
Registration number: 8696120 (England and Wales)

Mporium Group Plc
Financial Statements
for the year ended
31 December 2017

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Company information for the year ended 31 December 2017

Directors: A Casey – Non-Executive Director
S Bjornstad – Non-Executive Director (resigned 28 February 2018)
B Moat – Executive Chairman
N De Groot – Chief Executive Officer
N Bertolotti – Non-Executive Director (appointed 28 February 2018)

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Strategic and Financial Report for the year ended 31 December 2017

Mporium Group PLC

(“Mporium” or the “Company”)

Overview

Mporium Group plc (AIM:MPM), the technology company at the forefront of the transformation in digital marketing, listed on the London Stock Exchange’s AIM market, is pleased to announce its results for the twelve months to 31 December 2017.

Mporium operates in the growth sector of Digital Advertising and seeks to monetise micro-moments – those moments when there are significant changes in the levels of consumer intent. Throughout 2017, the development of the **IMPACT** product was accelerated, delivering increased levels of functional sophistication and performance. This resulted in the signing of a number of high profile commercial agreements during the year.

In addition to signing commercial agreements with advertising agencies, the technology was also adopted directly by brands, providing a valuable additional route to market. The momentum generated by the business, product and organisational progress, has provided a strong basis for growth in 2018.

To support the development and marketing of the product, and for general working capital purposes, the Company successfully conducted a fundraise through a placing during the year of £3.0m in March 2017, and closed a further fundraise of £3.1m in December 2017.

Strategy

Mporium’s strategy is to implement IMPACT as an overlay to Digital Advertising campaigns, driving enhanced digital performance without the need for either technical integration or the re-engineering of campaigns. The business strategy is driven by the growth of Digital Advertising, and the changing way in which Digital Media spend is allocated as companies become increasingly under pressure to make their campaigns more cost effective.

Digital Media spend in 2017 in Mporium’s target markets of Western Europe and North America equated to a market of \$126 billion. During 2017, spend on Google and Facebook advertising venues, currently Mporium’s key advertising venues, totalled over \$52 billion in the US alone, representing over 63% of US Digital Ad spend. Mobile ad formats, which include spending on search and display advertisements served to mobile phones and tablets, will make up 68.3% of digital ad expenditures worldwide in 2018.

The growth of Digital Advertising continues to be fuelled by the unprecedented rate of smartphone adoption. Smartphones have provided consumers with the ability to react instantaneously to events, fundamentally changing the dynamics and performance of Digital Advertising campaigns.

Mobile ad spending overtook global ad outlays on desktop/laptop in 2016, and this gap will continue to widen. The growth of the overall digital market and that of mobile in particular, provide significant impetus to Mporium’s business proposition.

The IMPACT product takes a unique approach to delivering enhanced Digital Advertising performance, focussing on the importance of events to consumer engagement. The technology monitors a wide range of Signals in real-time, makes informed data-driven Decisions, and executes the relevant Actions that capitalise on the identified opportunities. These Actions include the real-time pricing and selection of media across search, social and display advertising venues.

The product is based on proprietary technology with strongly defensible Intellectual Property Rights (“IPR”), providing Mporium with a unique and compelling offering that is underpinned by an automated and scalable technology platform.

Business Model

The primary route to market for IMPACT is through digital media agencies, which provide a leveraged salesforce and lower the cost of accessing markets globally. Although agreements with agencies continue to provide the primary route to market, Mporium has also executed a number of engagements with brands directly during 2017.

Revenues to date have been derived as a percentage of spend under management, which is consistent with the revenue model used by the majority of digital agencies. As the Group continues to develop, other models including Software as a Service (“SaaS”) delivery and performance-based payments will increase.

Product Development

Substantial investment in the IMPACT product during 2017 has delivered increased product capabilities, flexibility and scalability. The product capabilities have expanded in multiple dimensions: increasing the range of the Signals, Decisions and Actions that are integral to the product.

The range of Signals has increased well beyond the original TV capabilities and now includes multiple new Signals from sources such as Sports, News, Influencer and Social Media. The inclusion of these additional Signals enables digital campaigns to be managed with far greater sophistication and precision.

The Decisions capability of the product has been vastly improved during 2017 through the application of advanced Data Science and Machine Learning techniques. These capabilities are used to analyse the performance of advertising campaigns, identifying anomalies within the campaigns and correlating those anomalies to historical events. This process enables IMPACT to take advantage of similar events when they occur in the future.

The Actions capabilities have increased through the deeper integration of IMPACT with the Google AdWords and Facebook platforms. The technology operates as an overlay to existing campaigns and credentials, using proprietary connectivity to the relevant advertising engine Application Programming Interfaces (“APIs”).

The increased scalability of the product has been important in a number of ways. It has enabled the product to service a greater number of clients and also to operate at greater scale across campaigns and geographies. In the case of Sports Signals alone, this increased scalability enabled the product to deliver over 10 million ad impressions in over 130 countries during a four month period.

Business Activity

IMPACT gained significant market traction during 2017 with a number of important commercial agreements:

- Essence, a market-leading global digital agency that is majority-owned by WPP. This new agreement follows the successful trial of IMPACT on the digital marketing campaign for two of Essence’s largest blue-chip clients.
- the7stars, the UK’s largest independent media agency. Mporium’s technology helped Iceland and the7stars win Best Paid Search Campaign in The Drum Digital Trading Awards.
- A pure-play, listed online female fashion eCommerce company. Unlike previous Mporium deals, no agency was involved; the agreement was signed directly between Mporium and the fashion company.

