

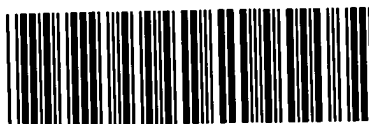


MFM Holding Ltd
Group report and financial statements
For the year ended 31 December 2022

Registered number: 09553255

MFM HOLDING LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022

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COMPANIES HOUSE



Company information

Directors	Giovanni Daprà Paolo Galvani James Roy Clark Paolo Gesess Camillo Greco Markus Deliano Jayne-Anne Gadhia (appointed 22 November 2022) Kay Muller (appointed 1 February 2023) Juergen Weber (resigned 31 January 2023)
Company Secretary	Taylor Wessing LLP
Registered Office	90-92 Pentonville Road London N1 9HS
Independent Auditor	Deloitte LLP 1 New Street Square London EC4A 3HQ
Registered Number	09553255

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Strategic report

The Directors present their Strategic report of MFM Holding Ltd (the “Company”) and its subsidiaries (together the “Group”) for the year ended 31 December 2022.

Principal activities

MFM Holding Ltd (“the Company”) was incorporated under the Companies Act 2006 on 21 April 2015. Its principal activity is as a holding company with operating subsidiaries offering discretionary investment management, advisory & execution services in the United Kingdom and Italy (collectively “MFM Group” or “the Group” or “Moneyfarm”).

The Group operates in the UK via MFM Investment Ltd (‘MFM UK’) an Financial Conduct Authority (‘FCA’) regulated entity, in Italy via a local branch of MFM UK (‘the Italian branch’ or ‘MFM Italy’) which is authorised and supervised by the Commissione Nazionale per le Società e la Borsa (‘CONSOB’) and the Bank of Italy (‘BOI’). There is additionally a registered insurance broking entity in Italy, MFM Future SRL (regulated by IVASS).

Business review

In 2022 we have seen a global financial market decline. At the end of December the Nasdaq was down 33%, the S&P was down 25% and the FTSE 100 was down 8% from the peaks at the start of the year. Markets remained volatile due to the tightening of interest rates from central banks, following inflationary pressures triggered by the invasion of Ukraine.

In spite of the financial market decline, assets under management (“AuM”) reached £2.4bn (2021: £2.0bn).

During 2022, the Company raised £45.1m of new funding in a round led by M&G plc to support the growth of its subsidiaries, MFM Investment Ltd and MFM Future Srl.

In 2022 MFM Investment Ltd purchased a book of client relationships with AuM of approximately £220M from Wealthsimple.

During 2022, the Group continued to invest in growing its customer base and enhancing its product offering. In Q1 2022, the Group launched a new range of thematic portfolios via a core satellite approach. Through these, the Group’s customers can invest in some important Megatrends that are characterising our economy, with the guarantee of risk management and the ability to select from Moneyfarm’s ETFs.

In addition, in Q1 2023 Moneyfarm launched its first ‘platform as a service’ solution in the UK for M&G plc and powered by M&G Wealth, delivered in just 9 months. Moneyfarm has developed a bespoke investment experience, available as an app “&me” on both Android and iOS as well as a web application. It is designed to target a new generation of savers, helping them to feel more confident in their investment decisions.

Strategic report (continued)

Moneyfarm has created a solution for M&G that provides the simplicity of a digital-first investing experience but doesn't forget that people sometimes want help from real people, so they have access to dedicated &me consultants.

While Moneyfarm has already established B2B2C partnership in Italy with Poste Italiane (Postefuturo Investimenti), Unicredit's Buddybank (Steppy by Moneyfarm) and Banca Sella (Sella Evolution powered by Moneyfarm), this is the first time that it developed a bespoke investment app and website for a Partner in the UK.

In the financial year, Moneyfarm began to capitalise the expenses that were directly related to the development of projects that create new revenue streams, enhance operational effectiveness, compliance or the user experience, mainly consisting of staff costs. In this regard, MFM has capitalised approximately £2.1m in staff costs in 2022.

In October 2022 MFM appointed a new Chair of the Board for MFM Holding Ltd, Dame Jayne-Anne Gadhia, who brings considerable experience to the role. She is the Founder and Executive Chair of fintech Snoop and was the CEO of Virgin Money from 2007 to 2018, leading the company to IPO. From November 2022 Dame Jayne-Anne Gadhia is also the Chair of MFM Investment Ltd.

Finally, on 24th November 2022, the Company agreed to acquire 100% of the share capital of Profile FSH Limited, the owner of the regulated subsidiary Profile Financial Solutions Ltd and of Financial Lifetime Ltd (together "PP group"). Since the year end, the Company has received the FCA's consent and is currently in the final stages of concluding the transaction as outlined in the SPA. However, since these financial statements were issued prior to the completion of the acquisition in 2023, the initial accounting for the acquisition and the allocation of the purchase price are not yet finalised.

As a result of various initiatives as outlined above, the revenue for the year grew 48% to £14.5m (2021: £9.8m). Loss before tax for the year of £14.1m (2021: £12.7m) (See page 7 for further analysis under KPI's).

Principal risks and uncertainties

The Group 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 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 the AUM held.

Strategic report (continued)

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 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 MFM clients to manage their expectations and thus reduce the risk of significant levels of capital withdrawals.

From an operational perspective, the key risk resides mainly in the operations of the regulated subsidiaries and relates to the potential for non-compliance with the regulations issued by their respective regulators that could lead to the Group being subject to a fine or a ban on trading activities. A fine issued to any individual subsidiary would have an impact on the financial performance of the Group as a whole. This risk is managed through regular review and monitoring of the 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 of the systems and by ensuring that back-up systems are in place that will enable both the continuity of service and the restoration of historic data.

Management continues to review the Group's 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 Company has provided additional financing to its subsidiaries during the year as a result of additional funding provided by its Shareholders.

As a result of the United Kingdom's exit from the European Union, MFM Investment Limited's Italian branch took advantage of passporting rights under the transitional period of the withdrawal agreement between the UK and the EU which was effective until 31 December 2020. After that date, the Italian operations became supervised directly by the Bank of Italy and CONSOB and all related client assets were transferred to a custodian domiciled within the EU.

Operational risk

Operational risk means that the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Group maintains appropriate systems and controls, including utilising the "4-eyes" principle as well as commissioning external reviews, to minimise the risk of loss from operational risk.

Strategic report (continued)

Compliance risk

Compliance risk is the current and prospective risk to earnings or capital from violations of or non-compliance with, laws, bylaws, regulations, prescribed practices, internal policies and procedures, or ethical standards. This risk exposes the Company to financial loss, fines civil money penalties, payment of damages and voiding of contracts. In order to mitigate this risk, the Group has instilled a compliance culture throughout all levels of the business and continually invests significant amounts of time and resources to implement appropriate system and controls. To support this compliance culture further, reporting lines are in place up to Board level to ensure a thorough review of ideas and initiatives before any resources are committed.

Cyber and data security risk

The Group continually evaluates its security risks, processes and practices and has adopted a number of measures to lower the likelihood and impact of these risks. These include continuous infrastructure and network scanning, security and other relevant training for all staff and hardening of underlying infrastructure in line with best practices. The Group performs penetration tests on a yearly basis to test the security of its IT systems.

Credit risk

The Group's principal financial asset is cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. In addition the Group works with multiple counterparts to spread the credit risk. The risk of financial loss on the amounts due from corporate customers is deemed minimal because the counterparties are well established financial institutions.

Technology risk

As a provider of digital wealth management solution, the Group's business is reliant on technology and advanced information systems. If the Group does not invest in the maintenance and further development of its technology systems, there is a risk that these systems may not cope with the needs of the business and may fail. The Group is vulnerable to activities such as distributed denial of service attacks, other forms of cyber-crime and a wide range of malicious viruses.

The Group has continued to invest in its proprietary platform to ensure the necessary features and functionality meet customer needs. In addition, it has adopted industry standard protections to detect intrusions or other security breaches and implements preventative measures to protect against sabotage, hackers, viruses and other cyber-crime.

Strategic report (continued)

Key performance indicators

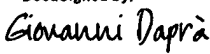
The Group, given its growth phase, focuses on key performance indicators that allow management to measure the investments made and the economies of scale resulting from previous year's investments. These KPIs are primarily revenue, assets under management and active customer count.

Notwithstanding market conditions the Group showed strong growth in 2022, raising total revenue by 48% to £14.5m (2021: £9.8m). Underlying this revenue growth was an increase in total asset under management (AuM) of 18% to £2,411m (2021: £2,055m). In 2022, the number of active customers rose by 35% to 96,809 (2021: 71,532). The results of the Group as set out on page 18, show a loss for the year before tax of £14.1m against a loss before tax of £12.7m in 2021. As at 31 December 2022, the Group had net assets of £41.9m (2021: £12.1m).

The Group has an administrative cost base of £30.4m (2021: £22.3m), comprising chiefly staff costs of £14.4m (2021: £9.6m) with other significant items being marketing costs, depositary & trading costs, legal and professional fees and overhead costs. The Group employed 67 staff in the UK and 127 in Italy as at 31 December 2022 (2021: 49 and 89 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 Group's customer and revenue growth in future years. The Group continues to grow its profile in both the Italian and UK markets, driven by marketing expenditures and investments 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:

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Giovanni Daprà

Director

14 August 2023

Registered number 09553255

Directors' report

The Directors present their report, together with the audited consolidated financial statements of the Group and the Company for the year ended 31 December 2022.

