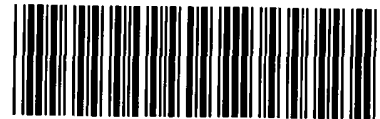




Registered number: 09088155

MFM INVESTMENT LTD
REPORT AND FINANCIAL STATEMENTS
For the year ended
31 DECEMBER 2021

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Company information

Directors	Giovanni Daprà Paolo Galvani James Roy Clark Paolo Gesess
Company Secretary	Taylor Wessing LLP
Registered Office	90-92 Pentonville Road London N19HS
Independent Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ
Registered Number	09088155



Strategic report

The Directors present their Strategic report of MFM Investment Ltd ("the Company") for the year ended 31 December 2021.

Principal activities

MFM Investment Ltd gained FCA authorisation on 8 July 2015 and is a financial services company with permission to provide full discretionary investment management, advisory & execution services. The Company has an Italian branch and is a subsidiary of MFM Holding Ltd ("the Parent Company") which is the parent company of the MFM group of companies ("MFM Group"). As of 29 December 2020, the branch is authorised and supervised in Italy by the Bank of Italy and Consob.

Business review

During 2021, the focus of the Company 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 £9.8m (2020: £5.8m) and a loss before tax for the year of £10.9m (2020: £12.6m).

Principal risks and uncertainties

The Company offers investment advisory services to its clients on a discretionary basis, it does not trade as principal nor does it undertake any proprietary trading activities. As a result, the financial results and position of the Company 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 the AUM held.

The Company has a diversified customer base, which offers a degree of protection to revenue and underlying assets under management in the event that certain customers choose to withdraw their AUM in the future. Senior Management actively monitors the performance of AUM during the period and enters 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 relates to the potential for non-compliance with the regulations issued by the FCA that could lead to the Company being subject to a fine or a ban on trading activities. This is managed through regular review and monitoring of the Company's compliance framework by Senior Management.

In addition, the Company is heavily reliant on the effective and timely operation of its IT systems. The risk of IT failure is mitigated through regular revisions and upgrades 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 review the Company's capital and liquidity requirements through active budget forecasting and monitoring in order to keep the MFM Group shareholders



apprised of any future capital needs. In addition, the Parent Company has provided additional financing to the Company during the year thanks to the additional funding provided by its Shareholders.

Key performance indicators


The Company, given its growth phase, focuses on key performance indicators that allow management to measure the investments made and the economies of scale resulting from previous year's investments. These KPIs are primarily revenue, assets under management and active customer count.

The Company showed strong fee growth in 2021, raising total revenue by 69% to £9.8m (2020: £5.8m). Underlying this revenue growth was an increase in total asset under management (AUM) of 74% to £2,070m (2020: £1,188m). In 2021, the number of active customers rose by 45% to 71,541 (2020: 49,198). The results of the Company as set out on page 13, show a loss for the year after tax of £10.9m against a loss after tax of £11.9m in 2020. As at 31 December 2021, the Company had net assets of £6.2m (2020: £6.2m).

The Company has an administrative cost base of £21.2m (2020: £17.6m), comprising chiefly staff costs of £9.6m (2020: £8.9m). The Company employed 49 staff in the UK and 89 in Italy as at 31 December 2021 (2020: 47 and 74 respectively).

The KPIs are in line with the board's expectations and reflect the investment made to ensure further product and service developments that they believe will drive the Company's customer and revenue growth in future years. The Company continues to grow its profile in both the Italian and UK markets, driven by marketing expenditure and investment into its technology to expand the product and service offering, and to improve the user experience for its customers.

Approved by the Directors and signed on their behalf by:

DocuSigned by:

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Giovanni Daprà

Director

31 May 2022

Registered number 09088155



Directors' report

The Directors present their report, together with the audited financial statements of MFM Investment Ltd for the year ended 31 December 2021.

Results for the year and dividends

The Company made a loss before tax for the year of £10.8m (2020: loss of £11.9m). The Directors do not recommend the payment of a dividend (2020: £nil).

Future developments and post balance sheet events

The Directors consider that the core operating activities of the Company will remain unchanged for the foreseeable future.

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber-attacks and an increase in costs associated with such cyber-attacks, all of which could have a materially adverse effect on the Company's results of operations, financial condition or prospects. The Company will continue to monitor the situation and risks to the business.

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

Auditor

The Company's auditor, Deloitte LLP, has indicated its willingness to continue in office. 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 Company recorded a loss before tax for the year ended 31 December 2021 of £10.9m (2020: loss of £11.9m) and incurred a net cash outflow from core operating activities of £9.3m. The Company continues to be dependent on capital contributions from the Parent Company to finance its operations and the Directors have obtained a letter of support from the Parent Company to confirm their support for the 12 months subsequent to the approval of this report.



