EUROPEAN WEALTH GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

REGISTERED NUMBER: 42316

Protect and grow your wealth

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Company's Registered Number
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HIGHLIGHTS AND SUMMARY INFORMATION

Operational Highlights

- Assets under management increased by 25% to £1.5bn (2015: £1.2bn)
- Three acquisitions were successfully completed in the financial year under review:
    - In January 2016, the Group acquired the financial planning client list from Phoenix Invest Limited which added £20m of funds under influence, integrated into European Financial Planning
    - In September 2016, the Group completed the acquisition of CIMCO Partners Management Limited, changing the name to European Wealth Gibraltar Limited, which manages the G20 Absolute Return fund. This acquisition added US$22m of funds under management
    - In October 2016, the Group acquired a book of business and certain related assets from Towry Asset Management, which will bring an estimated £80m-£100m of additional funds under management to the Group
- Growth in overseas operations with the addition of a Gibraltar office, and a foothold into the South African market through the 2016 acquisitions

Financial Highlights

- Income from trading activities increased by 23% to £9.4m (2015: £7.7m) due to organic growth and growth from acquisitions
- Group recurring revenue increased to £5.3m (2015: £4.8m)
- Financial Planning recurring revenue increased to 79% (2015: 72%)
- Strong growth of Treasury and Cash Management mandate which now accounts for 14% of the investment management division's revenue (2015: 13%)
- Loss before tax decreased to £0.8m (2015: £1m) resulting in the firm recording a positive EBITDA of £346,000 (2015: loss of £68,000)
- Net assets increased to £17.8m (2014: £17.3m)

Summary Information

European Wealth Group Limited 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 £21.8m of assets to invest to institutions investing up to £89m. The Group currently has over £1.5bn of funds under management or influence ("FUM") and has headquarters in London and regional offices in Brighton, Cheltenham, East Malling, Manchester, Wokingham, Worcester and overseas offices in Zurich, Switzerland and Gibraltar. European Wealth and its subsidiaries currently have 79 employees as well as using the services of 13 consultants.

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 £933m of FUM split between its discretionary and equity investments (£458m) and its fixed interest investments (£475m).

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 9,813 clients and 47 corporate pension schemes ranging in size from 10 to 5,000 members, with aggregate funds under advice of approximately £527m. The financial planning division provides advice to clients covering three core services – financial planning, corporate pension advisory and tax planning.

CHAIRMAN'S STATEMENT

2016 was a year of considerable growth and development for European Wealth. Our total funds under management increased by 25% to £1.5bn (2015: £1.2bn) and it is pleasing to note that this was achieved both through organic growth and our ongoing strategy of selective acquisitions. Since the year end our funds under management have increased further to over £1.65bn due to new mandates won in the current year and as a result of funds transferring under the Towry agreement.

This increase in funds under management was mirrored in the turnover for the Group, which reached £9.4m for the year to 31 December 2016, an increase of 23% over the previous year (2015: £7.7m). At the interim stage, we commented that we believed that one of the key measures of performance was an increasing, positive EBITDA so it is pleasing to note that the Group recorded a positive EBITDA of £0.3m. Growth in the top line coupled with our focus on cost control saw the loss before tax reduce from £1.0m in 2015 to £0.8m for the year to 31 December 2016.

Strategy

The strategy of the Group continues to be to expand through three key channels, organic growth, selective acquisition and attracting additional revenue-generating staff. I have already commented above on the success we had last year in generating both organic and acquisitive growth. However, as highlighted in a trading statement earlier in the year, we believe that the cost of acquisitions within the investment management and financial planning industries has increased to a point where we feel selective recruitment of revenue-generating staff would be the most effective use of the company's capital in the short term. This should not be interpreted however, as our intention to walk away from the pursuit of selective acquisitions where we see a prudent, fairly priced acquisition which adds to the overall Group skill set and produces economies of scale from our already robust administration system.

The Board

In April 2016, Rod Gentry stepped down from the Board. Rod was an integral part of the team that created European Wealth and we are all grateful for his dedication over the years. Following Rod's departure, the Board reviewed the management structure of the business and the performance of certain parts of the Group. As a result, a number of changes were made. The role of Executive Chairman was split, with John Morton taking on the role of Group Chief Executive and I became Non-Executive Chairman. Underlining the importance of efficient, up to date and cost effective operations within the whole Group, Simon Ray our Group Chief Operating Officer has also been appointed to the Board.

The regulatory obligations on the Board continue to increase with the 'Senior Management Regime' due to be implemented at the beginning of 2018. Whilst the Board recognise the need for individual accountability of Directors and Senior Management, we believe strongly in the collective responsibility of the Board, and the Executive Management Team together with robust challenge by Non-Executive Directors.

A number of projects and initiatives are being undertaken within the regulated businesses to both ensure that the Group is not only fully prepared for the introduction of MiFID II but that we also continue to review, improve and modernise the delivery of our service to clients however they may interact with the Group.

Outlook

The global economy and stock markets have a number of uncertainties to confront during 2017. American interest rates have continued their upward trend, more rises are expected in the current year and this trend will possibly spread over to other parts of the world impacting the bond markets. Meanwhile, US equity markets have hit record highs, driven by the economic promises of the new administration. Closer to home, the UK has to confront the challenges of Brexit and a shock UK election result, which are likely to cause periods of uncertainty both for the UK domestic economy and the stock markets in the UK and Continental Europe; where France has elected a new President and elections follow in many other European countries. It remains to be seen what impact all this will have on global stock markets that performed particularly well in the fourth quarter of 2016 and have started the current year with optimism.

Irrespective of these uncertainties, European Wealth is now well placed to continue its strategy for growth. The Group has secured £9.3m of new capital, which will fund the redemption of the bridging finance put in place on 7 June to facilitate the repayment of the convertible loan stock, repay other loans and leave the Group debt free. With a much-strengthened balance sheet, your Board now looks forward to taking advantage of the right opportunities when they emerge over the next year.

Your Board has always considered the culture of European Wealth to be one of the Group's main assets and something that we are committed to developing further as the Group grows. The correct culture within the Group will not only help the employees within the business, it will also result in a superior service to clients and, ultimately, greater rewards to shareholders. Within times of significant change in any industry, the more internal stability that can be provided to employees, the greater the chance of reducing staff turnover and of building loyalty amongst our staff and our client base.

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

Buzz West, Chairman
June 2017

GROUP CHIEF EXECUTIVE'S REPORT

Despite a lacklustre start to 2016, global stock markets performed well over the year with the FTSE All Share Index increasing by 12.8% and the FTSE World Index increasing by 26.2%. This was despite some significant turmoil in the political landscape during the second half of the year. Not only did stock markets have to weather the uncertainty surrounding the election of the President of the United States and its unexpected result, but also the somewhat surprise decision by the UK Electorate to vote in favour of Brexit. The political fallout of the latter initially caused a significant fall in the currency. Sterling weakness however, had a positive impact on the UK stock market which has such a strong representation of companies with high proportions of overseas earnings. The UK market was also underpinned by good economic growth figures compared to many other major economies particularly those in Continental Europe.

Against this background, I am pleased to report that European Wealth has had a successful year pursuing its strategy of growth through classic organic growth, selective acquisitions of businesses and the addition of revenue-generating staff. As noted in the Chairman's Statement, funds under management have increased by 25% to £1.5bn. During the last 12 months, the two largest acquisitions were the Towry book of business which was mainly comprised of South African clients and CIMCO, the managers of a Gibraltar-based Absolute Return Fund, which has added approximately US$22m to the funds under management. The total amount of funds under management acquired during 2016 was £36m, the rest of the increase has been a result of organic growth.

