EUROPEAN WEALTH GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Registered number: 42316

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Registered number: 42316

SUMMARY INFORMATION

European Wealth Group Limited (the "Company") and its subsidiaries (the "Group") is a growing and established wealth management business, which was founded in 2009 and commenced trading in 2010. Its principal services are financial planning and investment management in both equity and fixed interest instruments.

The client base currently ranges from individuals with up to £21.9m of assets to invest to institutions investing up to £61m. The Group currently has over £1.7bn of funds under management or influence ("FUM") and has headquarters in London and regional offices in Brighton, Cheltenham, East Malling, Manchester, Worcester and overseas offices in Zurich, Switzerland and Gibraltar. European Wealth and its subsidiaries currently have 87 employees as well as using the services of 5 advisers.

The Group's structure is split into two business divisions: investment management and financial planning.

Under the investment management division, the four trading subsidiaries are; European Investment Management Limited ("EIM"), European Wealth Trading Limited ("EWT"), European Wealth (Switzerland) SA ("EW Switzerland") and European Wealth Gibraltar ("EW Gibraltar").

EIM is the investment management arm of the Group providing institutional style investment management for private clients, trusts, pension funds, universities and charities. It also manages money on behalf of third party independent financial advisers. As at the year-end EIM, EW Switzerland and EW Gibraltar had approximately £1.13bn of FUM split between its discretionary and equity investments (£537m) and its fixed interest investments (£595m).

EWT is a member of the London Stock Exchange and is the dealing arm for the Group with its main activity being the provision of dealing services to EIM.

The Financial Planning business is European Financial Planning Limited ("EFP"). EFP currently acts for over 9,700 clients (2016: 9,800) and 47 corporate pension schemes ranging in size from 10 to 5,000 members, with aggregate funds under advice of approximately £577m (2016: £527m). The financial planning division provides advice to clients covering three core services – financial planning, corporate pension advisory and tax planning.

CHAIRMAN AND GROUP CHIEF EXECUTIVE'S STATEMENT

During 2017, our total client assets under management or advice increased to over £1.7bn (2016 £1.5bn) with a particularly strong addition of funds in our Fixed Income division. The revenues of the Group also increased to just over £10m from £9.4m in 2016, reflecting the continuing ability to grow top-line revenue, despite the testing conditions faced by the Group over the course of the year.

Strategy and Key Actions during 2017

2017 was a year of significant change for European Wealth and at the time of writing this report, the Group has addressed the key issues which it has faced since inception and we are optimistic that the actions outlined below leave the business in a position of strength.

The strategy of the Group continues to focus on three inter-related business segments, namely Investment Management, Financial Planning and Private Client Stockbroking. Growth in these three core activities is being pursued through acquisition of earnings accretive businesses, organic growth and adding revenue generating staff.

The UK market is in a period of major consolidation which offers an opportunity to build a brand, as the market place, particularly in financial planning is fragmented with almost no brand recognition for any competitor. In addition, the US, the predominant global wealth management market, is in a similar period of change creating a target market for recruiting and acquisitions.

To achieve a profitable company with significant growth in assets under management, the Board has taken three strategic actions.

The first was to strengthen the balance sheet and address the refinancing of the Convertible Loan. Our interim report for the first six months of 2017 concentrated on the refinancing of the Convertible Loan of £4.0m which was due to mature on 9 June 2017. £9.3m of new capital for EWG was announced on 23rd June and two significant and supportive shareholders, KPI (Nominees) Limited ("Kingswood") and Astoria Investments Ltd ("Astoria") joined our share register. Despite this equity infusion, the Group still had some debt on the balance sheet and this was addressed through a small working capital facility.

In last year's annual report, it was noted that since its inception in 2009, the Group has been mainly funded by debt. Therefore secondly, as a result of the recent fundraising in May 2018, we are pleased to report that the Group is now debt free with a net cash position for the first time and is well-positioned to take advantage of the long-term growth opportunities present in the global wealth management and financial planning market.

Thirdly, since the appointment of a new Group Chief Executive Officer in September, we have conducted an extensive strategic review of the operating businesses and put in place a substantial number of positive measures to position the Group for growth, to markedly reduce operating costs and to grow AUM and recurring fee income. Over the last seven months to date, we have taken £1.4m of costs out of the operating business and markedly reduced the headcount. The Group now has hubs in London, Manchester and East Malling in Kent. In addition, our back office continues to be located in Cheltenham. As a result of this restructuring, there have been substantial extraordinary costs incurred, including a significant impairment (£2.3m) to the Groups intangible assets, notably goodwill attached to the foreign subsidiaries in Gibraltar and Switzerland. However, the majority of the implementation of the cost reduction took place in the first few months of 2018 and will be fully reflected in the Groups interim report.

Newbridge

In November 2017, the Group entered into an agreed purchase for Newbridge Securities in the US. FINRA, the US regulator approved the application on 22 May 2018. EWG then entered into final due diligence and the completion of all the remaining (non-regulatory) closing conditions. Both parties worked in good faith but

CHAIRMAN AND GROUP CHIEF EXECUTIVE'S STATEMENT CONTINUED

unfortunately the remaining closing conditions could not be satisfied and both parties decided not to proceed with the proposed acquisition.

We remain committed to our growth strategy however and are ambitious to grow both organically and dynamically by acquisition in the UK and US.

The Board

There have been a number of Board changes during 2017.

After the July 2017 fund raise Kishore Gopaul retired.

In September 2017, John Morton stepped down from the Board and also as Group Chief Executive. Marianne Ismail, previously a non-executive director was appointed Group Chief Executive Officer.

In October 2017, following the successful capital raise in July, Gary Wilder and Jonathan Massing of Kingswood joined the Board.

In December Simon Ray resigned his position on the Board and Darryl Kaplan who represents Astoria joined in February 2018.

We welcome our new directors and would like to thank the retiring directors for their service over several years.

Outlook

It is very apparent that there are substantial changes in customer requirements in the global marketplace. Holistic wealth management combining advice and solutions for life events is replacing traditional investment management. Customers are demanding technology driven solutions which are in turn improving operational efficiency and client reporting. We are addressing these changes by co-locating our investment managers and financial planners in London and Manchester as well as introducing software which brings digital marketing, on-boarding and processing.

In both the UK and US, the speed and scale of change has disrupted many providers. MIFID II across the EU has furthered full transparency of charges and a trend to "all-in fees". We have reviewed our charges in the light of this and have invested in our software and outsourcing to ensure we continue to put the interests of our clients first and meet all our regulatory requirements.

In the UK,70% of wealth is controlled by those aged 55 and above[1] while growing wealth among the under 30s is the trend globally. Many clients are first time wealthy, thanks to entrepreneurship, property inheritance and pension pots. They have a high demand for quality advice giving rise to a growing demand for advisory services. Advice coupled with investment management and access to solutions including active, passive and alternative strategies is the cornerstone of our strategy.

In closing, we would like to express our own thanks and those of the Board to our clients, shareholders and our staff for their strong support for the Group.

Buzz West
Chairman

Marianne L Ismail

Marianne Ismail
Group Chief Executive Officer

June 2018

1. *PWC Report "Asset and Wealth Management Revolution: Embracing Exponential Change"*

STRATEGIC REPORT

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to European Wealth Group Limited and its subsidiary undertakings, when viewed as a whole. The strategic report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Objectives and strategy

The Group's strategy is to become a leading provider of wealth planning and investment management services in its chosen markets. This will be achieved both through organic growth and by selective acquisitions. This strategy has resulted in the Group increasing its total client assets under management or advice to £1.7bn over the last five years.

We are predominantly a private client business, but also have a strong Fixed Income Institutional business. We provide services in four main areas:

- Wealth planning and advice, including pensions and succession planning
- Private client discretionary investment management
- Institutional discretionary investment management
- Private client stockbroking

Market growth in the UK remains strong, driven both by increasing personal wealth and by regulatory change, especially pensions freedom, which substantially drives demand for wealth planning. There is a shortage of skilled advisors, and many advice firms are too small to carry the increasing compliance burden.

The Group launched a new growth strategy in Q1 2018 and this is already bearing fruit; we are successfully hiring quality advisors, in a very tight market; we are investing further in the quality of our investment research and pensions advisory compliance, to ensure that we are able to provide the robust, quality advice which is so needed in the market; and we are planning acquisitions of good quality target firms which fit with our culture and which see the benefits of prospering within a business that has critical mass and a strong operating platform. Our business is highly scalable; incremental revenue growth will disproportionately boost profitability, since our platform is now fit for purpose and has capacity. We continue to invest, with a new digital client service model being implemented in 2018, which will allow our advisors to work with clients directly from Tablet screens, eliminating paper.

The firm today has 23 investment managers and financial planners. Our plan over the next three years is to grow this to 50, both through organic growth and through acquisition. About 85% of our financial planning assets are currently served from external operating platforms; we anticipate that much of this will be handled in-house going forward, whether under advisory or discretionary mandates.

We have a strong geographic base in London, Manchester and South Africa; and we continue to explore opportunities for the right acquisition in the US.

To frame our new growth plans, we are launching a new brand identity; from July 2018 the Group's businesses will trade under the name KW Wealth.

STRATEGIC REPORT CONTINUED

Financial overview

A summary of the statement of comprehensive income for the financial year is set out below:

	2017 £'000	2016 £'000
Revenue	**10,029**	9,412
Administrative and other expenses	**(15,264)**	(9,605)
Operating loss	**(5,235)**	(193)
Core adjusted (loss)/profit	**(902)**	151
Other (losses)/gains	**(3,380)**	194
Amortisation and depreciation	**(670)**	(538)
Internal restructuring	**(283)**	-
Operating loss	**(5,235)**	(193)
Finance costs, exceptionals and taxation	**(713)**	(564)
Loss for the year	**(5,948)**	(757)

A Reconciliation of core adjusted loss is set out below:

	2017 £'000	2017 £'000
Core adjusted (loss)/profit	**(902)**	151
Acquisition costs[1]	**(492)**	194
Refinancing costs[2]	**(204)**	-
Restructuring costs[3]	**(637)**	-
Impairment of intangibles[4]	**(2,330)**	-
Amortisation and depreciation	**(670)**	(538)
Operating loss	**(5,235)**	(193)

1 Costs relate to the fees associated with the aborted acquisition of Newbridge as announced on 7 November 2017, the aborted acquisition of Cornhill Capital and additional costs incurred in relation to the acquisition of Compass Financial Benefits in June 2014

2 Costs incurred in relation to the repayment of the convertible loan note in June 2017

3 During the year there were a number of changes to both the senior management team and the front office in respect of fixed employment contracts. These are not considered by the Board as part of the Group's ongoing operating costs

4 Refer to Note 19 for explanation of the impairment charge

STRATEGIC REPORT CONTINUED

Statement of Financial Position

The focus of the Board in 2017 was to strengthen the Statement of Financial Position on the back of the CLS repayment in June. The Group therefore carried out a capital raise in July 2017, resulting in an additional £9.3m of capital injected into the business. This increased net assets of the business from £17.8m in 2016 to £20.9m as at 31 December 2017 and reduced the net current liabilities from £8.1m to £2.6m.

On 7 November 2017, EWG entered into an agreement with KPI giving the Group access to four facilities for the purchase of Newbridge Securities. At the year end, £10.3m of these facilities had been drawn and held within current liabilities (refer to Note 27 for breakdown of these facilities). On 31 May 2018, £7.0m of the drawn facilities, inclusive of interest and fees, were converted into European Wealth ordinary shares, further strengthening the statement of financial position.

On 7 June 2018, the Group announced its decision not to pursue the Newbridge acquisition (as detailed in the Chairman and Group Chief Executive Officer's Statement). The remainder of the drawn facilities were returned to the lender, leaving the Group debt-free, with net assets, current assets and strong cash position. This will allow the business to pursue its growth strategy as laid out in the first part of this report.

Key performance indicators

A review of the Group's business and an indication of likely future developments are contained in the Chairman and Group Chief Executive Officer statements and in the Review of the Business. The Group's key performance indicators are highlighted below.

KPI	2014	2015	2016	2017
AUM (£m)	996	1,189	1,460	1,710
Revenue (£'000)	4,647	7,653	9,412	10,029
Core adjusted profit/(loss) (£'000)	92	(68)	151	(902)
EFP recurring revenue (% of total)	49%	72%	79%	79%
Number of staff	69	82	92	97
Revenue generating staff (% of total)	46%	49%	42%	40%

Key risks affecting the business

There are a number of potential risks and uncertainties that could have an impact on the performance of the Group and Company.