Given the Company's growth objectives, the Directors believe that the Company will continue to generate a loss during the next 12 months from the date of this report as continued investment is made in the development of the business.

The Company held cash of £6.8m at 31 December 2021 (with an additional £3.8m of surplus cash being held by the Parent Company and being made available to the Company) and as a result, the Directors are confident that the Group has the capital required to provide sufficient liquidity to sustain the scale-up phase of the Company throughout 2022 and 2023.

The Group's financial forecasts assume that raising further external capital will be required prior to the Group reaching overall profitability, however the existing capital resources will be sufficient to fund the Company's obligations and for a period of at least 12 months from the date of this report.

These forecasts incorporate significant levels of marketing and other spending associated with driving the Company's growth which can be considered discretionary over the short term. Thanks to the flexibility of its operating business model and its cost base, in adverse circumstances a high proportion of this spending could be cut to extend the Group's cash runway significantly.

Having performed this analysis management believes regulatory capital requirements continue to be met and have sufficient liquidity to meet its liabilities for at least the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.

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 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 Company's auditor is aware of that information.

This report was approved by the Directors and signed on their behalf on 31 May 2022 by:

DocuSigned by:

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Giovanni Daprà

Director

Registered number 09088155



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) in conformity with the requirements of the Companies Act 2006. 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 Company and of the profit or loss of the Company 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 and prudent;
- 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 Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets 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 Investment Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of MFM Investment Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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



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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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 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 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included FCA regulatory permissions including Client Assets, GDPR, Bribery Act and FSMA 2000.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in revenue recognition in relation to the company's management fee income. This represents the primary revenue stream and our fraud risk has been pinpointed to the use of correct fee rates in calculating these fees. We have obtained an understanding of the key controls within the reporting process for this account balance. We have engaged our IT specialists to build an analytical model to recalculate this balance, recalculating the management fee income on a daily basis using daily asset under management ("AUM") values and investment product fee rates. Further to this, we have performed detailed testing over the key inputs to this recalculation, specifically the fee rates and AUMs to assess their accuracy and completeness.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:



- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing any correspondence with HMRC and the FCA.

Report on other legal and regulatory requirements

Opinion on the 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.

In the light of the knowledge and understanding of 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.



Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

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.

DocuSigned by:
David Rozier
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David Rozier
For and on behalf of Deloitte LLP,
Statutory Auditor
Cardiff, United Kingdom
31 May 2022



Statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 £	(Restated)* 2020 £
Revenue	3	9,759,329	5,824,813
Other income	4	672,438	-
Administrative expenses	5	(21,242,760)	(17,649,515)
Operating loss		(10,810,993)	(11,824,702)
Finance costs		(28,155)	(35,272)
Loss on ordinary activities before tax		(10,839,148)	(11,859,974)
Taxation	8	(31,850)	-
Loss for the period after tax		(10,870,998)	(11,859,974)
Other comprehensive income			
Actuarial (loss)/gain on post-employment benefits)	15	(7,140)	27,620
Foreign exchange (loss) arising on the re-translation of Italian operations		(420,847)	(289,339)
Total comprehensive loss for the year		(11,298,985)	(12,121,693)
Total comprehensive loss attributable to:			
Owners of the parent		(11,298,985)	(12,121,693)

*The comparative information includes prior year adjustment. More details are included in note 2.16.

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

The notes on page 17 to 41 are an integral part of these financial statements.



Statement of financial position as at 31 December 2021

	Note s	2021 £	(Restated)* 2020 £	(Restated)* 2019 £
Non-current assets				
Intangible assets	9	80,970	120,924	528,011
Property, plant and equipment	10	144,053	141,467	225,297
Right-of-use lease assets	11	234,872	466,946	672,105
		<u>459,895</u>	<u>729,337</u>	<u>1,425,413</u>
Current assets				
Trade and other receivables	12	31,815,592	7,228,703	7,303,590
Cash and cash equivalents	13	6,807,062	5,537,562	7,823,985
		<u>38,622,654</u>	<u>12,766,265</u>	<u>15,127,575</u>
Total assets		<u>39,082,549</u>	<u>13,495,602</u>	<u>16,552,988</u>
Liabilities				
Current liabilities				
Trade and other payables	14	32,265,325	6,426,078	7,210,323
Right-of-use lease liabilities	11	187,700	211,020	211,020
		<u>32,453,025</u>	<u>6,637,098</u>	<u>7,421,343</u>
Non-current liabilities				
Post-employment benefits	15	387,643	345,592	-
Right-of-use lease liabilities	11	65,445	279,218	477,457
		<u>453,088</u>	<u>624,810</u>	<u>477,457</u>
Total liabilities		<u>32,906,113</u>	<u>7,261,908</u>	<u>7,898,800</u>
Net assets		<u>6,176,436</u>	<u>6,233,694</u>	<u>8,654,188</u>
Equity				
Share capital	16	64,790,168	64,790,168	55,201,548
Capital reserve		12,122,498	880,771	768,192
Revaluation reserve		20,480	27,620	-
Retained earnings		(70,145,272)	(59,274,274)	(47,414,300)
Exchange rate translation reserve		(611,438)	(190,591)	98,748
Total equity		<u>6,176,436</u>	<u>6,233,694</u>	<u>8,654,188</u>

*The retained earnings as at 1 January 2021 and 1 January 2020 includes prior year adjustment of £113,944 and £355,616 respectively. More details are included in note 2.16.