The financial performance of the Group over the last 12 months has also improved, justifying the confidence expressed in our Interim Statement. These results have been boosted not only by revenue growth but also by further control of the cost base.

The turnover in the investment management business has grown by 33% over the last 12 months, increasing to £6.1m (2015: £4.5m) primarily driven by increases in the revenue generated from discretionary portfolio management and the continued strong growth in our treasury and cash management services. The financial planning business was also able to record a 10% increase in turnover to £3.3m (2015: £3.0m); primarily driven by increases in income from general financial planning services and specialist tax planning.

In the last two years, we have followed a deliberate policy of investing in our operational infrastructure which is now helping us control our costs and to absorb acquisitions. As we provide all the administration in-house, the Group's fixed cost base is understandably high, accounting for approximately 80% of the total operating costs. However, it does confer the advantage that any increase in revenue has a disproportionately positive impact on the profitability of the Group.

Our total headcount continues to increase and reached 92 at the 31 December 2016.

	2016		2015	
	Number	%	Number	%
Fee-Earning	39	42%	40	49%
Admininstration	53	58%	42	51%
Total	**92**		**82**	

The numbers in the table above do not include the staff that have transferred over following our acquisition of the book of business from Towry which was announced in October 2016. Whilst the transfer is taking longer than we originally anticipated, the staff of two investment managers and an assistant joined European Wealth at the end of February and the speed of client transfer is accelerating. It is your Board's intention to build a presence in South Africa to attract further funds under management both from local introducers and private individuals.

The increase in the ratio of administration staff to fee-earners has been the result of a restructuring within the financial planning business. A team of para planners, which we have included in administration staff, have been put in place to support the financial advisers. We expect this to have a positive effect on the amount of revenue that can be generated by each financial planner.

One of the features of 2016 has been the increase in levels of organic growth. This will be further enhanced by the establishment of a dedicated business development function which will concentrate both on the cross-selling that can be achieved within the Group but also developing our range of external introducers both in the UK and overseas.

Review of Divisions

European Wealth Group has two key divisions which allow the Group to offer a wide range of services within the wealth management industry.

Investment Management

The investment management division is made up of three core disciplines, discretionary portfolio management, treasury and cash management and a specialist execution-only dealing desk. Revenue from each division breaks down as follows:

	2016		2015	
Discipline	**£'000**	**%**	**£'000**	**%**
Discretionary	4,559	75%	3,473	77%
Treasury and Cash Management	864	14%	579	13%
Execution-only	661	11%	483	10%
	6,084		**4,535**	

The discretionary portfolio management discipline has always been the backbone of the division providing discretionary and advisory multi-asset investment services to a broad range of clients. As the market becomes ever more competitive, it is important that European Wealth continues to offer clients a highly personal service and investment performance that meets their objectives. To this end, it is pleasing that our investment performance remains strong and we continue to win industry awards.

Within the investment management division, despite the low interest rate environment making profitable fixed interest investment challenging, our Fixed Interest team have, once again, been very successful in showing strong organic growth. The Team won several new mandates, particularly in the university sector, increasing their funds under management from £345m at the end of 2015 to £475m at the end of 2016. Furthermore, I am pleased to report that the success has continued into 2017 and in the opening months of 2017, they have been awarded mandates over a further £200m together with some of the existing clients adding additional funds to their portfolios. The Treasury and Cash management team will continue to be in demand as the quest for low risk assets but with some positive return, continues.

The earnings from the Dealing Desk will always be volatile and driven by trading activity in the stock markets. Nevertheless, your Board considers it to be a valuable source of revenue for the Group and an area that we expect to develop further as a certain segment of the client base continue to want to keep control of their assets and require a purely execution-only service. Despite margin pressure with the availability of online dealing services, the fact that we are clearing our own trades through an in-house back office facility allows us to keep our marginal cost as low as possible.

Financial Planning

The financial planning business is divided between three distinct disciplines, the revenue for each is as follows:

	2016		2015	
Discipline	**£'000**	**%**	**£'000**	**%**
General Planning	2,523	76%	2,227	72%
Group Pensions	558	17%	615	20%
Specialist Tax Planning	247	7%	249	8%
	3,328		**3,091**	

We stated at the interim stage that we were introducing new procedures in our financial planning business and also were in the process of fully integrating the ISM and Bells acquisitions. The changes to the client charging structure which I referred to in my Chairman's Statement last year have continued in 2016. Consequently, the shape of the revenue has continued to improve with the recurring revenue now accounting for 79% of total revenue (2015 – 72%). The Interim Report was very clear on the imperative to build recurring revenue as quickly as possible to provide the cash flow to invest in the high added value service necessary to grow the business and stay ahead of the competition.

General financial planning will always be a cornerstone of this business but increasingly we see growing demand for more specialist financial planning such as advising clients where to place their assets to take best advantage of current taxation legislation and, more importantly, to plan for retirement and structure their personal and family assets in the most appropriate way. There are good opportunities for cross-referrals both within the financial planning business and the wider Group.

The Balance Sheet

Since its inception, the Group has been, in part, funded by debt. At its admission to AIM in May 2014, much of that debt was consolidated in a convertible loan stock. Contemporaneous with these results, European Wealth has agreed terms to raise £9.3m of new capital. Not only will this provide the funds to redeem the bridge finance entered into on 7 June and all accrued interest thereon, it is also sufficient to enable the Group to repay other loans and satisfy all deferred consideration liabilities, leaving the Group debt free.

With the Group now firmly cash flow positive, and a strengthened balance sheet, European Wealth is better placed to face the future than at any time in its recent history.

Outlook

The outlook for world economies and, consequently, stock markets would appear to be subject to more political influences than usual. Following the close election in the US, the complexities of Brexit, the recent elections in the UK and France, together with the election in Germany, which have and will continue to command the attention of politicians and the media, there is ample reason to believe there will be spells of volatility in stock markets.

However, there is cause for some optimism. Except for a very small number of small emerging economies, the outlook is for all developed economies to grow and forecasts are for the UK economy to show the best growth rate in Europe and even surpass that of the US. Interest rates are likely to continue to increase moderately in the US and are unlikely to move at all in Europe. The UK may be an exception here but with Brexit it is unlikely to be anything other than a cosmetic nod to the rising inflation numbers. Inflation is reasonably under control in the major economies although the weakness of Sterling has started to impact the inflation numbers in the UK. Against this background, we view the future for investment returns with some confidence although there may be some correction following the recent strong run in markets.

The continued uncertainty within the wealth management industry together with the ongoing challenges with the introduction of MiFID II at the beginning of 2018, will put pressure on the smaller fund management and financial planning companies. The increase in regulation is not restricted to the UK; regulation is also increasing within the financial services industry internationally. These dynamics are likely to lead to more consolidation and consequently the opportunity for further acquisitive growth, both domestically and internationally. The greatest challenge at the moment is to ensure that acquisitions are realistically priced, something your Board is finding an increasing challenge.

Acquiring individuals or teams of people can sometimes be better than acquiring a whole company. The consolidation within the industry has resulted in a higher level of turnover amongst senior revenue generating staff and European Wealth has been able to take advantage of this uncertainty. We have already recruited two new revenue generators in the first three months of 2017 and expect them to be contributing to the Group's revenue in a very short space of time.

The Board believes that the demand for impartial financial planning and investment management advice will grow as individuals become more responsible for the funding of their retirement at a time when life expectancy is increasing.

In conclusion, we are looking forward to the future with confidence; our balance sheet has been strengthened and we are on track for achieving our short-term target of £2.0bn of AUM. Finally, I would like to add my thanks to everybody associated with European Wealth for their continued commitment and determination over the last 12 months. The Board and all the staff within the Group remain determined to make European Wealth a growing name within the wealth management industry both across the UK and overseas.