Whilst there are other risks identified (and approved by the Board in terms of their management through its systems and controls) in the Company's documented risk management framework, the key risks include:

Operational risk

This is defined as the risk of loss arising from inadequate or failed internal processes, people, systems or external events. The Group has embedded a risk management framework that identifies and assesses risks in order to manage and mitigate them in an efficient manner. The management of these risks are disclosed in the corporate governance section of this report.

STRATEGIC REPORT CONTINUED

The Group in its current form is relatively young and has been loss making since its inception, which is a reflection of it building up its infrastructure to support the business it is today. Consequently, the business expects its future growth to improve its operating margins whilst appreciating the risk that if this growth is not delivered then the business strategy will need to be reviewed.

Solvency risk

The Group and Company maintain a mixture of cash and cash equivalents that are designed to meet the Company's operational and trading activities. Having prepared detailed forecasts, the Company is confident that it has sufficient liquidity for the foreseeable future.

The Directors understand the risk of not being able to meet the long term and short term obligations of the business, especially with regards to its capital requirements. In order to mitigate this risk the Group's finance team analyses cashflow on a regular basis and has implemented strong internal controls so that all outgoings are budgeted for. The Company itself has robust plans in place that will enable it to bring in new capital and restructure the existing capital base if forecasted targets are not achieved and additional capital is required.

Dependence on key personnel

The Group's performance is dependent on its current and future management team. The loss of any of its existing directors or key employees or a failure to recruit additional directors and/or senior executives could, therefore, significantly reduce the Group's ability to make successful acquisitions or manage the Group and its operations effectively. The Group manages this risk through the use of standard contracts with relevant restrictive covenants where required along with the use of its strong, experienced, internal HR department.

The future performance of the Group cannot be guaranteed

There is no certainty and no representation or warranty is given by any person that the Group will be able to achieve any returns referred to in this document. The financial operations of the Group may be adversely affected by general economic conditions, by conditions within the UK financial services market generally or by the particular financial condition of other parties doing business with the Company. Historically, the performance of the assets has been good and is under constant review by the firms experienced Investment Management Committee.

Prospective acquisitions may fail to deliver expected performance

There can be no guarantee that suitable companies or businesses will be available for the Group to successfully identify and acquire in the future. The wealth management sector has a number of large businesses operating within it, together with many of medium size and a substantial number of small operations. The Company therefore will face competition to acquire other operations. A number of competitors are larger and have greater resources than the Company and may prevent the successful implementation of the Company's business plan. The Group has a strong, experienced management team, all of whom have experience in working with growing acquisitive businesses, which allows for robust post acquisition integration plans to be implemented.

Future funding requirements

Funding may be required in the future to implement the Group's strategy. The Group may attempt to raise additional funds through equity or debt financings or from other sources to implement this strategy. Any additional equity financing may be dilutive to holders of Ordinary Shares and any debt financing, if available, may require restrictions to be placed on the Group's future financing and operating activities. The Group may be unable to obtain additional financing on acceptable terms or at all if market and economic conditions, the financial condition or operating performance of the Group or investor sentiment (whether towards the Group in particular or towards the market sector in which the Group operates) are unfavourable. The Group's inability to raise additional funding may hinder its ability to implement its strategy, grow in the future or to maintain its existing levels of operation.

STRATEGIC REPORT CONTINUED

The Group's experienced management team and Board have been successful in the past at raising equity and debt finance. There are robust plans in place to bring in new capital and restructure the existing capital base if required.

Regulatory risk

Regulatory risk is the risk that the regulated entities fail to comply with any of the regulations set by the various regulatory bodies that each company operates under. The Group is engaged in activities which are regulated by the Financial Conduct Authority ("FCA") in the UK and the Financial Services Board ("FSB") in South Africa. The Group may, therefore, be required from time to time to review and update its regulatory permissions and the status of its authorised persons to ensure that it's existing and new activities, as they develop, are consistent with the Group's regulatory permissions. Failure to do so could lead to public reprimand, the imposition of fines, the revocation of permissions or authorisations and/or other regulatory sanctions, any of which could lead to adverse publicity and reputational damage and could have a material adverse effect on the continued conduct of the Group's business. There may, in the future, be changes to, or new laws and regulations that govern the operations of the Group. The Company cannot predict the full effect that any proposed or future law or regulation may have on the financial condition or results or operations of the Group. It is possible that the Group may be adversely affected by changes in the applicable laws or regulations.

Key to managing this risk is:

1. Adopting a robust "top down" system of risk management headed by the Risk and Compliance committee which is chaired by the Company's Chairman. The Committee meets in person every quarter and on an ad-hoc basis in between. The heads of risk and compliance for European Investment Management, European Wealth Trading and European Financial Planning attend all meetings of the Committee with senior members of the firm's finance function

2. A non-executive board of three directors bringing significant business expertise in the financial services sector and seeking to enhance an independent and balanced decision making process, particularly around regulatory matters

3. An effective risk and compliance team handling day to day management of regulatory risk for the Group and monitoring of its business to ensure compliance with the rules of the Financial Reporting Council, the Financial Conduct Authority and of the London Stock Exchange.

Stock market conditions

The Group's business will be partially dependent on market conditions. Adverse market conditions may have a significant negative effect on the Group's operations through reducing the assets under management.

Approved by the Board

Marianne L Ismail

Marianne Ismail
Group Chief Executive Officer

THE BOARD

Kenneth Reginald Dawson ("Buzz") West

Non-Executive Chairman

Buzz is the Non-Executive Chairman of European Wealth Group. Buzz was co-founder and Chairman of the AIM listed Wealth Manager, Ashcourt Rowan and Chairman of the Loss Adjusting group, GAB Robins. He has sat on a number of AIM listed boards often representing the interests of overseas shareholders. He is currently a Director of the Telematics company, Pinnacle Plus Holdings and the U.S. based Fusion Properties Management Inc. He sits on the Advisory Board of the U.S. Technology company I.T. Management Inc. He also acts as an advisor to several mid-stage UK technology companies.

Marianne Ismail (Hay)

Group Chief Executive Officer

Marianne is the Group Chief Executive Officer Officer of European Wealth Group, having previously been the Independent Non-Executive Director. She was formerly the Head of Private Banking for Europe, Middle East and Africa for Standard Chartered, Chief Executive Officer Officer for Citigroup's European wealth management business and Head of Private Wealth Management for Morgan Stanley. She currently serves on the boards of the Court of the University of Greenwich, ACE Africa, the Advisory Board of Riverpeak Wealth and the Town and Country Housing Group.

Jonathan Fraser Massing

Non-Executive Director

Jonathan Massing, a chartered accountant, founded the City-based advisory firm Kingswood in 1993. Kingswood specialises in corporate finance and professional services for private entrepreneurial businesses and smaller companies. Jonathan currently serves as the company's managing partner with a strong expertise in commercial and corporate finance advisory, buyouts, venture capital, shareholder dispute advisory, and private businesses valuation. He also acts as an independent financial expert. Jonathan has extensive experience in the sale and acquisition of private companies. He also provides advice on debt structures and working capital facilities. In 1998 he set up Kingswood Investment Partners Limited as a private equity investor. He is also a founder of Kingswood Property Finance Limited Partnership.

Gary Spencer Wilder

Non-Executive Director

Gary Wilder has over 30 years' experience of real estate investment, structured finance and private equity in Europe, Asia and the US. He co-founded Moor Park Capital in 2006, a real estate private equity firm. Prior to founding Moor Park, Gary was a Managing Partner and Co-Head of European Funds Group within Nomura, a team he created following his role as Head of Nomura's Real Estate Principal Finance Group. He was also a member of Nomura's Global Fixed Income Committee. Between 1999 and 2002, he was Partner & Managing Director at Credit Suisse First Boston responsible for its European Real Estate Investment Banking business. In the period 1992-1999, Gary was a Managing Director at Bankers Trust (now Deutsche Bank). Gary is also a founder partner of Kingswood Property Finance Limited Partnership, and alongside his partner Jonathan Massing has undertaken a range of long term private equity investments and financial transactions.

Darryl Kaplan

Non-Executive Director

Mr Kaplan has worked in the fields of law, corporate finance and investments. Darryl lived in Australia from 1989 to 1991 and worked as a lawyer at Mallesons Stephen Jaques in Sydney where he requalified and was admitted as a solicitor. From 1991 to 1999 Darryl lived in South Africa where he worked in corporate finance, including at Bidvest. His role at Bidvest included investor relations. Since 1999, Darryl has been resident in Australia where he worked in the software industry, including a regional role for a US software company. Darryl worked in investments since 2003, including for an international equity fund within a family office and an equity fund in the Pengana Group. Darryl is the Board representative of Astoria.

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Group, together with the audited financial statements, for the year to 31 December 2017. The Corporate Governance Statement is set out on page 13 onwards and the strategic report on page 4. All financial information given in this Directors' Report is taken solely from the statutory results prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS).

Principal activities

The principal activities of the Group are the operation of an investment management and financial planning business.

Financial risk management objectives and policies

Information about the Group's risk management is included in the Strategic Report.

Result and dividends

The Company's performance during the year is discussed in the Strategic Report on pages 4 to 8. The results for the year are set out in the audited Statement of Comprehensive Income on page 28. The Directors do not recommend the payment of a dividend for the year ended 31 December 2017 (31 December 2016: £nil).

Capital Structure

Details of European Wealth's issued share capital, together with details of the movements in the number of shares during the year, are shown in note 29.

In November 2017, the Company entered into a Facilities Agreement with its largest shareholder, KPI (Nominees) Limited. Post year end, it was approved by shareholders at an EGM that all facilities could be converted into EWG share capital at the lower of 16.5p and the 20 days moving average. On 31 May 2018, £7.0m of the drawn facilities and associated fees were converted into 42,801,341 Ordinary 5p shares, significantly strengthening the Group's Statement of Financial Position.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong capital structure in order to support the development of its business, to maximise shareholder value and to provide benefits for its other stakeholders. Details of the management of this risk can be found in the strategic report.

In addition, European Investment Management, European Wealth Trading and European Financial Planning are regulated by the FCA and have to comply with the FCA capital adequacy rules and regulations.

Directors

The names and a short biography of the Directors of the Company are set out on page 9. Jonathan Massing and Gary Wilder were appointed to the Board on 23 October 2017, while Darryl Kaplan was appointed post year end on 19 February 2018.

With regard to the appointment and replacement of directors, the Group is governed by its Articles of Association, The Companies (Guernsey) Law, 2008 and related legislation. The Articles themselves may be amended by special resolution of the Group's shareholders. The Group also adheres to the UK Corporate Governance Code, though is not governed by it.

The Group's Articles of Association provide that generally one third (rounded down to the nearest whole number) of the Board of Directors are required to retire by rotation, save for Directors who are appointed during the year, who must stand down and offer themselves for re-election at the next occurring annual general meeting of the Group. The Directors who will offer themselves for re-election will be announced in conjunction with the AGM announcement, expected to be held in early September.

DIRECTORS' REPORT CONTINUED

Directors' interests

The Directors who held office at 31 December 2017 had the following beneficial interests in the ordinary shares of the Company as at 31 December 2017:

	Number of Ordinary Shares held	
Name of Director	2017	2016
Buzz West	2,062,581	346,306
Marianne Ismail	-	-
Gary Wilder*	56,600,368	-
Jonathan Massing*	56,600,368	-

**Jonathan Massing and Gary Wilder's shares relate to KPI (Nominees) Limited's holding in which both have a beneficial shareholding.*

On 31 March 2016, Buzz West loaned the Company £100,000. The loan was made at an interest rate of 10% and was converted into equity on 27 July 2017 as part of the capital raise.

No Directors who held office at 31 December 2017 had share options over ordinary shares of the Group

Employees

It is the Company's policy to involve employees in the day to day operation of the Group's business and ensure that matters which could concern them, including the Group's strategic objectives and performance are communicated in an open and timely fashion. The Directors seek to achieve this through Management Committee meetings, subsidiary board meetings, e-mail communication and informal staff communication.

The Company is committed to an equal opportunity policy for all prospective and existing employees such that selection takes place on the basis of ability, qualifications and suitability for the job, irrespective of background, age, race, gender or sexual orientation. The Company's executives, senior management and employees are required to support and implement all such policies in their daily work ethic in order to maximise the potential of its entire workforce.

Employees who become disabled during their employment with the Company will be retained and retrained where possible.

Future developments and events after the Statement of Financial Position date

A review of the Group's business and an indication of likely future developments are contained in the Chairman and Chief Executive Officer's statement and in the Strategic Report.