The notes on page 17 to 41 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 31 May 2022 and were signed on their behalf by:

DocuSigned by:

 Giovanni Dapra

Director
Registered number 09088155



Statement of changes in equity as at 31 December 2021

	Share capital £	Retained earnings (Restated*) £	Capital reserve (Restated*) £	Exchange rate translation reserve £	Revalu ation reserve £	Total £
Balance at 31 December 2019 – previously reported	55,201,548	(47,058,684)	412,576	98,748	-	8,654,188
Prior year adjustment		(355,616)	355,616			-
At 1 January 2020 (as restated*)	55,201,548	(47,414,300)	768,192	98,748	-	8,654,188
Loss for the period after tax (restated)		(11,859,974)				(11,859,974)
Issue of ordinary shares	9,588,620					9,588,620
Gain/(loss) on post-employment benefits					27,620	27,620
Foreign exchange gain arising on the re-translation of Italian operations				(289,339)		(289,339)
Amount recognised in respect of pending stock options			(1,365)			(1,365)
Employee share scheme - value of employee services			113,944			113,944
Balance at 31 December 2020 (restated*)	64,790,168	(59,274,274)	880,771	(190,591)	27,620	6,233,694
Loss for the period after tax		(10,870,998)				(10,870,998)
Capital contribution			10,900,000			10,900,000
Gain/(loss) on post-employment benefits					(7,140)	
Foreign exchange gain arising on the re-translation of Italian operations				(420,847)		(420,847)
Employee share scheme - value of employee services			341,727			341,727
Balance at 31 December 2021	64,790,168	(70,145,272)	12,122,498	(611,438)	20,480	6,176,436

*The retained earnings as at 1 January 2021 and 1 January 2020 includes prior year adjustment of £113,944 and £355,616 respectively. More details are included in note 2.16.

The notes on page 17 to 41 are an integral part of these financial statements.



Statement of cash flows for the year ended 31 December 2021

	2021 £	(Restated*) 2020 £
Cash flows from operating activities		
Loss on ordinary activities before tax	(10,870,998)	(11,859,974)
Adjustments for:		
Depreciation and amortisation charge	314,398	553,573
Write-off of intangible assets	-	228,746
Non-cash employee benefits expense – share based payments (note: 2.16)	341,727	113,944
(Increase) / decrease in trade and other receivables	(24,586,889)	76,019
Increase / (decrease) in trade and other payables	25,839,247	(784,245)
Increase in post-employment benefits	34,911	345,592
Right-of-use lease interest charge	(23,863)	35,272
Foreign exchange (loss)	(390,464)	(289,339)
Net cash used in operating activities	(9,341,932)	(11,580,412)
Cash flows from investing activities		
Purchase of property, plant and equipment	(74,861)	(38,255)
Acquisition of intangible assets	(477)	(27,185)
Net cash used in investing activities	(75,338)	(65,440)
Cash flows from financing activities		
Issue of ordinary shares	-	9,588,620
Capital contribution	10,900,000	-
Right-of-use lease liability principal movement	(213,230)	(230,556)
Net cash generated from financing activities	10,686,770	9,358,064
Net increase in cash and cash equivalents	1,269,501	(2,286,423)
Cash and cash equivalents, beginning of the period	5,537,562	7,823,985
Cash and cash equivalents, end of the period	6,807,063	5,537,562

*The comparative information includes prior year adjustment. More details are included in note 2.16.

The notes on page 17 to 41 are an integral part of these financial statements.



Notes to the financial statements for the year ended 31 December 2021

1 General information

MFM Investment Ltd ("the Company") is a limited company incorporated on 16 June 2014 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 2021.

The principal activity of the Company is to provide discretionary investment management, advisory & execution services to retail customers.

Going concern

The Company recorded a loss before tax for the year ended 31 December 2021 of £10.9m (2020: loss of £12.5m) and incurred a net cash outflow from core operating activities of £9.3m. The Company continues to be dependent on capital contributions from the Parent Company to finance its operations.

Given the Company's growth objectives, the Directors believe that the Company will continue to generate a loss during the next 12 months from the date of this report as continued investment is made in the development of the business.