A J Morton
Group Chief Executive

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 asset management and financial planning services. The Group intends to achieve this through its three main ambitions which are to grow the business by acquisition, organic growth and by attracting highly qualified staff. This strategy has resulted in the Group increasing its FUM to £1.5bn over the last five years.

The Directors have identified a number of themes which they believe will continue to be central to growing a successful wealth management business in a post RDR environment, most notably:

1. The need for an appropriate integration of investment management and financial planning disciplines to deliver a unified wealth management service where personal service is key;
2. The ability to respond effectively to changes in both the regulatory environment and industry developments; and
3. The ability to deliver profitability at times when operating margins come under pressure.

The Directors believe that the increasing regulation and compliance requirements for small to medium-size investment management companies and financial advisory firms have created significant consolidation opportunities. The Group has a clearly established track record of supplementing its organic growth with profitable acquisitions. The Directors believe that the Group is in a good position, with improved access to capital markets, to exploit further such consolidation opportunities.

To enable the Group to achieve this strategy it will utilise its key strengths, which include:

- Genuine delivery of wealth management – financial planning fully integrated with investment management
- The business is de-risked through having six separate unrelated revenue streams held within two business segments, all of which make material contributions
- In-house administrative functions allow for acquisitions to be brought in with minimal additional cost
- Structured investment process – results are transparent and measurable
- Access to product – the financial planning business is independent under FCA regulations and the investment management business selects best of breed from the whole market
- Strong and highly experienced management team who all have experience of working in growing businesses

Results for the financial year

During the financial year ended 31 December 2016 the business continued growing organically as well as completing three new acquisitions. While the full benefits of these acquisitions will not be felt until 2017, the revenue and costs savings associate with 2015's acquisitions have fed through to the consolidated statement of income.

European Wealth's revenue for the year across all divisions was £9.4m (2015: £7.7m), which led to an EBITDA profit of £0.34m (2015: loss of £0.06m). This is a significant step towards fulfilling the vision set out on the CEO's statement and is testament to the management's drive to increased efficiency and greater profitability.

The loss before tax was £0.76m (2015: loss of £1.0m).

At the year end the Group's net assets amounted to £17.8m (2015: £17.3m), and net current liabilities amounted to £8.1m (2015: net current liabilities of £3.3m). The increase in the net liabilities position was a result of the reclassification of the convertible loan stock from long to short term on account of the May 2017 conversion date.

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 statements and in the Review of the Business. The Group's key performance indicators are highlighted below.

KPI	2014	2015	2016
AUM (£m)	995.9	1,188.8	1,459.7
Revenue (£'000)	4,647	7,653	9,412
EBITDA (£'000)	92	(68)	346
EFP recurring revenue	49%	72%	79%
Number of staff	69	82	92
Revenue generating staff	46%	49%	42%

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.

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.

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

A J Morton
Group Chief Executive

THE BOARD

Kenneth Reginald Dawson ("Buzz") West

(*Non-Executive Chairman)*

Buzz is the Non Executive Chairman of European Wealth Group having previously been the Senior Non Executive Director. He also sits on the regulated subsidiary boards. 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.

John Morton

(Group Chief Executive)

John is the Group Chief Executive Officer of European Wealth Group and an executive director of European Wealth Management Group. John was previously the founding Chief Executive of Ashcourt. He has over 30 years' experience of managing institutional and private client investments, and the management and acquisition of wealth management businesses.

He began his career with Hill Samuel Investment Management and became a director of Abtrust Fund Managers (now Aberdeen Asset Managers) where he specialised in managing European equities before establishing the investment function for Brachers which subsequently demerged into the Ashcourt Group. He is also on the Boards of two UK charities.

Kishore Gopaul

(Non-Executive Director)

Kish is a non executive director of European Wealth Group Limited and of European Wealth Management Group. He has over 30 years' experience in international finance and investment. He is the Vice Chairman and Managing Partner of the Swiss wealth management firm Courvoisier et Associés, Vice Chairman of CNG Participations & Gestion, Vice Chairman of Courvoisier Capital, and Chairman of Merchant Bridge (Switzerland). He previously held executive roles at Citibank.

Marianne Hay

(Independent Non-Executive Director)

Marianne is a non executive director of European Wealth Group. She was formerly the Head of Private Banking for Europe, Middle East and Africa for Standard Chartered, Chief Executive 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.

Simon Ray

(Chief Operating Officer)

Simon is the Chief Operating Officer of European Wealth Group and an executive director of European Wealth Management Group. He oversees the day to day operational side of the Group and group infrastructure. Simon was previously the head of Aventus Capital Management and has over 20 years' experience within the wealth management industry.

DIRECTOR'S 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 2016. The Corporate Governance Statement set out on page 19 onwards, the strategic report on page 12 and the Highlights and Summary Information on page 4 form part of this report. 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 12 to 15. The results for the year are set out in the audited statement of comprehensive income on page 29. The Directors do not recommend the payment of a dividend for the year ended 31 December 2016 (31 December 2015: £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.

The Company has a convertible loan note ("CLS") in issue. The CLS prior to their conversion have no right to share in the Company's profits or in any surplus in the event of its liquidation. The CLS pay a coupon of 10% per annum and have stepped conversion terms. Further details of the note can be found at note 27 and also in the Company's admission document dated 16 April 2014.

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, each of whom served throughout the year and to date, are set out on page 15. Simon Ray was appointed to the Board on 1 August 2016.

With regard to the appointment and replacement of directors, the Group is governed by its Articles of Association, the UK Corporate Governance Code, The Companies (Guernsey) Law, 2008 and related legislation. The Articles themselves may be amended by special resolution of the Group's shareholders.

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. Accordingly, Simon Ray has offered himself for re-election.

Directors' interests

The Directors who held office at 31 December 2016 had the following beneficial interests in the ordinary shares of the Company as at 31 December 2016:

Name of Director	Number of Ordinary Shares held 2016	2015
John Morton	2,432,356	2,322,206
Kishore Gopaul (held by Courvoisier & Associates	1,635,021	1,635,021
Buzz West	346,306	318,806
Marianne Hay	–	–
Simon Ray	259,336	–

On 24 October 2014 John Morton loaned EWMG £100,000. The loan was made at an interest rate of 0% and is repayable at the Company's discretion. As at the year end £40,000 remains outstanding (2015: £40,000 each).

On 31 March 2016, Buzz West loaned the Company £100,000. The loan was made at an interest rate of 10% and was repayable on 31 August 2017.

The Directors who held office at 31 December 2016 had the following share options over ordinary shares of the Group as follows:

Director	Scheme	Number of Ordinary Share Options	Date of Grant	Exercise Price per Share	Exercise Period
John Morton	EMI option	335,241	27-Mar-12	25.35p	Exercisable 50% on/after 1 Oct 2012 or after 1 April 2013
Simon Ray	EMI option	108,550	27-Mar-12	0.01p	Exercisable 50% on/after 1 Oct 2012 or after 1 April 2013
Simon Ray	EMI option	37,468	27-Mar-12	0.05p	Exercisable 50% on/after 1 Oct 2012 or after 1 April 2013
Simon Ray	EMI option	100,000	04-Aug-14	100.00p	Exercisable on or after 3 August 2017
Simon Ray	EMI option	25,000	01-Aug-16	53.00p	Exercisable on or after 31 July 2019

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 balance sheet date

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

Substantial shareholdings

On 20 June 2016, the Company 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	No.of ordinary shares
John Morton and family	9.12%	2,432,356
Rod Gentry	8.73%	2,329,471
Unicorn Asset Management	8.24%	2,198,206
Courvoisier and Associates	6.13%	1,635,021
Michael Mechas	5.11%	1,363,636
Septer Investments Limited	5.07%	1,352,283
Peter Mullins	4.17%	1,112,497
George Robb	4.15%	1,106,962
ICS Risk Solutions Ltd	3.35%	892,857

All shareholdings stated above are beneficial.