-
- Total Media, the market-leading behavioural planning agency. IMPACT will be rolled out across further campaigns, with an increased remit making use of additional triggers and advertising venues. This is the first agreement that Mporium has signed with a behavioural planning agency.
 - An agreement to provide IMPACT to one of the world's largest and most prestigious performance marketing agencies. The initial deployment of IMPACT is with a leading global electronics brand. The agency operates in more than 50 countries and is part of one of the largest communications groups in the world.
 - Following the successful implementation of IMPACT with a number of GroupM agencies, a commercial agreement was signed with the wider group. This agreement provides access to the IMPACT technology across the GroupM agencies.

To ensure the momentum achieved in 2017 is maintained and growth accelerated, the Company appointed Glyn Shadwell as Chief Operating Officer ("COO") on 13th March 2018.

Glyn has over 20 years' experience in the marketing sector and was most recently Head of Strategy & Client Partnerships at Quantcast, he previously held senior roles within a number of marketing agencies, including Dentsu Aegis, McCann Erickson and Manning Gottlieb OMD. Glyn is a well-known and respected figure within the industry and brings a deep knowledge of clients, product strategy, operational excellence and cultural best practice to Mporium.

Corporate Activity

The Company raised additional capital on two occasions in 2017 to fund the substantial investment in IMPACT development. These funding rounds have provided both existing and new shareholders further opportunities to invest in Mporium's ground breaking technology.

In March 2017, the Company raised £3.0m net through a placing of 20,333,000 shares at 15p per share, and in December 2017 a placing of 53,333,333 shares at 6p per share raised a further £3.1m net of costs.

In November 2017 Mporium received income of £1.1 million from Cxense, a former commercial partner. This income related to non-trading activities associated with the removal of a lock-in agreement.

Board Changes

On 8th August 2017, after nearly two intensive years as Chairman throughout the Group's crucial foundation phase, Nigel Walder left the business and the Chief Executive Officer, Barry Moat, stepped into the role of Executive Chairman. Nelius De Groot joined the Board as Chief Executive Officer after two years as Chief Operating Officer. Additionally, Richard Gordon, stepped down from his role as Finance Director, and left at the end of September.

On 23rd February 2018, Staale Bjornstad, Non-Executive Director, stood down from the Board and Nicholas (Nick) Bertolotti was appointed as a Non-Executive Director of the Company.

Nick brings enviable experience to the Company, having spent over 25 years advising companies in the Technology, Media and Telecoms ("TMT") sector. From 2003 to 2016 he was a Managing Director in Investment Banking at Credit Suisse, where he headed up the European Media Equity Research team. Prior to joining Credit Suisse, Nick worked at JPMorgan and Arthur Andersen (now Deloitte).

Principal risks and uncertainties

The principal risks and uncertainties are disclosed in the Directors' Report.

Results Overview

The Board is pleased to report good progress in the year to 31 December 2017. Investment in IMPACT has created a highly sophisticated product that has resulted in the signing of a number of high profile commercial agreements that will generate revenues for the Company in 2018 and beyond.

The full year results include costs associated with the continued development and evolution of the IMPACT product. Ensuring that IMPACT's functionality remains first in class, is critical to the Group's development and successful market penetration. These activities are the principal driver behind the financial performance of the Company during the year under review.

Mporium's gross profit increased to £1.823 million, up 21.1% on 2016.

Administrative expenses increased to £6.824 million, up 8.1% on 2016, reflecting the Company's accelerated investment in the IMPACT product. During 2017, Mporium took the opportunity to benefit from releasing Cxense ASA from a share swap lock-in agreement. This enabled the Company to report a total loss before taxation of £3.872 million, a reduction of £0.933 million (19.4%) in comparison with the previous year.

The Company's Fast Web Media (FWM) business reported operating profit of £0.2 million, broadly in line with those generated in 2016. Increasing FWM's customer base has proved challenging, although further impetus to increase client acquisition will be provided by the new Company COO and through the appointment of a new Head of Agency, both of whom have considerable experience of FWM's target market.

Outlook

The growth of Digital Advertising remains buoyant and is forecast to represent a global market of \$375 billion by 2021. The vast majority of this growth is being driven by Mobile Ad spending, which should represent 76% of Digital and 38% of Media Ad expenditure by 2021, according to eMarketer.

The growth of the overall digital market and that of mobile in particular, provides significant impetus to Mporium's business proposition. Apart from the financial dynamics, there are a number of business and regulatory factors that provide Mporium with significant business opportunities.

The advertising agency model is undergoing seismic change, driven by the digital transition, increased competition, pressure on margins and the effect of regulation on data privacy. In May 2018, the EU will implement the General Data Protection Regulation (GDPR), which will have a dramatic effect on the way in which personal data can be used by advertisers both in Europe and internationally. Although the impact of GDPR is wide-ranging, the issue of data privacy is clearly broader than this regulation, particularly given the effect of the privacy issues raised by the Cambridge Analytica / Facebook investigations.

Many MarTech and AdTech business models are built upon the targeting of individuals, based upon third-party personal data. These businesses are severely exposed to the consequences of the GDPR regulation, and to future data privacy legislation that will likely result from the Cambridge Analytica / Facebook investigations.

Unlike technologies utilising personal data, IMPACT uses events to drive performance, it is about the "when" to reach audiences and not about the "who". The implementation of GDPR will provide IMPACT with a critical business advantage, as the performance of many advertising campaigns that are based upon the usage of personal data for targeting will suffer an immediate decline.

In this new regulatory environment, IMPACT can enhance performance for campaigns without requiring any audience data. However, for those brands and agencies that have acquired the relevant consent to use personal data, IMPACT can further enhance performance by using events to enable them to reach their audience at the optimal times.

