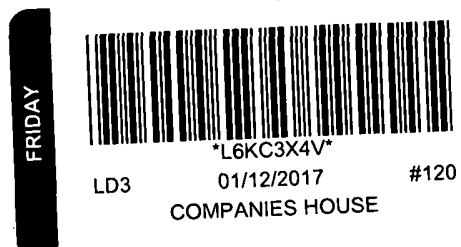


Registered number: 09553255

MFM HOLDING LTD
GROUP REPORT AND FINANCIAL STATEMENTS
For the year ended
31 DECEMBER 2016



Company information

Directors	Giovanni Daprà Paolo Galvani James Roy Clark Paolo Gesess Vittorio Emanuele Terzi Claus Stickler
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 2016.

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.

During 2016, the MFM Group completed a corporate reorganisation to simplify the group corporate structure and fulfill its objective of establishing a pan-European offering for retail customers. The re-domiciliation of the MFM Group to headquarter its European operations in London, with a branch in Italy, was central to this objective.

On 30 September 2016 a cross-border merger between MFM Investment Ltd and MoneyFarm SIM SpA became effective. Prior to this, a merger had occurred between two Italian subsidiaries MFM Holding SpA and MoneyFarm SIM SpA. The business of the Italian regulated entity, MoneyFarm SIM, is now performed by the Italian branch of MFM Investment Ltd, which has been authorised by the FCA and by Consob, the Italian Supervisory Authority.

Business review

The year ended 31 December 2016 has been dedicated to reinforcing the presence of the Group in the Italian market and to expanding the market share of the service offered by the Group in the UK, which was launched in February 2016. The focus of the Group has been in supporting the continuous growth of its market share and customer base, and further investing in new product development. This has resulted in revenue for the year of £509,223 and operating loss for the year of £8,860,857 for the Group.

Since the year end, some important developments have occurred with reference to the Group’s B2B product lines, where the Group is expanding, while keeping B2C as its core business. In particular, a number of partnerships have been launched, including with Allianz Global Investors, Revolut and Uber. Additional partnerships are currently being evaluated and a new pension product is expected to be launched in the next financial year.

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 trade as principal nor does it 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.

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

Key performance indicators

The Group has a total cost base of £9,374,733, comprising of salaries of £2,274,042 and other administrative expenses of £7,100,691. The main components of other administrative expenses are marketing costs for £3,578,976, legal & professional fees and deal costs for £854,306 and IT costs for £199,700, which are associated with the growth of the business.

The consolidated statement of financial position of the Group includes intangible assets of £5,133,636, cash and deposits of £3,530,171 and receivables of £405,544. As of 31 December 2016, the net assets of the Group amounted to £8,053,189.

The Group employed 44 staff in the UK and 27 in Italy as at 31 December 2016.

The Group had management fee revenue in 2016 of £509,223, primarily from the Italian branch of MFM Investment Ltd since the service in the UK has been newly launched.

The statement of financial position of the Company includes investment in subsidiaries of £13,829,787 among the significant assets. As of 31 December 2016, the net assets of the Company amounted to £16,092,854.

Approved by the Directors and signed on their behalf by:


Giovanni Dapra

Director

Date 30/11/2017

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 2016.

Results for the year and dividends

The Group made a loss before tax for the year of £8,860,857 (period ended 31 December 2015: loss of £1,021,297). The Directors do not recommend the payment of a dividend (2015: £nil).

Future developments

The business successfully launched to UK clients in February 2016 and the product suite offered to clients is expected to develop further in the next 24 months.

The Company has already planned and is working on new partnerships in the B2B sector to be launched later next year as well as new products to offer to investors. Additional partnerships are currently being evaluated and a new pension product will be launched in the next 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
Claus Stickler

Post balance sheet events

In March 2017, a mandatory convertible loan was issued to current shareholders of MFM Holding Ltd for a total amount of £12 million.

