Registered number: 09553255

MFM HOLDING LTD

GROUP REPORT AND FINANCIAL STATEMENTS

For the year ended

31 DECEMBER 2020

Company information

Directors	Giovanni Daprà Paolo Galvani James Roy Clark Paolo Gesess Jurgen Weber Jan Spelsiek (Appointed 29 January 2020, resigned 24 November 2020) Stefano Bertagna de Marchi (Appointed 13 May 2020, resigned 24 November 2020) Camillo Greco (Appointed 24 November 2020) Markus Deliano (Appointed 24 November 2020)
Company Secretary	Taylor Wessing LLP
Registered Office	90-92 Pentonville Road London N1 9HS
Independent Auditor	Ernst & Young LLP 25 Churchill Place London E14 5EY
Registered Number	09553255

Strategic report

The Directors present their Strategic report of MFM Holding Ltd for the year ended 31 December 2020.

Principal activities

MFM Holding Ltd ("the Company") was incorporated under the Companies Act 2006 on 21 April 2015. Its principal activity is as 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 MFM Group contains multiple regulated subsidiaries. MFM Investment Limited is authorised by the Financial Conduct Authority ("FCA") in the UK and has an international branch based in Italy ("Italian branch") which is authorised and supervised by the Commissione Nazionale per le Società e la Borsa ("CONSOB") and the Bank of Italy ("BOI"). MFM Investment GmbH is authorised by Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") in Germany, and MFM Future S.r.l. is authorised by Istituto per la Vigilanza Sulle Assicurazioni ("IVASS") in Italy.

Business review

During 2020, the focus of the Group has been on delivering continuous growth in market share and customer base, and further investing in new product development. This has resulted in revenue for the year of £6.2m (2019: £3.0m) and a loss before tax for the year of £14.4m (2019: £16.2m) for the Group.

During the year ended 31 December 2020, a further fundraising round of £14.6m was closed with Allianz Asset Management and Poste Italiane as the lead investors.

However, as part of the Group's response to the coronavirus pandemic, the Group elected to focus on its mature markets in Italy and the UK and withdraw from its German operations. This process involved the sale of the customer base to an alternative provider, and the sale of the legal entities to a separate third-party buyer which was completed in July 2021.

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.

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 monitor the performance of AUM during the period and enter into an active dialogue with investors to manage expectations and reduce the risk of significant levels of capital withdrawals.

From an operational perspective, the key risk resides mainly in the operations of 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 to systems and ensuring that back-up systems are in place that will enable both continuity of service and restoration of historic data.

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

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 custodians domiciled within the EU.

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 fee income, assets under management and active customer count.

The Company showed strong fee growth in 2020, raising total fee income by 109% to £6.2m (2019: £3.0m). Underlying this income growth was an increase in total customer AUM in the UK and Italy of 55% to £1,188m (2019: £762m). Active customers in the UK and Italy rose by 31% to 49,198 (2019: 37,518).

The Group has an administrative cost base of £20.2m (2019: £19.2m), comprising chiefly of staff costs of £9.2m (2019: £8.6m) and marketing costs of £5.2m (2019: £4.3m).

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 expenditure and investment into its technology to expand the product and service offering, and to improve the user experience for its customers.

Approved by the Directors and signed on their behalf by:

Giovanni Daprà

Director

17 January 2022

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 2020.

Results for the year and dividends

The Group made a loss before tax for the year of £14,420,315 (2019: loss of £16,217,946). The Directors do not recommend the payment of a dividend (2019: £nil).

Future developments and post balance sheet events

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

Directors

The Directors of the Company throughout the year and up to the date of this report are detailed on page 2.

Auditor

Following a review of the Group's audit arrangements, the Directors have approved proposals to appoint Deloitte as auditor to the group and that a resolution to appoint them will be passed subsequent to the approval of these financial statements. The auditor shall hold office subject to and in accordance with the provisions of Sections 485 to 488 of the Companies Act 2006.

Going concern

The Group recorded a loss before tax for the year ended 31 December 2020 of £14.4m (2019: loss before tax of £16.2m) and incurred a net cash outflow from core operating activities of £13.4m (2019: £15.1m) during this period.