The recent Cambridge Analytica / Facebook investigations have also raised the potential for advertisers to redirect advertising spend to other advertising venues. Although the product currently focuses on Google and Facebook, Mporium's technology is advertising venue agnostic. The IMPACT development strategy continues to be driven by advertiser demand and when advertisers embrace additional venues (e.g. Amazon, Oath and Snap), then IMPACT Actions can be extended to incorporate these venues.

The development effort in 2018 will ensure that the product remains at the cutting edge of current technology, delivering a clear performance advantage in a highly disrupted market. There will be particular focus on the Decisions element of the product, which represents core Mporium IP and drives the overall performance of the product.

The Board is confident that a strong foundation was created in 2017, with the increased capability of Mporium's unique technology and increased market penetration. In 2018, management have focused on further developing the relationships that have been built with agencies, as well as targeting new agencies and brands. The positive momentum generated in 2017, has continued into the new year and the Board is confident that 2018 will be a pivotal and successful year for the Company.

KPIs

The financial Key Performance Indicator for the company is revenue based, 2017 revenues are £1.978 million (2016: £1.824 million).

The non-financial Key Performance Indicators for the Company remain under development and will be extended to incorporate metrics that reflect the use of the technology by brands directly:

- number of leads that are generated;
- number of agencies that are acquired;
- number of brands that are serviced;
- average advertising revenue under management

These are indicators of the evolution of (i) the sales and marketing strategy for the Mporium product, namely to grow the customer base; (ii) the ability of the product to deliver advertising performance at scale; and therefore (iii) the ability to generate recurring income.

These metrics are monitored consistently within the business and the announcements over the previous months indicate significant progress. An update relating to these metrics will be provided as part of the 2018 results.

On behalf of the Board



Nelius De Groot
Chief Executive Officer
24 April 2018

Directors' Report for the year ended 31 December 2017

The Directors present their report and the audited financial statements for the year ended 31 December 2017.

The preparation of financial statements is compliant with IFRS as adopted by the European Union. The Group financial statements consolidate the financial statements of Mporium Group plc and its subsidiaries as disclosed in Note 16.

Directors of Mporium Group plc

The Directors shown below have held office during the year of 2017:

- N Walder – resigned 08/08/2017
- A Casey
- S Bjornstad
- B Moat
- R J Gordon – resigned 30/09/2017
- N De Groot – appointed 08/08/2017

A Casey is an independent non-executive director. Post year end, on 23rd February 2018 Staale Bjornstad stepped down from the Board and Nick Bertolotti was also appointed as a Non-Executive Director.

Financial risk management objectives and policies

The Group's activities expose it to some degree of liquidity, credit and currency risks. The objective and policies which have been adopted in respect of these risks are described below. Mporium monitors these risks but does not consider it necessary to use any derivative financial instruments to hedge these risks.

Liquidity and cash flow risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest in cash assets safely and profitably. This involves regular cash flow forecasting of short and medium-term cash requirements and the operation of banking facilities only with market leading banks. See going concern considerations as disclosed in note 2 to the financial statements.

Credit risk

Credit risk arises from exposure to outstanding receivables. Potential new customers are assessed for credit risk before credit is given, to minimize credit exposure. Credit limits with existing customers are regularly reviewed, particularly with any overdue accounts. See note 4 to the financial statements.

Currency risk

The significant majority of the Group's revenues and costs are in sterling therefore currency risk is not considered significant. To the extent that transactions are incurred in other currencies, Mporium will typically exchange to/from sterling as required rather than hold significant foreign currency balances. No forward exchange or other such financial instruments have been used in the period.

Further information on the financial risk management strategy of the Group and of the exposure of Mporium to currency risk, credit risk and liquidity risk is set out in note 4 to the financial statements.

Charitable and political donations

During the year, and in the previous year, the Group did not make any charitable or political contributions.

Dividend policy

No dividend was paid during the current year or prior year.

Employees

Mporium's policy of providing employees with information about the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas.

The Group continues to consider ways to encourage the involvement of employees in Mporium's performance. The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is Mporium's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Research and development

Mporium undertakes development activities which involve a planned investment in the building and enhancement of the Mporium products. Development expenditure is capitalised as an intangible asset, only if the development costs can be measured reliably and the product being built will be completed and will generate future economic benefits in the form of cash flows to the Group. Expenditure being capitalised includes internal staff time and cost spent directly on developing the trading product.

Further information on development activities are provided in the Strategic Report.

Future developments

Further information on future developments are provided in the Strategic Report.

Going concern

The activities, performance, strategy and outlook of Mporium Group plc are set out in the Strategic Report on pages 4 to 8. The financial risk management objectives and policies are described in this Directors' Report

The Directors have prepared a cash flow forecast up to 30 April 2019 which indicates that continued product development, increased sales and marketing activity and general working capital requirements are likely to require a further funding round within the next 12 months. The success of the previous funding rounds, the most recent in December 2017, and current discussions with major shareholders supports the Directors' reasonable expectation that a further funding round will succeed and Mporium will have adequate resources to continue in operational existence throughout this period.

The financial statements have been prepared assuming the Group and Company will continue as a going concern. In assessing whether the going concern assumption is appropriate, management has considered the Group's and Company's existing working capital position and the recent raise of £3.1m net. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. It is noted that if additional funding is not available then the Group and Company would be unlikely to be able to continue as a going concern. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and therefore may be unable to realise assets and discharge liabilities in the normal course of business.

Auditors

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and Directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of Mporium Group plc and the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- follow IFRS, subject to any material departures disclosed and explained in the financial statements and;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

Principal risks and uncertainties

The key business risks affecting the Group are set out below:

Financial

See financial risk management and policies included in the Directors' Report on page 9.