No other significant events have occurred since 31 December 2016.

Auditor

The Group appointed Ernst & Young LLP as auditor effective for the 31 December 2016 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

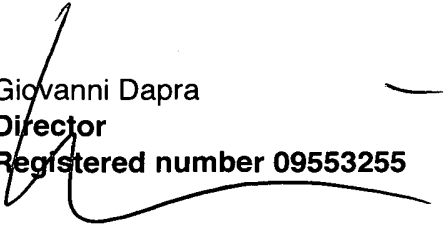
The Group recorded an operating loss for the year of £8,860,857 (2015: loss of £1,021,297). However, the Directors consider this loss to be driven by the costs associated with establishing the business in the UK and growing the business in Italy. Whilst the Directors believe that Group will continue to be loss making in the short term, this is supported by significant external capital investment through an additional £12m of capital that was invested in March 2017 in the form of a mandatory convertible loan note. 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 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 30 November 2017 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 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

We have audited the financial statements of MFM Holding Ltd (the "Company") and its subsidiary (together the "Group") for the year ended 31 December 2016 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 24. 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 applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- ▶ the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- ▶ the Group and the Company 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.

Opinion on other matter prescribed by the Companies Act 2006

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

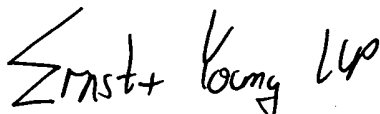
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 where 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 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.



Neil Parker (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 1st December 2017

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Notes	2016 £	21 Apr 2015 to 31 Dec 2015 £
Revenue	3	509,223	27,919
Other income		4,653	1,912
Administrative expenses	4, 5	<u>(9,374,733)</u>	<u>(1,051,128)</u>
Loss on ordinary activities before tax		(8,860,857)	(1,021,297)
Taxation	7	<u>-</u>	<u>-</u>
Loss for the period after tax		(8,860,857)	(1,021,297)
Other comprehensive income			
Foreign exchange gain arising on the re-translation of Italian operations and goodwill		<u>843,024</u>	<u>117,029</u>
Total comprehensive loss for the year		<u>(8,017,833)</u>	<u>(904,268)</u>

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

The notes on page 18 to 37 are an integral part of these financial statements.

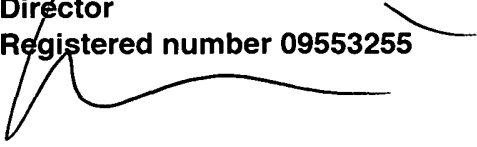
Consolidated statement of financial position as at 31 December 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	8	98,962	39,890
Intangible assets	9	5,133,636	4,456,273
Deferred tax		-	162,787
		<u>5,232,598</u>	<u>4,658,950</u>
Current assets			
Prepaid expenses		147,496	-
Rental deposits		45,787	-
Trade and other receivables	11	405,544	222,907
Short term cash deposit	13	3,004,653	-
Cash and cash equivalents	14	525,518	7,609,339
		<u>4,128,998</u>	<u>7,832,246</u>
Total assets		<u>9,361,596</u>	<u>12,491,196</u>
Liabilities			
Current liabilities			
Trade and other payables	16	1,308,407	681,618
		<u>1,308,407</u>	<u>681,618</u>
Total net assets		<u>8,053,189</u>	<u>11,809,578</u>
Equity			
Share capital	18	2,194	1,973
Share premium	19	15,511,266	11,309,158
Merger relief reserve	20	1,402,715	1,402,715
Retained earnings	21	(9,882,154)	(1,021,297)
Exchange rate translation reserve		960,053	117,029
Stock option plan reserve		59,115	-
Total equity		<u>8,053,189</u>	<u>11,809,578</u>

The notes on page 18 to 37 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 30 November 2017 and signed on their behalf by:

Giovanni Dapra
Director
Registered number 09553255



Consolidated statement of changes in equity as at 31 December 2016

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Exchange rate translation reserve £	Stock option plan reserve £	Total £
Balance at 21 April 2015	-	-	-	-	-	-	-
Issue of ordinary shares	1,973	11,309,158	1,402,715	-	-	-	12,713,846
Total comprehensive loss for the year	-	-	-	(1,021,297)	-	-	(1,021,297)
Foreign exchange gain arising on the re-translation of Italian operations	-	-	-	-	117,029	-	117,029
Balance at 31 December 2015	1,973	11,309,158	1,402,715	(1,021,297)	117,029	-	11,809,578
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
Balance at 31 December 2016	2,194	15,511,266	1,402,715	(9,882,154)	960,053	59,115	8,053,189

The notes on page 18 to 37 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Loss on ordinary activities before tax	(8,860,857)	(1,021,297)
Adjustments for:		
Payment of prepaid expenses	(147,496)	-
Payment of rental deposits	(45,787)	-
De-recognition of deferred tax asset	162,787	-
(Increase)/Decrease in trade and other receivables	(182,637)	30,257
Increase/(Decrease) in trade and other receivables	626,789	(1,161,473)
Cost associated with share option plan	59,115	-
Depreciation and amortisation charge	140,904	8,959
Foreign exchange loss	106,171	-
Net cash used in operating activities	<u>(8,141,011)</u>	<u>(2,143,554)</u>
Cash flows from investing activities		
Acquisition of subsidiaries net of cash acquired	-	(1,557,158)
Investment in short term cash deposit	(3,000,000)	-
Purchase of property, plant and equipment	(100,119)	-
Acquisition of intangible assets	(45,000)	-
Net cash used in investing activities	<u>(3,145,119)</u>	<u>(1,557,158)</u>
Cash flows from financing activities		
Issue of ordinary shares	4,202,309	11,310,051
Net cash generated from financing activities	<u>4,202,309</u>	<u>11,310,051</u>
Net (decrease) / increase in cash and cash equivalents	<u>(7,083,821)</u>	<u>7,609,339</u>
Cash and cash equivalents, beginning of the period	7,609,339	-
Cash and cash equivalents, end of the period	<u>525,518</u>	<u>7,609,339</u>

The notes on page 18 to 37 are an integral part of these financial statements.

Company statement of financial position as at 31 December 2016


	Notes	2016 £	2015 £
Assets			
Non-current assets			
Investments	10	<u>13,829,787</u>	<u>5,820,192</u>
		13,829,787	5,820,192
Current assets			
Trade and other receivables	12	60,358	1,230,971
Short term cash deposit	13	3,004,653	-
Cash and cash equivalents	15	<u>71,944</u>	<u>4,889,878</u>
		3,136,955	6,120,849
Total assets		<u>16,966,742</u>	<u>11,941,041</u>
Liabilities			
Current liabilities			
Trade and other payables	17	<u>873,888</u>	<u>12,875</u>
		873,888	12,875
Total net assets		<u>16,092,854</u>	<u>11,928,166</u>
Equity			
Share capital		2,194	1,973
Share premium		15,511,266	11,309,158
Merger relief reserve		1,402,715	1,402,715
Retained earnings		(882,436)	(785,680)
Stock option plan reserve		<u>59,115</u>	-
Total equity		<u>16,092,854</u>	<u>11,928,166</u>

The parent company MFM Holding Ltd made a loss for the year end 31 December 2016 equal to £96,756 (2015: £785,680).

The notes on page 18 to 37 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 30 November 2017 and signed on their behalf by:

Giovanni Dapra
Director
Registered number 09553255



Company statement of changes in equity as at 31 December 2016

	Share capital £	Share premium £	Merger relief reserve £	Retained earnings £	Stock option plan reserve £	Total £
Balance at 21 April 2015	-	-	-	-	-	-
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)
Balance at 31 December 2015	1,973	11,309,158	1,402,715	(785,680)	-	11,928,166
Total comprehensive loss for the year	-	-	-	(96,756)	-	(96,756)
Issue of ordinary shares	221	4,202,108	0	-	-	4,202,329
Amount recognised in respect of pending stock options	-	-	-	-	59,115	59,115
Balance at 31 December 2016	2,194	15,511,266	1,402,715	(882,436)	59,115	16,092,854

The notes on page 18 to 37 are an integral part of these financial statements.