Substantial shareholdings

On 14 June 2017, the Group had been notified, in accordance with Chapter 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company of 3% or more of the issued share capital of the Company:

Name of Shareholder	Percentage of voting rights and issued share capital	Number of ordinary shares
KPI (Nominees) Limited	39.67%	56,600,368
Astoria Investments	13.42%	19,139,272
Monecor	6.80%	9,696,969
Anthony Lyons	4.21%	6000000
Michael Mechas	3.98%	5,682,610

All shareholdings stated above are beneficial.

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

DIRECTORS' REPORT CONTINUED

Going concern

The Financial Reporting Council issued a guidance note in April 2016 requiring all companies to provide fuller disclosures regarding the directors' assessment of going concern. The Group's business activities, together with the factors likely to affect its future development and liquidity and capital position, are set out in the Review of the Group's Business section of the Strategic Report on page 4.

In the year ended 31 December 2017, the Group made a loss before tax £5.9m (2016: loss of £0.8m), had a net current liability position of £2.6m (2016: £8.1m), with net cash used in operating activities of £3.0m (2016: net cash generated of £0.1m).

While the Group made significant losses in 2017, the majority were non-recurring including a significant write down of goodwill. Post year end, the Group converted £6.7m (excluding fees) of its outstanding facilities and repaid the remaining outstanding balances. This has not only significantly strengthened the Group's Statement of Financial Position, but has the left the Group with cash reserves.

Given this, the directors have reviewed the cashflow forecast for the next 12 months and are satisfied that the Group can continue to prepare these financial statements on the going concern basis.

Auditor

Each of the persons who are Directors of the Company at the date of approval of this annual report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and

- The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s249 of The Companies (Guernsey) Law, 2008.

Moore Stephens LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board on 28 June 2018.

Marianne L Ismail

Marianne Ismail
Group Chief Executive Officer

CORPORATE GOVERNANCE STATEMENT

The Company and its Board are committed to operating and maintaining high standards of corporate governance and the effective management of risk with such matters being embedded in the Group's culture.

As an AIM listed company, European Wealth Group Limited does not comply with the UK Corporate Governance Code issued in 2014 by the Financial Reporting Council (the "Code"). However, as outlined in this section, the Board considers that it is in the interests of shareholder protection and value to have regard to the Code's principles of good governance and code of best practice where this is considered to be in the interests of shareholders.

Board Composition

During the year under review, the Board comprised of:

- John Morton (Group Chief Executive, resigned 20 September 2017)
- Kenneth "Buzz" West (Non-Executive Chairman)
- Marianne Ismail (Non-Executive Director to 20 September 2017, then Group Chief Executive Officer)
- Jonathan Massing (Non-Executive Director appointed 23 October 2017)
- Gary Wilder (Non-Executive Director appointed 23 October 2017)

Darryl Kaplan was appointed to the Board on 19 February 2018.

The full Board meets for scheduled Board meetings, on average, every quarter. In the year under review the full Board met formally four times throughout the year.

Formal meetings of the full Board are held at the Group's offices in London or via conference call. In person meetings of the full subsidiary boards take place every other month.

The Board has approved a formal schedule of matters reserved for its consideration and decision.

These can be divided into a number of key areas, including but not limited to:

- Group strategy and transactions
- Financial reporting (including approval of interim and final financial statements and dividends)
- The Group's finance, banking, capital structure arrangements
- Regulatory matters (including the issue of shares, communication and announcements to the market)
- Approval of the Group's compliance and risk management and control (as recommended by the Audit and Risk and Compliance Committees)
- Approval of policies on remuneration (as recommended by the Remuneration Committee);
- The constitution of the Board, including its various Committees, and succession planning (as recommended by the Remuneration Committee)
- Approving the Group's policies in general in respect of, inter alia, Health & Safety, Corporate Responsibility and the environment; and
- Any HR issues or concerns.

Matters requiring Board and Committee approval are generally the subject of a proposal by the Executive Directors submitted to the Board, together with supporting information, as part of the Board or Committee papers circulated prior to the relevant meeting. All Directors receive appropriate information on the Group comprising a financial report and other relevant paperwork from each of the responsible Executives and other members of senior management

CORPORATE GOVERNANCE STATEMENT CONTINUED

before each scheduled Board meeting. The Executive Directors or other invited members of senior management present reports on key issues including risk, compliance, finance and legal issues and general strategy at each such meeting.

The Board recognises the importance of on-going professional development and education, particularly in respect of new laws and regulations to the business of the Group. Such training may be obtained by the Directors individually through the Group. Directors and staff are all encouraged to attend seminars and training operated by professional advisory firms and other external bodies. Directors may additionally obtain independent professional advice at the Group's expense. Third party Directors' and Officers' liability insurance at a level considered appropriate for the size and nature of the Group's business is maintained.

The terms and conditions of appointment of each of the Directors are available for inspection at the Company's head office in London during normal business hours. The letters of appointment of each of the non-executive directors specifies the anticipated level of time and commitment including, where relevant, additional responsibilities in respect of the Audit, Risk and Compliance and Remuneration Committees. Details of other material commitments of the Non-Executive Directors are disclosed to the Board and a register of the same is maintained by the Company Secretary.

Subsidiary Boards

Each of the subsidiary companies in the Group has its own independent board which meets once a quarter to discuss key matters pertaining to each individual company. The Group Chief Executive Officer sits on each of these individual boards.

Corporate Governance Structure

The post of Non-Executive Chairman is held by Buzz West, though at year end there was no Independent Non-Executive Director. The Board considers that the Non-Executive Directors provide a strong and consistent independence to the Executive Board and have therefore taken steps to appoint two new independent Non-Executive Directors, both of who are in the process of being authorised. None of the Non-Executive Directors are involved with the day-to-day management of the Group and are free from any business or other relationship which could materially interfere with their judgement. Biographies of the Directors are contained on page 9.

During the year ended 31 December 2017 in his role as such, the Non-Executive Chairman was responsible for leadership of the Board, creating conditions for overall Board and individual Director effectiveness and developing the Group's strategy. The Group Chief Executive Officer was responsible for running the Group's business day to day and, subject to Board agreement, the implementation of strategy. Post the resignation of John Morton in September 2017, Marianne Ismail took on the responsibilities previously held by the Group Chief Executive Officer.

The minutes of scheduled meetings of the Board are taken by the Group Chief Executive Officer's PA. In addition to constituting records of decisions taken, the minutes reflect questions raised by the Board members in relation to the Group's business and, in particular, issues raised from the reports included in the Board or Committee papers circulated prior to the relevant meeting. Unresolved issues (if any) are recorded in the minutes.

Corporate Governance and the management of the Group's resources is achieved by regular review through regular meetings and conference calls, management meetings, monthly management accounts, presentations and external consultant reports and briefings.

Board Committees

The Board has established various committees, each of which has written terms of reference. These are the Audit, Remuneration, Risk and Nomination Committees. The terms of reference for each Committee are available for viewing at our London office.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Audit Committee

The Audit Committee is chaired by Jonathan Massing. The Audit Committee is responsible for providing formal and transparent arrangements for considering how to apply suitable financial reporting and internal control principles having regard to good corporate governance and for monitoring external audit function including the cost-effectiveness, independence and objectivity of the Company's auditor.

The independence and effectiveness of the external auditor is reviewed annually. The possibility of undertaking an audit tender process is considered on a regular basis. The Audit Committee meets at least once a year with the Auditors to discuss their independence and objectivity, the Annual Report, any audit issues arising, internal control processes, appointment and fee levels and any other appropriate matters. The fees in respect of audit services are set out in note 9 of the Notes to the Group Financial Statements. Fees for non-audit services paid to the auditors are not deemed to be of such significance to them as to impair their independence and therefore the Audit Committee considers that the objectivity and independence of the auditors is safeguarded.

Internal Control

The Board is responsible for establishing and maintaining the Group's system of internal control and for reviewing its effectiveness. The system of internal controls are designed to manage, rather than eliminate, the risk of failure of the achievement of business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Audit Committee continues to monitor and review the effectiveness of the system of internal control and report to the Board when appropriate with recommendations. The annual review of internal control and financial reporting procedures did not highlight any issues warranting the introduction of an internal audit function. It was concluded, given the current size and transparency of the operations of the Group, that an internal audit function was not required. The main features of the internal control system are outlined below:

- A control environment exists through the close management of the business by the Executive Directors. The Group has a defined organisational structure with delineated approval limits. Controls are implemented and monitored by the Executive Directors

- The Board has a schedule of matters expressly reserved for its consideration and this schedule includes acquisitions and disposals, major capital projects, treasury and risk management and approval of budgets

- The Group utilises a detailed budgeting and forecasting system. Detailed budgets are prepared annually by the Executive Directors before submission to the Board for approval. Forecasts are updated to reflect changes in the business and are monitored by the Board including future cash flow projections. Actual results are monitored against annual budgets in detail with variances highlighted to the Board

- Financial risks are identified and evaluated for consideration by the Board and senior management; and

- Standard financial control procedures are operated throughout the Group to ensure that the assets of the Group are safeguarded and that proper accounting records are maintained.

Remuneration Committee

The Remuneration Committee is chaired by Buzz West. The Remuneration Committee is responsible for establishing a formal and transparent procedure for developing policy on Executive remuneration and to set the remuneration packages of individual Directors. This includes agreeing with the Board the framework for remuneration of the Group Chief Executive Officer, all

CORPORATE GOVERNANCE STATEMENT CONTINUED

other executive Directors, the Company Secretary and such other members of the executive management of the Company as it is designated to consider.

It is also responsible for determining the total individual remuneration packages of each Director including, where appropriate, bonuses, incentive payments and share options. No Director will play a part in any decision about his/her own remuneration.

There was one Remuneration Committee meeting during the financial year ended 31 December 2017. The Board considers the composition of the Committee appropriate given the size of the Group. No Director has a service contract for longer than 12 months.

The Board retains responsibility for overall remuneration policy. Executive remuneration packages are designed to attract and retain executives of the necessary skill and calibre to run the Group. The Remuneration Committee recommends to the Board the remuneration packages by reference to individual performance and uses the knowledge and experience of the Committee members, published surveys relating to AIM companies, the financial services industry and market changes generally. The Remuneration Committee has responsibility for recommending any long-term incentive schemes.

The Board determines whether or not Executive Directors are permitted to serve in roles with other companies. Such permission would only be granted on a strictly limited basis, where there are no conflicts of interest or competing activities and providing there is not an adverse impact on the commitments required to the Group. Earnings from such roles would be required to be disclosed to the Executive Chairman.

There are four main elements of the remuneration package for Executive Directors and staff:

1. Basic salaries and benefits in kind: Basic salaries are recommended to the Board by the Remuneration Committee, taking into account the performance of the individual and the rates for similar positions in comparable companies. Benefits in kind, comprising death in service cover are available to all staff and Executive Directors. Benefits in kind are non-pensionable.

2. Share options: The Company operates approved share option schemes for Executive Directors and other employees to motivate those individuals through equity participation. Exercise of share options under the schemes is subject to specified exercise periods and compliance with the AIM Rules. The schemes are overseen by the Remuneration Committee which recommends to the Board all grants of share options based on the Remuneration Committee's assessment of personal performance and specifying the terms under which eligible individuals may be invited to participate. The Code refers to the requirement for the performance related elements of remuneration to form a significant proportion of the total remuneration package of Executive Directors and should be designed to align their interests with those of shareholders. In this re-structuring and development phase of the Group the Remuneration Committee currently considers that the best alignment of these interests is through the continued use of incentives for performance through the award of share options.

3. Bonus Scheme: The Group has a bonus scheme for staff and Executive Directors which is specific to each individual and the role performed by that individual within the Group.

4. Pension Contributions: The Group pays a defined contribution to the pension schemes of Executive Directors and other employees. The individual pension schemes are private and their assets are held separately from those of the Group.

Policy on Non-Executive Remuneration

The Non-Executive Directors each receive a fee for their services as a director which is approved by the Board, mindful of the time commitment and responsibilities of

CORPORATE GOVERNANCE STATEMENT CONTINUED

their roles and of current market rates for comparable organisations and appointments. Non-Executive Directors are also reimbursed for travelling and other incidental expenses incurred on Group business.

The Board encourages the ownership of shares in the Company by Executive and Non-Executive Directors alike and in normal circumstances does not allow Directors to undertake dealings of a short term nature.