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

The Group held surplus cash of £21.3m at 31 December 2020, however financial forecasts assume that raising further external capital will be required prior to the Group reaching overall profitability. At the end of 2021 group AUM was £2.1bn – 25% ahead of the plan for the period - and as such management are confident that forecasts have been prepared on a realistic and attainable basis.

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. Thanks to the flexibility of its operating business model and its cost base, in adverse circumstances a high proportion of this spending could be cut to extend the Group's cash runway significantly.

The Group has been engaged in the process of raising further capital throughout the second half of 2021. At the date of this report, the fundraising has reached an advanced stage with committed investors lined up to inject significant new capital and is expected to close in the first quarter of 2022.

With this new fundraising, management believes regulatory capital requirements continue to be met and that the business will have sufficient liquidity to meet its liabilities for at least the next 12 months. 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.

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 17 January 2022 by:

Giovanni Daprà
Director
Registered number 09553255

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 LTD

Opinion

We have audited the financial statements of MFM Holding Ltd (the 'Company') and its subsidiaries (collectively, the 'Group') for the year ended 31 December 2020 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group and Company Statement of Cash Flows, and the related notes 1 to 23, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent Company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applied in accordance with section 408 of the Companies Act 2006; and
- the Group and parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 and parent Company's ability to continue as a going concern for a period of at least twelve months from the date 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and parent Company's ability to continue as a going concern.

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 this 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 there is 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and parent Company and determined that the most significant are those that relate to International Accounting Standards in conformity with the requirements of the Companies Act 2006.
- We understood how MFM Holding Ltd is complying with those frameworks by making enquiries of management and those charged with governance to understand how management maintains and communicates its policies and procedures in these areas and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the Group and parent Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override of internal control. We tested specific transactions reconciling to source documentation or independent confirmation, ensuring appropriate authorisation of the transactions.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations with particular focus on recognition and measurement of management fee income.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Matthew Price (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 17 January 2022

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Notes	2020	2019
		£	£
Revenue	3	6,177,051	2,957,863
Other income	4	-	804,923
Administrative expenses	5	(20,215,725)	(19,196,845)
Operating loss		**(14,038,674)**	**(15,434,059)**
Finance costs	9	(381,641)	(783,887)
Loss for the period before tax		**(14,420,315)**	**(16,217,946)**
Taxation	10	-	-
Loss for the period after tax		**(14,420,315)**	**(16,217,946)**
Other comprehensive income			
Actuarial gain/(loss on post-employment benefits)		27,620	-
Foreign exchange gain/(loss) arising on the re-translation of foreign operations and goodwill		106,838	(233,442)
Total comprehensive loss for the year		**(14,285,857)**	**(16,451,388)**

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

The notes on pages 23 to 47 are an integral part of these financial statements.

Consolidated statement of financial position as at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Non-current assets			
Property, plant and equipment	11	145,789	231,286
Right-of-use lease assets	13	504,111	754,528
Intangible assets	12	5,687,294	6,191,290
		6,337,194	7,177,104
Current assets			
Prepaid expenses		539,008	234,284
Other assets		84,378	64,750
Trade and other receivables	15	6,666,843	7,196,101
Cash and cash equivalents	16	21,365,302	20,462,742
		28,655,531	27,957,877
Total assets		**34,992,725**	**35,134,981**
Liabilities			
Current liabilities			
Trade and other payables	17	6,772,506	7,659,328
Right-of-use lease liabilities	13	248,757	248,757
		7,021,263	7,908,085
Non-current liabilities			
Liabilities at fair value through profit or loss	18	1,801,656	1,459,705
Post-employment benefits	19	345,592	-
Right-of-use lease liabilities	13	278,888	523,620
		2,426,136	1,983,325
Total liabilities		**9,447,399**	**9,891,410**
Net assets		**25,545,326**	**25,243,571**
Equity			
Share capital	20	6,688	5,977
Share premium		95,044,055	80,455,789
Merger relief reserve		1,402,715	1,402,715
Retained earnings		(72,084,678)	(57,691,983)
Exchange rate translation reserve		1,109,484	1,002,646
Stock option plan reserve		67,062	68,427
Total equity		**25,545,326**	**25,243,571**

The notes on pages 23 to 47 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 17 January 2022 and signed on their behalf by:

Giovanni Daprà
Director
Registered number 09553255

Consolidated statement of changes in equity as at 31 December 2020

	Share capital	Share premium	Merger relief reserve	Retained earnings	Exchange rate translation reserve	Stock option plan reserve	Total
	£	£	£	£	£	£	£
Balance at 31 December 2018	2,194	15,511,266	1,402,715	(25,875,927)	1,143,287	79,505	(7,736,960)
Loss for the period after tax	-	-	-	(16,217,946)	-	-	(16,217,946)
Issue of ordinary shares	1,041	21,421,992	-	-	-	-	21,423,033
Foreign exchange gain arising on the re-translation of foreign operations	-	-	-	-	4,043	-	4,043
Foreign exchange gain arising on the re-translation of goodwill	-	-	-	-	(237,485)	-	(237,485)
Amount recognised in respect of pending stock options	-	-	-	-	-	10,829	10,829
Amount recognised in respect of exercised stock options	-	-	-	-	-	(300)	(300)
Balance at 31 December 2019	5,977	80,455,789	1,402,715	(57,691,983)	1,002,645	68,427	25,243,571
Loss for the period after tax	-	-	-	(14,420,315)	-	-	(14,420,315)
Issue of ordinary shares	711	14,588,266	-	-	-	-	14,588,977
Foreign exchange gain arising on the re-translation of foreign operations	-	-	-	-	(163,055)	-	(163,055)
Foreign exchange gain arising on the re-translation of goodwill	-	-	-	-	269,893	-	269,893
Amount recognised in respect of pending stock options	-	-	-	-	-	(1,365)	(1,365)
Revaluation of termination benefit incentives				27,620	-	-	27,620
Balance at 31 December 2020	6,688	95,044,055	1,402,715	(72,084,678)	1,109,484	67,062	25,545,326

The notes on pages 23 to 47 are an integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2020

	2020	2019
	£	£
Cash flows from operating activities		
Loss on ordinary activities before tax	(14,420,305)	(16,217,946)
Adjustments for:		
(Increase) / Decrease in prepaid expenses	(304,724)	(264,455)
Decrease / (Increase) in trade and other receivables	529,258	(5,597,194)
(Decrease) / Increase in trade and other payables	(886,822)	5,482,716
Stock option plan vested	(1,365)	10,829
Stock option plan exercised	-	(300)
Depreciation and amortisation charge	730,250	719,456
Post-employment benefits charge	345,592	-
Impairment of goodwill	232,303	-
Finance costs	381,641	783,887
Foreign exchange loss	11,253	20,621
Net cash used in operating activities	**(13,382,929)**	**(15,061,297)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(31,571)	(48,674)
Acquisition of intangible assets	(27,185)	(71,567)
Net cash generated from investing activities	**(58,756)**	**(120,241)**
Cash flows from financing activities		
Issue of share capital	14,588,977	21,423,033
Payment of principal portion of lease liabilities	(244,732)	(233,318)
Net cash generated from financing activities	**14,344,245**	**21,189,715**
Net increase in cash and cash equivalents	**902,560**	**6,008,177**
Cash and cash equivalents, beginning of the period	20,462,742	14,454,565
Cash and cash equivalents, end of the period	**21,365,302**	**20,462,742**

The notes on pages 23 to 47 are an integral part of these financial statements.

Company statement of financial position as at 31 December 2020

	Notes	2020 £	2019 £
Assets			
Non-current assets			
Investments	14	71,892,550	62,879,624
		71,892,550	64,879,624
Current assets			
Prepayments		23,501	24,113
Trade and other receivables	15	170,514	53,417
Cash and cash equivalents	16	14,946,331	11,329,084
		15,140,346	11,406,614
Total assets		**87,032,896**	**74,286,238**
Liabilities			
Current Liabilities			
Trade and other payables	17	487,775	131,036
			131,036
Non-current liabilities			
Liabilities at fair value through profit or loss	18	1,801,656	1,459,705
		1,801,656	1,459,705
Total Liabilities		**2,289,431**	**1,590,741**
Net assets		**84,743,465**	**72,695,497**
Equity			
Share capital	19	6,688	5,977
Share premium		95,044,055	80,455,789
Merger relief reserve		1,402,715	1,402,715
Retained earnings		(11,777,055)	(9,237,411)
Stock option plan reserve		67,062	68,427
Total equity		**84,743,465**	**72,695,497**

The parent company MFM Holding Ltd made a loss for the year end 31 December 2020 equal to £2,539,645 (2019: £3,343,827). The notes on pages 23 to 47 are an integral part of these financial statements.