Technology

The Company's performance is dependent on its technology keeping pace with developments in Data Science, AdTech, MarTech, eCommerce and cloud technology. Mporium manages this risk by a commitment to research and development combined with ongoing dialogue with trading partners and sector specialists to ensure that market developments are understood.

Recruitment and retention of staff

Mporium relies on the experience and talent of key personnel and on its ability to recruit and retain qualified employees for the success of its business. Staff numbers increased during the year to take the product to market and meet workloads and demands from clients. Directors monitored closely the ramp-up of staff. Mporium manages these risks through the involvement of the leadership team in the recruitment process and frequent meetings between line managers and staff members.

Revised client strategy

The commercial performance of the business and the reputation of the Group could be significantly impaired if Mporium is unsuccessful in acquiring enough clients in its target market. The Group's working capital requirements may be affected by the rate of customer acquisition and other factors such as payback period and churn rate of new customers. Mporium manages this risk through a series of weekly meetings that focus on acquisition and retention of clients.

Reliance on key systems and major supply chain contracts

Mporium's business relies on various key systems, including SaaS and third party hosted infrastructure. If the Group's access to or use of these systems and services was restricted or terminated, Mporium would have to incur expense sourcing a suitable replacement and/or alternative systems and services, and time in relation to staff training, which could have a materially adverse effect on Mporium's business, operation and financial position. Mporium manages this risk through the active focus of the leadership team on key infrastructure and other suppliers.

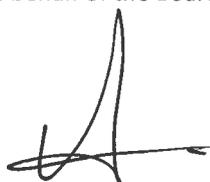
Ability to raise future finance

The Group's rate of growth in the longer-term may be influenced by its ability to raise finance in the future. The directors pay close attention to the financial resources available to the Group such that this risk can be mitigated. The Group has shown a strong track record of raising funds.

Ability to generate revenues in the future

The ability of the new Mporium products to generate revenues is not yet well known. Consequently, the size of future revenues is hard to predict. As more trading information is generated, the Board should be able to take more comfort in the predictability of the Group's revenues. The Mporium leadership team actively manage the client pipeline to maximise revenue generation.

On behalf of the Board



Nelius De Groot
Chief Executive Officer
24 April 2018

Independent auditor's report to the members of Mporium Group plc

Opinion

Our opinion on the group financial statements is unmodified

We have audited the financial statements of Mporium Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated statement of total comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of changes in equity, the Consolidated and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements 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 Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2 in the financial statements, which indicates the requirement for the group and parent company to obtain further funding within the next 12 months. This condition, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Who we are reporting to

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



Overview of our audit approach

- Overall group materiality: £198,000, which represents 5% of the group's preliminary loss before taxation;
- Key audit matter was identified as the carrying value of intangible assets; and
- We performed full scope audit procedures on Mporium Group Plc, Mporium Limited and Fast Web Media Limited; and analytical audit procedures on InTELEgentsia Limited.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters - Group

How the matter was addressed in the audit - Group

Carrying value of intangible assets

At the year end the Group has £3.69m of intangible assets (2016: £2.88m) which includes the following balances with a carrying value of £3.57m:

Intangibles - Group	Carrying Amount
Development platform	£2.12m
Goodwill	£1.45m

Management is required to consider indicators of impairment in accordance with IAS 36 Impairment of Assets, and, for those with a useful economic life, to consider whether the asset is being amortised over an appropriate period.

Under IAS 36, the Group is required to perform a quantified impairment test annually for goodwill acquired in a business combination. The goodwill recorded relates to the acquisition of Fast Web Media Limited. There is a risk that the carrying value of the goodwill may be higher than the recoverable amount.

The process of making the impairment assessment through forecasting cash flows, the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review.

We therefore identified carrying value of intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work on the carrying value of intangible assets included, but was not restricted to:

- Assessing whether the accounting policy for amortisation was compliant with IFRS as adopted by the European Union and whether the group has accounted for amortisation in accordance with that policy, including whether it is consistent with the prior year.
- Obtaining the assessment produced by management as to whether there are any impairment indicators for the development platform and corroborating the assessment performed with management personnel. This included an assessment of the current and future customer base, the market potential and the market capitalisation of the company.
- Recalculating the amortisation charge for the year.
- In relation to goodwill, assessing management's impairment model and discounted cash flow forecasts by:
 - checking the mathematical accuracy of the model
 - evaluating the information included in the impairment models through our knowledge of the business
 - assessing the appropriateness of the discount rate applied by management
 - performing a sensitivity analysis on the forecasts

Key Audit Matters - Group**How the matter was addressed in the audit - Group**

- testing the accuracy of management’s forecasting of cash flows through a comparison of budget to actual data for the year ended 31 December 2017 and historical variance trends

The group's accounting policy on impairment of intangible assets and goodwill is shown in note 2 to the financial statements and related disclosures are included in note 3 and note 14.

Key observations

Our testing did not identify any material misstatements in the carrying value of the development costs, goodwill and other intangible assets. We found no reason for impairment of intangible assets or any additional factors to be considered that would affect the carrying value of intangible assets recognised within the financial statements and we found no material errors in calculations.

There are no key audit matters in relation to the parent company.