Results for the year and dividends

The Group made a loss before tax for the year of £14.1m (2021 loss of £12.7m). The Directors do not recommend the payment of a dividend (2021: £nil).

Future developments and post balance sheet events

The Company is expanding through acquisitions and has agreed to acquire the entire share capital of Profile FSH Limited owner of the FCA regulated subsidiary Profile Financial Solutions Ltd and of Financial Lifetime Ltd (together "PP group"). The agreement was made on 24 November 2022 and was conditional on FCA authorisation. Since the year end, the Company has received the FCA's consent and is currently in the final stages of concluding the transaction as outlined in the SPA. However, since these financial statements were issued prior to the completion of the acquisition in 2023, the initial accounting for the acquisition and the allocation of the purchase price are not yet finalised.

Environmental matters

The Group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Group has complied with all applicable legislations and regulations.

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
Camillo Greco
Markus Deliano
Jayne-Anne Gadhia (appointed: 22 November 2022)
Kay Muller (appointed: 1 February 2023)
Juergen Weber (resigned: 31 January 2023)

Directors' report (continued)

Going concern

The Group's consolidated financial statements have been prepared on the going concern basis as, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence within its current regulatory permissions and business model for the foreseeable future.

In making this conclusion, the directors have given consideration to a number of key sources of information such as the Group's business plan and forecasts, current trading performance, ongoing impact of downturn in the financial markets, inflation and related economic stress.

The directors have also considered severe but plausible downside scenarios, including a worst-case scenario where the macroeconomic environment stresses market performance and customer growth rates for an extended period. No scenario where the Group was stress tested resulted in an inability to meet its medium-term cash or regulatory capital requirements.

The financial forecasts incorporate significant levels of marketing and other spending associated with driving the Group's growth which can be considered discretionary over the short term. As a contingency measure, in adverse circumstances a high proportion of this spending could be cut to extend the Group's cash runway significantly.

The Group recorded a loss before tax for the year ended 31 December 2022 of £14.1m (2021: loss before tax of £12.7m) and incurred a net cash outflow from core operating activities of £12.9m (2021: £10.7m) during this period.

The Group has prepared detailed cash flow forecasts for the next 3 years and has updated the going concern assessment to factor in the potential ongoing impact of geopolitical uncertainty and related economic stress.

In this downside scenario sufficient cash is forecasted to be available to meet liabilities as they fall due and without the requirement to take significant mitigating actions, restructuring or borrowing.

The Group does not currently rely on committed or uncommitted borrowing facilities and does not have undrawn borrowing facilities available.

Management has also reviewed regulatory capital requirements. In the stress scenario the risk of capital requirement breach is considered remote.

Directors' report (continued)

Going concern (continued)

The Directors have made enquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. As such, the preparation of the financial statements on a going concern basis remains appropriate as the Group expects to be able to meet its obligations as and when they fall due for the foreseeable future.

Auditor

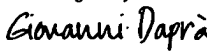
The auditor, Deloitte LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Disclosure of information to the auditor

Pursuant to section 418 (2) of the Companies Act 2006, each of the Directors confirm 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 14 August 2023 by:

DocuSigned by:


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Giovanni Daprà

Director

Registered number 09553255

Directors' responsibilities statement

The Directors are responsible for preparing the Group Strategic report, the Directors' report and the consolidated 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 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 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 Group or the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and of the Company and that 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 Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of MFM Holding Ltd (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's loss for the year then ended;
- the group financial statements 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);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statement of cash flows; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent 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 group's and parent 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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 group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the group's business sector.

We obtained an understanding of the legal and regulatory framework that the group 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 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 group'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 significant component audit teams and relevant internal specialists such as 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 the following areas, and our procedures performed to address them are described below:

- **Revenue recognition of 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 analytics specialists to 100% recalculate the management fee income on a daily basis using daily asset under-performed detailed testing over the key inputs to this recalculation, specifically the fee rates and Asset under Management (AuM) to assess their accuracy and completeness.
- **Revenue recognition in relation to the M&G contract:** the group entered into a new contract with M&G during the period (see Note 2.4 for more information). We identified a risk in relation to the appropriateness of the accounting treatment and disclosure in relation to this contract. We engaged technical specialists to review the accounting treatment, underlying contract and related disclosures including assessment against IFRS 15 Revenue from Contracts with Customers.
- **Capitalised development cost:** There is a risk associated with the valuation of the capitalised development costs of the internally generated development of software. We have pinpointed our risk to the percentage used by management in allocating cost to capitalisable projects. We have obtained an understanding of the key controls within the reporting process for this account balance, assessed the recognition of the intangible assets and their development costs in accordance with IAS 38 Intangible Assets. We performed testing over a sample of such percentages used by agreeing it to underlying evidence.
- **Valuation of hurdle shares:** Our fraud risk is pinpointed to inputs used for valuation of the liability. We have obtained an understanding of the key controls within the reporting process for this account balance. We have engaged our valuation specialist to check appropriateness of the approach, assumptions, underlying data and mechanical accuracy of the model management have used to determine the liability.

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 and reviewing correspondence with the FCA.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- 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 (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
14 August 2023

Consolidated statement of comprehensive income for the year ended 31 December 2022

	Notes	2022 £	2021 £
Continuing operations			
Revenue	3	14,535,938	9,777,138
Other income	4	1,658,044	672,445
Administrative expenses	5	(30,496,387)	(22,326,510)
Operating loss		(14,302,405)	(11,876,927)
Finance income		175,480	-
Finance costs	8	(32,709)	(29,592)
Fair value gain/(loss) on financial liabilities designated as at FVTPL	20	58,863	(802,028)
Loss for the year before tax		(14,100,771)	(12,708,547)
Taxation	9	-	(31,850)
Loss for the year from continuing operations		(14,100,771)	(12,740,397)
Discontinued operations			
Loss for the year from discontinued operations (attributable to equity holders of the company)	10	-	(163,022)
Loss for the year		(14,100,771)	(12,903,419)
Other comprehensive income			
Actuarial gain/(loss) on post-employment benefits		2,729	(7,140)
Foreign exchange gain/(loss) arising on the translation of foreign operations and goodwill		328,284	(908,078)
Total comprehensive loss for the year		(13,769,758)	(13,818,637)
Total comprehensive loss attributable to:			
Owners of the parent		(13,769,758)	(13,818,637)

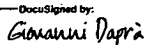
The results for the current year are derived from continuing operations.

The notes on pages 26 to 79 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2022

	Notes	2022 £	2021 £
Assets			
Non-current assets			
Goodwill	11	5,074,119	4,992,676
Intangible assets	12	4,939,566	80,970
Property, plant and equipment	13	288,179	144,053
Right-of-use lease assets	14	892,047	234,872
		<u>11,193,910</u>	<u>5,452,571</u>
Current assets			
Short-term investments	15	8,074,804	-
Trade and other receivables	17	5,339,447	31,648,614
Cash and cash equivalents	18	27,161,802	10,593,223
		<u>40,576,052</u>	<u>42,241,837</u>
Total assets		<u>51,769,962</u>	<u>47,694,408</u>
Liabilities			
Current liabilities			
Trade and other payables	19	5,927,378	32,371,417
Right-of-use lease liabilities	14	248,862	187,700
		<u>6,176,240</u>	<u>32,559,117</u>
Non-current liabilities			
Liabilities at fair value through profit or loss	20	2,544,821	2,603,684
Post-employment benefits	21	444,213	387,643
Right-of-use lease liabilities	14	655,489	65,445
		<u>3,644,523</u>	<u>3,056,772</u>
Total liabilities		<u>9,820,763</u>	<u>35,615,889</u>
Net assets		<u>41,949,200</u>	<u>12,078,519</u>
Equity			
Share capital	22	7,628	6,699
Share premium	22	138,285,122	95,054,147
Merger relief reserve		1,402,715	1,402,715
Share options reserve	23	1,286,884	878,349
Revaluation reserve		23,209	20,480
Retained earnings		(99,586,048)	(85,485,277)
Exchange rate translation reserve		529,690	201,406
Total equity		<u>41,949,200</u>	<u>12,078,519</u>

The financial statements were approved for issue by the Board of Directors on 14 August 2023 and signed on their behalf by:

DocuSigned by:

Giovanni Daprà
Director
Registered number 09553255



Consolidated statement of changes in equity as at 31 December 2022

	Share capital and Share premium £	Merger relief reserve £	Share options reserve £	Revaluation reserve £	Retained earnings £	Exchange rate translation reserve £	Total £
Balance at 31 December 2020	95,050,743	1,402,715	536,622	27,620	(72,581,858)	1,109,484	25,545,326
Loss for the period after tax	-	-	-	-	(12,903,419)	-	(12,903,419)
Issue of ordinary shares	10,104	-	-	-	-	-	10,104
Loss on post-employment benefits	-	-	-	(7,140)	-	-	(7,140)
Foreign exchange (loss) arising on the translation of foreign operations	-	-	-	-	-	(908,078)	(908,078)
Employee share scheme - value of employee services	-	-	341,727	-	-	-	341,727
Balance at 31 December 2021	95,060,847	1,402,715	878,349	20,480	(85,485,277)	201,406	12,078,520
Loss for the period after tax	-	-	-	-	(14,100,771)	-	(14,100,771)
Issue of ordinary shares	43,231,004	-	-	-	-	-	43,231,004
Exercise of share options	899	-	-	-	-	-	899
Gain on post-employment benefits	-	-	-	2,729	-	-	2,729
Foreign exchange gain arising on the translation of foreign operations	-	-	-	-	-	328,284	328,284
Employee share scheme - value of employee services	-	-	408,536	-	-	-	408,536
Balance at 31 December 2022	138,292,750	1,402,715	1,286,885	23,209	(99,586,048)	529,690	41,949,200