Company statement of cash flows for the year ended 31 December 2016

	2016	21 Apr 2015 to 31 Dec 2015
	£	£
Cash flows from operating activities		
Loss on ordinary activities before tax	(96,756)	(785,680)
Adjustments for:		
Decrease/(Increase) in trade and other receivables	1,165,960	(1,017,902)
Increase in trade and other payables	861,013	12,875
	<u>1,930,217</u>	<u>(1,790,707)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Investment in time deposit	(3,000,000)	-
Investment in subsidiaries	(7,950,480)	(4,416,397)
	<u>(10,950,480)</u>	<u>(4,416,397)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Issue of ordinary shares	4,202,329	(213,069)
Loans to subsidiaries	-	11,310,051
	<u>4,202,329</u>	<u>11,096,982</u>
Net cash generated from financing activities		
Net (decrease) / increase in cash and cash equivalents	<u>(4,817,934)</u>	<u>4,889,878</u>
Cash and cash equivalents, beginning of the period	4,889,878	-
Cash and cash equivalents, end of the period	<u>71,944</u>	<u>4,889,878</u>

The notes on page 18 to 37 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2016

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 2016.

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).

Notes to the financial statements for the year ended 31 December 2016

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 Financial Instruments: classification and measurement
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- Amendments to IAS 7 Disclosure Initiative

The Group is currently assessing the impact of these standards and plans to adopt them 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.

Notes to the financial statements for the year ended 31 December 2016

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, the economic result for the period of the Italian operations of the Group is translated from EUR (its functional currency) into GBP (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 Company becomes a party to the contractual provisions of the instrument.

Notes to the financial statements for the year ended 31 December 2016

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.

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.

2.9 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 MFM Investment Ltd 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

Notes to the financial statements for the year ended 31 December 2016

2.10 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 software has been fully amortised during 2016.

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.

2.11 Current income tax

Current income tax is calculated on the basis of the applicable tax law in the jurisdiction in which it is 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Notes to the financial statements for the year ended 31 December 2016

2.12 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.

2.13 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.

Notes to the financial statements for the year ended 31 December 2016

2.14 Cross-border merger

As outlined in the Strategic Report, on 30 September 2016 the cross-border merger between two subsidiaries of the Company, MFM Investment Ltd and MoneyFarm SIM SpA, became effective.

As a consequence of the cross-border merger, the Italian entity MoneyFarm SIM S.p.A. has been transformed into a branch of MFM Investment Ltd. At the time of the merger, both companies were owned 100% by MFM Holding Ltd.

Since no consideration was given to MFM Holding Ltd for the shares owned in MoneyFarm SIM S.p.A., the merger has been treated as a capital contribution in the form of assets and liabilities, using the pooling of interests method. The MFM Group has chosen to account for the merger on the date of the transaction.

2.15 Share based payments

As of 31 December 2016, two different types of share option schemes were in place for the employees of MFM Investment Ltd and its branch. Both the schemes have been adopted by the resolution of the Board of Directors of MFM Holding Ltd on 1 June 2016 and granted on 3 June 2016.

Both the schemes qualify as equity-settled share-based payment transactions and are measured at fair value at the date of the grant, which is then recognised in the consolidated statement of comprehensive income over the period the options vest.

Notes to the financial statements for the year ended 31 December 2016

As of 31 December 2016, 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 consolidated statement of comprehensive income for 2016 is £59,115. It has been recognised in a correspondent equity reserve – 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.