Policy of payment to suppliers

It is the Company's policy to ensure that payments are made according to the terms and conditions of business agreed with the supplier. Trade creditors of the Group at 31 December 2016 were equivalent to 35 days' purchases (2015: 42 days' purchases), based on the average daily amount invoiced by suppliers during the year.

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.

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 12.

In the year ended 31 December 2016 the Group made a loss before tax £0.8m (2015: loss of £1.0m), had a net current liability position of £8.1m (2015: £3.3m), with net cash generated in operating activities of £0.1m (2015: new cash used of £1.1m). However, of greater significance is that the Group made an EBITDA profit of £0.3m in the current year (2015: loss of £0.1m). This is the first time the Group has been EBITDA positive since the restructure in 2014 and a clear indication that the strategy outlined in the Chairman's Statement is being realised.

The Group still continues to look to build the asset base in order to improve its revenue generating capabilities. However, the Group also has various restructuring options and mitigating factors which if implemented could improve the short term cash flow position of the Group. The Group regularly monitors its actual and forecast cash flow position to determine whether the steps mentioned above are required.

However, whilst the Group expects to generate positive cash flows that cover its operating costs, there are material non operating costs that are due for payment in the next 12 months which the Group may not be able to cover from its current operating cash flows. The Group has therefore entered into a subscription agreement to raise £9.3m of new capital. This will leave the Group debt free and able to focus on the core business going forwards without an ongoing material interest payment burden.

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 22 June 2017

A J Morton
Group Chief Executive

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 (Executive Chairman to 31 July 2016, then Group Chief Executive)
- Rod Gentry (Chief Executive Officer, resigned 29 April 2016)
- Kenneth "Buzz" West (Non-Executive Director to 31 July 2016, then Non-Executive Chairman)
- Kishore Gopaul (Non-Executive Director throughout the year)
- Marianne Hay (Independent Non-Executive Director throughout the year)
- Simon Ray (Executive Director appointed 1 August 2016)

The Board considers Buzz West and Marianne Hay are independent as defined in the Code. Having regard to its size, the Board considers that the balance of Executive and Non-Executive Directors is appropriate at present.

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 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 month to discuss key matters pertaining to each individual company. The Group Chief Executive and Chief Operating Officer sit on each of these individual boards.

Corporate Governance Structure

The post of Non-Executive Chairman is held by Buzz West and the post of Independent Non-Executive Director is held by Marianne Hay. The Board considers that the Non-Executive Directors provide a strong and consistent independence to the Executive Board. 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 15.

During the year ended 31 December 2016 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 Rod Gentry on 29 April 2016, John Morton took on the responsibilities previously held by the Chief Executive Officer.

The minutes of scheduled meetings of the Board are taken by the Group Chief Executive'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.

The Board is of the opinion that the background of the Board's Non-Executive Directors indicates that they are of sufficient calibre and experience to carry appropriate weight in the Board's decision making process.

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.

Audit Committee

The Audit Committee is chaired by Kishore Gopaul. 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. As well as providing audit related services, the auditors also provide taxation advice. The fees in respect of audit and tax 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.

On 10 November 2016, the Audit Committee approved a change of auditors from Deloitte LLP to Moore Stephens LLP.

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, all 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 2016. 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 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 17) and the Director's Remuneration Report (page 25).

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 Head of Finance, the CF10 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 Kishore Gopaul 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 2016. The Board considers the composition of the Committee appropriate given the size of the Group.

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 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'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.

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 £	Benefits in kind £	Termination payments £	Share based payments £	2016 Total £	2015 Total £
Executive						
John Morton	200,000	22,994	–	–	222,994	222,707
Simon Ray (appointed 1-Aug-16)	47,917	5,735	–	13	53,665	–
Rod Gentry (resigned 29-Apr-16)	66,667	22,539	193,333	–	282,539	222,247
Non-Executive						
Kishore Gopaul	18,000	–	–	–	18,000	18,000
Buzz West	45,000	–	–	–	45,000	45,000
Marianne Hay	18,000	–	–	–	18,000	1,500
Aggregate emoluments	**395,584**	**51,268**	**193,333**	**13**	**640,198**	**509,454**

Signed on behalf of the Board on 22 June 2017

A J Morton
Group Chief Executive

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 on 22 June 2017

A J Morton
Group Chief Executive

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of European Wealth Group Limited for the year ended Year End which are set out on pages 29-34. 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 regards the parent company financial statements, as applied in accordance with the provisions of The Companies (Guernsey) Law, 2008.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 26, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 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 and complying the requirements of The Companies (Guernsey) Law, 2008;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and complying with the provisions of The Companies (Guernsey) Law, 2008;

Matters on which we are required to report by exception

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

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

- proper accounting records have not been kept by the company;
- 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.

Lorraine Bay, Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London EC1A 4AB

22 June 2017

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	7	9,412	7,653
Cost of sales		(1,165)	(1,188)
Gross Profit		**8,247**	**6,465**
Administrative expenses		(8,096)	(7,253)
Depreciation and amortisation		(538)	(424)
Other gains / (losses)		194	719
Operating loss		**(193)**	**(493)**
Finance costs		(568)	(509)
Loss before tax		**(761)**	**(1,002)**
Tax		4	11
Loss for the year		**(757)**	**(991)**
Other comprehensive income			
Items that may be reclassified subsequently to profit & loss: Exchange difference on translation of foreign operations		(30)	–
Total comprehensive loss for the year		**(787)**	**(991)**
Loss per share			
Basic		(0.03)p	(0.05)p
Diluted		(0.03)p	(0.04)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 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Non-current assets			
Fixtures and equipment	16	159	170
Intangible assets and goodwill	18	25,944	24,744
Investments	19	13	13
Deferred tax asset	20	428	428
Total non-current assets		**26,544**	**25,355**
Current assets			
Trade and other receivables	21	926	797
Cash and cash equivalents	24	375	179
Total current assets		**1,301**	**976**
Total assets		**27,845**	**26,331**
Current liabilities			
Trade and other payables	25	4,119	3,620
Short term borrowings	26	5,263	662
Total liabilities		**9,382**	**4,282**
Non-current liabilities			
Convertible loan note	27	–	3,963
Other non-current term liabilities	28	618	808
Total non-current liabilities		**618**	**4,771**
Total net assets		**17,845**	**17,278**
Equity			
Share capital	29	1,270	1,171
Share premium account	30	13,596	12,654
Capital reserve	31	603	351
Foreign exchange reserve	32	30	–
Retained earnings	33	2,346	3,102
Total equity		**17,845**	**17,278**

The financial statements of European Wealth Group Limited (registered number 42316) were approved by the Board of Directors and authorised for issue on 22 June 2017, signed on its behalf by:

A J Morton
Group Chief Executive

Company Statement of Financial Position

For year ended 31 December 2016

	Note	31 December 2016 £'000	31 December 2015 £'000
Non-current assets			
Intangible assets	18	698	–
Investments	19	17,079	18,373
Total non-current assets		**17,777**	**18,373**
Current assets			
Trade and other receivables	21	5	2
Loans receivable	23	7,591	7,153
Cash and cash equivalents	24	5	1
Total current assets		**7,601**	**7,156**
Total assets		**25,378**	**25,529**
Current liabilities			
Trade and other payables	25	2,267	1,871
Short term borrowings	26	5,002	300
Total current liabilities		**7,269**	**2,171**
Non-current liabilities			
Convertible loan note	27	–	3,963
Other non-current term liabilities	28	309	200
Total non-current liabilities		**309**	**4,163**
Total net assets		**17,800**	**19,195**
Equity			
Share capital	29	1,270	1,171
Share premium account	30	13,596	12,654
Capital reserve	31	603	351
Retained earnings	33	2,331	5,019
Total equity		**17,800**	**19,195**