The notes on pages 26 to 79 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2022

	2022	2021
	£	£
Cash flows from operating activities		
Loss on ordinary activities before tax including discontinued operations	(14,100,771)	(12,871,569)
Adjustments for:		
Depreciation and amortisation charge	700,313	314,405
Goodwill write-offs and impairment	-	232,876
Loss on the disposal of fixed assets	2,707	-
Non-cash employee benefits expense – share based payments	408,536	341,727
Fair value adjustment to liabilities held at FVTPL	(58,863)	802,028
Decrease/(increase) in trade and other receivables	26,309,167	(24,358,385)
(Decrease)/Increase in trade and other payables	(26,409,235)	25,598,911
Increase in post-employment benefits	59,299	34,911
Income tax paid	-	(31,850)
Lease liabilities interest charge	(25,977)	(23,863)
Foreign exchange loss/(gain)	232,822	(706,855)
Net cash used in operating activities	(12,882,002)	(10,667,665)
Cash flows from investing activities		
Short-term investments	(8,534,309)	-
Purchase of property, plant and equipment	(208,003)	(74,861)
Acquisition of intangible assets	(2,384)	(477)
Net proceeds from the disposal of foreign subsidiary	-	174,293
Proceeds from disposal of short-term investments	459,505	-
Purchase of client book	(3,161,111)	-
Capitalised development costs	(2,089,513)	-
Net cash generated from/(used in) investing activities	(13,535,815)	98,955
Cash flows from financing activities		
Exercise of share options	899	10,104
Issue of share capital	43,231,004	-
Right-of-use lease liability principal movement	(245,507)	(213,472)
Net cash generated from/(used in) financing activities	42,986,396	(203,369)
Net increase/(decrease) in cash and cash equivalents	16,568,579	(10,772,079)
Cash and cash equivalents, beginning of the period	10,593,223	21,365,302
Cash and cash equivalents, end of the period	27,161,802	10,593,223

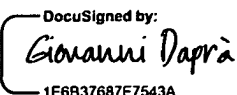
The notes on pages 26 to 79 are an integral part of these financial statements.

Company statement of financial position as at 31 December 2022

	Notes	2022 £	2021 £
Assets			
Non-current assets			
Investments	16	111,978,517	82,619,982
		<u>111,978,517</u>	<u>82,619,982</u>
Current assets			
Trade and other receivables	17	759,867	417,547
Cash and cash equivalents	18	17,142,518	3,712,689
		<u>17,902,385</u>	<u>4,130,236</u>
Total assets		<u>129,880,902</u>	<u>86,750,218</u>
Liabilities			
Current Liabilities			
Trade and other payables	19	1,219,399	437,570
		<u>1,219,399</u>	<u>437,570</u>
Non-current liabilities			
Liabilities at fair value through profit or loss	20	2,544,821	2,603,684
		<u>2,544,821</u>	<u>2,603,684</u>
Total Liabilities		<u>3,764,220</u>	<u>3,041,254</u>
Net assets		<u>126,116,682</u>	<u>83,708,964</u>
Equity			
Share capital	22	7,628	6,699
Share premium		138,285,122	95,054,147
Merger relief reserve		1,402,715	1,402,715
Share options reserve	23	1,286,884	878,349
Retained earnings		(14,865,667)	(13,632,947)
Total equity		<u>126,116,682</u>	<u>83,708,964</u>

The parent company MFM Holding Ltd made a loss for the year end 31 December 2022 equal to £1,232,720 (2021: loss of £1,855,891). The notes on pages 26 to 79 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 14 August 2023 and signed on their behalf by:

DocuSigned by:

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Giovanni Daprà
Director
Registered number 09553255



Company statement of changes in equity as at 31 December 2022

	Share capital and Share premium £	Merger relief reserve £	Share options reserve £	Retained earnings £	Total £
Balance at 31 December 2020	95,050,743	1,402,715	536,622	(11,777,056)	85,213,024
Loss for the period after tax	-	-	-	(1,855,891)	(1,855,891)
Issue of ordinary shares	10,104	-	-	-	10,104
Employee share scheme - value of employee services	-	-	341,727	-	341,727
Balance at 31 December 2021	95,060,847	1,402,715	878,349	(13,632,947)	83,708,964
Issue of ordinary shares	43,231,004	-	-	-	43,231,004
Exercise of share options	899	-	-	-	899
Loss for the year	-	-	-	(1,232,720)	(1,232,720)
Employee share scheme - value of employee services	-	-	408,536	-	408,536
Balance at 31 December 2022	138,292,750	1,402,715	1,286,885	(14,865,667)	126,116,682

The notes on pages 26 to 79 are an integral part of these financial statements.



Company statement of cash flows for the year ended 31 December 2022

	2022 £	2021 £
Cash flows from operating activities		
Loss on ordinary activities before tax	(1,232,720)	(1,855,891)
Adjustments for:		
Loss on the disposal of subsidiary	-	172,122
Fair value adjustment to liabilities held at FVTPL	(58,863)	802,028
Increase in trade and other receivables	(342,320)	(223,532)
Increase/(decrease) in trade and other payables	781,829	(50,205)
Foreign exchange loss	-	125
Net cash used in operating activities	(852,075)	(1,155,353)
Cash flows from investing activities		
Proceeds from the disposal of subsidiary	-	811,608
Investment in subsidiaries	(28,950,000)	(10,900,000)
Net cash generated used in investing activities	(28,950,000)	(10,088,392)
Cash flows from financing activities		
Exercise of share options	899	10,104
Issue of share capital	43,231,004	-
Net cash generated from financing activities	43,231,903	10,104
Net (decrease in)/increase in cash and cash equivalents	13,429,829	(11,233,642)
Cash and cash equivalents, beginning of the period	3,712,689	14,946,331
Cash and cash equivalents, end of the period	17,142,518	3,712,689

The notes on pages 26 to 79 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2022

1 General information

MFM Holding Ltd ("the Company") was incorporated under the Companies Act 2006 on 21 April 2015. Its principal activity is as a holding company with operating subsidiaries offering discretionary investment management, advisory & execution services in the United Kingdom, Italy and Germany (collectively "MFM Group" or "the Group").

The Group operates in the UK via MFM Investment Ltd ('MFM UK') an Financial Conduct Authority ('FCA') regulated entity, in Italy via a local branch of MFM UK ('the Italian branch' or 'MFM Italy') which is authorised and supervised by the Commissione Nazionale per le Società e la Borsa ("CONSOB") and the Bank of Italy ("BOI"). There is additionally a registered insurance broking entity in Italy, MFM Future SRL (regulated by IVASS).

Going concern

The Group's consolidated financial statements have been prepared on the going concern basis as, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence within its current regulatory permissions and business model for the foreseeable future.

In making this conclusion, the directors have given consideration to a number of key sources of information such as the Group's business plan and forecasts, current trading performance, ongoing impact of downturn in the financial markets, inflation and related economic stress.

The directors have also considered severe but plausible downside scenarios, including a worst-case scenario where the macroeconomic environment stresses market performance and customer growth rates for an extended period. No scenario where the Group was stress tested resulted in an inability to meet its medium-term cash or regulatory capital requirements.

These forecasts incorporate significant levels of marketing and other spending associated with driving the Group's growth which can be considered discretionary over the short term. As a contingency measure, in adverse circumstances a high proportion of this spending could be cut to extend the Group's cash runway significantly.

The Group recorded a loss before tax for the year ended 31 December 2022 of £14.1m (2021: loss before tax of £12.7m) and incurred a net cash outflow from core operating activities of £12.9m (2021: £10.7m) during this period.

Going concern (continued)

The Group has prepared detailed cash flow forecasts for the next 3 years and have updated the going concern assessment to factor in the potential ongoing impact of geopolitical uncertainty and related economic stress.

In this downside scenario sufficient cash is forecast to be available to meet liabilities as they fall due and without the requirement to take significant mitigating actions, restructuring or borrowing.

The Group does not currently rely on committed or uncommitted borrowing facilities and does not have undrawn borrowing facilities available.

Management has also reviewed regulatory capital requirements. In the stress scenario the risk of capital requirement breach is considered remote.

The Directors have made enquiries of management and considered budgets and cash flow forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. As such, the preparation of the financial statements on a going concern basis remains appropriate as the Group 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 Statement of compliance

These financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) applied in accordance with the provisions of the Companies Act 2006.

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 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. For the purpose of the Group financial statements, the results and financial position are presented in Pound Sterling (£).

2.2 Basis of preparation (continued)

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 2.23 for more details).

Changes in Accounting Policy

- i) The following amendments are effective for the period beginning 1 January 2022:

Standard	Effective date, annual period beginning on or after
Onerous contracts – cost of fulfilling a contract (amendments to IAS 37)	1 January 2022
Property, Plant and Equipment: proceeds before intended use (amendments to IAS 16)	1 January 2022
Annual improvements to IFRS standards 2018-2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022
References to Conceptual Framework (Amendments to IFRS 3)	1 January 2022

None of the standards, interpretations, and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

- ii) New standards, interpretations, and amendments not yet effective

Standard	Mandatory effective date (period beginning)
IFRS 17 - Insurance contracts	1 January 2023
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of accounting policies	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

These standards are not expected to have a material impact on the Group in the current or future reporting years or on foreseeable future transactions.