The financial statements were approved for issue by the Board of Directors on 17 January 2022 and signed on their behalf by:

Giovanni Daprà
Director
Registered number 09553255

Company statement of changes in equity as at 31 December 2020

	Share capital	Share premium	Merger relief reserve	Retained earnings	Stock option plan reserve	Total
	£	£	£	£	£	£
Balance at 31 December 2018	**4,936**	**59,033,797**	**1,402,715**	**(5,893,584)**	**57,898**	**54,605,762**
Loss for the period after tax	-	-	-	(3,343,827)	-	(3,343,827)
Issue of ordinary shares	1,041	21,421,992	-	-	-	21,423,033
Amount recognised in respect of pending stock options	-	-	-	-	10,829	10,829
Amount recognised in respect of exercised stock options	-	-	-	-	(300)	(300)
Balance at 31 December 2019	**5.977**	**80,455,789**	**1,402,715**	**(9,237,411)**	**68,427**	**72,695,497**
Loss for the period after tax	-	-	-	(2,539,645)	-	(2,539,645)
Issue of ordinary shares	711	14,588,266	-	-	-	14,588,977
Amount recognised in respect of pending stock options	-	-	-	-	(1,365)	(1,365)
Balance at 31 December 2020	**6,688**	**95,044,055**	**1,402,715**	**(11,777,056)**	**67,062**	**84,743,464**

The notes on pages 23 to 47 are an integral part of these financial statements.

Company statement of cash flows for the year ended 31 December 2020

	2020 £	2019 £
Cash flows from operating activities		
Loss on ordinary activities before tax	(2,539,645)	(3,343,827)
Adjustments for:		
(Increase) / Decrease of prepaid expenses	(23,501)	(24,113)
(Increase)/ Decrease in trade and other receivables	(117,097)	(37,642)
(Decrease) / Increase trade and other payables	356,739	(62,037)
Depreciation and amortisation charge	-	34,323
Finance costs	341,951	735,103
Net cash (used in) / provided by operating activities	**(1,981,553)**	**(2,698,193)**
Cash flows from investing activities		
Investment in subsidiaries	(8,988,812)	(12,394,190)
Net cash used in investing activities	**(8,988,812)**	**(12, 394,190)**
Cash flows from financing activities		
Issue of share capital	14,588,977	21,423,033
Costs associated with the stock option plan	(1,365)	10,529
Net cash generated from financing activities	**14,587,612**	**21,433,562**
Net increase / (decrease) in cash and cash equivalents	**3,617,247**	**6,341,179**
Cash and cash equivalents, beginning of the period	11,329,084	4,987,905
Cash and cash equivalents, end of the period	**14,946,331**	**11,329,084**

The notes on pages 23 to 47 are an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2020

1 General information

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Going concern

The Group recorded a loss before tax for the year ended 31 December 2020 of £14.4m (2019: loss before tax of £16.2m) and incurred a net cash outflow from core operating activities of £13.4m (2019: £15.1m) during this period.

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

The Group held surplus cash of £21.3m at 31 December 2020, however financial forecasts assume that raising further external capital will be required prior to the Group reaching overall profitability. At the end of 2021 group AUM was £2.1bn – 25% ahead of the plan for the period - and as such management are confident that forecasts have been prepared on a realistic and attainable basis.

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. Thanks to the flexibility of its operating business model and its cost base, in adverse circumstances a high proportion of this spending could be cut to extend the Group's cash runway significantly.

The Group has been engaged in the process of raising further capital throughout the second half of 2021. At the date of this report, the fundraising has reached an advanced stage with committed investors lined up to inject significant new capital and is expected to close in the first quarter of 2022.

With this new fundraising, management believes regulatory capital requirements continue to be met and that the business will have sufficient liquidity to meet its liabilities for at least the next 12 months. 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 (£).

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 2.18 for more details).

No accounting standards that came into effect in 2020 have had a material impact on the Group. No accounting standards issued but not yet effective are expected to have a material impact on the Group.