The financial statements of European Wealth Group Limited (registered number 42316) were approved by the Board of Directors and authorised for issue on 22 June 2017, signed on its behalf by:

A J Morton
Group Chief Executive

Consolidated Statement of Changes in Equity

For year ended 31 December 2016

Consolidated	Share Capital £'000	Share Premium Account £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2015	**983**	**9,851**	**1,719**	**–**	**4,093**	**16,646**
Loss for the year	–	–	–	–	(991)	(991)
Issue of share capital	188	2,893	–	–	–	3,081
Share based settlement of deferred consideration	–	–	(1,374)	–	–	(1,374)
Share based payments	–	–	6	–	–	6
Allowable costs of fundraise	–	(90)	–	–	–	(90)
Balance at 31 December 2015	**1,171**	**12,654**	**351**	**–**	**3,102**	**17,278**
Loss for the year	–	–	–	–	(756)	(756)
Issue of share capital	53	488	250	–	–	791
Share based settlement of deferred consideration	46	454	–	–	–	500
Share based payments	–	–	2	–	–	2
Retranslation of overseas operations	–	–	–	30	–	30
Balance at 31 December 2016	**1,270**	**13,596**	**603**	**30**	**2,346**	**17,845**

Company Statement of Changes in Equity

For year ended 31 December 2016

Company	Share Capital £'000	Share Premium Account £'000	Capital Reserve £'000	Foreign Exchange Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2015	**983**	**9,851**	**1,719**	**–**	**4,568**	**17,121**
Profit for the period	–	–	–	–	451	451
Issue of share capital	188	2,893	–	–	–	3,081
Share based settlement of deferred consideration	–	–	(1,374)	–	–	(1,374)
Share based payments	–	–	6	–	–	6
Allowable costs of fundraise	–	(90)	–	–	–	(90)
Balance at 31 December 2015	**1,171**	**12,654**	**351**	**–**	**5,019**	**19,195**
Loss for the period	–	–	–	–	(2,688)	(2,688)
Issue of share capital	53	488	250	–	–	791
Share based settlement of deferred consideration	46	454	–	–	–	500
Share based payments	–	–	2	–	–	2
Retranslation of overseas operations	–	–	–	–	–	–
Balance at 31 December 2016	**1,270**	**13,596**	**603**	**–**	**2,331**	**17,800**

Consolidated and Company Statement of Cashflows

For year ended 31 December 2016

		Group		Company	
	Note	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Net cash used in operating activities	34	**93**	**(1,072)**	**(579)**	**(545)**
Investing activities					
PPE purchased		(18)	(8)	–	–
Acquisition of investments		–	(30)	–	(20)
Deferred consideration		(216)	–	–	–
Loans advanced		(200)	–	–	–
Cash acquired on acquisitions		40	(824)	–	–
Net cash used in investing activities		**(394)**	**(862)**	**(134)**	**(1,199)**
Financing activities					
Net proceeds on issue of shares		541	1,918	541	1,918
Interest paid		(344)	(491)	(318)	(417)
Loans receivable repaid		(256)	(201)	(186)	–
New loans received		539	650	680	68
Net cash from financing activities		**480**	**1,876**	**717**	**1,569**
Net increase /(decrease) in cash and cash equivalents		**179**	**(58)**	**4**	**(175)**
Cash and cash equivalents at beginning of year		**179**	**237**	**1**	**176**
Effects of movement in exchange rates on cash held by foreign operations		17	–	–	–
Cash and cash equivalents at end of year	24	**375**	**179**	**5**	**1**

NOTES TO THE FINANCIAL STATEMENTS

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 therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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, GTI Fund Investment Ltd P&C Global, 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 presentational 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 balance sheet and average rates for the Income Statement.

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 income statement.

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 balance sheet and average rates for the Income Statement.

XCAP Nominees Limited is a non trading entities.

4. Adoption of new and revised standards

New accounting standards, amendments and interpretations adopted in the period

In the year ended 30 June 2016, 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.

The following new and revised standards and interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may impact the accounting for future transactions and arrangements

Annual Improvements to IFRSs 2010 – 2012 Cycle
Annual Improvements to IFRSs 2011 – 2013 Cycle

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 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 balance sheet 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 16.

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 service relates to 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.

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, unless another basis is more appropriate.

Borrowing costs

All borrowing costs are recognised in the income statement 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 Consolidated Statement of Comprehensive Income when payable.

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 balance sheet 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 balance sheet 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 balance sheet 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 income statement, 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.

Fixtures and equipment

Fixtures 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:

Equipment, fixtures and fittings: 15% per annum 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 in the income statement and is not subsequently reversed. Negative goodwill arising on an acquisition is recognised immediately in the income statement. 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.

Financial assets and liabilities

Financial assets and liabilities are recognised in the Group's balance sheet 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 and 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 and 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 balance sheet 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 in the Statement of Comprehensive Income.

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 Statement of Comprehensive Income 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.

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.

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 balance sheet date are stated in note 24.

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 36.

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 balance sheet 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 36.

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.

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.

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 opposite.

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 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	Consolidated 2016 £'000
Revenue			
External sales – presents full year	6,084	3,328	9,412
Result			
Segment EBITDA – presents full year	1,474	625	2,099
Central administrative expenses – presents full year			(1,915)
Operating result of trading segments			**184**
Other gains and losses			195
Finance costs			(568)
Forex			(32)
Share based payments			(2)
Amortisation and depreciation			(538)
Loss before tax			**(761)**
Tax			4
Loss after tax			**(757)**

The following is an analysis of the Group's revenue and results by reportable segment for the year to 31 December 2015. 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 2015 £'000	Financial Planning 2015 £'000	Consolidated 2015 £'000
Revenue			
External sales – presents full year	4,562	3,091	7,653
Result			
Segment result – presents full year	373	491	864
Central administrative expenses – presents full year			(1,661)
Operating result of trading segments			(797)
Other gains and losses			719
Finance costs			(509)
Forex			15
Share based payments			(6)
Amortisation and depreciation			(424)
Loss before tax			**(1,002)**
Tax			11
Loss after tax			**(991)**

8. Loss for the year

Loss for year ended 31 December 2016 has been arrived at after charging:

	2016 £'000	2015 £'000
Depreciation of fixtures and equipment	43	39
Amortisation of intangibles	495	385
Operating lease – property and equipment	314	39
Staff costs	5,507	4,943

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

9. Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2016 £'000	2015 £'000
Fees payable to the Group's auditor		
Audit of Company	24	15
Audit of Subsidiaries	29	42
Total audit fees	**53**	**57**
Taxation fees	10	26
Client money reporting fees	27	21
Total non-audit fees	**37**	**47**

10. Staff costs

The average monthly number of employees (including Executive Directors, but excluding self employed advisers) from 1 January 2016 to 31 December 2016:

	2016	2015
Investment management and financial planning	36	33
Administration	47	37
Average number of employees	**83**	**70**

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	4,819	4,019
Social security costs	365	378
Other pension costs	247	223
Other benefits	74	317
Share based payments	2	6
Total Staff Costs	**5,507**	**4,943**

11. Other gains and losses

	2016 £'000	2015 £'000
Movements in deferred consideration	194	719

The deferred consideration adjustments relate to a reduction in fair value of the deferred consideration amounts recognised in respect of the ISM and Bells acquisitions.