2.3 Basis of consolidation

The Group's 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 acquisitions, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

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

2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Revenue is recognised when the Group satisfies its performance obligations, in line with IFRS 15. Revenue from services comprises:

Management fee income

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 and is recognised as the performance obligations are met. 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 judgement 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.

2.4 Revenue (continued)

Management fee income (continued)

These are charged 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.

Costs reimbursements

Revenue recognition from the sale of customised software products follows the five-step model outlined in IFRS 15 - Revenue from Contracts with Customers. Revenue is recognised only when the control of the product has been transferred to the customer, which may occur at a point in time or over time depending on the specific terms of the contract. The transaction price is allocated to each performance obligation, which may include software development and ongoing maintenance or support services, based on their respective standalone selling prices. Revenue is recognised only to the extent of the consideration the entity expects to receive in exchange for the product.

The Company applies judgement in identifying and separating different performance obligations in a contract for the sale of customised software products as each contract may vary. In some cases, we may consider performance obligations as distinct if they are identifiable components of a bundled good or service, capable of being delivered to the customer separately or if they represent separate promises to transfer products/services.

Revenue on sale of customised software products is recognised net of VAT. The amount of revenue recognised reflects the fair value of consideration received or to be received.

Costs associated with the development of customised software products may include all or some of the operational costs (e.g. salaries, bonuses, direct overheads and allocation of facilities expenses) dependent upon the agreement negotiated with the counterparty. These costs are recognised in the income statement as an expense in the period in which they are incurred.

Revenues recognised from the provision of customised software products and support services are included under Other income in the Statement of comprehensive income.

2.4 Revenue (continued)

Cost Reimbursements specific to the contract with M&G

The revenue recognition policy is applied consistently to all contracts involving customised software products and support services. The policy is reviewed periodically to ensure compliance with the requirements of IFRS 15 and any changes in the nature of the Company's contract with customers.

During the year, the Company entered into a Collaboration Agreement ("CA") with Prudential Distribution LTD ("M&G") to create a new digital wealth proposition and brand ("&me") offering direct-to-customer services. This has been executed by the Company and allows M&G to extend their current wealth management offering into the digital space.

The brand is considered to be an asset controlled by M&G based on the following assessment:

- M&G owns the brand from the development commencement day as per the CA.
- M&G alone pays for the marketing budget spend, approves all marketing activity and retains veto rights in the decision-making process.
- The Company is permitted to use the "&me" brand exclusively in relation to the Digital App & Website, only in that capacity and only as approved by M&G.

As part of the proposition, M&G has paid the Company to develop an M&G branded App & Website which will be used for trading under the brand name "&me", and to provide M&G with Marketing Co-ordination Services and Platform Support Services.

Although the Company has the contractual obligation with the end customer and hosts the Digital App on its servers, management believes that M&G control its app and website. This is driven by the following factors:

- (a) The Company has primary responsibility for setting the Investment Objectives and creating the portfolios, though the Company has outsourced this to M&G via a sub advisory agreement. It is also subject to any related decision by M&G being non-binding and in practice, the decisions are followed by the Company in keeping with the spirit of the agreement.
 - M&G defines the pricing of the proposition.
 - The Platform Support Services by the Company relate only to the performance of a number of routine activities in the course of day to day operations.

2.4 Revenue (continued)

Cost Reimbursements specific to the contract with M&G (continued)

- (b) Management has assessed the timing of the transfer of control of the Digital App and the Website and concluded that development of the Digital App and the Website is a distinct service provided solely for the benefit of M&G and has recognised revenue in line with the app development costs and estimated progress-to-date. If instead it had been concluded that the Company controlled the app and the website, revenue and profit from development of the app/website would not have been recognised. Instead, the expenditure incurred would have been capitalised as a Company's asset, and the income received from M&G would have been treated as an adjustment to the profit share payable to M&G.

In assessing the accounting for Marketing reimbursement from M&G, management has considered that the &me brand is owned by M&G and regarded as M&G's asset. The Marketing services help to build the &me brand and therefore transfer a benefit to M&G. There are two elements to the Marketing reimbursement that have been considered:

- **Marketing Co-Ordination Service:** The associated activities performed by the Company are largely administrative in nature and could be performed by a third party. Management assessed the IFRS 15 criteria for revenue recognition and the economic risks linked to recoverability of actual costs and concluded that these services are distinct. The Company is judged to act in the capacity of a principal and hence recognises revenue on an incurred cost basis over time inclusive of a mark-up. This revenue is presented as other operating income.
- **Third-party costs:** Management has considered the Company's contractual responsibilities outlined in the CA and assessed those in accordance with IFRS 15, including purchasing the media only for the promotion of the M&G owned brand and acting as agent in procurement conversations. As the Company does not have primary responsibility to M&G for the goods and services procured, and is reimbursed by M&G for the amount spent, management has concluded that the Company is acting in the capacity of a buying agent and hence recognises all reimbursements net of the associated third-party costs.

2.5 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.

2.6 Finance income

Finance income comprises the returns generated on cash and cash equivalents and income on short-term deposits at banks. Finance income is recognised in the Statement of comprehensive Income as it accrues, using the effective interest rate method.

2.7 Finance costs

Finance costs comprise interest incurred on lease liabilities recognised under IFRS 16. Finance costs are recognised in the Statement of comprehensive Income using the effective interest rate method.

2.8 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.

2.9 Foreign operations translation

In accordance with IAS 21 – Foreign Currency transactions and Foreign operations, the economic results for the period of several subsidiaries in the Group's foreign operations are translated from Euro (their functional currency) into Pound Sterling (the presentational currency of the Group) using the average exchange rate for the period.

In addition, the financial position of the foreign subsidiaries (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 foreign 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 foreign operations.

2.10 Share based payments

The Group operates an equity-settled, share-based compensation plan, under which the Group receives services from employees as consideration for equity instruments (share options) of the Company. 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 condition (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 Group 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 Company 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 Company's financial statements.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase in investment in subsidiary undertakings, with a corresponding credit to equity in the Parent entity (the Company) accounts.

2.11 Post-employment benefits

Post-employment benefits are comprised 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 based on 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.

2.12 Current income tax

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

The tax expense represents the sum of the tax currently payable and any deferred tax. The current tax charge is based on the taxable profit or loss for the year. Taxable profit or loss differs from profit or loss as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

2.13 Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2.13 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.

2.14 Dividends

Dividends are recognised when they become legally payable, in accordance with the Companies Act 2006.

2.15 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 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.

Trademark

The trademark shall be amortised over its useful life, which is generally estimated to be the shorter of the legal and economic life. Trademarks held by the Company will be amortised over 10 years, which is the useful life of the trademark. Amortisation shall be calculated using the straight-line method and charged to the Statement of comprehensive Income.

Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the shorter of the licence period or 3 years.

2.15 Intangible assets (continued)

Capitalised development costs

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets only when the following criteria can be demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditure that does not meet the criteria is recognised as an expense in the period which it is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives. The amortisation rate applied as follows:

Capitalised development costs 3 - 5 years

Items that are amortised over the longer period relate to the development of the Company's technology platform to support the new product offerings.

Subsequent to initial recognition, capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Assets under development are not amortised until the asset is operational and available for use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2.15 Intangible assets (continued)

Client relationships

Individually purchased client relationships are initially recognised at cost. Where a transaction to acquire client relationship intangibles includes an element of variable deferred consideration, an estimate is made of the value of consideration that will ultimately be paid. The client relationship intangible recognised on the balance sheet is adjusted for any subsequent change in the value of deferred consideration.

Client relationships are subsequently carried at cost less accumulated amortisation, which is calculated using the straight-line method over their estimated useful lives, which do not exceed 10 years.

Goodwill

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.

The Goodwill is assigned an indefinite useful life. Impairment reviews are performed annually, or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses recognised on goodwill are not reversed in future periods.

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

2.16 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

2.17 Right-of-use lease assets

The Group 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.

2.18 Investments in subsidiaries

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

2.19 Financial instruments

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

Financial assets

Short-term investments represent investment in the money market fund that is classified as fair value through profit and loss (FVTPL). This is a highly liquid investment in highly rated Corporate and Government bonds. The carrying amount of this asset approximates to its fair value

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 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.

2.19 Financial instruments (continued)

Financial assets (continued)

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 Group 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 Group after deducting all of its liabilities. Equity instruments issued by the Group 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 Group.

Financial liabilities held at fair value through profit or loss are designated at initial recognition, and at each balance sheet date the liability is re-measured to fair value and any movement in that fair value is taken directly to the income statement.

2.20 Lease liabilities

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

2.21 Share capital

Ordinary shares are classified as equity where their terms include no contractual obligation to transfer cash or another financial asset to another entity.

2.22 Preferred and Convertible share capital

Preferred and convertible shares capital are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's shareholders.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the Statement of total comprehensive income.

2.23 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. However, the nature of estimation means that actual outcomes could differ from those estimates.

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.

Critical judgement

Reimbursements specific to the contract with M&G

During the year, the Company entered into a Collaboration Agreement ("CA") with Prudential Distribution LTD ("M&G") to create a new digital wealth proposition and brand ("&me") offering direct-to-customer services. This has been executed by the Company and allows M&G to extend their current wealth management offering into the digital space.