Our application of materiality

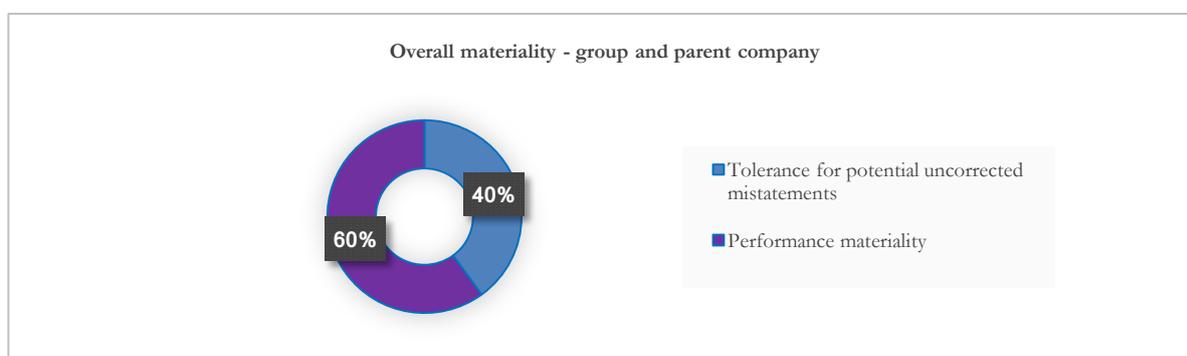
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Group	Parent
Financial statements as a whole	<p>We determined materiality for the audit of the group financial statements as a whole to be £198,000, which is 5% of the group’s preliminary loss before taxation. This benchmark is considered the most appropriate because this is a trading group and it is therefore appropriate to base the materiality on its financial performance as this is a key measure used by management and shareholders and is a generally accepted audit benchmark.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31</p>	<p>We determined materiality for the audit of the parent company financial statements as a whole to be £108,000, which is 2% of company’s total assets as at 31 December 2017. This benchmark is considered the most appropriate because this is a holding company and does not generate trading revenues and it is therefore appropriate to base the materiality on its total assets as this is a key measure used by management and shareholders and is a generally accepted audit benchmark.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31</p>

	December 2016 to reflect a reduced loss for the current year.	December 2016 to reflect the increase in total assets at the current year-end.
Performance materiality used to drive the extent of our testing	We used a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the group financial statements.	We used a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 60% of financial statement materiality for the audit of the company financial statements.
Specific materiality	We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.	We also determined a lower level of specific materiality for certain areas such as Directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We determined the threshold at which we will communicate misstatements to the audit committee to be £9,900. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	We determined the threshold at which we will communicate misstatements to the audit committee to be £5,400. In addition we will communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- Evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined by considering each as a percentage of the group's total assets, revenues and profit before taxation;
- As part of the planning process, assessing the group's internal processes and control environment. Mporium Group Plc has centralised processes and controls over the key areas of our audit focus. Group management are responsible for all judgemental processes and significant risk areas. A centralised finance team performs all accounting processes and we tailored our audit response accordingly with all audit work being undertaken by the group audit team.

- Performing a full scope audit of Mporium Group Plc, Mporium Limited and Fast Web Media Limited. Work on Mporium Limited and Fast Web Media Limited was performed to component materiality which was taken as 60% of group materiality.
- The total percentage coverage of full scope procedures over revenue and profit before tax was 100%
- The total percentage coverage of full scope over total assets was 100%
- Analytical procedures were performed on INTELEgentsia Limited.
- Our audit approach was fully substantive in nature and consistent with the 2016 approach.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 4 to 12, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair

view, and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
24 April 2018

Consolidated financial statements Mporium Group plc

Consolidated statement of total comprehensive income for the year ended 31 December 2017

		Year ended 31 December 2017	Year ended 31 December 2016
	Notes	£	£
Continuing operations			
Revenue	5	1,977,799	1,824,108
Cost of sales		(155,268)	(318,731)
Gross profit		1,822,531	1,505,377
Administrative expenses	6	(6,824,389)	(6,310,785)
Other operating income	8	1,131,234	-
Operating loss		(3,870,624)	(4,805,408)
Financial income	9	1,097	4,612
Financial expense	10	(2,907)	(4,558)
Loss from continuing operations before taxation		(3,872,434)	(4,805,354)
Taxation	11	702,380	626,848
Total loss		(3,170,054)	(4,178,506)
Other Comprehensive Income			
Revaluation of Investment which will subsequently be re-classified to profit & loss	15	(376,942)	283,601
Total comprehensive losses attributable to equity holders of the parent company		(3,546,996)	(3,894,905)
Basic and diluted loss per share for losses attributable to the owners of the parent during the period	12	(0.01)	(0.01)

The notes on pages 26 to 46 form part of these financial statements

Consolidated financial statements Mporium Group plc

Consolidated statement of financial position as at 31 December 2017

		31 December 2017	31 December 2016
	Notes	£	£
Non-current assets			
Property, plant and equipment	13	395,385	345,936
Other intangible assets	14	3,686,385	2,881,850
Investments	15	347,063	724,005
Total Non-current assets		4,428,833	3,951,791
Current assets			
Trade and other receivables	17	3,142,832	1,696,752
Cash and cash equivalents	18	2,036,224	1,282,429
Total Current Assets		5,179,056	2,979,181
Total assets		9,607,889	6,930,972
Current liabilities			
Trade and other payables	19	(1,222,938)	(1,233,654)
Total Current liabilities		(1,222,938)	(1,233,654)
Net assets		8,384,951	5,697,318
Equity			
Share capital	20	2,939,433	2,571,027
Share premium		23,208,365	17,493,454
Share option reserve		1,746,002	1,854,505
Merger Reserve		7,641,598	7,641,598
Retained earnings - deficit		(27,150,447)	(23,863,266)
Equity shareholders' funds		8,384,951	5,697,318

The financial statements were approved and authorised for issue by the Board of directors on 24 April 2018 and were signed on its behalf by