The Company held cash of £6.8m at 31 December 2021 (with an additional £3.8m of surplus cash being held by the Parent Company and being made available to the Company) and as a result, the Directors are confident that the Group has the capital required to provide sufficient liquidity to sustain the scale-up phase of the Company throughout 2022 and 2023.

The Group's financial forecasts assume that raising further external capital will be required prior to the Group reaching overall profitability, however the existing capital resources will be sufficient to fund the Company's obligations and for a period of at least 12 months from the date of this report.

These forecasts incorporate significant levels of marketing and other spending associated with driving the Company's growth which can be considered discretionary over the short term. Thanks to the flexibility of its operating business model and its cost base, in adverse circumstances a high proportion of this spending could be cut in order to extend the Group's cash runway significantly.

Having performed this analysis management believes regulatory capital requirements continue to be met and have sufficient liquidity to meet its liabilities for at least the next 12 months and that the preparation of the financial statements on a going concern basis remains appropriate as the Company expects to be able to meet its obligations as and when they fall due for the foreseeable future.



2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

The financial statements are presented in the currency of the primary activities of the Company (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 2.16 for more details).

No accounting standards that came into effect in 2021 have had a material impact on the Company. No accounting standards issued but not yet effective are expected to have a material impact on the Company.

2.2 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be reliably measured, the Company has established a right to the revenue and there is no unfulfilled obligation that would affect the amount of revenue recognised.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Revenue earned as management fees is received from customers for the provision of investment management related services, is charged monthly in arrears for the service provided in the period, recognised on an accruals basis. The consideration due is based on the value of the clients' underlying assets under management ("AUM"). Although based on the value of AUM, this is not considered to constitute variable income in which significant judgment or estimation is involved. The calculations are based on point in time calculations that represent the end of a quantifiable period, in accordance with contracts with clients. These are charge to and paid by the client on the same value, constituting the transaction price for the specific period. At any time during the period a client may choose to remove their assets from a service and no further revenue is received.

All obligations to the customer are satisfied at the end of the period in which the service is provided, with payment due immediately.



2.3 Administrative expenses

Expenses are recognised as an expense in the Statement of Comprehensive Income in the period in which they are incurred on an accrual basis.

2.4 Foreign currency translation

Transactions in currencies other than the functional currency of the entity are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the exchange rate prevailing at the Balance Sheet date. Exchange differences arising on the settlement of monetary assets and liabilities and those arising on retranslation are included within operating expenses in the period in which the difference arose.

2.5 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 Company's Italian branch is included in a specific equity reserve, the exchange rate translation reserve, and is also included as part of other comprehensive income as foreign exchange gain or loss on the re-translation of Italian operations.

2.6 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.

Financial assets

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. This is deemed to be a reasonable approximation of their fair value. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

Impairment provisions for trade receivables are recognised on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to



2.6 Financial instruments (continued)

Financial assets (continued)

determine the lifetime expected credit loss for the trade receivables. Any impairment is recognised in the Statement of Comprehensive Income.

Trade and other receivables are classified as current assets if the receivable is due within one year or less. If not, they are presented as non-current assets.

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 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, which equated to the cost expected to be needed to settle the obligation on behalf of the Company.

2.7 Property, plant and equipment

Property, plant and equipment are recorded at historical cost less accumulated depreciation and any adjustment for impairment. Cost includes all amounts required to bring the asset to its current location and position. Any impairment is recognised in the Statement of Comprehensive Income. Depreciation is calculated to write down the cost of all computer equipment and furniture to estimated residual value over their expected useful economic life on a straight-line basis. The depreciation rates applied are as follows:

Computer equipment	3 - 5 years
Furniture and fixtures	3 - 8 years

2.8 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. Any impairment is recognised in the Statement of Comprehensive Income.

Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. Useful lives and amortisation methods are reviewed at the end of each



2.8 Intangible assets (continued)

annual reporting period, or more frequently when there is an indication that the intangible asset may be impaired, with the effect of any changes accounted for on a prospective basis. Amortisation commences when the intangible asset is available for use.

The Company will amortise the trademark held over 10 years, given the expected useful life of its trademark, and software over three years, given a prudent assessment of the useful life of the investments made in software. The Company will amortise its capitalised software development costs over three years, given a prudent assessment of the useful life of the investments made in developing its offering.

2.9 Right-of-use lease assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2.10 Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

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 Company's activities.

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.

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.



2.12 Deferred tax (continued)

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 based on rates enacted or substantively enacted at the statement of financial position date. 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 Share based payments

The Parent operates an equity-settled, share-based compensation plan, under which the Company receives services from employees as consideration for equity instruments (share options) of the Parent. The fair value of the employee services received in exchange for the grant of the options and shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions; and
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the Company over a specified time period).

Non-market vesting conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Company revises its estimate of the number of options and shares that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Parent issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium in the Parent's financial statements when the options are exercised (and recognised directly in equity in the Company financial statements).