The brand is considered to be an asset controlled by M&G based on the following assessment:

- M&G owns the brand from the development commencement day as per the CA.
- M&G alone pays for the marketing budget spend, approves all marketing activity and retains veto rights in the decision-making process.
- The Company is permitted to use the "&me" brand exclusively in relation to the Digital app, only in that capacity and only as approved by M&G.

As part of the proposition, M&G has paid the Company to develop an M&G branded App & Website, which will be used for trading under the brand name "&me", and to provide M&G with Marketing Co-ordination Services and Platform Support Services.

Although the Company has the contractual obligation with the end customer and hosts the Digital App on its servers, management believes that M&G control the app and the website. This is driven by the following factors:

(a) The Company has primary responsibility for setting the Investment Objectives and creating the portfolios, though the Company has outsourced this to M&G via a sub advisory agreement. It is also subject to any related decision by M&G being non-binding and in practice, the decisions are followed by the Company in keeping with the spirit of the agreement.

2.23 Significant judgements, key assumptions and estimates (continued)

Critical Judgement (continued)

Reimbursements specific to the contract with M&G (continued)

- M&G defines the pricing of the proposition.
- The Platform Support Services by the Company relate only to the performance of a number of routine activities in the course of day to day operations.

(b) Management has assessed the timing of the transfer of control of the Digital App and concluded that development of the Digital App is a distinct service provided solely for the benefit of M&G and have recognised revenue in line with the app development costs and estimated progress-to-date. If instead it had been concluded that the Company controlled the app, revenue and profit from development of the app would not have been recognised. Instead, the expenditure incurred would have been capitalised as the Company's asset, and the income received from M&G would have been treated as an adjustment to the profit share payable to M&G.

In assessing the accounting for Marketing reimbursement from M&G, management has considered that the &me brand is owned by M&G and regarded as M&G's asset. The Marketing services help to build the &me brand and therefore transfer a benefit to M&G. There are two elements to the Marketing reimbursement that have been considered:

- **Marketing Co-Ordination Service:** The associated activities performed by the Company are largely administrative in nature and could be performed by a third party. Management assessed the IFRS 15 criteria for revenue recognition and the economic risks linked to recoverability of actual costs and concluded that these services are distinct. The Company is judged to act in the capacity of a principal and hence recognises revenue on an incurred cost basis over time inclusive of a mark-up. This revenue is presented as other operating income.
- **Third-party costs:** Management has considered the Company's contractual responsibilities outlined in the CA and assessed those in accordance with IFRS 15, including purchasing the media only for the promotion of the M&G owned brand and acting as agent in procurement conversations. As the Company does not have primary responsibility to M&G for the goods and services procured and is reimbursed by M&G for the amount spent, management has concluded that the Company is acting in the capacity of a buying agent and hence recognises all reimbursements net of the associated third-party costs.

2.23 Significant judgements, key assumptions and estimates (continued)

Key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the Directors have identified in the process of applying the Company's accounting policies and have the most significant effect on the amounts recognised in the financial statements.

Recognition of deferred tax asset

Deferred tax assets are recognised for the unused tax losses to the extent it is probable that taxable profit will be available against which the losses can be utilised. This involves an assessment of when those assets are likely to reverse, and a judgement as to whether there will be sufficient taxable profits available to offset the assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognised in respect of deferred tax assets as well as in the amounts recognised in income in the period in which the change occurs.

Based on the recent re-forecast, the Group is not expected to reach sustained profitability until late 2025. As a result, the directors have concluded that the criteria to recognise a deferred tax asset in relation to the carried forward losses has not yet been met, and therefore no deferred tax asset has been recognised as at 31 December 2022 in respect of the carried forward losses in the Group (see Note 9).

Hurdle shares

Liabilities held at fair value through profit or loss consist of obligations owed to hurdle shareholders in the event of the Group's sale to a third-party buyer or its listing in an initial public offering. The priority payment amount is contingent upon the achieved exit price, subject to a maximum limit of £7,673,018. A payout is triggered when the exit price reaches or exceeds £175 million, with the maximum priority payment being made for an exit at £300 million or higher.

As of the balance sheet date, the hurdle shares liability has been determined to have a fair value of £2,544,821 (2021: £2,603,684). In 2021, a thorough assessment was conducted with the assistance of a specialised third-party entity, utilising a Monte Carlo Simulations model. The assessment considered various factors such as the likelihood of a future exit and the enterprise valuation of the Group at that time. Management believes that there have been no significant changes in the main factors used to determine the liability since 2021. This affirmation is based on the Company's agreement with existing shareholders to finance the ongoing M&A transaction at a comparable enterprise value to that of 2021.

2.23 Significant judgements, key assumptions and estimates (continued)

Key sources of estimation uncertainty (continued)

Hurdle shares (continued)

This agreement indicates that the Company's valuation has been minimally affected by the economic downturn in the financial markets. Furthermore, the postponement of the IPO, attributable to prevailing economic conditions, has mitigated any potential increase in the liability's value.

Considering these factors, management has concluded that the fundamental assumptions underlying the valuation remain unchanged, and therefore, a revised valuation is not necessary. However due to the change in the central bank base rate and volatility in the equity market, management has re-evaluated the outstanding obligation and made an adjustment of £59k to it.

In accordance with IFRS 13 Fair Value Measurement, the Group classifies financial instruments on the consolidated balance sheet based on fair value using a three-level hierarchy. The hurdle shares liability has been categorised as fair value level 3 due to its reliance on market data that is not directly observable and has the potential to significantly impact the valuation. The most significant estimation for this liability pertains to the timing of the exit event and the valuation of the Company at that particular time.

Based on the sensitivity analysis the carrying amount of hurdle shares liability would be an estimated £1.1m higher or £0.8m lower if the future exit date used in the valuation model was 2 years different from management's estimate.

3 Revenue

	2022	2021
	£	£
United Kingdom	2,969,306	2,023,480
Rest of the World	11,566,632	7,753,658
	14,535,938	9,777,138

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

	2022	2021
	£	£
Other income	428,564	284,251
Cost reimbursements	1,229,474	388,188
	1,658,038	672,438

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

5 Administrative expenses

Administrative expenses incurred during the year include:

	2022	2021
	£	£
Depreciation of property, plant and equipment	74,261	62,111
Depreciation of right-of-use lease assets	230,711	217,275
Amortisation of intangible assets	395,340	31,995
Depositary and trading costs	3,265,229	1,782,831
Auditor's remuneration	302,000	253,930
Legal and professional fees	1,872,564	1,391,304
Staff costs	12,349,753	9,625,062
(Gain) or loss on foreign currency	(253,216)	97,941
Other administrative expenses	12,259,745	8,864,061
	30,496,387	22,326,510

Auditors' remuneration

Fees incurred during the year in relation to audit and non-audit services are analysed below:

	2022	2021
	£	£
Audit fees		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	45,000	45,000
Fee payable to the Company's auditors for the audit of the Company's annual accounts	139,800	110,000
Fee payable to the Company's auditors for the audit-related assurance service	117,200	98,930
	302,000	253,930
Non-audit service fees	£	£
Other non-assurance services	-	50,000
Total non-audit service fees	-	50,000

6 Wages and salaries

	2022 £	2021 £
Staff costs for the Group during the period		
Wages and salaries	9,281,601	5,949,688
Social security costs	1,858,451	2,181,169
Share based payment	408,536	341,727
Post-employment benefits – defined benefit	287,696	189,159
Post-employment benefits – defined contribution	168,736	143,868
	<hr/> 12,005,020	<hr/> 8,805,611
Contractor's costs	2,434,246	819,951
Less: Capitalised development costs	(2,089,513)	-
	<hr/>	<hr/>
Employment costs net of capitalised development costs	12,349,753	9,625,562

Post-employment benefits (defined benefit) relates to the TFR liabilities owed to Italian employees, detailed in Note 20.

	2022	2021
Number of people employed by the Group as of 31 December		
Employees		
MFM Investment Ltd	66	47
MFM Investment Ltd – Italian branch	127	79
Directors	<hr/> 8	<hr/> 7
	201	133

Six of the seven directors are not employees of the Group.

7 Directors' emoluments

	2022	2021
	£	£
Remuneration and other emoluments	442,541	590,533
Post-employment benefits (defined contribution)	10,317	15,131
Remuneration and other emoluments	452,858	605,664

The aggregated emoluments for the highest paid Director inclusive of employers' national insurance contribution was £310,358 (2021: £377,860).