Nelius De Groot
Director

Company Registration Number: 8696120

Consolidated financial statements Mporium Group plc

Company statement of financial position as at 31 December 2017

		31 December 2017	31 December 2016
	Notes		
Non-current assets			
Intangible assets	14	262,366	595,700
Investment in subsidiaries	16	1,202,492	1,202,492
Investments	15	347,063	724,005
Total Non-current assets		1,811,921	2,522,197
Current assets			
Trade and other receivables	17	2,004,271	1,126,010
Cash and cash equivalents	18	1,586,773	949,292
Total Current Assets		3,591,044	2,075,302
Total assets		5,402,965	4,597,499
Current liabilities			
Trade and other payables	19	(867,219)	(688,611)
Total Current liabilities		(867,219)	(688,611)
Net assets		4,535,746	3,908,888
Equity			
Share capital	20	2,939,433	2,571,027
Share premium		23,208,365	17,493,454
Share option reserve		1,211,565	1,183,509
Other reserve		(57,468)	(57,468)
Retained earnings		(22,766,149)	(17,281,634)
		4,535,746	3,908,888

Mporium Group plc ("the company") has taken advantage of the exemption allowed under sections 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in the financial statements. The company loss after tax for the period ended 31st December 2017 is £5,165,260 (2016: £4,953,500).

The financial statements were approved and authorised for issue by the Board of directors on 24 April 2018 and were signed on its behalf by



Nelius De Groot
 Director
 Company Registration Number: 8696120

Consolidated financial statements Mporium Group plc

Consolidated statement of changes in equity for the year ended 31 December 2017

	Retained earnings	Share capital	Share premium reserve	Share option reserve	Merger reserve	Total
	£	£	£	£	£	£
31 December 2015	(20,323,611)	2,350,663	14,614,568	1,889,558	7,641,598	6,172,776
<i>Transactions with owners:</i>						
Share-based payments	-	-	-	320,197	-	320,197
Transfer related to lapsed share options	355,250	-	-	(355,250)	-	-
Share issue cost	-	-	(86,824)	-	-	(86,824)
Share issues during the period	-	220,364	2,965,710	-	-	3,186,074
Total transactions with owners	355,250	220,364	2,878,886	(35,053)	-	3,419,447
Total loss for the year	(4,178,506)	-	-	-	-	(4,178,506)
Other comprehensive income	283,601	-	-	-	-	283,601
31 December 2016	(23,863,266)	2,571,027	17,493,454	1,854,505	7,641,598	5,697,318
<i>Transactions with owners:</i>						
Share-based payments	-	-	-	151,312	-	151,312
Transfer related to lapsed share options	259,815	-	-	(259,815)	-	-
Share issue cost	-	-	(198,032)	-	-	(198,032)
Share issues during the period	-	368,406	5,912,943	-	-	6,281,349
Total transactions with owners:	259,815	368,406	5,714,911	(108,503)	-	6,234,629
Total loss for the year	(3,170,054)	-	-	-	-	(3,170,054)
Other comprehensive income	(376,942)	-	-	-	-	(376,942)
31 December 2017	(27,150,447)	2,939,433	23,208,365	1,746,002	7,641,598	8,384,951

The notes on pages 26 to 46 form part of these financial statements.

Consolidated financial statements Mporium Group plc

Company statement of changes in equity for the period ended 31 December 2017

	Retained earnings	Share Capital	Share premium reserve	Share option reserve	Other reserve	Total
	£	£	£	£	£	£
31 December 2015	(12,710,215)	2,350,663	14,614,568	1,054,769	(57,468)	5,252,317
<i>Transactions with owners:</i>						
Transfer related to lapsed share options	98,480	-	-	(98,480)	-	-
Share-based payments	-	-	-	227,220	-	227,220
Share issue cost	-	-	(86,824)	-	-	(86,824)
Share issues during the year	-	220,364	2,965,710	-	-	3,186,074
Total transactions with owners	98,480	220,364	2,878,886	128,740	-	3,326,470
Total loss for the year	(4,953,500)	-	-	-	-	(4,953,500)
Other comprehensive income	283,601	-	-	-	-	283,601
31 December 2016	(17,281,634)	2,571,027	17,493,454	1,183,509	(57,468)	3,908,888
Transfer related to lapsed share options	57,687	-	-	(57,687)	-	-
Share-based payments	-	-	-	85,743	-	85,743
Share issue cost	-	-	(198,032)	-	-	(198,032)
Share issues during the year	-	368,406	5,912,943	-	-	6,281,349
Total transactions with owners	57,687	368,406	5,714,911	28,056	-	6,169,060
Total loss for the year	(5,165,260)	-	-	-	-	(5,165,260)
Other comprehensive income	(376,942)	-	-	-	-	(376,942)
31 December 2017	(22,766,149)	2,939,433	23,208,365	1,211,565	(57,468)	4,535,746

The notes on pages 26 to 46 form part of these financial statements.