The grant by the Parent of options over its equity instruments to the Company's employees is treated as capital contribution from the Parent. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense in the Statement of Comprehensive Income, with a corresponding credit as an increase in the capital contribution from the Parent.



2.14 Post-employment benefits

Post-employment benefits consist of the *Trattamento di Fine Rapporto* ("TFR") provision for Italy-based employees, which is accounted for as a defined benefit obligation. It is therefore recognised on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method. This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

Costs relating to TFR recognised in the Income Statement as Administrative Expenses are the amounts accrued in the year by employees, as well as the interest costs and the plan service costs.

Actuarial gains and losses, defined as the difference between the carrying amount of the liability and the present value of obligations at period end, are recognised in equity under the Revaluation Reserve in accordance with IAS 19 and are also shown in the Statement of Comprehensive Income.

2.15 Significant judgements, key assumptions and estimates

The preparation of the financial statements, in conforming with IFRS, requires the use of judgements, estimates and assumptions in determining the value of assets and liabilities, income and expenses recorded for the period, and positive and negative contingencies at year-end. Actual results in future financial statements may differ from current estimates due to changes in these assumptions or economic conditions.

There are no critical accounting judgements made in the preparation of the Company's financial statements.

The Company 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. There are no material estimates made in the preparation of the Company's financial statements.



2.16 Prior year adjustment

The Company has restated the comparative amounts for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020 by recording a prior year adjustment for £113,944 and £355,616 respectively. The adjustment relates to an update to the valuation of the share options granted to the employees of the Company in previous years. The adjustments have resulted in an increase in the previously reported retained losses for the year ended 31 December 2020 and in the opening reserves as at 1 January 2020 respectively with a corresponding increase recorded in the capital reserve.

Restatement of comparatives

Equity	2020	Previously reported 2020	2019	Previously reported 2019
	£	£	£	£
Capital reserve	880,771	411,211	768,192	412,576
Retained earnings	(59,274,274)	(58,804,714)	(47,414,300)	(47,058,684)
	58,393,503	58,393,503	46,646,108	46,646,108

Statement of comprehensive income	2020	Previously reported 2020
	£	£
Administrative expenses	(17,649,515)	(17,535,571)



3 Revenue

	2021	2020
	£	£
Management fee income	9,759,329	5,824,813
	9,759,329	5,824,813

Management fee income consists chiefly of compensation for the investment management services. Fees are calculated on an accrual basis using as a percentage of the average value of assets under management each day charged in arrears on a monthly basis.

4 Other income

	2021	2020
	£	£
Other income	672,438	-
	672,438	-

Other income comprises refund due from the tax authorities in respect of R&D tax credit and cost reimbursements receivable from partners for marketing and development expenditure incurred during the year.



5 Administrative expenses

Administrative expenses incurred by the Company during the year include:

	2021	(Restated) 2020
	£	£
Amortisation of intangible assets	31,995	205,526
Depreciation of property, plant and equipment	62,111	122,085
Depreciation of right-of-use lease assets	217,275	225,965
Auditor's remuneration	208,930	85,000
Depositary and trading costs	1,782,831	1,323,146
Staff costs	9,612,003	8,910,776
Legal and professional fees	873,704	439,833
(Gain)/loss on foreign currency	90,520	(430,916)
Other administrative expenses	8,363,391	6,768,100
	21,242,760	17,649,515

Auditors' remuneration

	2021	2020
	£	£
Audit fees		
Fee payable to the Company's auditors for the audit of the Company's annual accounts	100,000	85,000
Fee payable to the Company's auditors for the audit-related assurance service	108,930	-
	208,930	85,000



6 Wages and salaries

	2021	(Restated) 2020
	£	£
Staff costs for the Company during the period were:		
Wages and salaries	6,759,339	6,014,145
Social security costs	2,178,410	2,303,717
Post-employment benefits (defined contribution)	143,368	207,299
Post-employment benefits (defined benefit)	189,159	271,671
Share based payment	341,727	113,944
	9,612,003	8,910,776

Post-employment benefits (defined benefit) relates to the TFR liabilities owed to Italian employees, detailed in note 15.

The number of people employed by the Company as of 31 December was:

	2021	2020
Employees	126	121
Directors	4	4
	130	125

Of the employees listed above, on average, 79 were employed by the Italian Branch and 47 by the UK entity.

7 Directors' emoluments

	2021	2020
	£	£
Remuneration	590,533	427,983
Post-employment benefits (defined contribution)	15,131	13,168
Remuneration and other emoluments	605,664	441,151

The amount paid by the Company during the year to the highest paid director was £377,860 (2020: £229,823). Furthermore, the highest paid director exercised 109,421 share options at a strike price of £0.05 each.