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. Revenue earned as management fees received from retail customers for the provision of investment management related services is calculated on an accrual basis using the average value of assets under management each day. Revenue earned as advisory fees received from retail customers of partner institutions is calculated and recognised on a quarterly basis.

2.5 Administrative expenses

Expenses are recognised on an accruals basis.

2.6 Foreign currency translation

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

2.7 Foreign operations translation

In accordance with IAS 21 – Foreign Currency transactions and Foreign operations, the economic result for the period of 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.

2.8 Financial instruments

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

Financial assets

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

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

Financial liabilities and equity

Financial liabilities and equity instruments issued by the 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.

2.9 Investments in subsidiaries

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

2.10 Property, plant and equipment

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

Computer equipment – 20% per annum on a straight-line basis for the assets purchased by the Italian branch of MFM Investment Ltd and 33% per annum on a straight-line basis for the assets purchased by the Company's subsidiaries MFM Investment Ltd and MFM Deutschland AG.
Furniture – depreciation over 3 years.

2.11 Intangible assets

Intangible assets are recognised at purchase cost, including any cost incurred to bring the asset into use, less accumulated amortisation and impairment losses. Any impairment is recognised in the Statement of Comprehensive Income.

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

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

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

The internally developed software meets the criteria outlined by IAS 38 for an intangible asset and is determined to have a finite life. The asset is amortised on a straight-line basis over 3 years.

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

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

2.12 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.

2.13 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.

2.14 Current income tax

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

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

2.15 Deferred tax

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised 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.

2.16 Share based payments

As of 31 December 2020, a share option scheme was in place for the employees of the Group. The scheme was adopted by the resolution of the Board of Directors of MFM Holding Ltd on 1 June 2016 and granted on 3 June 2016.

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

As of 31 December 2020, the fair value of the options has been estimated on the basis of the market value confirmed by HMRC Shares & Assets Valuation team and is equal to £0.0001.

The charge is adjusted at each statement of financial position date to reflect the actual number of cancellations and leavers during the year.

2.17 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 on the basis of an actuarial estimate of the amount of benefit accrued by employees discounted to present value. This benefit is calculated by an external actuary using the unit credit projection method. This method distributes the cost of the benefit evenly over the employee's working life. The liability is determined as the present value of average future payments adjusted according to the ratio of years of service to total years of service at the time of payment of the benefit.

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

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

2.18 Significant judgements, key assumptions and estimates

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

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

Estimates and judgements are evaluated on a continuous basis and are based on past experience and other factors, including expectations with regard to future events.

Revaluation of post-employment benefits

The cost of TFR benefits for Italian employees is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, and employee retention rate. Due to the complexities involved in the valuation and its long-term nature, this obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment of intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. This estimate is most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Contingent consideration resulting from business combinations

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of fair value is based on a Black-Scholes valuation model.

The key assumptions take into consideration the probability of the Group being sold to an outside investor and the current fair value of the business.

3 Revenue

	2020	2019
	£	£
Management fee income	6,177,051	2,957,863
	6,177,051	**2,957,863**

Total management fee income of £6,177,051 (2019: £2,957,863) includes £4,642,997 (2019: £1,997,145) earned by the Group's Italian branch and £338,649 (2019: £241,837) earned by operations in Germany.

Management fees income consists of compensation for the investment management services offered to clients. Revenue earned as management fees received from retail customers for the provision of investment management related services is calculated on an accrual basis based on the average value of assets under management each day. Revenue earned as advisory fees received from retail customers of partner institutions is calculated and recognised on a quarterly basis.

4 Other income

	2020	2019
	£	£
Other income	-	804,923
	-	**804,923**

In 2019, other income consisted of cost reimbursements received from partners for marketing and development expenditure incurred during the year.

5 Administrative expenses

Administrative expenses incurred during the year include:

	2020	2019
	£	£
Depreciation of property, plant and equipment	117,068	152,499
Depreciation of right-of-use lease assets	276,527	252,386
Amortisation of intangible assets	336,654	314,571
Impairment of goodwill	232,303	-
Depositary and trading costs	1,402,498	947,435
Auditor's remuneration	231,403	111,613
Development costs	-	355,379
Staff costs	9,233,547	8,570,336
Marketing expenses	5,184,298	4,263,126
Gain or loss on foreign currency	(422,774)	486,136
Other administrative expenses	3,624,200	3,743,970
	20,215,725	**19,196,845**

The auditor received no remuneration in respect of the provision of non-audit services during the year (2019: nil).