Consolidated financial statements Mporium Group plc

Consolidated statement of cash flows for the year ended 31 December 2017

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Operating activities		
Loss from continuing operations before taxation	(3,872,434)	(4,805,354)
Adjustments for:		
Depreciation of property, plant and equipment	197,524	144,403
Amortisation of intangible assets	959,670	312,749
Impairment of intangible assets	-	575,250
Share-based payment expense	151,312	320,197
Financial income	(1,097)	(4,612)
Financial expense	2,907	4,558
Cash outflow from operating activities before changes in working capital	(2,562,118)	(3,452,809)
Increase in trade and other receivables	404,533	(11,751)
Decrease in trade and other payables	(60,367)	(730,916)
Change in working capital	344,166	(742,667)
Income taxes recovered	679,497	900,528
Net cash used in operating activities	(1,538,455)	(3,294,948)
Investing activities		
Interest received	1,097	4,612
Invested in intangible assets	(1,764,204)	(1,080,356)
Purchase of property, plant and equipment	(246,973)	(155,942)
Investment	-	(20,947)
Net cash used in investing activities	(2,010,080)	(1,252,633)
Financing activities		
Interest paid	(2,907)	(4,558)
Issue of share capital	4,503,269	3,186,074
Cost of Issue of share capital	(198,032)	(86,824)
Net cash from financing activities	4,302,330	3,094,692
Net decrease/(increase) in cash and cash equivalents	753,795	(1,452,889)
Cash and cash equivalents at start of year	1,282,429	2,735,318
Cash and cash equivalents at end of year	2,036,224	1,282,429

The notes on pages 26 to 46 form part of these financial statements.

Consolidated financial statements Mporium Group plc

Company statement of cash flows for the period ended 31 December 2017

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Operating activities		
Loss before taxation	(5,165,260)	(4,953,500)
Adjustments for:		
Amortisation of intangible assets	333,334	263,889
Impairment of investment in subsidiary	-	249,999
Share based-payment expense	85,743	227,220
Write-off of intercompany receivable	4,560,114	3,177,799
Financial income	(1,060)	(4,419)
Financial expense	951	1,847
Other income – dividends received from subsidiary	-	(250,000)
Cash flows from operating activities before changes in working capital	(186,178)	(1,287,165)
Increase in trade and other receivables	(3,660,295)	(3,685,144)
Increase in trade and other payables	178,608	164,329
Change in working capital	(3,481,687)	(3,520,816)
Net cash used in operating activities	(3,667,865)	(4,807,980)
Investing activities		
Interest received	1,060	4,419
Investment	-	(20,947)
Net Cash used in investing activities	1,060	(16,528)
Financing activities		
Interest paid	(951)	(1,847)
Issue of share capital	4,503,269	3,186,074
Cost of Issue capital	(198,032)	(86,824)
Increase in Loans	-	-
Net cash from financing activities	4,304,286	3,097,403
Net (decrease)/increase in cash and cash equivalents	637,481	(1,727,106)
Cash and cash equivalents at start of period	949,292	2,676,398
Cash and cash equivalents at end of period	1,586,773	949,292

The notes on pages 26 to 46 form part of these financial statements

Notes to the consolidated and company financial statements

1 General information

Mporium Group plc (AIM:MPM) (“Mporium” or the “Company”), is a public company incorporated in the UK and listed on the London Stock Exchange’s AIM market and acts as a holding company for Mporium Limited and Fast Web Media Limited.

Mporium Group plc and its subsidiaries are a “mobile first” technology firm that monetises the transformation that smartphones have had on consumer behaviour.

2 Accounting policies

Statement of Compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (‘IFRS’). These financial statements have also been prepared in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS.

Basis of preparation

The financial statements are prepared under the historical cost convention and presented in Pounds Sterling, the Group's presentational currency and the company’s functional currency. The accounting policies have been applied consistently by the Group to all periods presented in these financial statements.

The preparation of financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in Note 3.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries. The parent company financial statements present information about the Company as a separate entity and not about its group.

Basis of consolidation

The financial information consolidates the financial statements of the Company and its subsidiary undertakings. The results of subsidiaries acquired are consolidated for the period from the date on which control passes. Control as defined under IFRS 10 is when the Group obtains the power over the investee, exposure or rights to variable returns from involvement in the investee and the ability to use its power to affect the amount of the investee's returns.

Business combinations are consolidated under the acquisition method of accounting from the date on which the Group obtains control. The cost of a business combination is measured at the fair value of the consideration given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date irrespective of the extent of any non-controlling interest. The excess of the fair value of consideration transferred over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the costs of the acquisition are less than the fair value of the net assets acquired the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in full. The accounting policies which follow set out the policies applied in preparing the Group and company financial information.

Going concern

The Directors have prepared a cash flow forecast up to 30 April 2019 which indicates that continued product development, increased sales and marketing activity and general working capital requirements are likely to require a further funding round within the next 12 months. The success of the previous funding rounds, the most recent in December 2017, and current discussions with major shareholders supports the Directors' reasonable expectation that a further funding round will succeed and Mporium will have adequate resources to continue in operational existence throughout this period.

The financial statements have been prepared assuming the Group and Company will continue as a going concern. In assessing whether the going concern assumption is appropriate, management has considered the Group's and Company's existing working capital position and the recent raise of £3.1m net. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. It is noted that if additional funding is not available then the Group and Company would be unlikely to be able to continue as a going concern. These circumstances indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Company's ability to continue as a going concern and therefore may be unable to realise assets and discharge liabilities in the normal course of business.

Changes in accounting policies

Certain new standards, amendments to standards and interpretations to existing standards have been published that are not mandatory for the Group's accounting periods beginning after 1st January, or later periods, to which the Group has decided not to adopt early when early adoption is available for those adopted by the EU. These are:

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (IASB effective 1 January 2018)
- IFRS 16 Leases (IASB effective 1 January 2019 – not yet adopted by the EU)
- IFRIC 22 Foreign currency transactions and advance consideration (IASB effective date 1 January 2018 – no yet adopted by the EU)
- IFRIC 23 Uncertainty over income tax treatments (IASB effective date 1 January 2019)
- IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective date 1 January 2018 – not yet endorsed)
- Amendments to IAS 7: Disclosure Initiative (IASB effective date 1 January 2017 – not yet endorsed)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (IASB effective date 1 January 2017 – not yet endorsed)

The impact of IFRS 9, IFRS 16 and IFRS 15 have not yet been considered. With regards to IFRS 15, the impact of this will be assessed as the Group's revenue streams develop and new contracts are negotiated. IFRS 15 will be adopted in the Group's Financial Statements for the 6 months ended 30 June 2018.