3 Revenue

	2016	2015
	£	£
Management fees income	<u>509,223</u>	<u>27,919</u>
	<u>509,223</u>	<u>27,919</u>

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

4 Administrative expenses

Administrative expenses incurred during the year include:

	2016	2015
	£	£
Auditor's remuneration - parent company	10,000	7,500
Auditor's remuneration - subsidiary	36,000	
Auditor's remuneration - non audit	-	3,000
Depreciation of property, plant and equipment	94,749*	623
Amortisation of intangible assets	<u>46,155</u>	<u>8,336</u>
	<u>186,904</u>	<u>19,414</u>

*£53,702 relates to depreciation of property, plant and equipment in the first 9 months of the year, prior to the cross-border merger between MFM Investment Ltd and MoneyFarm SIM SpA.

Notes to the financial statements for the year ended 31 December 2016

5a Wages and salaries

	2016	2015
	£	£
Staff costs for the Group during the period		
Wages and salaries	2,274,042	77,118
Social security costs	1,191,255	14,656
	<u>3,465,297</u>	<u>91,774</u>

In addition to the wages and salaries stated above, the Group incurred additional compensation costs of £59,115 in relation to share based payments as disclosed in Note 5b.

Number of people employed by the Group as of 31 December	2016	2015
Employees	69	37
MFM Investment Ltd	42	17
MFM Investment Ltd - Italian branch	27	-
MoneyFarm SIM SpA	-	20
Directors	2	2
MFM Investment Ltd	2	2
	<u>71</u>	<u>39</u>

Four out of the six directors are not employees of the Group.

5b Share based payments

As of 31 December 2016, two different types of share option schemes were in place for the employees of MFM Investment Ltd and its Italian branch. Both the schemes have been adopted by the resolution of the Board of Directors of MFM Holding Ltd on 1 June 2016 and granted on 3 June 2016.

The first scheme is called Italian Replacement Plan, it includes 1,009,790 options that were fully vested at the date of the grant and that can be exercised by employees of the Company at a strike price of £0.05 per share. The shares included in the plan are MFM Holding Ltd ordinary shares. As of 31 December 2016, no options have been exercised under this plan.

The second scheme has a vesting period of 3 years and a strike price of £1.18 for employees who joined the MFM Group before July 2016 and a strike price of £1.90 for employees who joined after July 2016.

Notes to the financial statements for the year ended 31 December 2016

The vesting commencement date for this plan is the latter of 1 July 2015 and the date in which the employee joined the MFM Group.

Subject to the scheme rules, these options vest as follows:

(a) 33.34% of the original number of shares on the first anniversary of the vesting commencement date and

(b) 2.7775% of the original number of shares each successive month following the first anniversary of the vesting commencement date. They vest in full on the third anniversary of the vesting commencement date.

Under the second scheme, the maximum number of MFM Holding Ltd shares over which options may be granted shall not exceed 1,938,944. As of 31 December 2016, 887,181 options have been granted and no options have been exercised.

As of 31 December 2016, the total cost recognised in the consolidated statement of comprehensive income for 2016 is £59,115.

6 Directors' emoluments

	2016	2015
	£	£
Remuneration and other emoluments	<u>258,820</u>	<u>282,126</u>

The highest amount paid to a director during the year was £123,330.

Four out of the six directors do not receive remuneration for services provided to the Group (2015: three out of five).

With reference to the share option scheme, 609,790 options have been granted to the directors during the year. As of 31 December 2016 they were all vested.