8 Finance costs

	2022	2021
	£	£
Bank interest	6,732	5,729
Right-of-use lease liability interest cost	25,977	23,863
Revaluation of liabilities held at fair value through profit or loss	-	802,028
	32,709	831,620

9 Finance costs

	2022	2021
	£	£
Bank interest	6,732	5,729
Right-of-use lease liability interest cost	25,977	23,863
	32,709	29,592

9 Taxation

The major components of income tax expense for the year ended 31 December 2022 are:

	2022 £	2021 £
Current tax:		
UK Corporation tax at 19% (2021: 19.00%)	-	-
Adjustments in respect of prior periods	-	31,850
Total current tax	-	31,850
Deferred tax:		
Origination and reversal of timing differences	22,086	-
Adjustments in respect of prior periods	(22,086)	-
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:

	2022 £	2021 £
Loss on ordinary activities before tax	(14,100,771)	(12,871,569)
Tax on loss on ordinary activities at standard rate of 19.00% (2020: 19.00%)	(2,679,146)	(2,445,598)
Effects of:		
Fixed asset differences	(9,193)	(6,071)
Items of expenses not deductible for tax purposes	336,506	426,741
Income not taxable for tax purposes	(44,477)	-
Other timing differences	52,090	77,802
Difference in tax rates	(17,762)	(43,158)
Temporary differences not recognised	34	-
Adjustments to tax charge in respect of previous periods - deferred tax	92,026	-
Remeasurement of deferred tax for changes in tax rates	(22,086)	-
Movement in deferred tax not recognised	2,292,008	2,022,134
Total tax charge for the period	-	31,850

The tax charge recorded in 2021 pertains to the tax deducted from the RDEC receivable associated with the year 2019.

9 Taxation (continued)

Factors that may affect future tax charges

Factors that may affect the Group's future tax charge include the geographic location of the Group's earnings, the tax rates in those locations, changes in tax legislation and the recognition of previously unrecognised tax losses. The Finance Act 2021 passed into legislation in May 2021 and increased the main rate of UK corporation tax from 19% to 25% effective from 1 April 2023.

Deferred tax asset of £21.1m (2021: £17.9m) 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 Group has demonstrated sufficient supportable taxable profits.

See note 2.23 for further details on the consideration of the recognition of deferred tax assets in relation to carried forward losses.

10 Discontinued operations (continued)

The post-tax gain on disposal of discontinued operations was determined as follows:

Result of discontinued operations	2022	2021
	£	£
Revenue	-	42,846
Other income	-	-
Administrative expenses	-	(306,465)
Finance costs	-	-
Gain from selling discontinued operations after tax	-	100,597
Loss for the year	-	(163,022)

Result of discontinued operations

The statement of cash flows includes the following amounts relating to discontinued operations:

	2022	2021
	£	£
Operating activities	-	(156,848)
Investing activities	-	-
Financial activities	-	-
Net cash used in discontinued operations	-	(156,848)

11 Goodwill

	2022 £	2021 £
As at 1 January	4,992,676	5,566,362
Impairment	-	-
Elimination on the disposal of subsidiary	-	(232,876)
FX differences	81,443	(340,810)
As at 31 December	<u>5,074,119</u>	<u>4,992,676</u>

The Group has measured the goodwill at cost being the excess of the aggregate of the consideration transferred over the internally calculated fair value of net identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill acquired in a business combination is, from the acquisition date, allocated to the Cash Generating Units (CGUs) that are expected to benefit from that business combination.

At the balance sheet date, the Group had only one CGU, being MFM Investment Ltd (including branch operations) to which goodwill is attached. The goodwill associated with CGU is shown below:

	2022 £	2021 £
MFM Investment Ltd	5,074,119	4,992,676
Total	<u>5,074,119</u>	<u>4,992,676</u>

Goodwill is reviewed annually for impairment, or more frequently when there are indications that an impairment may have occurred. The impairment test involved comparing the carrying value of the assets held for use to their recoverable amount. The recoverable amount represents the higher of the entity's fair value net of selling costs and its value in use.

11 Goodwill (continued)

As part of the fair value review, management considered both the group valuation used for the Series D funding round in January 2022 as well as the group valuation used for the M&A transaction with an independent third party in November 2022.

The impairment was assessed also under value-in-use calculations. This calculation involved projecting future cash flows over a 10-year period and discounting them to their present value using a pre-tax discount rate of 10%.

The key assumptions used in the value in use calculation include:

- **Revenue growth rates:** The projected revenue growth rates are based on historical performance, market trends, and management's assessment of future market conditions.
- **Operating margins:** Management considered expected changes in costs, pricing strategies, and efficiency improvements to estimate the future operating margins.
- **Capital expenditures:** Planned capital expenditures necessary to maintain and enhance the CGU's operations were factored into the projections.
- **Working capital:** Changes in working capital requirements were considered in the cash flow projections.
- **Terminal value:** At the end of the 10-year period, a terminal value was calculated based on the estimated perpetual growth rate of 3%.
- **Discount rate:** The pre-tax discount rate used to calculate the present value of future cash flows was determined based on the CGU's risk profile and market conditions.

Management has justified the use of a 10-year projection period for the following reasons, considering the Company's growth stage in its life cycle:

- **Growth Potential:** 10-year projections capture the company's growth trajectory, including market penetration, customer relationship building, and scalability over an extended period.
- **Development of Intangible Assets:** The growth stage involves developing and enhancing intangible assets like intellectual property, brand recognition, and customer relationships. These assets contribute to future cash flows and should be considered in the projection period.

11 Goodwill (continued)

- **Long-Term Client Relationships:** Wealth management companies rely on long-term client relationships built on trust. A 10-year projection period accurately assesses the company's ability to retain and serve clients over time.
- **Wealth Accumulation and Transfer:** The industry involves assisting clients with wealth accumulation and transfer across generations. Long-term projections are necessary to evaluate service adequacy and the impact on future cash flows.

By incorporating these factors into a 10-year projection period, the Group can effectively assess its growth potential, account for intangible assets, evaluate long-term client relationships, and align with industry trends and wealth accumulation dynamics.

Based on the value in use calculation, the recoverable amount of the CGU exceeded its carrying value, indicating that no impairment has occurred to the carrying value of goodwill in the year.

12 Intangible assets – Group

	Trademark	Software	Client relationships	Capitalised Development costs	Total
	£	£	£	£	£
Cost					
As at 1 January 2021	45,000	157,396	-	-	202,396
Additions	-	477	-	-	477
Impairment	-	3,354	-	-	3,354
FX differences	-	7,719	-	-	7,719
As at 31 December 2021	45,000	146,800	-	-	191,800
At 1 January 2022	45,000	146,800	-	-	191,800
Additions	-	2,384	3,161,111	2,089,513	5,253,008
Impairments	-	-	-	-	-
FX differences	-	1,881	-	-	1,881
As at 31 December 2022	45,000	151,065	3,161,111	2,089,513	5,446,689
Accumulated amortisation					
As 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
As at 31 December 2021	23,813	87,018	-	-	110,830
At 1 January 2022	23,813	87,018	-	-	110,830
Charge for year	4,500	27,553	289,769	73,519	395,341
FX differences	-	(954)	-	-	954
As at 31 December 2022	28,313	115,525	289,769	73,519	507,125
Net book value					
As at 31 December 2022	21,188	59,782	-	-	80,970
As at 31 December 2022	16,687	59,782	2,871,343	2,015,994	4,939,566

During the financial year, the Group acquired client relationships from an independent third party for £3,161,111. The total amount charged in the Statement of comprehensive income in relation to these client relationships was £289,769.

13 Property, plant and equipment – Group

	Furniture	Computer	Total
	£	Equipment	£
		£	
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	<u>459,365</u>	<u>240,830</u>	<u>700,195</u>
At 1 January 2022	459,365	240,830	700,195
Additions	47,702	160,301	208,003
Elimination on disposal	-	(3,512)	(3,512)
FX differences	15,085	2,765	17,849
At 31 December 2022	<u>522,152</u>	<u>400,382</u>	<u>922,534</u>
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	<u>414,499</u>	<u>141,643</u>	<u>556,142</u>
As at 1 January 2022	414,499	141,643	556,142
Charge for year	24,098	50,164	74,261
Elimination on disposal	-	(806)	(806)
FX differences	(3,401)	(1,357)	(4,758)
At 31 December 2022	<u>441,998</u>	<u>192,357</u>	<u>634,355</u>
Net book value			
At 1 January 2021	44,866	99,187	144,053
At 31 December 2022	<u>80,155</u>	<u>208,024</u>	<u>288,179</u>

14 Leases

The Group has operating lease contracts for its office locations.

	Office space £	Motor Vehicles £	Total £
Cost			
At 1 January 2021	910,251	-	910,251
Additions	-	-	-
FX differences	(27,533)	-	(27,533)
At 31 December 2021	882,718	-	882,718
At 1 January 2022	882,718	-	882,718
Additions	866,633	18,625	885,258
Elimination on lease renewal	(520,059)	-	(520,059)
FX differences	6,940	-	6,940
At 31 December 2022	1,236,232	18,625	1,254,857
Accumulated depreciation			
At 1 January 2021	443,305	-	443,305
Charge for year	215,949	-	215,949
FX differences	(11,408)	-	(11,408)
At 31 December 2021	647,846	-	647,846
At 1 January 2022	647,846	-	647,846
Charge for year	222,729	7,982	230,711
Elimination on lease renewal	(520,059)	-	(520,059)
FX differences	(4,313)	-	(4,313)
At 31 December 2022	354,829	7,982	362,811
Net book value			
At 1 January 2021	234,873	-	234,873
At 31 December 2022	881,404	10,643	892,047

14 Leases (continued)

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

	Lease liabilities
	£
As at 1 January 2021	253,145
Additions	885,258
Accretion of interest	25,977
Payments	(245,507)
FX differences	(14,522)
As at 31 December 2021	<u>904,351</u>
Current:	248,862
Non-current:	<u>655,489</u>

15 Short-term investments

	2022	2021
	£	£
Short-term investments	<u>8,074,804</u>	<u>-</u>
	<u>8,074,804</u>	<u>-</u>

Short-term investments represent investment in the money market fund that is classified as fair value through profit and loss (FVTPL). This is a highly liquid investment in highly rated Corporate and Government bonds. The carrying amount of this asset represents its fair value.