8a Taxation

The major components for income tax expense of the Company for the year ended 31 December 2021 were:

	2021 £	2020 £
Current tax:		
UK Corporation tax at 19.00% (2020: 19.00%)	-	-
Adjustments in respect of prior periods	31,850	-
Total current tax	31,850	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax	-	-
Total tax charge on loss on ordinary activities	31,850	-

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:

	2021 £	2020 £
Loss on ordinary activities before tax	(10,839,148)	(11,746,030)
Tax on loss on ordinary activities at standard rate of 19.00% (2020: 19.00%)	(2,059,438)	(2,231,746)
Effects of:		
Items of income and expenses not deductible for tax purposes	29,343	32,321
Adjustments to brought forward values	10,272	-
Temporary differences not recognised	30,637	53,363
Research and development	31,850	-
Movement in deferred tax not recognised	1,989,186	2,146,062
Total tax charge for the period	31,850	-

The tax charge represents the amount of tax deducted from the RDEC receivable for 2019.



8b Deferred tax

At 31 December 2021, the Company had carried forward tax losses of £65.8m (2020: £55.9m). This number includes £387,643 of employee remuneration cost in relation to carried forward TFR expense. Deferred tax asset in respect of cumulative tax losses which have been carried forward, has not been recognised at the year end, but will be recognised once the Company has demonstrated sufficient supportable taxable profits.

The UK Government announced on 3 March 2021 its intention to increase the UK rate of corporation tax to 25% from 19% from 1 April 2023. As this rate was not substantively enacted at the year-end, any recognised deferred tax has been calculated based on the prevailing rate of 19%.

9 Intangible assets

	Trademark	Software	Total
	£	£	£
Cost			
At 1 January 2021	45,000	157,396	202,396
Additions		477	477
Impairment		(3,354)	(3,354)
FX differences		(7,719)	(7,719)
At 31 December 2021	45,000	146,800	191,800
Accumulated amortisation			
At 1 January 2021	19,313	62,160	81,472
Charge for year	4,500	27,127	31,627
FX differences		(2,269)	(2,269)
At 31 December 2021	23,813	87,018	110,830
Net book value			
At 1 January 2021	25,688	95,236	120,924
At 31 December 2021	21,188	59,782	80,970



10 Property, plant and equipment

	Furniture	Computer Equipment	Total
	£	£	£
Cost			
At 1 January 2021	467,849	181,530	649,379
Additions	7,823	67,038	74,861
FX differences	(16,307)	(7,738)	(24,045)
At 31 December 2021	459,365	240,830	700,195
Accumulated depreciation			
As at 1 January 2021	391,254	116,658	507,912
Charge for year	34,178	29,289	63,468
FX differences	(10,933)	(4,306)	(15,239)
At 31 December 2021	414,499	141,643	556,142
Net book value			
At 1 January 2021	76,595	64,872	141,467
At 31 December 2021	44,866	99,187	144,053



11 Leases

The Company has operating lease contracts for its office locations.

	Right-of-use lease assets
	£
Cost	
At 1 January 2021	910,251
Additions	-
FX differences	(27,533)
At 31 December 2021	<u>882,718</u>
Accumulated depreciation	
At 1 January 2021	443,305
Charge for year	215,949
FX differences	(11,408)
At 31 December 2021	<u>647,846</u>
Net book value	
At 1 January 2021	466,946
At 31 December 2021	<u>234,873</u>

Set out below are the carrying amounts of lease and the movements during the year:

	Lease liabilities
	£
At 1 January 2021	490,238
Additions	-
Accretion of interest	23,863
Payments	(260,956)
At 31 December 2021	<u>253,145</u>
Current:	187,700
Non-current:	<u>65,445</u>



12 Trade and other receivables

	2021	2020
	£	£
Trade receivables	1,649,726	957,115
Prepayments and accrued income	1,481,373	1,362,506
VAT receivables	151,340	468,768
R&D grant receivable	135,780	-
Client taxes receivable	28,101,098	4,293,216
Other receivables	296,275	147,098
	31,815,592	7,228,703

The maximum exposure to credit risk at the reporting date is the carrying value of each of receivables mentioned above.

Other receivables include amounts due from related undertakings of £274k (2020: £147k) which are interest free and repayable on demand.

Client taxes receivable are taxes on capital gains, dividends, and stamp duty that the Company collects from customers and relays to the Italian tax authorities. The majority of the balance relates to capital gains taxes, which are correlated to market performance and as such highly variable between periods.

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 trade receivables were overdue or impaired.

13 Cash and cash equivalents

	2021	2020
	£	£
Cash at bank and on hand	6,807,062	5,537,562
	6,807,062	5,537,562

The cash and cash equivalents balance is made up fully of cash and bank deposits. The carrying amount of these assets is approximately equal to their fair value.