6 Wages and salaries

	2020	2019
	£	£
Staff costs for the Group during the period		
Wages and salaries	6,475,814	6,220,571
Social security costs	2,419,518	2,093,803
Post-employment benefits – defined contribution	66,544	256,299
Post-employment benefits – defined benefit	271,671	-
	9,233,547	**8,570,336**

In addition to the wages and salaries stated above, the Group incurred additional compensation costs in relation to share based payments as disclosed in Note 7.

Number of people employed by the Group as of 31 December	2020	2019
Employees		
MFM Investment Ltd	*47*	*51*
MFM Investment Ltd – Italian branch	*74*	*58*
MFM Deutschland AG	*7*	*18*
Directors	*7*	*6*
	135	**133**

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

7 Share based payments

As of 31 December 2020, a share option scheme was in place for the employees of the Group.

As of 31 December 2020, the aggregate liability for the scheme was £67,062 (2019: £68,427) with the net movement of the liability resulting from the vesting of options in 2020 and the value of options exercised in the year being £1,365. The corresponding balance has also been recognised in the stock option plan reserve.

8 Directors' emoluments

	2020	2019
	£	£
Remuneration and other emoluments	**441,151**	**352,878**

The amount paid by the Company during the year to the highest paid director was £229,823 (2019: £184,440). With reference to the share option scheme, no options have been granted to the directors during the year (2019: £nil).

9 Finance costs

	2020	2019
	£	£
Right-of-use lease liability interest cost	39,960	48,784
Revaluation of liabilities held at fair value through profit or loss	341,951	735,103
	381,641	783,887

The losses on liabilities held at fair value through profit or loss relates to valuation changes on the potential liability owed to hurdle shareholders in the event that the Group is sold to a third-party buyer or listed in an initial public offering.

10a Taxation

The major components of income tax expense for the year ended 31 December 2020 are:

	2020	2019
	£	£
Current tax:		
UK Corporation tax at 19.00% (2019: 19.00%)	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax	-	-
Total tax charge on loss on ordinary activities	-	-

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:

	2020	**2019**
	£	**£**
Loss on ordinary activities before tax	(14,420,315)	(16,217,946)
Tax loss on ordinary activities at standard rate of 19.00%	(2,739,860)	(3,081,410)
Effects of:		
Expenses not deductible for tax purposes	434,901	338,155
Tax charge in respect of prior periods	-	(1,436)
Deferred tax not recognised	2,304,959	2,744,691
Tax charge for the period	-	-

10b Deferred tax

At 31 December 2020, the Group had carried forward tax losses of £61,578,962 (2019: £49,869,285). It is uncertain that there will be sufficient taxable profits in the future to utilise these amounts therefore no deferred tax asset has been recognised in respect of these losses.

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

11 Property, plant and equipment – Group

	Furniture	Computer equipment	Total
	£	£	£
Cost			
As at 1 January 2020	448,178	173,752	622,130
Additions	19,676	11,895	31,571
As at 31 December 2020	**467,854**	**185,847**	**653,701**
Accumulated depreciation			
As at 1 January 2020	294,077	96,767	390,844
Charge for year	97,177	19,891	117,068
As at 31 December 2020	**391,254**	**116,658**	**507,912**
Net book value			
As at 1 January 2020	154,101	77,185	231,286
As at 31 December 2020	**76,600**	**69,189**	**145,789**

12a Intangible assets – Group

	Trademark	Software	Development costs	Goodwill	Total
	£	£	£	£	£
Cost					
As at 1 January 2020	45,000	436,255	511,370	5,532,144	6,524,769
Additions	-	27,185	-	-	27,185
Impairments & write-offs	-	(15,675)	(511,370)	(232,303)	(759,348)
Foreign exchange impact	-	-	-	266,522	266,522
As at 31 December 2020	**45,000**	**447,765**	**-**	**5,566,363**	**6,059,128**
Accumulated amortisation					
As at 1 January 2020	14,813	190,824	127,842	-	333,479
Charge for year	4,500	161,697	170,457	-	336,654
Write-off	-	-	(298,299)	-	(298,299)
As at 31 December 2020	**19,313**	**352,521**	**-**	**-**	**371,834**
Net book value					
As at 1 January 2020	30,187	245,431	383,528	5,532,144	6,191,290
As at 31 December 2020	**25,688**	**95,244**	**-**	**5,566,362**	**5,687,294**

During 2020, the Group elected to withdraw from its German operations. Consequently, the carrying balance of capitalised development costs contributed from MFM Investment Ltd to the German operations has been written off. These costs represented payments made to the German operations for software development.