The Board considers ownership of Company shares by Non-Executive Directors as a positive alignment of their interest with shareholders. The Board will periodically review the shareholdings of the Non-Executive Directors and will seek guidance from its advisors if, at any time, it is concerned that the shareholding of any Non-Executive Director may, or could appear to, conflict with their duties as an independent Non-Executive Director of the Company. Directors' emoluments, including Directors' interest in share options over the Group's share capital, are set out in the Director's Report (page 11) and the Director's Remuneration Report (page 20).

Risk and Compliance Committee

The Board has appointed a Risk and Compliance Committee, which, at present, comprises the Senior Independent Non-Executive Director, the Executive Directors of the Company, the Finance Director, the CF10 andCF10a responsible for the compliance of EIM, EWT and EFP along with various directors of the subsidiary boards. The Committee's Chairman is Buzz West. The Committee will generally convene every quarter and the Board considers the composition of the Committee appropriate given the size of the Group's business. During the year under review, the Committee met formally a total of three times.

The Committee is authorised and empowered by the Board to, inter alia, provide oversight and advice to the Board in relation to current and potential risk exposure and future compliance/risk strategy, review the Group's risk profile relative to current and future risk appetite, monitor risk and make recommendations to the Board concerning all elements of the Group's compliance with the FCA's rules and those of the London Stock Exchange, make recommendations to the Board in respect of the Group's risk appetite and any associated authorities and limits and oversee the Group's risk management framework to ensure effective risk identification and management throughout the Group.

Certain subsidiaries in the Group are regulated by the FCA Rules and as such are required to ensure that they maintain sufficient regulatory capital at all times. The Company has developed a risk management framework that dovetails into its ICAAP (Internal Capital Adequacy Assessment Process). The ICAAP is used to ensure that the Group has sufficient capital in place to immediately cover risks identified. The ICAAP is regularly reviewed and updated.

In addition, the Group utilises various other means to ensure that it is in compliance with the rules set out by the FCA and operates within the appropriate risk limits set by the Board. These include a compliance manual covering significant business and operational activities, policies covering conflicts of interest, insider dealing, market abuse, personal account dealing and client acceptance procedures as well as regular monitoring of market and credit risk. These matters are the subject of periodic review by the Risk and Compliance Committee.

Nomination Committee

The Nomination Committee is chaired by Gary Wilder and is also comprised of Buzz West. The Nomination Committee is responsible for considering Board appointments, reviewing Board structure, size and composition and identifying the need for Board appointments by reference to the balance of skills, knowledge and experience on the Board and the scale of the Enlarged Group.

There was one Nomination Committee meeting during the financial year ended 31 December 2017. The Board considers the composition of the Committee appropriate given the size of the Group.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Re-election

Under the Group's articles of association, all Directors are subject to election by shareholders at the annual general meeting following appointment and all Directors are subject to retirement by rotation requiring re-election at intervals of no more than three years.

Performance evaluation

A formal evaluation of the Board and each of the individual Directors own performances are undertaken annually. This will include a review of success in achieving objectives set during the year and agreeing areas for improvement going forward.

Relationship with shareholders and dialogue with institutional shareholders

The Non-Executive Chairman and the Group Chief Executive Officer maintain dialogue with key shareholders in relation to, inter alia, strategy and corporate governance issues.

All shareholders will receive the Annual Report and financial statements and are welcome to attend the Company's annual general meeting ("AGM"). The Directors attend the meeting and are available to answer questions both formally during the meeting and informally afterwards.

The collection and analysis of the proxy votes will be handled independently by the Group's registrars.
The Chairman of the meeting announces the results of the proxy votes that have been lodged after shareholders have voted on a show of hands. Details of the AGM are set out in the notice of the meeting enclosed with this report.
All Committee chairmen are, where possible, available at the AGM. The Non-Executive Directors are available to shareholders and may be contacted through the Group Chief Executive Officer's PA.

The Group's website at www.europeanwealth.com is an important source of information for investors, including information required in compliance with AIM Rule 26, and is updated regularly.

Corporate social responsibility

The Group is committed to conducting its business in a socially responsible manner and to respect the needs of employees, investors, customers, suppliers, regulators and other stakeholders. The Group is also committed to being a responsible employer and to promoting values, standards and policies designed to assist our employees in their conduct, working and business relationships.

The most significant impact on the environment resulting from the Group's activities is the emission of greenhouse gases as a result of running the Group's offices, associated travel and the recycling of waste. The Group is committed to minimising the amount of travel that its employees undertake and to recycling as much of the group's waste as possible. The Group will continue to look at ways to act in a socially responsible manner.

Internal control and risk management

The Board, with the assistance of its Committees, is responsible for analysing the strategic financial and operational risks which could affect the Group's business. Any potential impact is prioritised and evaluated not only in terms of the possible financial impact on the Group such as loss of income or additional expenditure but also according to potential effects on employee's operational processes and stakeholder regulations.

The successful management of such risks is seen as key to the Group's ability to achieve its corporate financial objectives. The Group's key risks are explained in detail in the Strategic Report.

Overall responsibility for the risk management process rests at Board level. The Board systematically reviews and evaluates the risks of the Group regularly, which ensures that as new risks emerge in connection with projects or general market developments, appropriate actions can be discussed, agreed and taken in a flexible manner. The Group's Risk and Compliance Committee is integral to this process.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Overall, the Board, together with its Audit Committee, is responsible for the development of the systems of internal controls. This responsibility includes safeguarding the Group's assets against unauthorised use, maintaining proper accounting records and ensuring accurate financial information. The Directors recognise that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives but cannot provide absolute assurance against material misstatement, financial loss or fraud. The Board appoints experienced, professional staff to fulfil their duties and responsibilities. The Board considers that the size and centralisation of the key finance activities of the Group, at present, do not justify the creation of an internal audit function at the present time but will review this on a regular basis.

DIRECTORS' REMUNERATION REPORT

Directors' Emoluments

Companies whose securities are traded on AIM are not required to provide a formal Remuneration Report and accordingly this report is provided, for information only, to give a greater transparency to the manner in which Directors are remunerated:

	Basic salary £	Pension & Benefits £	Bonus £	Termination payments £	2017 Total £	2016 Total £
Executive						
Marianne Ismail	95,500	11,832	-	-	**107,332**	18,000
John Morton (resigned 18/9/17)	185,369	18,702	30,000	187,868	**421,939**	222,994
Simon Ray (resigned 31/12/17)	151,667	76,021	15,000	159,068	**401,756**	53,665
Non-Executive						
Kishore Gopaul (resigned 26/6/17)	8,800	-	-	-	**8,800**	18,000
Buzz West	57,000	-	12,500	-	**69,500**	45,000
Jonathan Massing (appointed 19/10/17)	5,069	-	-	-	**5,069**	-
Gary Wilder (appointed 19/10/17)	5,069	-	-	-	**5,069**	-
Aggregate emoluments	**508,474**	**106,555**	**57,500**	**346,936**	**1,019,394**	357,659

Signed on behalf of the Board

Marianne L Ismail

Marianne Ismail
Group Chief Executive Officer

28 June 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that Law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. 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 of the Statement of Comprehensive Income of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom and Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Signed on behalf of the Board

Marianne L Ismail

Marianne Ismail
Group Chief Executive Officer

28 June 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED

Opinion

We have audited the financial statements of European Wealth Group Limited (the "parent company") and its subsidiaries (the "group") for the year ended 31 December 2017 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, company statement of changes in equity, company statement of financial position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and, as applied in accordance with the provisions of The Companies (Guernsey) Law, 2008.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and complying with the requirements of The Companies (Guernsey) Law, 2008; and

- the financial statements have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

This report is made solely to the company's members, as a body, in accordance with in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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.

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 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 audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED CONTINUED

In arriving at our audit opinion, the key audit matters were as follows:

Key audit matter	Our audit response
Valuation of goodwill: On a business combination, goodwill is allocated to each of the group's cash generating units (CGUs) that are expected to benefit from the combination. The carrying value of each CGU is determined using industry techniques, incorporating key assumptions based on the expected return of assets under management. This represents an area of key judgement as errors in assumptions, particularly relating to the return on different revenue streams, could result in a material misstatement of the goodwill balance.	**Our procedures included:** • We reviewed the group's impairment review and assessed the assumptions made and the inputs used. • We reviewed the valuation calculations based on a critical assessment of the current industry conditions. • We reviewed the assets under management from clients immediately post purchase of businesses versus the date of impairment review.
Going concern: The group has made significant losses both historically, and for the current year. This has a significant impact on the group's ability to continue as a going concern. The group's going concern status is predicated on anticipated asset under management (AUM) and revenue growth. Errors in the assumptions relating to AUM could result in a material misapplication of the going concern status.	**Our procedures included:** • We have reviewed the group's budget and cash flow forecasts for the 12 months after the date of signing the audit report to assess whether the group will have sufficient funds to be able to continue as a going concern. • We have discussed with Management the impact of the post year end conversion of debt to equity
Revenue recognition: As a discretionary asset management group, the group derives a material part of group revenue from deal commission. This area is potentially open to manipulation by the investment managers executing dummy trades or inflating the number of trades. There is also a risk that, given the high volume and frequency of transactions, revenue may be inaccurately calculated.	**Our procedures included:** • We have performed tests to ensure that for each client, the group has in place signed investment management agreements detailing fee ratios. • We have performed substantive sample testing over both management fees and deal commission to ensure that these have been accurately calculated and have occurred. • For financial planning income, we have reviewed the monthly reconciliations between cash receipts and entries from the third party statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED CONTINUED

Key audit matter	Our audit response
Regulation risk: Three of the group's subsidiaries are regulated by the Financial Conduct Authority (FCA). Failure to comply with the requirements of the FCA Handbook, and in particular, failure to comply with the requirements of the Client assets and client money (CASS) section of the FCA's Handbook, could lead to a material misstatement in the accounts regarding fines, penalties or in the case of extremely severe breaches of the regulations, loss of licence. This would impact on the group's ability to trade.	**Our procedures included:** • We have completed specific client money and asset procedures in accordance with the Financial Reporting Council's (FRC's) standard, "Providing Assurance on Client Assets' to the Financial Conduct Authority to cover the three regulated subsidiaries. • We have evaluated the design and operating effectiveness of the Group's control procedures regarding compliance with the FCA's CASS rules. • We have issued individual client asset audit reports, and submitted them to the FCA, for the three regulated subsidiaries of the group.
In relation to the parent entity - Valuation of investments in subsidiaries: Investments in subsidiaries are assessed for indicators of impairment at the end of each reporting period. The carrying value of investments maybe impaired where there is objective evidence that, as a result of one or more events that have occurred after the initial recognition of the investment, the estimated future cash flows of the investment have been affected. Errors in the assumptions used to estimate future cash flows could result in a material misstatement of the carrying value of investments.	**Our procedures included:** • We obtained management's assessment of impairment of investments in subsidiaries and critically assessed the assumptions used to ensure that investments were appropriately valued. • We reviewed each individual subsidiaries' results to ascertain whether there were any indications of impairment.

Audit scope and materiality

We tailored the scope of our audit to ensure that we performed sufficient audit procedures to be able to give an opinion on financial statements as a whole, taking into consideration the structure of the Group and the Company, the accounting policies and controls and the wider industry in which the Group operates.

The group is structured into two business lines, being Investment Management and Financial Planning with each business line being made up of a number of components.

The group consists of 8 components, of which we identified 5 as significant components and 3 as non-significant components based on each individual component's contribution to the group's overall result and net assets. The 3 non-significant components related to the group's three overseas subsidiaries which represent less than 5% of the group's result and less than 3% of the group's net assets. As such, no significant audit work was conducted over these components as we have considered the risk of material misstatement to the group accounts to be acceptably low.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED CONTINUED

The 5 significant components identified, which represent some 95% of the group's result and 97% of the group's net assets have all been subjected to full statutory audits under the International Standards of Auditing (UK and Ireland). These audits have all been conducted by Moore Stephens LLP, with no use of component auditors.

The scope of our audit has also been influenced by our application and calculation of materiality. The concept of materiality is considered throughout the audit process, from planning and performing the audit, to evaluating the impact of any identified misstatements on the audit and in forming our audit opinion.

We set materiality levels at both the group and component levels for the 2017 audit. Overall group materiality has been set at £835,000 and is based on 4% of the consolidated net assets of the group. Net assets has been considered the most appropriate measure as the most material item in the financial statements is goodwill, and the valuation of goodwill will be of particular interest to the users of the financial statements. To ensure appropriate levels of testing over items of revenue and expenditure, we have set a reduced materiality level of £200,000 to cover these items. For the parent entity, materiality has been set at £677,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit that exceeded 5% of overall materiality for the group, being £41,750.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED CONTINUED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company; or
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities Statement set out on page 21, 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 consolidated financial statements as a whole, and the parent company's financial statements, 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 consolidated financial statements.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EUROPEAN WEALTH GROUP LIMITED CONTINUED

Use of our Report

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. 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.

Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street, London EC1A 4AB

28 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	7	**10,029**	9,412
Cost of sales		**(1,311)**	(1,165)
Gross profit		**8,718**	8,247
Administrative expenses		**(9,620)**	(8,096)
Amortisation and depreciation		**(670)**	(538)
Other (losses) / gains	11	**(3,380)**	194
Internal restructuring	12	**(283)**	-
Operating loss		**(5,235)**	(193)
Finance costs	13	**(704)**	(568)
Loss before tax		**(5,939)**	(761)
Tax	14	**(9)**	4
Loss for the year		**(5,948)**	(757)
Other comprehensive income			
Items that may be reclassified subsequently to profit & loss:			
Exchange difference on translation of foreign operations		**(22)**	(30)
Total comprehensive loss for the year		**(5,970)**	(787)
Loss per share			
Basic		(0.10)p	(0.03)p
Diluted		(0.10)p	(0.03)p

The entire Group's revenue and operating (loss)/profit was derived from continuing operations.

The operating loss and total comprehensive loss for the year are attributable to the equity holders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Note	2017 £000s	2016 £'000
Non-current assets			
Property, plant and equipment	17	**68**	159
Intangible assets and goodwill	19	**23,019**	25,944
Investments	20	**-**	13
Deferred tax asset	21	**428**	428
		23,515	26,544
Current assets			
Trade and other receivables	22	**1,114**	926
Cash and cash equivalents	25	**9,799**	375
		10,913	1,301
Total assets		**34,428**	27,845
Current liabilities			
Trade and other payables	26	**3,165**	4,119
Short term borrowing	27	**10,367**	5,263
		13,532	9,382
Non-current liabilities			
Other non-current liabilities	28	**32**	618
		32	618
Net assets		**20,864**	17,845
Equity			
Share capital and premium	29	**5,016**	14,866
Other equity	30	**106**	356
Other reserves	31	**(734)**	277
Retained earnings	32	**16,476**	2,346
Total equity		**20,864**	17,845

The financial statements of European Wealth Group Limited (registered number 42316) were approved by the Board of Directors and authorised for issue and signed on its behalf by:

Marianne L Ismail

Marianne Ismail
Group Chief Executive, 28 June 2018

COMPANY STATEMENT OF FINANCIAL POSITION

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Intangible assets	19	**601**	698
Investments	20	**24,767**	17,079
		25,368	17,777
Current assets			
Trade and other receivables	22	**206**	5
Loans receivable	24	**1,739**	7,591
Cash and cash equivalents	25	**9,602**	5
		11,547	7,601
Total assets		**36,915**	25,378
Current liabilities	26		
Trade and other payables	27	**4,010**	2,267
Short term borrowings		**10,367**	5,002
	28	**14,377**	7,269
Non-current liabilities			
Other non-current liabilities		**-**	309
		-	309
Net assets		**22,538**	17,800
Equity			
Share capital and premium	29	**5,016**	14,866
Other equity	30	**106**	356
Other reserves	31	**(742)**	247
Retained earnings	32	**18,158**	2,331
Total equity		**22,538**	17,800

The Company loss for the year end 31 December 2017 was £4,251,000 (2016: £2,688,000).

The financial statements of European Wealth Group Limited (registered number 42316) were approved by the Board of Directors and authorised for issue and signed on its behalf by:

Marianne L Ismail

Marianne Ismail
Group Chief Executive, 28 June 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share Capital and Share Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £000s
Balance at 1 January 2016	**13,825**	**106**	**245**	**3,102**	**17,278**
Loss for the year	-	-	-	(756)	(756)
Issue of share capital	541	250	-	-	791
Share based settlement of deferred consideration	500	-	-	-	500
Share based payments	-	-	2	-	2
Retranslation of overseas operations	-	-	30	-	30
Balance at 31 December 2016	**14,866**	**356**	**277**	**2,346**	**17,845**
Loss for the year	-	-	-	(5,948)	(5,948)
Issue of share capital	9,205	-	-	-	9,205
Share based settlement of deferred consideration	917	(250)	-	-	667
Transfer to retained earnings	(19,972)	-	(106)	20,078	-
Reversal of convertible loan note	-	-	(203)	-	(203)
Share based payments	-	-	10	-	10
Placing costs	-	-	(690)	-	(690)
Retranslation of overseas operations	-	-	(22)	-	(22)
Balance at 31 December 2017	**5,016**	**106**	**(734)**	**16,476**	**20,864**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share Capital and Share Premium £'000	Other Equity £'000	Other Reserves £'000	Retained Earnings £'000	Total £000s
Balance at 1 January 2016	**13,825**	**106**	**245**	**5,019**	**19,195**
Loss for the year	-	-	-	(2,688)	(2,688)
Issue of share capital	541	250	-	-	791
Share based settlement of deferred consideration	500	-	-	-	500
Share based payments	-	-	2	-	2
Balance at 31 December 2016	**14,866**	**356**	**247**	**2,331**	**17,800**
Loss for the year	-	-	-	(4,251)	(4,251)
Issue of share capital	9,205	-	-	-	9,205
Share based settlement of deferred consideration	917	(250)	-	-	667
Transfer to retained earnings	(19,972)	-	(106)	20,078	-
Reversal of convertible loan note	-	-	(203)	-	(203)
Share based payments	-	-	10	-	10
Placing costs	-	-	(690)	-	(690)
Balance at 31 December 2017	**5,016**	**106**	**(742)**	**18,158**	**22,538**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Net cash used in operating activities	33	**(3,027)**	93	**5,640**	(579)
Investing activities		**(26)**	(18)	**-**	-
PPE purchased		**(48)**	-	**(10,048)**	-
Acquisition of investments		**(1,204)**	(216)	**(180)**	(134)
Deferred consideration		**200**	(200)	**-**	-
Loan advanced		**-**	(200)	**-**	-
Cash acquired on acquisitions		**(1,278)**	(394)	**(10,228)**	(134)
Net cash used in investing activities		**9,213**	541	**9,213**	541
Financing activities		**(705)**	(344)	**(590)**	(318)
Net proceeds on issue of shares		**(11,236)**	(256)	**(10,888)**	(186)
Interest paid		**16,451**	539	**16,451**	680
Loans receivable repaid		**13,723**	480	**14,186**	717
New loans received		**9,418**	179	**9,598**	4
Net cash from financing activities		**375**	179	**5**	1
Net increase/(decrease) in cash and cash equivalents		**6**	17	**(1)**	-
Cash and cash equivalents at beginning of year		**9,799**	375	**9,602**	5
Effects of movement in exchange rates on cash held by foreign operations		**6**	17	**(1)**	-
Cash and cash equivalents at end of year	25	**9,799**	375	**9,602**	5

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

for the year ended 31 December 2017

1 GENERAL INFORMATION

European Wealth Group Limited is a company incorporated in Guernsey under The Companies (Guernsey) Law, 2008. The shares of the Group are traded on AIM. The nature of the Group's operations and its principal activities are set out in the Strategic Report. Certain subsidiaries in the Group are subject to the FCA's regulatory capital requirements and therefore required to monitor their compliance with credit, market and operational risk requirements, in addition to performing their own assessment of capital requirements as part of the Individual Capital Adequacy Assessment Process (ICAAP).

2 BASIS OF ACCOUNTING

The financial statements of the Group and the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"s) adopted by the European Union and in line with Guernsey Company Law.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments (please refer to significant accounting policies note for details, note 5). Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Group made up to 31 December each year. From 1 January 2013 to 6 May 2014, the Group consisted solely of European Wealth Group Limited, which at the time was an Investment Company.

The Group now consists of the following subsidiaries, European Wealth Management Group Limited, European Investment Management Limited, European Financial Planning Limited, European Wealth Trading Limited, European Wealth (Switzerland) SA, EIM Nominees Limited, European Wealth (Gibraltar) Limited, and XCAP Nominees Limited.

All acquisitions are consolidated on the date of acquisition.

For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

European Wealth Management Group Limited, European Investment Management Limited, European Financial Planning Limited, European Wealth Trading Limited have been consolidated in to the consolidated statement of comprehensive income as of 7 May 2014.

Compass Financial Benefits Limited has been consolidated as of 25 June 2014, all revenue is incorporated within European Financial Planning Limited, and the Company has ceased trading as a separate entity.

European Wealth (Switzerland) SA has been consolidated as of 1 December 2014. This company reports its company accounts in Swiss Francs. These have been converted into Sterling for the purposes of the consolidation based on year end rates for the Statement of Financial Position and average rates for the Statement of Comprehensive Income.

Greensnow Limited, ISM Financial Solutions Limited and ISM Wealth Management Limited have been consolidated as of 1 July 2015, all revenue is incorporated within European Financial Planning Limited, and the Companies have ceased trading as separate entities.

EIM Nominees Limited has net assets of £21 and therefore that Company's information is not shown separately. Under The Companies (Guernsey) Law, 2008, EIM Nominees Limited is exempt from the requirement to present its own Statement of Comprehensive Income.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

3 BASIS OF CONSOLIDATION CONTINUED

European Wealth (Gibraltar) Limited has been consolidated as of 21 September 2016. This company reports its company accounts in US Dollars. These have been converted into Sterling for the purposes of the consolidation based on year end rates for the Statement of Financial Position and average rates for the Statement of Comprehensive Income.

XCAP Nominees Limited is a non-trading entity.

4 ADOPTION OF NEW AND REVISED STANDARDS

New accounting standards, amendments and interpretations adopted in the period

In the year ended 31 December 2017, the group did not adopt any new standards or amendments issued by the IASB or interpretations issued by the IFRS Interpretations Committee (IFRS IC) that have had a significant impact on the consolidated financial statements.

New accounting standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 1 (amendments)	Disclosure Initiative
IAS 16 and IAS 38 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity Method in Separate Financial Statements
IFRS 10 and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRS 10, IFRS 12 and IAS 28 (amendments)	Investment Entities: Applying the Consolidation Exemption

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 is effective for periods commencing on or after 1 January 2018 and replaces existing revenue recognition guidance, in particular under IAS 18. The standard was endorsed by the EU during 2016. The group has not adopted this standard early in preparing these consolidated financial statements.

IFRS 15 changes how and when revenue is recognised from contracts with customers and the treatment of the costs of obtaining a contract with a customer. The standard requires that the recognition of revenue is linked to the fulfilment of identified performance obligations that are enshrined in the customer contract. It also requires that the incremental cost of obtaining a customer contract should be capitalised if that cost is expected to be recovered. The group has considered the impact of adopting the standard, on its existing revenue streams, as well as on its policy of capitalising the cost of obtaining customer contracts and does not believe it will have a material impact.

Net fee and commission income

Included within net fee and commission income are initial fees, charged by a number of group companies in relation to certain business activities. Under IFRS 15, the group is required to make an assessment as to whether the work performed to earn such fees constitutes the transfer of services and, therefore, fulfils any performance obligation(s). If so, then these fees can be recognised when the relevant performance obligation has been satisfied; if not, then the fees can only be recognised in the period the services are provided.

We have not identified any instances where the recognition of revenue will change materially from the current treatment in the consolidated financial statements.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

4 ADOPTION OF NEW AND REVISED STANDARDS CONTINUED

IFRS 9 Financial Instruments

IFRS 9 changes the classification and measurement of financial assets. Financial assets will be classified into one of three categories: amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).The held to maturity, loans and receivables and available for sale categories available under IAS 39 have been removed. In addition, the classification criteria for allocating financial assets between categories are different under IFRS 9.There is no material change to the classification of financial liabilities.

The Group does not expect the new classification bases to have a material impact on its financial assets.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases. It eliminates the classification of leases as either operating leases or finance leases. Any leases with more than 12 months' term are to be recognised as a lease asset on the Statement of Financial Position and the related future lease obligations as a liability. IFRS 16 is only effective for annual periods beginning on or after 1 January 2019. The Group did not apply early adoption.

Annual Improvements to IFRSs: 2012-2014 Cycle Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 until a detailed review has been completed. The above standards have not had significance on the Group or on the Company other than on disclosures.

5 SIGNIFICANT ACCOUNTING POLICIES

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' Report on page 10.

Revenue recognition

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.

Management fees - Investment management fees are based on funds under management and are recognised over the period in which the related service is completed.