12. Finance costs

	2016 £'000	2015 £'000
Bank and other finance charges	568	509

13. Taxation

	2016 £'000	2015 £'000
Corporation tax		
Current year	–	–
Adjustments in respect of prior years	(4)	(11)
	(4)	(11)
Movement in Deferred tax (note 20)	–	–
	(4)	**(11)**

UK corporation tax is calculated at 20% (2015: 20.25%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced to 20% with effect from 1 April 2015.

	2016 £'000	2015 £'000
Loss before tax on continuing operations	**(761)**	(1,002)
Tax at the UK corporation tax rate of 20% (2015: 20.25%)	(152)	(203)
Expenses not deductible for tax purposes	75	49
Adjustments for balance sheet items	108	98
Revenue not eligible for tax purposes	(8)	(145)
Unrelieved tax losses carried forward	(23)	201
Tax charge on profits ineligible for Group relief	(4)	(11)
Total tax charge for the year	**(4)**	**(11)**

14. Dividends

The Directors are not proposing to pay a dividend in respect of the year ended 31 December 2016 (year ended 31 December 2015: same).

15. Earnings per share

	2016 £'000	2015 £'000
Losses for the purposes of basic loss per share being net loss attributable to owners of the Group	(757)	(991)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	23,963,676	21,625,149
Effect of dilutive potential ordinary shares:		
Share options	670,482	274,500
Convertible loan notes in issue	4,166,250	4,166,250
Weighted average number of ordinary shares for the purposes of diluted loss per share	**28,800,408**	**26,065,899**

The loss per share is (0.03p) (2015: loss per share 0.05p). The diluted loss per share is (0.03)p (2015: loss per share 0.04p).

16. Fixtures & equipment

	Group Fixtures and equipment £'000	Company Fixtures and equipment £'000
Cost		
At 1 January 2016	235	–
Additions	32	–
At 31 December 2016	**267**	**–**
Accumulated depreciation		
At 1 January 2016	65	–
Charge for the year	43	–
At 31 December 2016	**108**	**–**
Net Book Value as at 31 December 2015	170	–
Net Book Value as at 31 December 2016	**159**	**–**

17. Business combinations

During the period under review, the Group completed three acquisitions.

On 13 January 2016, EFP acquired the client list of Phoenix Invest Limited. The entire purchase price will be recognised as intangible assets due to EFP considering that due to the acquisition being purely of the client bank, the full consideration relates to assets that can be classed as intangibles under IFRS. Total consideration for the acquisition is £268,000 which is payable in four annual instalments with the final amount being payable in December 2018.

On 21 September 2016, EWG completed the acquisition of CIMCO Partners Management Limited, ("CIMCO") which manages the G20 Absolute Return fund which is based in Gibraltar for a maximum consideration of £750,000. CIMCO currently has approximately US$22m of funds under management. The initial consideration of £500,000 was satisfied on completion and with the issue of 909,091 of new ordinary shares of 5 pence each at a price of 55p. There is, depending on the gross profitability of CIMCO, further deferred consideration which may become payable approximately 12 months after completion of up to a maximum of £250,000, also to be satisfied by the issue of further new Ordinary Shares.

On 7 October 2016, EWG acquired a book of business and certain related assets from Towry Asset Management Limited for a total maximum consideration of £1.0m. The assets under management ("AUM") attributable to the Transferring Assets were approximately £80m-£100m as at 31 March 2016. For the full year to 31 March 2016, profit attributable to the Transferring Assets was approximately £0.2m. The aggregate maximum consideration for the Acquisition is £1.0m. The first installment of the Consideration of £150,000 is payable in cash six months after completion; the second installment of the consideration of £400,000 is payable 12 months after completion; and the final installment, up to a maximum of £450,000, is payable in cash depending on the AUM attributing of the Transferring Assets. The final installment will be paid no earlier than 18 months after (but including) the date of completion. The maximum contingent consideration of £450,000 is based on £120m of transferable assets, while the minimum contingent consideration of £60,000 is based on £60m of transferable assets. If assets transferred are between £60m and £120, the contingent consideration will be prorated accordingly.

18. Intangible assets and goodwill

Group	Goodwill £'000	Intangibles £'000	Total £'000
Cost			
As at 1 January 2015	15,617	6,972	22,589
Additions	505	2,214	2,719
As at 31 December 2015	16,122	9,186	25,308
Additions	335	1,360	1,695
As at 31 December 2016	**16,457**	**10,546**	**27,003**
Accumulated amortisation			
As at 1 January 2015	–	180	180
Charge for year	–	384	384
As at 31 December 2015	–	564	564
Charge for year	–	495	495
As at 31 December 2016	**–**	**1,059**	**1,059**
Net book value			
As at 31 December 2015	16,122	8,622	24,744
As at 31 December 2016	**16,457**	**9,487**	**25,944**

Acquisition of client list of Phoenix Invest Limited

On 13 January 2016, European Financial Planning Limited acquired the full client list of Phoenix Invest Limited.

Phoenix Invest Limited is a financial planning business with £20m of funds under influence.

	£'000
Financial assets	
Identifiable intangible assets – client list and funds under influence	268
Total expected consideration	**268**
Satisfied by:	
Deferred cash consideration	**268**

Acquisition of CIMCO Partners Management Limited, ("CIMCO")

On 21 September 2016, EWG acquired CIMCO Partners Management Limited, ("CIMCO") which manages the Gibraltar-based G20 Absolute Return fund for a maximum consideration of £750,000.

CIMCO clients accounted for approximately US$22m of funds under management.

	£'000
Financial assets	
Net Assets	31
Identifiable intangible assets	384
Total identifiable assets	415
Goodwill	335
Total expected consideration	**750**
Satisfied by:	
Ordinary shares of European Wealth Group Limited	500
Deferred ordinary shares of European Wealth Group Limited	250
Goodwill and Intangible assets acquired	**750**

Pre-acquisition financial details of the companies acquired are as follows:

Company	Date of latest pre-acquisition audited accounts	Revenue (US$'000)	Pre tax profit (US$'000)	Net assets (US$'000)
CIMCO	30 June 2016	406	14	31

Acquisition of book of business from Towry

On 7 October 2016, EWG acquired a book of business and certain related assets from Towry Asset Management Limited for a total maximum consideration of £1.0m.

The AUM attributable to the Transferring Assets were approximately £100m as at 31 March 2016. For the full year to 31 March 2016, profit attributable to the Transferring Assets was approximately £0.2m. The aggregate maximum consideration for the acquisition is £1.0m.

	£'000
Financial assets	
Identifiable intangible assets – client list and funds under influence	708
Total expected consideration	**708**
Satisfied by:	
Deferred cash consideration	**708**

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	10,850	5,607	**16,457**

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 fourth 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. The Phoenix investment has been allocated to the financial planning CGU. CIMCO and Towry acquisitions were allocated to the investment management CGU.

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 both CGUs the fair value less costs to sell is greater than the carrying value and therefore 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. Neither CGU valuation indicates an impairment of goodwill would be necessary as at 31 December 2016.

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 £8.0m of intangible assets being amortised over 20 years, £1.2m over 15 years, £0.2m over 10 years and £0.3m have been assessed to have an infinite useful life. The assets assessed to have an indefinite useful life represent institutional clients with an indefinite lifespan.

The additions to Group intangible assets outlined in the table on page 54 represent the value of the funds under management acquired and client base acquired as part of the acquisitions of Towry, CIMCO and Phoenix Invest Limited.

Company	£'000
Cost	
As at 1 January and 31 December 2015	–
Additions	708
At 31 December 2016	**708**
Amortisation	
As at 1 January and 31 December 2015	–
Charge for the year	10
At 31 December 2016	**10**
Net book value as at 31 December 2015	–
Net book value as at 31 December 2016	**698**

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.