14 Trade and other payables

	2021	2020
	£	£
Trade payables	1,374,245	909,838
Accruals and deferred income	1,450,538	500,305
Other taxes and social security	173,527	378,800
Client taxes payable	27,942,672	3,986,180
Other current liabilities	1,324,343	650,955
	32,265,325	6,426,078

Other current liabilities include amounts due to related undertakings of £332k (2020: £192k) which are interest free and repayable on demand.

Client taxes payable are amounts payable to the Italian tax authorities for tax on capital gains, dividends and stamp duty incurred by Italian customers. The majority of the balance relates to capital gains taxes, which are correlated to market performance and as such highly variable between periods.

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



15 Post-employment benefits

Post-employment benefits are comprised of the TFR provision for employees of the Company's Italian branch. Employees may elect to have their TFR paid into a registered pension scheme as it is earned (in which case it is accounted for as a defined contribution benefit) or held with the Company to be paid directly to them on termination of employment. Amounts withheld with the Company are accounted for as a defined benefit obligation.

The following table shows the main actuarial assumptions used to remeasure the defined benefit liability.

	2021
Wage growth rate	5.00%
Inflation rate	1.50%
Discount annual rate	0.483%

	2021 £
Provisions for the year	
Current service cost	131,372
Interest expense on defined benefit obligations	(64)
Benefits paid	(72,500)

Actuarial gains/(losses) recognised in revaluation reserves

Actuarial gains/(losses) for the year	(7,140)
Actuarial gains/(losses) on demographic assumptions	(1,240)
Actuarial gains/(losses) on financial assumptions	(3,181)

As required by IAS 19 Revised, a sensitivity analysis was conducted aimed at identifying how the present value of the liability changes when the actuarial assumptions considered most significant are changed, while keeping the other actuarial assumptions constant. A 0.5% decrease in interest rates would increase the overall liability by £24,356 (6.2%), whereas a 0.5% increase in interest rates would decrease it by £16,099 (4.1%).



16 Share capital

	2021		2020	
	Number	£	Number	£
Ordinary shares of £1 each				
Allotted, called up and fully paid:				
At 31 December	64,790,168	64,790,168	64,790,168	64,790,168

In 2021 the Company issued Nil (2020: 9,588,620) Ordinary shares with a nominal value of £1 per share for a total consideration of £Nil (2020: £9,588,620).

17 Capital reserve

	2021	2020
	£	£
Balance at 1 January	880,771	768,192
Capital contribution	10,900,000	-
Amount recognised in respect of pending stock options	-	(1,365)
Employee share schemes – value of employee services	341,727	113,944
Balance at 31 December	12,122,498	880,771

The parent remains the sole shareholder of the Company.

During the financial year, the Company received funding of £10.9m (2020: £nil) as capital contribution from the Parent to meet its working capital requirements.

The cumulative value of options and shares granted by the Parent over its equity instruments to the Company's employees is treated as capital contribution of £0.3m (2020: £0.8m) from the Parent.



18 Share-based payment

The Parent operates share schemes for all employees of the Group. The terms of the main current schemes from which the Company's employees benefit are as follows:

EMI Options

Prior to June 2018, the Parent issued options to UK employees under the EMI Option Scheme. Since then, the Company is not eligible to issue under the scheme.

CSOP

The Parent has an unapproved option scheme (CSOP) for all employees of the Group. In accordance with standard vesting terms, the full award will vest four years after the vesting start date, with 25% vesting on the first anniversary of the vesting date and 2.08% monthly thereafter. If the options remain unexercised after a period of ten years from the date of grant, the option expire. Options are forfeited if the employee leaves the Group before the options vest.

Options with performance conditions

The Group also operates a share option scheme where the vesting is contingent upon performance against set targets: revenue growth, AUM growth and/or business valuation at a liquidity event. These awards are designed to incentivise employees by delivering performance related pay when the business targets are met.

All share-based incentives are subject to service conditions. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using market prices. When market prices do not exist for shares or rights to shares with similar characteristics, fair value is determined by using a valuation technique (either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme).

Charge for the year

Included in operation expenses of the Company is a charge for share-based payments of £0.3m (£0.8m) that arises from transactions accounted for as equity-settled share-based payment transactions.



