight-line basis. The depreciation rates applied are as follows:

Computer equipment – 20% per annum on a straight-line basis for the assets purchased by the Italian branch and 33% per annum on a straight-line basis for the assets purchased by the Company's subsidiary MFM Investment Ltd

Furniture – 12% per annum on a straight-line basis

## **2.11 Intangible assets**

Intangible assets are recognised at purchase cost, including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses.

An intangible asset with a definite life is subject to straight-line amortisation over its estimated useful life.

Intangible assets owned by the Group include a trademark, software development and goodwill.

The Company has assessed to amortise the trademark held through its subsidiary MFM Investment Ltd over 10 years.

The internally developed software meets the criteria outlined by IAS 38 for an intangible asset. The asset is amortised on a straight line basis over 3 years.

The Group measures goodwill at the acquisition date as the fair value of consideration transferred less the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

Goodwill is carried at cost less any accumulated impairment and is assessed annually for impairment. Goodwill is translated to Pound Sterling, with exchange differences taken to Other Comprehensive Income.

## **2.12 Current income tax**

Current income tax is calculated on the basis of the applicable tax law in the jurisdiction in which profits are generated by the Group's activities.

The tax expense represents the sum of the tax currently payable and any deferred tax. The current tax charge is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income because 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

## **2.13 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 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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

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.

## **2.14 Significant judgements, key assumptions and estimates**

The Group's financial statements are influenced by accounting policies, assumptions, estimates and management's judgement, which necessarily have to be made in the course of preparation of the financial statements.

The Group determines estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period. All estimates and assumptions required in conformity with IFRS are best estimates

undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis and are based on past experience and other factors, including expectations with regard to future events. In the opinion of the Directors there are no specific key judgements or areas of estimation that are required to be disclosed.

## 2.15 Share based payments

As of 31 December 2017, a share option scheme was in place for the employees of the Group. The scheme was adopted by the resolution of the Board of Directors of MFM Holding Ltd on 1 June 2016 and granted on 3 June 2016.

The scheme qualifies as an equity-settled share-based payment scheme and is measured at fair value at the date of the grant, which is then recognised in the statement of comprehensive income over the period the options vest.

As of 31 December 2017, the fair value of the options has been estimated on the basis of the market value confirmed by HMRC Shares & Assets Valuation team and is equal to £0.05.

The charge is adjusted at each statement of financial position date to reflect the actual number of cancellations and leavers during the year. The total cost recognised in the statement of comprehensive income for 2017 is £20,390. The corresponding balance has also been recognised in the stock option plan reserve. The amount has been calculated on the basis of the estimation of the options that will be vested at the end of the vesting period.

## 3a Revenue

	2017 £	2016 £
Management fees income	1,011,968	509,223
	<u>1,011,968</u>	<u>509,223</u>

Management fees income consists of compensation for the investment management services offered to clients. Fees are calculated based on the average value of assets under management and are calculated on a daily basis.

### 3b Other income

	2017	2016
	£	£
Other income	211,050	4,653
	<u>211,050</u>	<u>4,653</u>

Other income is primarily relating to IT services from the Company's B2B business.

### 4 Administrative expenses

Administrative expenses incurred during the year include:

	2017	2016
	£	£
Auditor's remuneration - parent company	10,000	10,000
Auditor's remuneration - subsidiary	50,000	36,000
Depreciation of property, plant and equipment	47,480	94,749
Amortisation of intangible assets	6,029	46,155
	<u>113,509</u>	<u>186,904</u>

The auditor did not receive any remuneration in respect of the provision of non audit services during the year (2016: nil).

### 5 Wages and salaries

	2017	2016
	£	£
<b>Staff costs for the Group during the period</b>		
Wages and salaries	3,557,962	2,274,042
Social security costs	1,603,764	1,191,255
	<u>5,161,726</u>	<u>3,465,297</u>

In addition to the wages and salaries stated above, the Group incurred additional compensation costs of £20,390 in relation to share based payments as disclosed in Note 5b.

<b>Number of people employed by the Group as of 31 December</b>	<b>2017</b>	<b>2016</b>
<b>Employees</b>	<b>88</b>	<b>69</b>
MFM Investment Ltd	50	42
MFM Investment Ltd - Italian branch	37	27
<b>Directors</b>	<b>3</b>	<b>2</b>
MFM Investment Ltd	3	2
	<b>91</b>	<b>71</b>

Three out of the five directors are not employees of the Group.