19. Investments

	Group £'000	Company £'000
Cost		
At 1 January 2015	13	16,239
Acquired	–	2,044
As at 31 December 2015	**13**	**18,373**
Acquired	–	750
Impairment	–	(2,044)
As at 31 December 2016	**13**	**17,079**

The amount recognised as an investment in the Company accounts represents the purchase price of the acquisitions of CIMCO and Towry detailed in note 18.

20. 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 2016	**428**	–
Acquired	–	–
As at 31 December 2016	**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		Company	
	31 December 2016 £'000	**31 December 2015 £'000**	**31 December 2016 £'000**	**31 December 2015 £'000**
Deferred tax assets	**428**	428	–	–

At the balance sheet date, the Group has unused tax losses of £4.5m (2015: £4.5m) available for offset against future profits. A deferred tax asset of £428,000 (2015: £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 as there is some uncertainty as to how effective the future restructuring will be.

21. Trade and other receivables

	Group		Company	
	31 December 2016 £'000	**31 December 2015 £'000**	**31 December 2016 £'000**	**31 December 2015 £'000**
Prepayments	128	119	2	2
Other debtors	225	128	2	–
Trade receivables	573	550	–	–
	926	**797**	**4**	**2**

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.

22. Subsidiaries

European Wealth Group Limited has the following subsidiaries:

Company	% Ownership	Nature of Business
European Wealth Management Group Limited ("EWMG") (UK Company)	100% owned subsidiary	Holding company
European Wealth (Switzerland) SA (Switzerland Company)	100% owned subsidiary	Investment Management
GTI Fund Investment Ltd P&C Global (Cayman Company) ("GTI")*	Fund structure – shares owned by P&C, controlled by Unit Holders	Fund structure
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

* GTI is held on the balance sheet of P&C for a nominal amount. EWG has no exposure to any potential losses of GTI as all gains and losses are attributed to the unit holders. P&C receives management fees for providing investment management services to GTI.

23. Loans receivable

	Group		Company	
	31 December 2016 £'000	**31 December 2015 £'000**	**31 December 2016 £'000**	**31 December 2015 £'000**
Staff Loans	–	–	200	–
Loans receivable from the EWMG Group	–	–	7,391	7,153
	–	–	**7,591**	7,153

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.

24. Cash, cash equivalents

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Cash at bank and in hand	375	179	5	1

Client money

Client money, held in segregated accounts not included in the balance sheet, was £37.4m (31 December 2015: £23.5m).

25. Trade and other payables

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Trade payables	747	822	38	67
Intercompany	–	–	670	703
Accruals and other creditors	1,102	557	490	322
Deferred consideration	1,933	1,922	1,069	779
Other taxation and social security	337	319	–	–
	4,119	**3,620**	**2,267**	**1,871**

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.

26. Short term borrowings

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Short term borrowing	5,263	662	5,002	300

In August and December 2013, loans of £300,000 and £200,000, respectively of two-year non-convertible unsecured loans were taken out, both attracting interest at 10% p.a. The £300,000 loan has been extended by another year and is therefore repayable in August 2017 and is classed as short term. The £200,000 loan is repayable in December 2017 and is classed as current. Additional loans were obtained during the year from existing loan holders for £539,000 which are repayable during 2017. All loans remain outstanding as at the date of these financial statements. Additionally the CLS £3,963,115 is due for repayment in June 2017 and is now classed as short term.

On 30 June 2015 European Financial Planning Ltd entered into a sterling variable rate loan facility agreement with Clydesdale Bank PLC for an amount of £500,000. This loan is repayable on a fully amortising basis over three years. The interest rate charged is 3.75% over the London interbank offered rate ("LIBOR").

On 20 September 2015 European Financial Planning Ltd entered into a sterling variable rate loan facility agreement with Clydesdale Bank PLC for an amount of £150,000. This loan is repayable on a fully amortising basis over three years. The interest rate charged is 3.75% over LIBOR.

Of the two combined amounts, as at 31 December 2016, £347,878 was outstanding of which £220,691 is repayable within 12 months. The balance of £127,187 is recognised in non-current liabilities.

Additionally, on 24 October 2014 John Morton loaned EWMG £100,000. The loan was made at an interest rate of 0% and is repayable at the Company's discretion. As at the year-end £40,000 remains outstanding (2015: £40,000) and is now deemed repayable within one year.

27. Convertible loan note

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Convertible loan note – all due between 1-5 years	–	3,963	–	3,963

On 7 May 2014 as part of the acquisition of EWMG, £5,750,390 worth of convertible loan notes ("CLS") were issued. The CLS is available in individual units worth £10 and CLS attracts a coupon rate of 10% per annum payable half yearly. The CLS has stepped conversion terms, which along with all other terms, are detailed in the Admission Document which is available on the Company's website.

On the first conversion date in November 2014, 222,789 CLS units (representing £2,227,890 in nominal amount) converted into Ordinary shares in the Company at a price of 72 pence per share.

In December 2014, a further 70,625 CLS units (representing £706,250 in nominal amount) were issued in respect of deferred consideration due to Mr Peter Mullins pursuant to the agreement for the acquisition of Bradley Stuart, dated 18 October 2012.

In June 2015, a further 6,250 CLS units (representing £62,500 in nominal amount) converted into Ordinary shares in the Company at a price of 85 pence per share.

As a result, there are currently 416,625 CLS units in issue (representing £4,166,250 in nominal amount). Of this total amount £203,135 has been taken to the capital reserves in accordance with IAS 32. This is based on an assumed effective interest rate of 12% per annum.

28. Other non-current liabilities

	Group		Company	
	31 December 2016 £'000	**31 December 2015 £'000**	**31 December 2016 £'000**	**31 December 2015 £'000**
Directors loan (note 26/37)	–	90	–	–
Other Loans	127	548	–	200
Hire purchase creditor	32	51	–	–
Deferred consideration	459	119	309	–
	618	808	**309**	200

29. Share capital

	Share capital £'000
Authorised, allotted, issued and fully paid:	
As at January 2015:	
19.8 million ordinary shares of £0.05 each	**983**
Issue of shares	188
As at 31 December 2015	
23.4 million ordinary shares of £0.05 each	**1,171**
Issue of shares	99
As at 31 December 2016	
25.4 million ordinary shares of £0.05 each	**1,270**

On 2 June 2015, the Company issued 73,529 ordinary shares of 5p each at an issue price of 85p per share as a result of the conversion of 6,250 convertible loan note units (representing £62,500 in nominal amount).

On 12 June 2015, the Company announced the completion of a placing of 2,527,095 ordinary shares of 5p each at an issue price of to 80p per share to raise approximately £2.0m.

On 22 June 2015 as part of the deferred consideration for Bradley Stuart, 43,502 ordinary shares of 5p each were issued to Mr Peter Mullins at a price of 88.5p per share.

On 1 July 2015, the Company issued 706,214 ordinary shares of 5p each at an issue price of 88.5p per share as part of the consideration for the acquisition of ISM.

On 1 July 2015, the Company issued 53,333 ordinary shares of 5p each at an issue price of 84p per share as part of the consideration for the acquisition of Bells.

On 11 December 2015 following the calculation of the deferred consideration payable to Bruce Albrecht and Iain Little, the vendors of European Wealth (Switzerland) SA (formerly known as P&C Global Wealth Managers SA) (the "Vendors"), a further 234,184 ordinary shares of 0.5p each in the Company were issued to the Vendors in equal amounts at a price of 104.9p.

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.