18 Share-based payment (continued)

Movements in share plans

Details of movements in the share schemes during the year are as follows:

	EMI Options		Unapproved Options		Total	
	Number and WAEP ¹		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£
Outstanding at 1 January 2021	750,568	1.68	1,993,385	1.80	2,743,953	1.77
Granted during the period	-	-	1,015,835	2.33	1,015,835	2.33
Exercised during the period	-	-	(113,449)	0.09	(113,449)	0.09
Forfeited during the period	(27,642)	1.80	(331,849)	2.08	(359,491)	2.06
Outstanding at 31 December 2021	722,926	1.68	2,563,922	2.05	3,286,848	1.97

	EMI Options		Unapproved Options		Total	
	Number and WAEP ¹		Number and WAEP		Number and WAEP	
	Number	£	Number	£	Number	£
Outstanding at 1 January 2020	861,838	1.70	1,311,353	1.45	2,173,191	1.55
Granted during the period	-	-	2,732,840	2.33	2,732,840	2.33
Exercised during the period	(2,089)	1.80	(15,430)	0.05	(17,519)	0.26
Forfeited during the period	(109,181)	1.80	(2,035,378)	2.30	(2,144,559)	2.28
Outstanding at 31 December 2020	750,568	1.68	1,993,385	1.80	2,743,953	1.77

1. Weighted average exercise price



18 Share-based payment (continued)

EMI and CSOP Valuation

The weighted average fair values of options granted under the EMI and CSOP Options Scheme were range between £0.403 and £1.14 (2020: £0.383 and £0.675) per option respectively. These values were determined using the Black-Scholes valuation model. The significant inputs into the model are as follows:

CSOP options scheme	31 December 2021	31 December 2020
Share price (between)	£4.02 - £4.53	£2.80 - £3.51
Exercise price at	£2.33	£2.33
Expected life	4 years	4 years
Expected volatility	25%	22% - 26%
Dividend yield	Nil	Nil

Options with Performance Conditions

In determining the fair value of Options with performance conditions, the Black-Scholes valuation model was used with the following inputs:

	31 December 2021
Exercise price at	£2.33
Expected life	2 years
Expected volatility	25%
Vesting probability	50%
Dividend yield	Nil



19 Financial instruments

The Company'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 Company's operations.

The Company'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.

Market risk

The most significant area of market risk to which the Company is exposed is foreign exchange rate risk. The Company 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.

The below sensitivity analysis is performed based on the sensitivity of the Company's net assets and loss for the period after tax to movements in foreign currency exchange rates assuming a 10% movement in exchange rates against sterling.

£'000	Appreciation in pound sterling		Depreciation in pound sterling	
At 31 December	Income Statement	Equity	Income Statement	Equity
US Dollars	2	-	(2)	-
Euros	523	-	(523)	-
	<u>525</u>	<u>-</u>	<u>(525)</u>	<u>-</u>

Credit risk

Management fees charged are credited directly to the Company from the clients' Moneyfarm accounts, and as a result the Company's credit risk is minimal. The maximum exposure to credit risk is represented by the value of assets shown in Notes 12 and 13.

Interest rate risk

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

Liquidity risk

The Company 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 Company regularly reviews its working capital and available financial resources and considers



19 Financial instruments (continued)

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 amounts equivalent to the carrying values shown in Notes 12 and 14.

Capital management

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

The Company's capital adequacy position is managed and monitored in accordance with the prudential requirements of the UK Capital Requirements Regulation (UK CRD IV). The Company must at all times meet the relevant minimum capital requirements of the Regulation. The Company is required to maintain a prescribed excess of total capital resources over its capital resources requirements. The Company has established processes and controls in place to monitor and manage its capital adequacy position. The Company maintains an ICAAP which is updated annually.

20 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 Company. In the opinion of the Board, the Company's key management comprises only of the Directors. Information regarding Directors' emoluments is set out in Note 7.

Other related party transactions

During the year to 31 December 2021 shares totalling £nil (2020: £9,588,620) were issued to the Parent Company. In addition, there was a £328,000 (2020: £191,869) accounts payable balance outstanding to the Parent Company.

Under the Group's transfer pricing arrangements, the Company had a balance of £273,706 (2020: £147,039) receivable from MFM Future SRL an affiliate company within the Group.



21 Ultimate controlling party

The ultimate controlling party and immediate parent company of the Company at 31 December 2021 is considered to be MFM Holding Limited, a company registered in England and Wales. This is the parent undertaking of the smallest and largest group to consolidate the financial results of the Company. Copies of MFM Holding Limited's consolidated financial statements can be obtained from Companies House. The registered office of MFM Holding Ltd is 90-92 Pentonville Road N1 9HS, London.

22 Post balance sheet events

During Q1 2022, the Group raised £45.1m in the Series D funding round. The new funding will be used in some key areas, like expanding our product proposition and building out new B2B2C proposition through further strategic partnerships.

Russian invasion of Ukraine

The Russian invasion of Ukraine, beginning in February 2022, has increased tensions between members of the North Atlantic Treaty Organisation (NATO) and Russia and caused sanctions to be imposed. This could have significant adverse economic effects on financial markets and on energy costs, and may also result in increased cyber-attacks and an increase in costs associated with such cyber-attacks, all of which could have a materially adverse effect on the Company's results of operations, financial condition or prospects. The Company will continue to monitor the situation and risks to the business.