Commission income - Commissions are recognised when the service is completed.

Fee income - Fees for consultancy services are recognised as the service is performed.

Other income - Other income is recognised as the services are provided.

Interest income - Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

5 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Operating lease payments

The rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Borrowing costs

All borrowing costs are charged to profit and loss in the period in which they are incurred.

Retirement benefit costs

The company contributes to defined contribution pension schemes, held in separately administered funds. Contributions to the schemes are charged to the profit and loss.

Operating loss

Operating loss is stated before charging finance costs and investment income.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit 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 Statement of Financial Position date.

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 Statement of Financial Position 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. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Detailed financial forecasts are in place to support the carrying value of the deferred asset.

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

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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

5 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment, fixtures and fittings:	over 60 months on a straight-line basis
IT equipment and software:	over 36 months on a straight line basis.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Business combinations

All business combinations are accounted for by applying the acquisition method. The acquisition method involves recognition, at fair value, of all identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The cost of business combinations is measured based on the fair value of the equity or debt instruments issued and cash or other consideration paid, plus any directly attributable costs.

Goodwill arising on a business combination represents the excess of cost over the fair value of the Group's share of the identifiable net assets acquired and is stated at cost less any accumulated impairment losses. Goodwill is tested annually for impairment. Any impairment is recognised immediately through the profit and loss. Negative goodwill arising on an acquisition is recognised immediately through the profit and loss. On disposal of a subsidiary the attributable amount of goodwill that has not been subject to impairment is included in the determination of the profit or loss on disposal.

Impairment

Goodwill and other intangible assets with an indefinite life are tested annually for impairment. For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the group's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquisition are assigned to those units. The carrying amount of each CGU is compared to its recoverable amount, which is determined using a discounted future cash flow model.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Intangible assets

Client relationships

Client relationships acquired in a business combination are recognised at fair value at the acquisition date. Relationships acquired outside of a business combination are initially recognised at cost. In assessing the fair value of these relationships, the Group has estimated their finite life based on information about the typical length of existing client relationships. Amortisation is calculated using the straight line method over their useful lives, ranging from 10 to 20 years.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

5 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets and liabilities are classified into the following specified categories: fair value through profit or loss and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognised at fair value and subsequently re-measured, with gains or losses arising from changes in fair value being recognised in profit or loss in in the period in which they arise.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each Statement of Financial Position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised through the profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

5 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest rates
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Reclassification of equity
Under Guernsey Company law, the Company reserves the right to transfer the balance of its share premium account to retained earnings.

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible loan note

The amount of the convertible loan note that is classified as a liability in the financial statements has been adjusted to reflect its fair value. This involves calculating the amount of the loan that relates to liabilities and the amount that relates to equity through applying an effective interest rate.

This effective interest rate is an estimate based on the directors' industry knowledge of rates for similar loans without the conversion element. The convertible loan note was repaid in June 2017.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

5 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Client money

The Group holds money on behalf of clients in accordance with the client money rules of the Financial Conduct Authority and other regulatory bodies. Such money and the corresponding liabilities to clients are not shown on the face of the Statement of Financial Position, as the Group is not beneficially entitled thereto. The amounts held on behalf of clients at the Statement of Financial Position date are stated in note 25.

Deferred consideration

Deferred consideration, which is included within liabilities or equity depending on the form it takes, relates to the directors' best estimate of amounts payable in the future in respect of certain client relationships and subsidiary undertakings that were acquired by the Group. Deferred consideration is measured at its fair value based on the discounted expected future cash flows. Deferred consideration is recognised in equity when the amount payable is for a fixed amount of shares at a fixed price.

Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 35.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each Statement of Financial Position date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with original maturities of three months or less and bank overdrafts. Cash and cash equivalents are stated net of the bank overdraft.

6 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 5, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical judgements in applying the Group and Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in financial statements.

Share based payments

The calculation of the fair value of share based payments requires assumptions to be made regarding market conditions and future events. These assumptions are based on historic knowledge and industry standards. Changes to the assumptions used would materially impact the charge to the Statement of Comprehensive Income. Details of the assumptions are set out in note 35.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

6 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY CONTINUED

Goodwill and intangible assets

The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Goodwill is reviewed annually for impairment by comparing the carrying amount of the CGUs to their expected recoverable amount, estimated on a value-in-use basis.

The Group makes estimates as to the expected duration of client relationships to determine the period over which related intangible assets are amortised. The amortisation period is estimated with reference to historical data on account closure rates and expectations for the future. During the year, client relationships were amortised over a 10-20 year period.

7 BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

Information reported to the Group's Executive Chairman for the purposes of resource allocation and assessment of segment performance is focussed on the category of customer for each type of activity.

The Group's reportable segments under IFRS 8 are as follows:

- Investment management; and
- Financial planning

Information regarding the Group's operating segments is reported below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the year to 31 December 2017. The table below details full year's worth of revenue and results for the principal business divisions, which has then reconciled to the results included in the Statement of Comprehensive Income:

	Investment Management 2017 £'000	Financial Planning 2017 £'000	Group 2017 £'000	Total 2017 £'000
Revenue				
External sales – presents full year	**6,601**	**3,428**	**-**	**10,029**
Result				
Core adjusted profit/(loss)	**827**	**403**	**(2,132)**	**(902)**
Other gains/(losses)	(1,875)	-	(1,505)	**(3,380)**
Exceptionals	1	-	(284)	**(283)**
Finance costs	(3)	-	(701)	**(704)**
Amortisation	(1)	(32)	(637)	**(670)**
Loss before tax	**(1,051)**	**371**	**(5,259)**	**(5,939)**
Tax	(9)	-	-	**(9)**
Loss after tax	**(1,060)**	**371**	**(5,259)**	**(5,948)**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

7 BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

The following is an analysis of the Group's revenue and results by reportable segment for the year to 31 December 2016. The table below details full year's worth of revenue and results for the principal business divisions, which has then reconciled to the results included in the Statement of Comprehensive Income:

	Investment Management 2016 £'000	Financial Planning 2016 £'000	Group 2016 £'000	Total 2016 £'000
Revenue				
External sales – presents full year	6,084	3,328	-	9,412
Core adjusted profit/(loss)	**1,467**	**520**	**(1,836)**	**151**
Other gains and losses	1	-	193	194
Finance costs	(13)	(37)	(518)	(568)
Amortisation and depreciation	-	(27)	(511)	(538)
Loss before tax	1,455	456	(2,672)	(761)
Tax	-	4	-	4
Loss after tax	1,455	460	(2,672)	(757)

8 LOSS FOR THE YEAR

Loss for year ended 31 December 2017 has been arrived at after charging:

	2017 £'000	2016 £'000
Depreciation of fixtures and equipment	**117**	43
Amortisation of intangibles	**553**	495
Operating lease – property and equipment	**127**	314
Staff costs	**6,273**	5,507

See Directors' remuneration report for details of Directors' remuneration during the year.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

9 AUDITOR'S REMUNERATION

The analysis of auditor's remuneration is as follows:

	2017 £'000	2016 £'000
Fees payable to the Group's auditor		
Audit of Company	**83**	24
Audit of Subsidiaries	**44**	29
Total audit fees	**127**	**53**
Client money reporting fees	**28**	27
Total non-audit fees	**28**	**27**

10 STAFF COSTS

The average monthly number of employees (including Executive Directors, but excluding self employed advisers) from 1 January 2017 to 31 December 2017:

	2017 £'000	2016 £'000
Investment management and financial planning	40	36
Administration	57	47
Average number of employees	**97**	**83**

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	**5,319**	4,819
Social security costs	**586**	365
Pension costs	**285**	247
Other benefits	**73**	74
Share based payments	**10**	2
Total staff costs	**6,273**	**5,507**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

11 OTHER GAINS AND LOSSES

	2017 £'000	2016 £'000
Impairment of Intangibles	**2,330**	-
Refinancing costs	**204**	-
Acquisition costs/Movements in deferred consideration	**492**	194
Restructuring Costs	**354**	-
Total staff costs	**3,380**	194

The impairment of intangibles relates to the removal of the Goodwill on acquisition of P&C and CIMCO.

12 INTERNAL RESTRUCTURING COSTS

During the year, the Group incurred £283k of internal restructuring costs (2016: £nil), which were part of a formal restructuring plan approved by the Board.

13 FINANCE COSTS

	2017 £'000	2016 £'000
Bank and other finance charges	**704**	568

14 TAX

	2017 £'000	2016 £'000
Corporation tax		
Current year	**9**	-
Adjustments in respect of prior years		(4)
	9	(4)
Movement in Deferred tax (note 21)	**-**	-
	9	(4)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

14 TAX CONTINUED

UK corporation tax is calculated at 19.25% (2016: 20%) of the estimated assessable profits for the year.

	2017 £'000	2016 £'000
Loss before tax on continuing operations	**(5,939)**	(761)
Tax at the UK corporation tax rate of 19.25% (2015: 20.25%)	**(1,143)**	(152)
Expenses not deductible for tax purposes	**227**	75
Adjustments for Statement of Financial Position items	**11**	108
Revenue not eligible for tax purposes	**-**	(8)
Unrelieved tax losses carried forward	**905**	(23)
Tax charge on profits ineligible for Group relief	**9**	(4)
Total tax charge for the year	**9**	(4)

15 DIVIDENDS

The Directors are not proposing to pay a dividend in respect of the year ended 31 December 2017 (year ended 31 December 2016: £nil).

16 EARNINGS PER SHARE

	2017 £'000	2016 £'000
Losses for the purposes of basic loss per share being net loss attributable to owners of the Group	**(5,948)**	(757)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	**57,016,344**	23,963,676
Effect of dilutive potential ordinary shares:		
Share options	**-**	670,482
Convertible loan notes in issue	**-**	4,166,250
Weighted average number of ordinary shares for the purposes of diluted loss per share	**57,016,344**	**28,800,408**

The loss per share is (0.10p) (2016: loss per share (0.03)p). The diluted loss per share is (0.10)p (2016: loss per share (0.03)p).

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

17 PROPERTY, PLANT & EQUIPMENT

	Group Fixtures and equipment £'000	Company Fixtures and equipment £'000
Cost		
At 1 January 2017	267	-
Additions	26	
At 31 December 2017	**293**	**-**
Accumulated depreciation		
At 1 January 2017	108	-
Charge for the year	117	-
At 31 December 2017	**225**	**-**
Net Book Value as at 31 December 2016	159	-
Net Book Value as at 31 December 2017	**68**	**-**

18 BUSINESS COMBINATIONS

During the period under review, the Group completed one acquisition. On 9 May 2017, EWG acquired the entire share capital of Montpelier (B.V.I.) Limited for a purchase price of £30,000. The business was subsequently disposed of on 30 November 2017 for £nil value.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

19 INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill £'000	Intangibles £'000	Total £'000
Cost			
As at 1 January 2016	16,122	9,186	25,308
Additions	335	1,360	1,695
As at 31 December 2016	16,457	10,546	27,003
Additions	-	84	84
Disposals	-	(126)	(126)
As at 31 December 2017	**16,457**	**10,504**	**26,961**
Accumulated amortisation			
As at 1 January 2016	-	564	564
Charge for year	-	495	495
As at 31 December 2016	-	1,059	1,059
Impairment	1,971	359	2,330
Charge for year	-	553	553
As at 31 December 2017	**1,971**	**1,971**	**3,942**
Net book value			
As at 31 December 2016	16,457	9,487	25,944
As at 31 December 2017	**14,486**	**8,533**	**23,019**

Goodwill

Goodwill acquired in a business combination is allocated at acquisition to the CGUs that are expected to benefit from that business combination. The Group has identified two CGUs: investment management and financial planning.

	Investment Management £'000	Financial Planning £'000	Total £'000
Goodwill	8,966	5,520	14,486

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of asset. The smallest identifiable group of assets in European Wealth are the two divisions that the business is analysed across, being investment management and financial planning. All key management information is divided across these two divisions and when acquisitions are made they are analysed in either of those divisions. The different groups of assets that are within those two divisions do not generate independent cashflows that would enable them to be classed as separate CGUs. This is the fifth year in which the CGUs have been analysed in this format.

The Company acquired European Wealth Management Group Limited ("EWMG") in 2014. EWMG has been split between the two CGUs depending on which CGU the relevant assets are allocated to by the internal management information.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

19 INTANGIBLE ASSETS AND GOODWILL CONTINUED

The Group tests, for each CGU, at least annually for goodwill impairment. The recoverable amount of a CGU is determined as the higher of fair value less costs to sell of the value in use. For the wealth management CGU, the fair value less costs to sell is greater than the carrying value. For the financial planning CGU, a minor impairment (£87k) has been recognised. No further assessment of value in use has been performed.