30. Share premium account

	Group and Company £'000
Balance at 1 January 2015	9,851
Premium arising on issue of equity shares	2,893
Transaction costs associated with the issue of shares	(90)
Balance at 31 December 2015	**12,654**
Premium arising on issue of equity shares	942
Balance at 31 December 2016	**13,596**

31. Capital reserve

	Group and Company £'000
Balance at 1 January 2015	1,719
Reversal of deferred consideration paid in period	(1,374)
Transaction costs associated with the issue of shares	–
Share based payments charge	6
Balance at 31 December 2015	**351**
Deferred share capital	250
Share based payments charge	2
Balance at 31 December 2016	**603**

32. Foreign exchange reserve

	Group £'000
Balance at 1 January and 31 December 2015	–
Exchange differences arising on translating of foreign operations	30
Balance at 31 December 2016	**30**

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.

33. Retained earnings

In the year to 31 December 2016 the Company made a (loss)/profit after tax of (£2,688,000) (2015: £451,000).

	Group £'000	Company £'000
Balance at 1 January 2015	4,093	4,563
Net (loss)/profit for the year	(991)	451
Balance at 31 December 2015	**3,102**	**5,019**
Net (loss)/profit for the year	(756)	(2,688)
As at 31 December 2016	**2,346**	**2,331**

34. 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		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
(Loss)/profit for the year	(757)	(991)	(2,688)	451
Adjustments for:				
Finance costs	568	509	487	448
Forex	31	(15)	29	-
Tax charge	(4)	(11)	-	-
Depreciation and amortisation	538	424	10	-
Share-based payment expense	2	6	2	6
Profit on disposal of subsidiary	-	-	41	-
Impairment of subsidiaries	-	-	2,044	-
Exceptional items	(218)	-	(109)	-
Movements in deferred consideration	(536)	(719)	(599)	(1,128)
Operating cash flows before movements in working capital	**(376)**	**(797)**	**(783)**	**(223)**
Decrease/(Increase) in receivables	(128)	(82)	(441)	1
Decrease/(Increase) in payables	597	(193)	645	(323)
Net cash In/(out)flow from operating activities	**93**	**(1,072)**	**(579)**	**(545)**

35. Operating lease arrangements

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

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Minimum lease payments under operating leases recognised as an expense in the year	314	39	–	–

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Within one year	244	39	–	–
In the second to fifth years inclusive	135	71	–	–
	379	**110**	**–**	**–**

Operating lease payments represent rentals payable by the group across its offices. Leases are generally negotiated for an average term of five years.

36. Share based payments

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.

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.

	Number of share options
Outstanding at 1 January 2015 and 31 December 2015	1,130,440
Issued during the year	297,500
Lapsed during year	(75,000)
Outstanding at the end of the year	**1,352,940**
Exercisable at 31 December 2016	**1,352,940**

The Company has adopted the provisions of IFRS 2 as regards share-based payment charges. These provisions require a calculation of the fair value at the date of grant of share options granted to directors and employees. This fair value is then charged to the income statement over the vesting period of three years of the options, and is based on an expected number of employees leaving before their options vest. The fair value is calculated using a variant of the Black Scholes model.

The options outstanding at 31 December 2016 had a weighted average exercise price of approximately £0.39 (2015: £0.39) and a weighted average remaining contractual life of approximately 8 years (2015: 8 years).

The inputs into the Black-Scholes model are as follows:

	31 December 2016	31 December 2015
Weighted average exercise price	£0.39	£0.39
Range of exercise price	£1-£0.01	£1-£0.01
Expected volatility	11.6%	2%
Expected life	8 Years	8 Years
Risk-free rate	0.79%	0.56%
Expected dividend yields	0%	0%

Volatility has been estimated on the basis of the Company's historical share price since the reverse takeover in May 2014.

The charge to the Statement of Comprehensive Income in the period was £2,144 (2015: £5,759).

37. Financial instruments

The following table states the classification of financial instruments and is reconciled to the balance sheet:

	Loans and receivables £'000	Held for trading £'000	Amortised cost £'000	Non-financial instruments £'000	Total £'000
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)
As at 31 December 2016	**1,276**	**13**	**16,281**	**275**	**17,845**

*Non-financial instrument

	Loans and receivables £'000	Held for trading £'000	Amortised cost £'000	Non-financial instruments £'000	Total £'000
Fixtures and equipment	–	–	–	170	170
Intangible assets and goodwill*	–	–	24,744	–	24,744
Deferred tax asset	–	–	–	428	428
Trade and other receivables	787	–	–	10	797
Investments	–	13	–	–	13
Cash and bank balances	179	–	–	–	179
Trade and other payables	–	–	(3,301)	(319)	(3,620)
Short term borrowing	–	–	(662)	–	(662)
Long term borrowing	–	–	(3,963)	–	(3,963)
Other non-current liabilities	–	–	(808)	–	(808)
As at 31 December 2015	**966**	**13**	**16,010**	**289**	**17,278**

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 balance sheet date.

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

Trade and other receivables

	Group		Company	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Cash	375	179	5	1
Trade and other receivables	926	797	7,595	2
	1,301	**976**	**7,600**	**3**

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
Neither impaired nor past due on reporting date	–	400	526	926
Past due less than 30 days	–	–	–	–
Between 30 and 60 days	–	–	–	–
Over 60 days	–	–	–	–
As at 31 December 2016	**–**	**400**	**526**	**926**

	Delivery versus payment £'000	Other trade receivables £'000	Other receivables £'000	Total £'000
Cash and bank balances	–	550	247	797
Short term borrowing	–	–	–	–
Trade and other receivables	–	–	–	–
Trade and other payables	–	–	–	–
As at 31 December 2015	**–**	**550**	**247**	**797**

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 2016.

	Repayable on Demand £'000	Repayable between 0 and 6 months £'000	Repayable between 6 and 12 months	Repayable after more than 12 months £'000	Total £'000
Borrowings	–	4,537	689	127	5,390
Other liabilities including deferred consideration	–	1,467	700	258	2,425
As at 31 December 2016	**–**	**6,041**	**1,389**	**385**	**7,815**
Borrowings	–	106	556	4,601	5,263
Other liabilities including deferred consideration	1,141	557	1,922	170	3,790
As at 31 December 2015	**1,141**	**663**	**2,478**	**4,771**	**9,053**

Of the amount due to be repaid between 0-6 months, £0.4m (2015: £0.9m) 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.

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 £'000	Total £'000
Cash and bank balances	375	–	–	375
Short term borrowing	–	(5,263)	–	(5,263)
Trade and other receivables	901	–	25	926
Trade and other payables	(3,782)	–	(337)	(4,119)
As at 31 December 2016	**(2,506)**	**(5,263)**	**(312)**	**(8,081)**
Cash and bank balances	179	–	–	179
Short term borrowing	–	(662)	–	(662)
Trade and other receivables	787	–	10	797
Trade and other payables	(3,301)	–	(319)	(3,620)
As at 31 December 2015	**(2,335)**	**(662)**	**(309)**	**(3,306)**

38. 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 25.

	31 December 2016 £'000	31 December 2015 £'000
Short-term employee benefits	656	464
Post-employment benefits	59	45
Share-based payments	2	–
	717	**509**

During the year ended 31 December 2016, European Investment Management charged fees totalling £6,089 (2015: £7,267) 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 £3,141 (2015: £11,723). This cash was managed at the standard rate for staff and related parties.

On 24 October 2014 John Morton loaned EWMG £100,000. The loan was made at an interest rate of 0% and is repayable at the Company's discretion. As at the year-end £40,000 remains outstanding (2015: £40,000 each).

39. 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.

40. Ultimate Controlling Party

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

41. Post Balance Sheet Events

On 22 June 2017, the Company raised £9.3m through a share placing. Refer to the Chairman's Statement and Group Chief Executive's Report for further details

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