16 Investment in subsidiary – Company

	2022 £	2021 £
Cost and net book amount		
As at 1 January	82,619,982	72,362,112
Investment in subsidiaries	28,950,000	10,900,000
Capital contribution regarding employee services in subsidiaries	408,536	341,727
Elimination on the disposal of subsidiary	-	(983,857)
As at 31 December	<u>111,978,517</u>	<u>82,619,982</u>

The investment in subsidiary undertakings are all stated at cost less any provision for impairment.

During the year, the Company made capital contributions in the form of cash transfers of £28.6m (2021: £10.9m) to MFM Investment Ltd, and £0.4m (2021: £nil) to MFM Future S.R.L.

No impairment was recognised in the year ended 31 December 2022 in relation to investment in subsidiary undertakings.

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%
MFM Future S.R.L.	Via Antonio da Recanate, 1, 20124 Milano MI, Italy	Insurance broking	100%

17 Trade and other receivables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade receivables (net of bad debts write-offs)	2,012,824	1,649,726	617,200	328,000
Prepayments and accrued income	1,135,799	1,513,615	80,267	32,243
VAT receivables	-	208,634	62,400	57,304
R&D grant receivable	165,620	135,782	-	-
Client taxes receivables	1,909,459	28,101,098	-	-
Other receivables	115,744	39,759	-	-
	<u>5,339,447</u>	<u>31,648,614</u>	<u>759,867</u>	<u>417,547</u>

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

Client taxes receivables are taxes on capital gains, dividends and stamp duty that the Group collects from customers and relays to the Italian tax authorities. The majority of the 2021 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 Group's receivables is a reasonable approximation of their fair value. No trade receivables were overdue or impaired.

18 Cash and cash equivalents

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Cash at bank and on hand	27,161,802	10,593,223	17,142,518	3,712,689
	<u>27,161,802</u>	<u>10,593,223</u>	<u>17,142,518</u>	<u>3,712,689</u>

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.

19 Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade payables	1,907,420	1,393,107	76,830	18,758
Accruals and deferred income	2,502,951	1,872,968	67,094	417,986
Other taxes and social security	447,500	174,795	-	-
Client taxes payables	4,433	27,943,620	-	-
Other current liabilities	<u>1,065,074</u>	<u>986,927</u>	<u>1,075,474</u>	<u>826</u>
	<u>5,927,378</u>	<u>32,371,417</u>	<u>1,219,399</u>	<u>437,570</u>

Client taxes payables 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.

20 Liabilities at fair value through profit or loss

Liabilities held at fair value through profit or loss consist of obligations owed to hurdle shareholders in the event of the Group's sale to a third-party buyer or its listing in an initial public offering. The priority payment amount is contingent upon the achieved exit price, subject to a maximum limit of £7,673,018. A payout is triggered when the exit price reaches or exceeds £175 million, with the maximum priority payment being made for an exit at £300 million or higher.

As of the balance sheet date, the hurdle shares liability has been determined to have a fair value of £2,544,821 (2021: £2,603,684). In 2021, a thorough assessment was conducted with the assistance of a specialised third-party entity, utilising a Monte Carlo Simulations model. The assessment considered various factors such as the likelihood of a future exit and the enterprise valuation of the Group at that time. Management believes that there have been no significant changes in the main factors used to determine the liability since 2021. This affirmation is based on the Company's agreement with existing shareholders to finance the ongoing M&A transaction at a comparable enterprise value to that of 2021. This agreement indicates that the Company's valuation has been minimally affected by the economic downturn in the financial markets. Furthermore, the postponement of the IPO, attributable to prevailing economic conditions, has mitigated any potential increase in the liability's value.

Considering these factors, management has concluded that the fundamental assumptions underlying the valuation remain unchanged, and therefore, a revised valuation is not necessary. However due to the change in the central bank base rate and volatility in the equity market, management has re-evaluation the outstanding obligation and made an adjustment of £59k to it.

In accordance with IFRS 13 Fair Value Measurement, the Group classifies financial instruments on the consolidated balance sheet based on fair value using a three-level hierarchy. The hurdle shares liability has been categorised as fair value level 3 due to its reliance on market data that is not directly observable and has the potential to significantly impact the valuation.

21 Post-employment benefits

Post-employment benefits are comprised of the TFR provision for employees of the Group's Italian operations. 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 Group to be paid directly to them on termination of employment. Amounts withheld with the Group are accounted for as a defined benefit obligation.

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

	2022	2021
Wage growth rate	5.00%	5.00%
Inflation rate	5.5%	1.50%
Discount annual rate	2.436%	0.483%

	2022 £	2021 £
Provisions for the year		
Current service cost	182,317	131,372
Interest expense on defined benefit obligations	1,908	(64)
Benefits paid	(132,344)	(72,500)
Actuarial gains/(losses) recognised in revaluation reserves		
Actuarial (gains)/losses for the year	(2,729)	(7,140)
Actuarial (gains)/losses on demographic assumptions	(9,962)	(1,240)
Actuarial (gains)/losses on financial assumptions	(36,944)	(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 £18,115 (4.01%), whereas a 0.5% increase in interest rates would decrease it by £16,849 (3.8%).

22 Share capital

	2022		2021	
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £0.0001 each	5,491,527	550	5,491,027	549
A-1 shares of £0.0001 each	6,086,900	609	6,086,900	609
A-2 shares of £0.0001 each	8,929,488	893	8,929,488	893
A-3 shares of £0.0001 each	2,211,752	221	2,211,752	221
B-1 shares of £0.0001 each	24,201,866	2,420	24,201,866	2,420
C shares of £0.0001 each	15,430,860	1,543	15,430,860	1,543
D shares of £0.0001 each	9,287,082	928	-	-
£0.0001 hurdle shares	4,635,187	464	4,635,187	464
A hurdle shares	6	-	6	-
B hurdle shares	26	-	26	-
Balance carried forward	76,289,643	7,628	66,987,112	6,699

The Company has various classes of shares as outlined in the preceding table. All classes have voting rights except for the A hurdle shares and B hurdle shares.

During 2022, the Company issued 500 ordinary shares of £0.0001 ranking pari passu with ordinary shares in issue (2021: 113,449) in connection with employee share schemes, giving rise to a total share premium of £898 (2021: £10,093).

During 2022, the Company issued 9,287,082 non-redeemable D convertible preference shares of £0.0001 at a price of £4.86 per share. A total share premium of £43.2m was received and total share issue costs of £1.9m were incurred on the issue of Series D convertible preference shares. Series D convertible preference shares are not entitled to any non-discretionary dividends.

Holders of the Ordinary shares, A-1 shares, A-2 shares, A-3 shares, B-1 shares, C shares and D shares have equal entitlement to dividend distributions in proportion to the number of shares held by them. Hurdle shares carry no right to participate in dividend payments.

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

The A hurdle shares and B hurdle shares carry rights to receive a priority share of the proceeds of sale in the event that the Company is sold to a third party or listed in an initial public offering. The potential payment has been classified as a fair value liability through profit or loss, for further details refer to Note 19.

22 Share capital (continued)

The £0.0001 hurdle shares carry rights to receive a priority share of the proceeds of sale (behind the A and B hurdle shares but ahead of all other share classes) in the event that the Company is sold to a third party or listed in an initial public offering. The total value of this priority share is variable but subject to a cap of £30m.

23 Share-based payment

The Company operates share schemes for the 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 Company issued options to UK employees under the EMI Option Scheme. Since then, the Company is not eligible to issue under the scheme.

CSOP

The Company 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 Company 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 operating expenses of the Group is a charge for share-based payments of £0.4m (2021: £0.3m) that arises from transactions accounted for as equity-settled share-based payment transactions.

23 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 2022	722,926	1.68	2,563,922	2.05	3,286,848	1.97
Granted during the period	-	-	988,012	4.62	988,012	4.62
Exercised during the period	-	-	(500)	1.80	(500)	1.80
Forfeited during the period	(3,494)	1.80	(289,791)	2.76	(293,285)	2.74
Outstanding at 31 December 2022	719,432	1.67	3,261,643	2.77	3,981,075	2.57

	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

1. Weighted average exercise price

23 Share-based payment (continued)

The following table summarises information about the share awards outstanding as at 31 December 2022:

Range of exercise prices	EMI Options		Unapproved Options		Total	
	Number and WARCL ²		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years
£0.05 - £1.18	576,652	5.1	2,001,115	7.1	2,577,767	6.7
£1.19 - £2.33	12,780	2.5	323,528	2.8	466,308	2.7
£2.24 - £4.86	-	-	937,000	9.8	937,000	9.8
	719,432	4.6	3,261,643	7.5	3,981,075	7.0

The following table summarises information about the share awards outstanding as at 31 December 2021:

Range of exercise prices	EMI Options		Unapproved Options		Total	
	Number and WARCL ²		Number and WARCL		Number and WARCL	
	Number	Years	Number	Years	Number	Years
£0.05 - £1.18	580,146	6.1	2,260,982	8.2	2,841,128	7.8
£1.19 - £2.33	142,780	3.5	302,940	3.9	445,720	3.8
	722,926	5.6	2,563,922	7.7	3,286,848	7.3