Additionally, the carrying value of goodwill generated by the acquisition of Group's German operations has been written down by £232,303. This amounts represents the difference between carrying value of the German business plus goodwill, less the estimated consideration to be received on sale.

13 Leases

The Group has operating lease contracts for its office locations.

	Right-of-use lease assets £
Cost	
As at 1 January 2020	1,006,934
Additions	26,111
As at 31 December 2020	**1,033,044**
Accumulated depreciation	
As at 1 January 2020	252,406
Charge for year	276,527
As at 31 December 2020	**528,933**
Net book value	
As at 1 January 2020	754,528
As at 31 December 2020	**504,111**

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

	Lease liabilities £
As at 1 January 2020	772,377
Accretion of interest	39,690
Payments	(284,422)
As at 31 December 2020	**527,645**
Current:	248,758
Non-current:	278,888

14 Investment in subsidiary – Company

	2020	2019
	£	£
Cost and net book amount		
Opening amount	62,879,624	49,760,832
Investment in MFM Investment Ltd	8,029,196	11,459,109
Investment in MFM Deutschland AG	983,730	1,659,683
Closing balance	71,892,550	62,879,624

The investment in MFM Deutschland AG was impaired by £1,455,686 in the period to bring the carrying value in line with the realised consideration on sale of the business.

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 Deutschland AG	Mainzer Landstraße 250-254, 60326 Frankfurt am Main	Investment management	100%
MFM Investment GmbH	Mainzer Landstraße 250-254, 60326 Frankfurt am Main	Investment management	100%
MFM Future S.r.l.	Via Antonio da Recanate, 1, 20124 Milano MI, Italy	Insurance broking	100%

15 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade receivables	862,814	948,607	120,000	12,000
VAT receivables	515,880	578,975	50,514	41,417
R&D Grant	-	130,000	-	-
Client taxes receivable	4,293,216	4,907,670	-	-
Other receivables	994,934	630,848	-	-
	6,666,843	**7,196,101**	**170,514**	**53,417**

Client taxes receivable 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 2020 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 assets are considered to be past due.

16 Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Cash at bank and on hand	21,365,302	20,462,742	14,946,331	11,329,084
	21,365,301	**20,462,742**	**14,946,331**	**11,329,084**

17 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade payables	1,785,883	1,734,430	374,569	25,820
VAT payables	20,190	22,608	-	-
Other taxes and social security	4,524,623	5,382,167	-	-
Other current liabilities	441,807	520,123	113,209	105,216
	6,772,504	**7,659,328**	**487,778**	**131,036**

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

Other taxes and social security includes client taxes payable on capital gains, dividends and stamp duty that the Group collects from customers and relays to the Italian tax authorities. The majority of the 2020 balance relates to capital gains taxes, which are correlated to market performance and as such highly variable between periods.

18 Liabilities at fair value through profit or loss

Liabilities held at fair value through profit or loss are constituted of amounts payable to hurdle shareholders if the Group is sold to a third-party buyer or is listed in an initial public offering.

The total value of this priority payment varies in relation to the exit price achieved but is subject to a cap of £7,673,018. At the balance sheet date, the fair value of the liability has been assessed as £1,801,656 (2019:£1,459,705). This value was determined with the assistance of a third-party specialist, using a Black-Scholes valuation model in which the key inputs are the assessed probability of a future exit and the current valuation of the Group. The minimum exit price that triggers a pay-out is £175m, with the maximum priority payment being made in the event of an exit at £300m or higher.

These liabilities have 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.

19 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 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 remeasure the defined benefit liability.