## 6 Share based payments

As of 31 December 2017, a share option scheme was in place for the employees of MFM Investment Ltd and its Italian branch.

As of 31 December 2017, the aggregate liability for the scheme was £79,505, with the total cost recognised in the consolidated statement of comprehensive income for the year ending 31 December 2017 being £20,390.

## 7 Directors' emoluments

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Remuneration and other emoluments	<b>420,000</b>	<b>258,820</b>

The highest amount paid to a director during the year was £140,000.

With reference to the share option scheme, no options have been granted to the directors during the year.

## 8a Taxation

The major components for income tax expense for the year ended 31 December 2017 are:

	2017 £	2016 £
<b>Current tax:</b>		
UK Corporation tax at 19.25% (2016: 20%)	-	-
Total current tax	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
<b>Total tax charge on loss on ordinary activities</b>	-	-

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2017 £	2016 £
Loss on ordinary activities before tax	(15,993,773)	(8,860,857)
Tax on loss on ordinary activities at standard rate of 19.25% (2016: 20%)	(3,078,254)	(1,772,172)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	375,336	61,478
Employee share scheme charge	3,924	11,823
Rate changes	2,117	-
Accelerated capital allowances	(16,550)	(8,200)
Prior year adjustment	-	(8,200)
Deferred tax not recognised	2,713,432	1,707,071
<b>Tax charge for the period</b>	-	-

## 8b Deferred tax

At 31 December 2017, the Group had carried forward tax losses of £21,381,813 (2016 £7,061,402) and timing differences of £150,228. It is uncertain that the Company will generate sufficient taxable profits in the future to utilise these amounts therefore no deferred tax asset

has been recognised in respect of these losses.

Finance (No. 2) Act 2015 reduced the tax rate to 19% (effective from 1 April 2017) and Finance Act 2016 further reduced the tax rate to 17% (effective from 1 April 2020). Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted as at the statement of financial position date.

## 9 Property, plant and equipment

	<b>Computer equipment</b>	<b>Furniture</b>	<b>Total</b>
	£	£	£
<b>Cost</b>			
As at 1 January 2017	121,433	27,004	148,437
Additions	324,831	50,593	375,424
As at 1 January 2017	<u>446,264</u>	<u>77,597</u>	<u>523,861</u>
<b>Accumulated depreciation</b>			
As at 1 January 2017	38,826	10,649	49,475
Charge for year	34,833	12,647	47,480
As at 31 December 2017	<u>73,659</u>	<u>23,296</u>	<u>101,394</u>
<b>Net book value</b>			
As at 1 January 2017	82,606	16,355	98,961
As at 31 December 2017	<u>372,605</u>	<u>54,301</u>	<u>426,906</u>

## 10 Intangible assets

	Trademark £	Software development £	Goodwill £	Total £
<b>Cost</b>				
As at 1 January 2017	45,000	-	5,089,949	5,134,949
Additions	-	18,087	-	18,087
Foreign exchange movements	-	-	144,299	144,299
As at 31 December 2017	<u>45,000</u>	<u>18,087</u>	<u>5,234,248</u>	<u>5,297,335</u>
<b>Accumulated amortisation</b>				
As at 1 January 2017	1,313	-	-	1,313
Charge for year	4,500	1,529	-	6,029
As at 31 December 2017	<u>5,813</u>	<u>1,529</u>	<u>-</u>	<u>7,342</u>
<b>Net book value</b>				
As at 1 January 2017	<u>43,687</u>	<u>-</u>	<u>5,089,949</u>	<u>5,133,636</u>
As at 31 December 2017	<u>39,187</u>	<u>16,558</u>	<u>5,234,248</u>	<u>5,289,994</u>

## 11 Investment in subsidiary – Company

	2017 £	2016 £
<b>Cost and net book amount</b>		
Opening amount	13,829,787	5,820,192
Additions	16,120,390*	8,009,595
Closing amount	<u>29,950,177</u>	<u>13,829,787</u>

\* This includes costs of £20,390 in relation to the stock option plan.

Details of the Company's subsidiaries are as follows:

Name of company	Principal place of business and country of incorporation	Nature of business	Ownership
MFM Investment Ltd	90-92 Pentonville Road N1 9HS London United Kingdom	Investment management	100%

## 12 Trade and other receivables

	2017	2016
	£	£
Trade receivables	223,551	-
VAT receivables	218,647	257,690
Other receivables	288,738	147,855
	<u>730,935</u>	<u>405,544</u>

The Directors do not consider any impairment provision is necessary against the above assets and consider that the carrying amount of the Group's receivables is a reasonable approximation of their fair value.