Notes to the financial statements for the year ended 31 December 2016

7a Taxation

The major components for income tax expense for the year ended 31 December 2016 are:

	2016 £	2015 £
Current tax:		
UK Corporation tax at 20% (2015: 20.25%)	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax charge on loss on ordinary activities	-	-

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:

	2016 £	2015 £
Loss on ordinary activities before tax	(8,860,857)	(1,021,297)
Tax on loss on ordinary activities at standard rate of 20.00% (PY: 20.25%)	(1,772,172)	(204,259)
Effects of:		
Expenses not deductible for tax purposes	61,478	157,700
Employee share scheme charge	11,823	-
Rate changes	-	1,031
Accelerated capital allowances	(8,200)	-
Deferred tax not recognised	1,707,071	45,528
Tax charge for the period	-	-

Notes to the financial statements for the year ended 31 December 2016

7b Deferred tax

At 31 December 2016, the Group had carried forward tax losses of £7,061,402 (2015 £964,340) and timing differences of £119,083. 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.

In addition, the Group has losses carried forward from the Italian branch of MFM Investment Ltd of £691,601. It is uncertain that the Group 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.

8 Property, plant and equipment

	Computer equipment	Furniture	Total
	£	£	£
Cost			
As at 1 January 2016	46,876	1,442	48,318
Additions	74,557	25,562	100,119
As at 31 December 2016	<u>121,433</u>	<u>27,004</u>	<u>148,436</u>
Accumulated depreciation			
As at 1 January 2016	8,170	258	8,428
Charge for year	30,656	10,391	41,047
As at 31 December 2016	<u>38,826</u>	<u>10,649</u>	<u>49,475</u>
Net book value			
As at 1 January 2016	38,706	1,184	39,890
As at 31 December 2016	<u>82,607</u>	<u>16,355</u>	<u>98,962</u>

Notes to the financial statements for the year ended 31 December 2016

9 Intangible assets

	Trademark £	Software development £	Goodwill £	Total £
Cost				
As at 1 January 2016	-	144,677	4,411,431	4,556,108
Additions	45,000	-	-	45,000
Foreign exchange movement	-	-	678,518	678,518
As at 31 December 2016	<u>45,000</u>	<u>144,677</u>	<u>5,089,949</u>	<u>5,279,626</u>
Accumulated amortisation				
As at 1 January 2016	-	99,835	-	99,835
Charge for year	1,313	44,842	-	46,155
As at 31 December 2016	<u>1,313</u>	<u>144,677</u>	<u>-</u>	<u>145,990</u>
Net book value				
As at 1 January 2016	-	44,842	4,411,431	4,456,273
As at 31 December 2016	<u>43,687</u>	<u>-</u>	<u>5,089,949</u>	<u>5,133,636</u>

Notes to the financial statements for the year ended 31 December 2016

10 Investment in subsidiary – Company

	2016	2015
	£	£
Cost and net book amount		
Opening amount	5,820,192	-
Additions	8,009,595*	5,820,192
Closing amount	<u>13,829,787</u>	<u>5,820,192</u>

* This includes costs of £59,115 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%

11 Trade and other receivables

	2016	2015
	£	£
Trade receivables	-	60,185
VAT receivables	257,690	138,025
Other receivables	147,855	24,697
	<u>405,544</u>	<u>222,907</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 (2015: £0).

Notes to the financial statements for the year ended 31 December 2016

12 Trade and other receivables – Company

	2016	2015
	£	£
Prepaid expenses	6,214	-
VAT receivables	54,144	-
Amounts due from group undertakings	-	1,230,971
	<u>60,358</u>	<u>1,230,971</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.

13 Short term cash deposit

	2016	2015
	£	£
Short term cash deposit	<u>3,004,653</u>	<u>-</u>
	<u>3,004,653</u>	<u>-</u>

On 9 August 2016, MFM Holding Ltd placed a short term cash deposit with Barclays Bank PLC for five months and for an amount of £3,000,000. The interest recognised on the deposit was equal to 0.37% per annum resulting in net interest receivable at 31 December 2016 of £4,653.