	2020
Wage growth rate	3.00%
Inflation rate	2.00%
Discount annual rate	0.659%

	2020
	£
Provisions for the year	
Current service cost	134,959
Interest expense on defined benefit obligations	2,076
Benefits paid	(45,116)

	2020
	£
Actuarial gains/(losses) recognised in revaluation reserves	
Actuarial gains/(losses) for the year	72,691
Actuarial gains/(losses) on demographic assumptions	-
Actuarial gains/(losses) on financial assumptions	(14,606)

In addition to the above, additional TFR expense of £134,636 and actuarial losses of £30,465 related to prior periods were recognised during the year.

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 £19,547 (5.6%), whereas a 0.5% increase in interest rates would decrease it by £17,812 (5.1%).

20 Share capital

	2020		2019	
	Number	**£**	**Number**	**£**
Allotted, called up and fully paid:				
Ordinary shares of £0.0001 each	5,377,578	538	5,360,059	536
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	9,179,524	918
£0.0001 hurdle shares	4,635,187	464	3,799,487	380
A hurdle shares	6	-	6	-
B hurdle shares	26	-	26	-
Balance carried forward	**66,873,663**	**6,688**	**59,769,108**	**5,977**

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

In April 2020, investors subscribed for 6,251,336 C shares for total consideration of £14,584,367 (comprised of share capital of £625 and share premium of £14,583,742).

Holders of the Ordinary shares, A-1 shares, A-2 shares, A-3 shares, B-1 shares and C 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 up of the Company, the remaining assets of the Company after payment of liabilities and costs of such winding up are distributed in the manner and order of priority as set out for dividend distribution.

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 18.

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.

21 Financial instruments and risk management

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

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

Market risk

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

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

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

		Exchange rates		Impact of exchange rate movements	
	Actual	**+10%**	**-10%**	**+10%**	**-10%**
Loss for the period after tax	(14,420,315)	(14,994,475)	(13,846,155)	(574,160)	574,160
Foreign exchange translation gain	106,838	117,522	96,154	10,684	(10,684)
Total net assets	25,545,326	25,935,259	25,155,393	389,933	(389,933)

Credit risk

Management fees charged are credited directly to the Group from the clients' Moneyfarm accounts, and as a result the Group's credit risk is minimal. The maximum exposure to credit risk is represented by the value of assets shown in Notes 15 and 16.

Interest rate risk

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

Liquidity risk

The Group seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets in a sustainable and profitable manner. The Group has cash and receivables in excess of three times total liabilities, and as such deems there is sufficient liquidity to meet its liabilities as they fall due.

Trading assets and liabilities have not been analysed by contractual maturity because trading assets and liabilities are typically held for short periods of time and are considered to be repayable on demand at the values shown in Notes 15, 16 and 17.

An analysis of the contractual maturity of other liabilities is presented below:

	<1 year	**2-5 years**	**No contractual maturity**	**2020**
Liabilities at fair value through profit or loss	-	-	1,801,656	1,801,656
Lease liabilities	248,757	345,592	-	594,349
	248,757	**345,592**	**1,801,656**	**2,396,005**

Capital management

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

The Group's capital adequacy position is managed and monitored in accordance with the prudential requirements of the UK Capital Requirements Regulation (UK CRD IV). 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 ICAAP which is updated annually.

22 Related party transactions

Transactions with key management personnel

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. In the opinion of the Board, the Group's key management personnel comprises only the Directors. Information regarding Directors' emoluments stated in accordance with IFRS and the Companies Act 2006 is set out in Note 8.

In addition to the above, during the year two directors subscribed for 835,700 hurdle shares in the Company for total consideration of £83.57.

23 Post statement of financial position date events

In an effort to simplify its business and operating model the Group has elected to withdraw from its German operations and focus on its two mature markets. In the period after year-end, the MFM Group contracted for the sale of its operations in Germany, MFM Investment GmbH and MFM Deutschland AG. This transaction was closed on the 27 July 2021, with the customer base and the legal entities being sold to separate buyers and total consideration received amounting to £886,393.

In June 2021, the Group entered into an agreement with Wealthsimple UK Ltd to purchase their customer assets as they opted to withdraw from the UK market. Consideration payable under this agreement is variable, driven by the total assets of customers that agree to transfer and remain with Moneyfarm for a fixed period. The migration of customers is set to commence at the beginning of 2022.

Additionally, Group has commenced a further round of equity fundraising which is expected to close in early 2022.