Valuations are based on an assets under management multiple (the investment management CGU) and recurring revenue multiple (financial planning CGU) and look at industry standard valuation metrics in order to analyse out the individual CGUs. A decision was made to impair the goodwill in full, in respect of the investment in P&C and CIMCO due to the decisions to close the Absolute Return fund and sell the P&C business as at 31 December 2017. Goodwill associated with the acquisition of CIMCO was impaired by £335k while the goodwill associated with the acquisition of P&C was impaired by £1.5m.

Intangible assets

Intangible assets are valued using the value applied to the assets under management (i.e. the client lists). The assets are assessed for their useful life on an asset by asset basis in order to determine amortisation rates. There are currently £7.2m of intangible assets being amortised over 20 years, £1.1m over 15 years and £0.2m over 10 years.

The additions to the Group's intangible assets outlined in the table on page 48 represent the value of the funds under management acquired and client base acquired as part of the acquisitions of Montpelier and Towry. The disposal represents the Group's disposal of Montpelier.

	Company £'000
Cost	
At 1 January 2016	-
Additions	708
At 1 January 2017	708
Additions	56
Impairment	(98)
At 31 December 2017	**666**
Amortisation	
As at 1 January 2016	-
Charge for the year	10
As at 1 January 2017	10
Charge for the year	55
At 31 December 2017	**65**
Net book value as at 31 December 2016	698
Net book value as at 31 December 2017	**601**

The above addition to the Company intangible assets represents the value of the funds under management acquired and client base acquired as part of the acquisitions of Towry and Montpelier and their subsequent impairment/disposal.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

20 INVESTMENTS

	Group £'000	Company £'000
Cost		
At 1 January 2016	13	18,373
Acquired	-	750
Impairment		(2,044)
At 31 December 2016	**13**	**17,079**
Acquired	-	10,030
Impairment	(13)	(2,312)
Disposals	-	(30)
At 31 December 2017	**-**	**24,767**

The amount recognised as an investment in the Company accounts represents the purchase price of Montpelier (£30k) and an additional investment by EWG into its subsidiary EWMG (£10m). The disposal represents the Groups disposal of Montpelier (£30k).

21 DEFERRED TAX ASSET

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current year and prior reporting year.

	Group £'000	Company £'000
At 1 January 2017	**428**	**-**
Acquired	-	-
At 31 December 2017	**428**	-

Deferred tax assets and liabilities may only be offset where the Group has a legally enforceable right to do so.

The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Deferred tax assets	**428**	428	**-**	-

At the Statement of Financial Position date, the Group has unused tax losses of £4.6m (2016: £4.5m) available for offset against future profits. A deferred tax asset of £428,000 (2016: £428,000) has been recognised as the Group expects to be able to restructure to utilise these losses. No deferred tax asset has been recognised in respect of the remaining tax losses (£2.2m) as there is some uncertainty as to the timing of future expected profit.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

22 TRADE AND OTHER RECEIVABLES

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Prepayments	**552**	128	**141**	2
Other debtors	**4**	225	**65**	2
Trade receivables	**558**	573	**-**	-
	1,114	926	**206**	4

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. All trade and other receivables represent current receivables which are due within 12 months.

23 SUBSIDIARIES

European Wealth Group Limited has the following subsidiaries:

European Wealth Management Group Limited ("EWMG") (UK Company)	100% owned subsidiary	Holding company
European Wealth (Switzerland) SA (Switzerland Company)	100% owned subsidiary	Investment Management
European Investment Management Limited ("EIM") (UK Company)	100% owned by EWMG	Investment Management
European Financial Planning Limited (UK Company)	100% owned by EWMG	Financial planning
European Wealth Trading Limited (UK Company)	100% owned by EWMG	Trade execution
EIM Nominees Limited (UK Company)	100% owned by EIM – non trading company	Nominee Company
XCAP Nominees Limited (UK Company)	100% owned subsidiary	Nominee Company
EW Gibraltar Limited (Formerly CIMCO)	100% owned subsidiary	Investment Management

24 LOANS RECEIVABLE

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Staff loans	**-**	-	**-**	200
Loans receivable	**-**	-	**1,739**	7,391
	-	**-**	**1,739**	**7,591**

All loans were to the Company's 100% fully owned subsidiaries, European Wealth Management Group Limited, European Investment Management Limited, European Wealth Trading Limited, and European Financial Planning Limited.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

25 CASH, CASH EQUIVALENTS

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Cash at bank and in hand	**9,799**	375	**9,602**	5

Client money

Client money, held in segregated accounts not included in the Statement of Financial Position, was £32.8m (31 December 2016: £37.4m).

26 TRADE AND OTHER PAYABLES

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Trade payables	**891**	747	**437**	38
Intercompany	**-**	-	**2,154**	670
Accruals and other creditors	**1,529**	1,102	**959**	490
Deferred consideration	**527**	1,933	**460**	1,069
Other taxation and social security	**228**	337	**-**	-
	3,165	4,119	**4,010**	2,267

The Directors consider that the carrying amount of trade payables approximates to their fair value.

The deferred consideration payable is due to be paid by a mixture of cash and Ordinary shares in the Company.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

27 SHORT TERM BORROWINGS

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Short term borrowing	**10,367**	5,263	**10,367**	5,002

In March 2017, EWG entered into two facilities agreements, each for £250,000, with Phoenix Investments, Inc and Michael Mechas. At 31 December 2017, £250,000 (2016: £nil) and £221,688 (2016: £nil) was outstanding respectively.

On 7 November 2017, EWG entered into a facilities agreement with KPI (Nominees) Ltd. As part of this agreement, EWG has access to four facilities as follows:

1. £10m term facility loan
2. $5m term facility loan
3. £2m working capital term loan facility
4. $2m working capital term loan facility

Each facility has a duration of three years, an interest rate of 7.5%, an underwriting fee of 1%, an arrangement fee of 0.75% and a non-utilisation fee of 0.5%. All fees in relation to the term facility loans are contingent on EWG receiving FINRA approval of the Newbridge acquisition, which was received on 22 May 2018.

At 31 December 2017, £9.6m of Facility 1 had been drawn and was outstanding (2016: £nil). Underwriting fees of £100,000 and arrangement fees of £75,000 have been capitalised against the loan and amortised over the life of the loan. Additionally, professional fees of £205,000 have been capitalised against the loan.

At 31 December 2017, £700,000 of Facility 3 had been drawn and was outstanding (2016: £nil). Underwriting fees of £20,000 and arrangement fees of £15,000 have been capitalised against the loan and amortised over the life of the loan.

Facilities 2 and 4 were undrawn at 31 December 2017.

28 OTHER NON-CURRENT LIABILITIES

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Other loans	**-**	127	**-**	-
Hire purchase creditor	**32**	32	**-**	-
Deferred consideration	**-**	459	**-**	309
	697	618	**-**	309

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

29 SHARE CAPITAL AND SHARE PREMIUM

	2017 Shares	2016 Shares	2017 £	2016 £
Fully paid	**100,317,338**	25,187,113	**5,016**	14,866

Movements in Ordinary shares

	Number of shares 000's	Par value £	Share premium £	Total £
Opening balance as at				
1 January 2016	23,402	1,171	12,654	13,825
Issued during year	1,785	99	942	1,041
As at 31 December 2016	**25,187**	**1,270**	**13,596**	**14,866**
Issued during year	**75,130**	**3,746**	**6,376**	**10,122**
Transferred to Retained Earnings	**-**	**-**	**(19,972)**	**(19,972)**
As at 31 December 2017	**100,317**	**5,016**	**-**	**5,016**

Ordinary shares have a par value of £0.05. They entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

On 31 December 2017, the Company transferred its share premium account to retained earnings.

The company does not have a limited amount of authorised capital.

On 13 September 2016, the Company issued 909,091 ordinary shares of 5p each at an issue price of 55p per share as part of the consideration for the acquisition of CIMCO.

On 13 September 2016, the Company issued 454,545 ordinary shares of 5p each at an issue price of 55p per share to Mr Michael Mechas.

On 7 October 2016, the Company announced the completion of a placing of 412,144 ordinary shares of 5p each at an issue price of 50p per share to raise £291,100.

On 17 January 2017, the Company issued 854,735 ordinary shares of 5p each at an issue price of 51.6p per share as part of the consideration for the acquisition of ISM.

On 1 March 2017, the Company issued 626,808 ordinary shares of 5p each at an issue price of 53.4p per share as part of the consideration for the acquisition of Compass.

On 27 July 2017, the Company announced the completion of a placing of 72,786,620 ordinary shares of 5p each at an issue price of 12.8p per share to raise £9,196,078.

On 21 September 2017, the Company issued 78,886 ordinary shares of 5p each at an issue price of 21p per share as part of the consideration for the acquisition of Bells.

On 13 October 2017, the Company issued 637,158 ordinary shares of 5p each at an issue price of 19.6p per share as part of the consideration for the acquisition of CIMCO.

On 31 December 2017, the Company issued 146,023 ordinary shares of 5p to Simon Ray in settlement of share options.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

30 OTHER EQUITY

	Group £'000	Company £'000
Opening balance as at		
1 January 2016	**106**	106
Issue of deferred share capital	**250**	250
Balance at 31 December 2016	**356**	356
Reduction in provision for deferred share capital	**(250)**	(250)
Balance at 31 December 2017	**106**	106

31 OTHER RESERVE

	Group £'000	Company £'000
Balance as at 1 January 2016	245	245
Share based payments charge	2	2
Retranslation of overseas operations	30	-
Balance at 31 December 2016	277	**247**
Reversal of CLS conversion charge	**(203)**	**(203)**
Placing costs	**(690)**	**(690)**
Transfer to retained earnings	**(106)**	**(106)**
Share based payments charge	**10**	**10**
Retranslation of overseas operations	**(22)**	**-**
Balance at 31 December 2017	**(734)**	**(742)**

Exchange difference relating to the translation of the results and net assets of the Group's foreign operation from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the foreign currency reserve.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

32 RETAINED EARNINGS

In the year to 31 December 2017 the Company made a loss after tax of £4,251,000 (2016: £2,688,000).

	Group £'000	Company £'000
Balance as at 1 January 2016	3,102	5,019
Net loss for the year	(756)	(2,688)
Balance at 31 December 2016	**2,346**	**2,331**
Transfer from share premium	**20,078**	**20,078**
Net loss for the year	**(5,948)**	**(4,251)**
Balance at 31 December 2017	**16,476**	**18,158**

33 NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents comprise cash and cash equivalents with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents are detailed in note 24.

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
(Loss)/profit before tax	**(5,939)**	(757)	**(4,251)**	(2,688)
Adjustments for:				
Finance costs	**704**	568	**590**	487
Forex	**4**	31	**-**	29
Expenses charged to capital	**(1,043)**	-	**(1,043)**	-
CLS redemption charge	**(203)**	-	**(203)**	-
Depreciation and amortisation	**670**	538	**55**	10
Share-based payment expense	**10**	2	**10**	2
(Loss)/profit on disposal of subsidiary	**-**	-	**(76)**	41
Impairment of goodwill/ subsidiaries	**(2,330)**	-	**(2,299)**	2044
Bad debt expense	**200**	-	**-**	-
Exceptional items	**3,380**	(218)	**550**	(109)
Movements in deferred consideration	**(1,865)**	(536)	**(143)**	(599)
Operating cash flows before movements in working capital	**(6,412)**	(376)	**(6,810)**	(783)
Decrease/(increase) in receivables	**(177)**	(128)	**6,719**	(441)
Decrease/(increase) in payables	**3,562**	597	**5,731**	645
Net cash inflow/(outflow) from operating activities	**(3,027)**	93	**5,640**	(579)

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

34 OPERATING LEASE ARRANGEMENTS

At the Statement of Financial Position date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year	**306**	314	**-**	-

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Within one year	**224**	244	**-**	-
In the second to fifth years inclusive	**239**	135	**-**	-
	463	379	**-**	-

35 SHARE BASED PAYMENTS

Employee Option Plan

The Group has one share option scheme established for the Group's employees or consultants (as appropriate):

- The European Wealth Group Limited EMI Scheme 2014, an HMRC approved scheme under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 pursuant to which options over ordinary shares of the Group may be granted to individuals (as selected by and in amounts determined by the Group's Remuneration Committee) who are employees of the Company or of other members of its group.

If options granted under any of the schemes remain unexercised for a period of 10 years from the date of grant then the options expire.