14 Cash and cash equivalents

	2016	2015
	£	£
Cash at bank and on hand	<u>525,518</u>	<u>7,609,339</u>
	<u>525,518</u>	<u>7,609,339</u>

15 Cash and cash equivalents - Company

	2016	2015
	£	£
Cash at bank and on hand	<u>71,944</u>	<u>4,889,878</u>
	<u>71,944</u>	<u>4,889,878</u>

Notes to the financial statements for the year ended 31 December 2016

16 Trade and other payables

	2016	2015
	£	£
Trade payables	1,092,043	498,503
Other taxes and social security	83,105	92,210
Accruals and deferred income	-	83,471
Other payables	60,219	7,434
Post employment benefits	73,040	-
	<u>1,308,407</u>	<u>681,618</u>

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

17 Trade and other payables – Company

	2016	2015
	£	£
Trade payables	23,888	12,855
Other payables	-	20
Amounts due to subsidiaries	850,000	-
	<u>873,888</u>	<u>12,875</u>

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

Notes to the financial statements for the year ended 31 December 2016

18 Share capital

	2016		2015	
	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 Preferred shares of £ 0.0001 each	2,211,752	221	-	-
At 31 December	21,939,660	2,194	19,727,908	1,973

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

Holders of A-3 Preferred shares have first entitlement to dividend distributions in proportion to the number of A-3 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 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 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 excess proceeds, 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 2016

19 Share premium

	2016	2015
	£	£
Balance brought forward	11,309,158	11,309,158
Issue of new shares	<u>4,202,108</u>	-
Balance carried forward	<u>15,511,266</u>	<u>11,309,158</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.

20 Merger relief reserve

The merger reserve is recognised where more than 90% of the shares in a subsidiary are acquired and the consideration include the issue of new shares by the Company, thereby attracting merger relief under the Companies Act 2006. It is calculated as the difference between the nominal value of the shares issues by the Company and the fair value of the subsidiaries shares acquired. The merger reserve was recognised in 2015 when MFM Holding Ltd acquired the control of MFM Investment Ltd and the Italian companies MFM Holding SpA and MoneyFarm SIM SpA. The reserve amounts to £1,402,715.

21 Retained earnings

	2016	2015
	£	£
Balance brought forward	(1,021,297)	-
Loss for the period after tax	<u>(8,860,857)</u>	<u>(1,021,297)</u>
Balance carried forward	<u>(9,882,154)</u>	<u>(1,021,297)</u>

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

22 Financial instruments

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. 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. The management of these risks is the responsibility of the Board.

Notes to the financial statements for the year ended 31 December 2016

Market risk

The Group's net assets in euro is shown below. This 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.

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.

	Sterling (£)	Euro (€)	Euro (£)	Total (£)
Net assets	7,940,229	131,935	112,960	8,053,189
Assuming 10% movement in FX rate:				
Impact on net assets	n/a		11,296	11,296

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 11, 12, 14 and 15 and is mainly related to the the time deposit in place with Barclays Bank PLC (short term credit rating A-2 – Standard & Poor's) shown in Note 13 and the cash amount in Note 14 and Note 15.

Interest rate risk

The business is fully equity funded, and therefore the Group is not exposed to interest rate risk. Interest received on cash deposits is considered to be negligible.

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.

Notes to the financial statements for the year ended 31 December 2016

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.

23 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 6.

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 (2015: £3,760) is due to the Group from this director.

During the year to 31 December 2016, the subsidiary MFM Investment Limited issued shares totaling £6,460,000 (2015: £1,250,000) to its parent company MFM Holding Limited. As of 31 December 2016 £850,000 related to a capital increase approved by the Board of Directors of MFM Holding Ltd on 2 December 2016 but not yet fully executed are included in the statement of financial position of the subsidiary as capital contribution receivables and in Note 17 as creditors subsidiaries. This item is eliminated in the consolidated statement of financial position as intercompany receivable.

24 Post statement of financial position date events

In March 2017, a convertible loan was issued to current investors of MFM Holding Ltd for a total amount of £12 million.

No other significant post statement of financial position date events have occurred after 31 December 2016.