No assets are considered to be past due nor impaired (2016: £nil).

## 13 Trade and other receivables – Company

	2016	2016
	£	£
Prepaid expenses	-	6,214
VAT receivables	8,822	54,144
Other receivables	10,786	-
	<u>19,608</u>	<u>60,358</u>

The Directors do not consider any impairment provision is necessary against the above assets and consider that the carrying amount of the Company's receivables is a reasonable approximation of their fair value.

No assets are considered to be past due.

## 14 Short term cash deposit

	2017	2016
	£	£
Short term cash deposit	-	3,004,653
	<u>-</u>	<u>3,004,653</u>

On 9 August 2016, MFM Holding Ltd placed a short term cash deposit with Barclays Bank

PLC for five months for an amount of £3,000,000 that expired in January 2017.

#### 15 Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and on hand	1,206,139	525,518
	<u>1,206,139</u>	<u>525,518</u>

#### 16 Cash and cash equivalents - Company

	2017	2016
	£	£
Cash at bank and on hand	53,348	71,944
	<u>53,348</u>	<u>71,944</u>

#### 17 Trade and other payables

	2017	2016
	£	£
Trade payables	1,934,300	1,092,043
Other taxes and social security	-	83,105
Other payables	129,017	60,219
Post employment benefits	95,957	73,040
	<u>2,159,275</u>	<u>1,308,407</u>

The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

#### 18 Trade and other payables – Company

	2017	2016
	£	£
Trade payables	4,135	23,888
Other payables	-	-
Amounts due to subsidiaries	2,000,000	850,000
	<u>2,004,135</u>	<u>873,888</u>

The Directors consider that the carrying amount of trade and other payables is a reasonable

approximation of their fair value.

## 19 Convertible loan

	2017	2016
	£	£
Opening balance	-	-
Principal	12,000,000	-
Interest	695,014	-
Amortisation	1,235,811	-
Closing balance	<u>13,930,825</u>	<u>-</u>

The convertible loan has been issued in five tranches at an interest rate of 8% and in accordance with the following maturity periods:

Tranche	Amount £	Drawdown date	Conversion date
Tranche 1	4,000,000	March 2017	August 2018
Tranche 2	2,000,000	April 2017	August 2018
Tranche 3	1,000,000	July 2017	August 2018
Tranche 4	1,000,000	October 2017	August 2018

## 20 Share capital

	2017		2016	
	Number	£	Number	£
<i>Allotted, called up and fully paid:</i>				
Ordinary shares of £ 0.0001 each	4,711,520	471	4,711,520	471
A-1 Ordinary shares of £ 0.0001 each	6,086,900	609	6,086,900	609
A-2 Ordinary shares of £ 0.0001 each	8,929,488	893	8,929,488	893
A-3 Ordinary shares of £ 0.0001 each	2,211,752	221	2,211,752	221
<b>At 31 December</b>	<u>21,939,660</u>	<u>2,194</u>	<u>21,939,660</u>	<u>2,194</u>

The Company has four classes of shares: Ordinary shares, A-1 Ordinary shares, A-2 Ordinary shares and A-3 Ordinary shares. All classes have voting rights.

Holders of A-3 Ordinary shares have first entitlement to dividend distributions in proportion to the number of A-3 Ordinary shares held by them, up to an aggregate amount equivalent to the subscription value of the shares held.

Holders of A-2 Ordinary shares have second entitlement to dividend distributions in proportion to the number of A-2 Ordinary shares held by them, up to an aggregate amount equivalent to the subscription value of the shares held.

Holders of A-1 Ordinary shares have third entitlement to dividend distributions in proportion to the number of A-1 Ordinary shares held by them, up to an aggregate amount equivalent to the subscription value of the shares held.

Holders of Ordinary shares have fourth entitlement to dividend distributions in proportion to the number of Ordinary shares held by them, up to an aggregate amount equivalent to the nominal value of the shares held.

Any dividends, after a catch-up to equalise effective proceeds per share across share classes, are then applied pro-rata to all shareholders in line with their respective number of shares.

In the event of a winding up of the Company, the remaining assets of the Company after payment of liabilities and costs of such winding up are distributed in the manner and order of priority as set out for dividend distribution.