2: Weighted average remaining contractual life

23 Share-based payment (continued)

EMI and CSOP Valuation

The weighted average fair values of options granted under the EMI and CSOP Options Scheme ranged between £0.34 and £1.27 (2021: £0.403 and £1.14) 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 2022	31 December 2021
Share price (range)	£4.86	£4.02 - £4.53
Exercise price at	£4.86	£2.33
Expected life	4 years	4 years
Expected volatility	25%	25%
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 2022	31 December 2021
Exercise price at	£4.86	£2.33
Expected life	2 years	2 years
Expected volatility	25%	25%
Vesting probability	50%	50%
Dividend yield	Nil	Nil

24 Financial instruments and risk management

The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

- short-term investments
- trade and other receivables
- cash and cash equivalents and
- trade and other payables

Categorisation of financial assets and financial liabilities

The tables show the carrying amounts of financial assets and financial liabilities by category of financial instrument as at 31 December 2022:

Assets	Assets at fair value through profit and loss £	Amortised cost £	Total £
Short-term investments	8,074,804	-	8,074,804
Trade and other receivables	-	5,339,447	5,339,447
Cash and cash equivalents	-	27,161,802	27,161,802
	8,074,804	32,501,248	40,576,052

Liabilities	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
Trade and other payables	-	5,927,378	5,927,378
Post-employment benefits	-	444,213	444,213
Right-of-use lease liabilities	-	904,351	904,351
Liabilities at fair value through profit and loss	2,544,821	-	2,544,821
	2,544,821	7,275,942	9,820,762

24 Financial instruments (continued)

The tables show the carrying amounts and fair values of financial assets and financial liabilities by category of financial instruments as at 31 December 2021:

Assets	Assets at fair value through profit and loss £	Amortised cost £	Total £
Trade and other receivables	-	31,648,614	31,648,614
Cash and cash equivalents	-	10,593,223	10,593,223
	-	42,241,837	42,241,837

Liabilities	Liabilities at fair value through profit and loss £	Amortised cost £	Total £
Trade and other payables	-	32,371,417	32,371,417
Post-employment benefits	-	387,643	387,643
Right-of-use lease liabilities	-	253,145	253,145
Liabilities at fair value through profit and loss	2,603,684	-	2,603,684
	2,603,684	33,012,205	35,615,889

Financial instruments measured at amortised cost

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, trade and other receivables, post-employment benefits, lease liabilities and trade and other payables. Due to their nature, the carrying value of each of the above financial instruments approximates to their fair value.

24 Financial instruments (continued)

Financial instruments measured at fair value through profit and loss

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- level 3 inputs are unobservable inputs for the assets or liabilities.

31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£	£	£	£
Short-term Investments	8,074,804	-	-	8,074,804
Liabilities at fair value through profit and loss	-	-	(2,544,821)	(2,544,821)

31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (level 1)	Significant observable inputs (level 2)	Significant unobservable inputs (level 3)	Total
	£	£	£	£
Liabilities at fair value through profit and loss	-	-	(2,603,684)	(2,603,684)

24 Financial instruments (continued)

Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Company's senior managers are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board on their activities.

The Group's current financial risk management framework is a combination of formally documented risk management policies in certain areas and informal risk management policies in others. The Group's risk management policies (both formal and informal) are established to identify and analysis the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and ensure any limits are adhered to. The Group's activities are reviewed regularly and potential risks are considered.

The Group's operations expose it to a variety of financial risks including market risk, credit risk, interest rate risk and liquidity risks.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market prices.

Foreign exchange risk

The most significant area of market risk to which the Group is exposed to is foreign exchange rate risk. The Group is exposed to foreign exchange rate risk because of investment in money market fund and cash held in Euros, US Dollar 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 Group'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	
	Income Statement	Equity	Income Statement	Equity
At 31 December				
US Dollars	2	-	(2)	-
Euros	599	-	(599)	-
	<u>601</u>	<u>-</u>	<u>(601)</u>	<u>-</u>

24 Financial instruments and risk management (continued)

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.

Interest rate sensitivity analysis

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group is not significantly exposed to interest rate sensitivity since the Group has no significant interest-bearing assets and liabilities.

Other price risk

The Group is not exposed to market risk with respect to financial instruments as it does not hold any marketable securities.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to this risk principally from the Group's receivable from customers, investment in money market fund and cash and cash equivalents held at banks.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	31 December 2022 £	31 December 2021 £
Short-term investments	8,074,804	-
Trade and other receivables	5,339,447	31,648,614
Cash and cash equivalents	27,161,802	10,593,223
	40,576,052	42,241,837

24 Financial instruments and risk management (continued)

Credit risk (continued)

The policies and procedures implemented by the Group to mitigate credit risk are as follows:

Short-term investments

The Group is managing credit risk with respect to its short-term investments by only dealing in highly liquid and highly rated Corporate and Government bonds.

Trade and other receivables

Trade receivables represent the invoiced amounts due from retail and corporate customers. Management fees charged to retail customers are credited directly to the Company from the clients' Moneyfarm accounts, and as a result the Group's credit risk is minimal. The risk of financial loss on the amounts due from corporate customers is deemed minimal because the counterparties are well established financial institutions.

Ongoing evaluation is performed on the financial condition of other receivables and, where appropriate, a provision for impairment is recorded in the financial statements.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group also consider the historical credit loss experience, adjusted for factors that are specific to the trade receivables, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date. The Group also liaise with the clients' management team before concluding on whether a provision is required. On that basis, no loss allowance as at 31 December 2022 was determined.

Cash at bank

The Group limits its exposure to credit risk by only placing balances with highly rated international banks and local banks and financial institution of good repute.

24 Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's position.

The Group's liquidity position is monitored and reviewed on an ongoing basis by the management.

The amounts disclosed in the following tables are contractual undiscounted cashflows:

31 December 2022	Less than 3 months £	Between 3 months and 1 year £	Between 1 and 5 years £	Total £
Financial assets				
Short-term Investments	8,074,804	-	-	8,074,804
Trade and other receivables	3,922,283	1,417,164	-	5,339,447
Cash and cash equivalents	27,161,802	-	-	27,161,802
	39,158,888	1,417,164	-	40,576,052

31 December 2022	Less than 3 months £	Between 3 months and 1 year £	Between 1 and 5 years £	No contractual maturity £	Total £
Financial liabilities					
Trade and other payables	5,927,378	-	-	-	5,927,378
Post-employment benefits	-	-	444,213	-	444,213
Right-of-use lease liabilities	-	248,862	655,489	-	904,351
Liabilities at fair value through profit and loss	-	-	-	2,544,821	2,544,821
	5,927,378	248,862	1,099,702	2,544,821	9,820,762

24 Financial instruments and risk management (continued)

Liquidity risk (continued)

31 December 2021	Less than 3 months £	Between 3 months and 1 year £	Between 1 and 5 years £	Total £
Financial assets				
Trade and other receivables	30,095,240	1,553,374	-	31,648,614
Cash and cash equivalents	10,593,223	-	-	10,593,223
	<u>40,688,463</u>	<u>1,553,374</u>	<u>-</u>	<u>42,241,837</u>

31 December 2021	Less than 3 months £	Between 3 months and 1 year £	Between 1 and 5 years £	No contractual maturity £	Total £
Financial liabilities					
Trade and other payables	32,371,417	-	-		32,371,417
Post-employment benefits	-	-	387,643		387,643
Right-of-use lease liabilities	-	187,700	65,445		253,145
Liabilities at fair value through profit and loss				2,603,684	2,603,684
	<u>32,371,417</u>	<u>187,700</u>	<u>453,088</u>	<u>2,603,684</u>	<u>35,615,889</u>

Hurdle shares liability has been categorised as fair value level 3 as the valuation inputs are based on non-observable market data which is liable to affect the valuation materially.

24 Financial instruments and risk management (continued)

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 Investment Firms Prudential Regime (IFPR), a new prudential regime for UK firms authorised under the Markets in Financial Instruments Directive (MIFID), came into effect on 1 January 2022. The Group is subject to the rules introduced by the Financial Conduct Authority (FCA) through the publication of the Prudential Sourcebook for MIFID Investment Firms (MIFIDPRU), which replaces the CRD.

The Group's subsidiary (MFM Investment Ltd) has a regulatory capital requirement. The capital held to meet this requirement comprises share capital, other reserves and retained earnings. The Directors ensure that the level of capital held in the Company:

- meets the regulatory capital requirements;
- provides a strong base for ongoing operating activities; and
- is sufficient to support the Company's long-term strategy

The Group must at all times meet the relevant minimum capital requirements of the Regulation. 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. The Group maintains an ICARA which is updated annually.

25 Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

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 personnel comprises only the Directors. Information regarding Directors' emoluments stated in accordance with IFRS and the Companies Act 2006 is set out in Note 6.

26 Ultimate controlling party

In the opinion of the Directors, the Group does not have a single ultimate controlling party.

27 Post statement of financial position date events

The Company is expanding through acquisitions and has agreed to acquire the entire share capital of Profile FSH Limited owner of the FCA regulated subsidiary Profile Financial Solutions Ltd and of Financial Lifetime Ltd (together "PP group"). The agreement was made on 24 November 2022 and was conditional on FCA authorisation. Since the year end, the Company has received the FCA's consent and is currently in the final stages of concluding the transaction as outlined in the SPA. However, since these financial statements were issued prior to the completion of the acquisition in 2023, the initial accounting for the acquisition and the allocation of the purchase price are not yet finalised.

There were no other material post-balance sheet events.