In certain circumstances, options may be exercised earlier than the vesting date if the option holder ceases to be an employee of the relevant Group member. In particular, options may be exercised for a period of six months after the option holder ceases to be employed within the Group by reason of injury, ill health or disability (evidenced to the satisfaction of the Remuneration Committee), redundancy or retirement on or after reaching the age of 55 or upon the sale or transfer out of the Group of the relevant Group member or undertaking employing or contracting with him/her.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

35 SHARE BASED PAYMENTS CONTINUED

In the event of cessation of employment or engagement of the option holder by reason of his/her death, his/her personal representatives will be entitled to exercise the option within twelve months following the date of his/her death. Where an option holder ceases to be employed within the group for any other reason, options may also become exercisable for a limited period at the discretion of the Remuneration Committee. There are no additional performance conditions attached to the share options presently issued.

	Average exercise price per share option 2017 pence	Number of options 2017	Average exercise price per share option 2016 pence	Number of options 2016
Outstanding as at 1 January	**42.28**	**1,352,940**	20.99	1,130,440
Granted during the year	**-**	**-**	53.00	297,500
Exercised during the year*	**0.02**	**(146,018)**	-	-
Forfeited during the year	**28.90**	**(770,482)**	100.00	(75,000)
Outstanding as at 31 December	**71.98**	**436,440**	42.28	1,352,940
Vested and exercisable at 31 December	**238,940**		855,940	

* The weighted average share price at the date of exercise of options exercised during the year ended 31 December 2017 was 34.75p (2016 – not applicable).

No options expired during the periods covered by the above tables.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant date	Expiry date	Exercise price pence	Share options 31 December 2017	Share options 31 December 2016
1 April 2012	**31 Mar 22**	**25.30**	**39,440**	855,940
4 August 2014	**03 Aug 24**	**100.00**	**199,500**	199,500
1 August 2016	**31 Jul 26**	**53.00**	**197,500**	297,500
Total			**436,440**	1,352,940
Weighted average remaining contractual life of options outstanding at end of period			**7.28 years**	6.55 years

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 £	2016 £
Options issued under employee option plan	**10,057**	2,344

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

36 FINANCIAL INSTRUMENTS

The following table states the classification of financial instruments and is reconciled to the Statement of Financial Position:

Group	Loans and receivables £'000	Held for trading £'000	Amortised costs £'000e	Non-financial instruments £'000	Total £'000
As at 31 December 2017					
Fixtures and equipment	-	-	-	68	68
Intangible assets and goodwill	-	-	-	23,019	23,019
Deferred tax asset	-	-	-	428	428
Trade and other receivables	1,039	-	-	75	1,114
Cash and bank balances	9,799	-	-	-	9,799
Trade and other payables	-	-	(3,165)	-	(3,165)
Short term borrowing	-	-	(10,367)	-	(10,367)
Other non-current liabilities	-	-	(32)	-	(32)
	10,838	**-**	**(13,564)**	**23,590**	**20,864**

Company	Loans and receivables £'000	Held for trading £'000	Amortised costs £'000e	Non-financial instruments £'000	Total £'000
As at 31 December 2017					
Intangible assets and goodwill	-	-	-	601	601
Investments	24,767	-	-	-	24,767
Trade and other receivables	1,806	-	-	139	1,945
Cash and bank balances	9,602	-	-	-	9,602
Trade and other payables	-	-	(1,857)	-	(4,010)
Short term borrowing	(2,153)	-	(10,367)	-	(10,367)
Other non-current liabilities	-	-	-	-	-
	34,022	**-**	**(12,224)**	**740**	**22,538**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

36 FINANCIAL INSTRUMENTS CONTINUED

Group	Loans and receivables £'000	Held for trading £'000	Amortised costs £'000e	Non-financial instruments £'000	Total £'000
As at 31 December 2016					
Fixtures and equipment	-	-	-	159	159
Intangible assets and goodwill*	-	-	-	25,944	25,944
Deferred tax asset	-	-	-	428	428
Trade and other receivables	901	-	-	25	926
Investments	13	-	-	-	13
Cash and bank balances	375	-	-	-	375
Trade and other payables	-	-	(3,782)	(337)	(4,119)
Short term borrowing	-	-	(5,263)	-	(5,263)
Long term borrowing	-	-	(159)	-	(159)
Other non-current liabilities	-	-	(459)	-	(459)
	1,289	**-**	**(9,663)**	**26,219**	**17,845**

Company	Loans and receivables £'000	Held for trading £'000	Amortised costs £'000e	Non-financial instruments £'000	Total £'000
As at 31 December 2017					
Intangible assets and goodwill	-	-	-	698	698
Investments	17,079	-	-	-	17,079
Trade and other receivables	7,595	-	-	-	7,595
Cash and bank balances	5	-	-	-	5
Trade and other payables	(360)	-	(327)	-	(687)
Short term borrowing	(670)	-	(6,380)	-	(7,050)
Other non-current liabilities	(459)	-	-	-	(459)
	23,190	**-**	**(6,707)**	**698**	**17,181**

The held for trading assets are Level 3 fair value and is the only fair value item.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. Credit risk is monitored on a regular basis by the finance team along with support from the back office functions of the respective business divisions.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the Statement of Financial Position date.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

36 FINANCIAL INSTRUMENTS CONTINUED

Trade and other receivables

	Group 31 December 2017 £'000	Group 31 December 2016 £'000	Company 31 December 2017 £'000	Company 31 December 2016 £'000
Cash	**9,799**	375	**9,602**	5
Trade and other receivables	**1,114**	926	**1,945**	7,595
	10,913	1,301	**11,547**	7,601

The Group's exposure to credit risk on cash and bank balances is considered by the Directors to be low as the Group holds accounts at banks with strong credit ratings.

The below table shows the ageing of due but not impaired receivables.

	Delivery versus payment £'000	Other trade receivables £'000	Other receivables £'000	Total £'000
As at 31 December 2017				
Neither impaired nor past due on reporting date	-	558	480	1,039
Past due less than 30 days	-	-	-	-
Between 30 and 60 days	-	-	-	-
Over 60 days	-	-	-	-
	-	**558**	**480**	**1,039**

	Delivery versus payment £'000	Other trade receivables £'000	Other receivables £'000	Total £'000
As at 31 December 2016				
Cash and bank balances	-	400	526	926
Short term borrowing	-	-	-	-
Trade and other receivables	-	-	-	-
Trade and other payables	-	-	-	-
	-	**400**	**526**	**926**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

36 FINANCIAL INSTRUMENTS CONTINUED

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they fall due. The controls and limits surrounding the Company's credit risk together with cash monitoring processes ensures that liquidity risk is minimised.

The below table illustrates the maturity profile of all financial liabilities outstanding as at 31 December 2017.

	Repayable on demand £'000	Repayable between 0 and 6 months £'000	Repayable between 6 and 12 months £'000e	Repayable after more than 12 months £'000	Total £'000
As at 31 December 2017					
Trade payables	-	891	-	-	891
Other payables	-	2,207	67	-	2,274
Borrowings	-	10,772	-	-	10,772
Finance lease liabilities	-	32	-	-	32
	-	**13,902**	**67**	**-**	**13,969**
As at 31 December 2016					
Trade payables	-	747	-	-	747
Other payables	-	1,439	-	-	1,439
Borrowings	-	6,074	1,090	586	7,750
Finance lease liabilities	-	16	16	32	64
	-	8,276	1,106	618	10,000

Of the amount due to be repaid between 0-6 months, £nil (2016: £0.4m) is due in share capital of the Company.

Market risk

As with other firms in our sector, European Wealth Group Limited is vulnerable to adverse movements in the value of financial instruments.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

36 FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

Interest rate risk is the risk of financial loss as a result of an increase in interest rates on borrowings. Sensitivity analysis has not been performed on the Group as all of the Group's interest bearing instruments are at fixed rates. As such, a 10% movement in interest rates would have an immaterial impact on the financial statements.

The below table illustrates non-interest and interest bearing financial instruments.

	Non-interest bearing £'000	Fixed interest £'000	Non-financial assets/ liabilities £'000e	Total £'000
As at 31 December 2017				
Cash and bank balances	9,799	-	-	9,799
Trade and other receivables	1,039	-	76	1,115
Trade and other payables	(2,638)	-	-	(2,638)
Short term borrowing	-	(10,926)	-	(10,926)
	8,200	**(10,926)**	**76**	**(2,650)**
As at 31 December 2016				
Cash and bank balances	375	-	-	375
Short term borrowing	(459)	(5,422)	-	(5,881)
Trade and other receivables	901	-	25	926
Trade and other payables	(3,782)	-	(337)	(4,119)
	(2,965)	**(5,422)**	**(312)**	**(8,699)**

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

37 RELATED PARTY TRANSACTIONS

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on page 20.

	Year ended 31 December 2017 £	Year ended 31 December 2016 £
Short-term employee benefits	**566**	656
Post-employment benefits	**107**	59
	347	-
Share-based payments	**-**	2
	1,020	717

During the year ended 31 December 2017, European Investment Management charged fees totalling £1,802 (2016: £6,089) to related parties who have assets managed by European Investment Management. In addition, European Wealth Trading Limited charged commission on trades for related parties of £2,571 (2016: £3,141). This cash was managed at the standard rate for staff and related parties.

During the year, KPI (Nominees) Ltd charged EWG £735,014 (2016: £nil). At 31 December 2017 Of this, £385,697 was outstanding (2016: £nil). The majority of this related to fees charged in relation to the refinancing in June 2017 and to the financing of the Newbridge acquisition.

On 16 March 2017, a loan facility of £250,000 was drawn by the Group from Michael Mechas, a Director of European Wealth Gibraltar. At 31 December 2017, £221,688 was outstanding.

On 31 March 2016, a loan facility of £100,000 was drawn by the Group from Buzz West. On 28 July 2017, this loan was converted into 781,250 European Wealth ordinary shares at a 12.8p as part of a wider capital raise.

Fees paid to Moor Park Capital Partners, of which Gary Wilder is shareholder, totalled £41,250 for the year to 31 December 2017 (2016: £nil), of which £41,250 (2016: £nil) was outstanding at 31 December 2017.

38 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong capital structure in order to support the development of its business, to maximise shareholder value and to provide benefits for its other stakeholders. Details of the management of this risk can be found in the strategic report and the directors' report.

In addition European Investment Management, European Wealth Trading and European Financial Planning are regulated by the FCA and have to comply with the FCA capital adequacy rules and regulations.

39 ULTIMATE CONTROLLING PARTY

The directors do not consider there to be an ultimate controlling party for the Company.

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS CONTINUED

40 EVENTS AFTER THE REPORTING PERIOD

Newbridge Acquisition

On 7 November 2017, EWG entered into a share purchase agreement to acquire 100% of the issued share capital of KPI US Holdco, Inc. ("KPI US"). Prior to the signing of the SPA, KPI Newbridge Holdings, Inc (a wholly owned subsidiary of KPI US) entered into a separate stock purchase agreement to become 100% owner of Newbridge Securities Corporation and Newbridge Financial Services Group, Inc. (together "Newbridge").

Under the terms of the SPA, EWG would pay KPI Ardmore Limited an initial consideration of US$3,000,001 for KPI US and would assume liabilities relating to the Newbridge Acquisition totalling US$14,635,000.

Completion of the acquisition of KPI US was conditional on receipt of regulatory approval from the Financial Industry Regulatory Authority ("FINRA"); this approval was received on 22 May 2018 However , EWG and Newbridge have not been able to come to an agreement on these conditions and have mutually decided not to proceed with the proposed acquisition. On 6 June 2018, Newbridge informed FINRA that the transaction had been officially terminated.

Facilities Agreement and Conversion

Concurrently with the SPA (and in order to fund the Newbridge Acquisition and the development of the EWG Group), EWG entered into a facilities agreement with KPI (Nominees) Limited ("KPI"). The Funding was in the form of a convertible term loan facility (refer to Note 27 for details on the Facilities).

Despite the uncertainty surrounding Newbridge, notice was received from KPI on 24 May 2018 to convert the fully drawn £2.0 million working capital term loan facility and £4.7m of the £ Term Loan Facility. In addition, interest of £243,000 and facility fees of £119,000 have been capitalised into EWG ordinary 5p shares. 42,801,341 Ordinary 5p shares were subsequently issued on 31 May 2018. Concurrently, EWG offered shares to all its staff on the same terms. As result, a further 3,831,988 shares were issued, further strengthening the EWG Statement of Financial Position by £650,000.

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