## Notes to the financial statements for the year ended 31 December 2017

### 21 Share premium

	2017	2016
	£	£
Balance brought forward	15,511,266	11,309,158
Issue of new shares	-	4,202,108
Balance carried forward	<u>15,511,266</u>	<u>15,511,266</u>

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium.

### 22 Retained earnings

	2017	2016
	£	£
Balance brought forward	(9,882,154)	(1,021,297)
Loss for the period after tax	<u>(15,993,773)</u>	<u>(8,860,857)</u>
Balance carried forward	<u>(25,875,927)</u>	<u>(9,882,154)</u>

Retained earnings are the accumulated, undistributed results of the Group that have been recognised through the Statement of comprehensive income.

### 23 Financial instruments and risk management

The Group's financial instruments comprise of cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations as well as the Group convertible loan notes. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group's operations expose it to a variety of financial risks including market, credit, interest rate and liquidity risks and foreign exchange risk. The management of these risks is the responsibility of the Board.

## Notes to the financial statements for the year ended 31 December 2017

### Market risk

The most significant element of market risk to which the Group is exposed is foreign exchange rate risk.

The Group is exposed to foreign exchange rate risk as a result of cash held in euros and the inclusion in the financial statements of the result of the Italian branch of its subsidiary MFM Investment Ltd.

The Group's net assets and net loss for the year in euro are shown in the table below. The sensitivity analysis is performed based on the sensitivity of the Group's net assets to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling.

	Actual	Exchange Rates		Impact of exchange movements	
		10%	-10%	10%	-10%
Loss for the period after tax	(15,993,773)	(15,886,333)	(15,093,515)	(396,409)	396,409
Foreign exchange gain arising on the re-translation of Italian operations	38,935	42,829	35,042	3,894	(3,894)
Foreign exchange gain arising on the re-translation of goodwill	144,299	158,729	129,869	14,430	(14,430)
Total net assets	(7,736,961)	(7,764,492)	(7,899,975)	(67,742)	67,742

### Credit risk

Management fees charged are credited directly to the Group from the clients' Moneyfarm accounts, and as a result the Group's credit risk is minimal. The maximum exposure to credit risk is represented by the value of assets shown in Note 12, 15.

### Interest rate risk

The business is funded through both equity and debt (in the form of convertible loan notes). The interest on the convertible loan is at the rate shown in Note 19 and is fixed, therefore the Group is not exposed to interest rate risk.

### Liquidity risk

The Group seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets in a sustainable and profitable manner. The Group deems there is sufficient liquidity to meet its liabilities as they fall due.

Trading assets and liabilities have not been analysed by contractual maturity because trading assets and liabilities are typically held for short periods of time and are considered to be repayable on demand at the values shown in Note 12 and 17.

## Notes to the financial statements for the year ended 31 December 2017

### *Capital management*

The Group's objectives when managing capital are to comply with the capital requirements set by the financial market regulators to which the Group is subject, and to safeguard the Group's ability to continue as a going concern in order to provide optimal returns for shareholders.

The Group's capital adequacy position is managed and monitored in accordance with the prudential requirements of the EU Capital Requirements Directive (CRD IV). The Group must at all times meet the relevant minimum capital requirements of the Directive. The Group is required to maintain a prescribed excess of total capital resources over its capital resources requirements. The Group has established processes and controls in place to monitor and manage its capital adequacy position. MFM Holding Ltd regularly contributes cash to its subsidiary MFM Investment Ltd and its Italian branch. MFM Investment Ltd maintains an ICAAP, which is updated annually.

## **24 Related party transactions**

### *Transactions with key management personnel*

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. In the opinion of the Board, the Group's key management comprises the Directors. Information regarding Directors' emoluments stated in accordance with IFRS and the Companies Act 2006 is set out in Note 7.

During the year the Group paid for relocation expenses in relation to one of the Directors for £24,440. At the statement of financial position date a rental deposit of £5,797 (2016: £5,797) is due to the Group from this director.

As of 31 December 2017 £2,000,000 relating to a capital contribution payable by the Company to its subsidiary is recognised in trade and payables (Note 18). This contribution was approved by the Board of Directors of MFM Holding Ltd in December 2017 but was not yet fully executed at the statement of financial position date. This item is eliminated in the consolidated statement of financial position.

## **25 Post statement of financial position date events**

In 2018 the company issued additional loan financing and in August 2018 completed its £40m capital increase that included the conversion of all convertible loan notes outstanding.

No other significant post statement of financial position date events have occurred after 31 December 2017.