Revenue

Revenue comprise of services and software licences provided to external customers (excluding VAT and other sales taxes).

Consideration received from customers in respect of services is only recorded as revenue to the extent that the Group has performed its contractual obligations in respect of that consideration, and therefore it is expected that economic benefits will flow to the Group.

Product Revenue

Revenue from services and software licences for the use of the technology product is recognised over the period of the licence to reflect the on-going obligations of the Group. These revenues are recorded under product revenue per note 5 of the accounts.

Agency Project Fees

Revenue for project work by FWM is recognised over the term of the agreement and in the period that the services were delivered. These service revenues are recorded agency project fees to existing customers per note 5 of the accounts.

Property, plant and equipment

Property, plant and equipment is stated at cost, or deemed cost less accumulated depreciation, and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets less any residual value over their estimated useful lives on the following bases:

Office equipment	33% straight line
Furniture and Fixtures	33% straight line
Computer Hardware	33% straight line
Computer Software	33% straight line

Intangible assets

Intangible assets, representing amounts paid to third parties and internal resources for development of the Mporium SaaS Platform, are stated at cost, or deemed cost less accumulated amortisation, and any recognised impairment loss. A Software licence between Cxense ASA and the Company has been recognised as an intangible asset and amortised over the three-year licence. Further information on the accounting policy for Research and development activities is provided below. Intellectual property in the company is recognised as an intangible asset and amortised over three-years, it is stated at cost less accumulated amortisation.

Amortisation is charged to write off the cost of an asset less any residual value over their estimated useful lives and on the following basis:

Development product	33% straight line
Intellectual property	33% straight line

Depreciation and amortisation charges are included within administrative expenses in the statement of comprehensive Income.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the consideration transferred over the fair value of the net assets and any contingent liabilities acquired. Acquisition costs are expensed as incurred. Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Research and development activities

Expenditure on research or on the research phase of an internal project is recognised as an expense when incurred. The intangible assets arising from the development phase of an internal project are recognised if, and only if, the following conditions apply:

- it is technically feasible to complete the asset for use by the Group;
- the Group has the intention of completing the asset for either use or resale;
- the Group has the ability to either use or sell the asset;
- it is possible to estimate how the asset will generate income;
- the Group has adequate financial, technical and other resources to develop and use the asset; and
- the expenditure incurred to develop the asset is measurable.

If no intangible asset can be recognised based on the above, then development costs are recognised in the statement of comprehensive income in the period in which they are incurred.

Investments

Investments held by the Company in its subsidiary undertakings are stated at cost less provision for any impairment in value.

Available for sale financial assets (AFS)

AFS financial investments, being an equity instrument, are initially recognised at fair value with subsequent adjustments to fair value recognised in other comprehensive income.

Impairment of property, plant and equipment and intangible assets

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement and is included in the administrative expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Conversion of foreign currency

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Non-monetary assets having been translated are carried at their historical cost.

Exchange differences are recognised in the statement of total comprehensive income for the year.

Financial instruments

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

Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently carried at amortised cost less impairment. At the end of each accounting period they are assessed for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand that is readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Commitments and contingencies

Commitments and contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Events after the statement of financial position date

Post year-end events that provide additional information about the Group's position at the statement of financial position date and adjusting events are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

in the period in which they are incurred.

Taxation

Current taxation

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and the tax laws used to compute the amount are those that are enacted, or substantively enacted, by the statement of financial position date.

Deferred taxation

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantially enacted tax rates. Deferred tax assets are recognised to the extent the temporary difference will reverse in the foreseeable future and it is probable that future taxable profit will be available against which the asset can be utilised.

Leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except if another systematic basis is more representative of the time pattern in which economic benefits will flow to the Group.

Lease incentives and similar arrangements of incentives are taken into account when calculating the straight-lined expense.

Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees and directors. None of the Group's plans are cash-settled. Where employees or directors are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted.

This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to shareholders' equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

As part of the process surrounding the acquisition of Mporium Limited by Mporium Group Plc, the holders of all outstanding options under the Mporium Limited Share Scheme surrendered those entitlements in exchange for the grant, by Mporium Group plc, of replacement options that were on equivalent terms.

The profit and loss impact of share options issued by Mporium Group plc is recognised in the company which receives the benefits from those employees who hold the share options.

Shareholder's Equity

Equity comprises:

Share capital – the nominal value of ordinary shares is classified as equity.

Share premium reserve – represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Share option reserve – represents equity settled share-based employee remuneration.

Other reserve – arising from the application of merger accounting following the principles of FRS 6.

Retained earnings – includes all current and prior period retained profits/(losses).

Employee benefits

The Group has agreed to make pension contributions to third party insurance companies in respect of certain employees at rates agreed with the individuals concerned. Such contributions are accounted for as they fall due on a defined contribution basis.

3 Critical accounting judgements and key estimation of uncertainty

Significant Judgements

The reduction in the fair value of the Available for Sale Financial Asset during the year is not considered to be a significant decline under IAS 39 due to the reasonable expectation that the performance of the asset will improve in future periods.

A provision has been made in full in the parent company accounts against amounts due from subsidiaries due to uncertainty over when the balances will be re-paid.

Accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgments in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and reasonable expectations of future events. Actual results may differ from those estimates.

The accounting policies cover areas that are considered by the Directors to require estimates and assumptions which have significant risk of causing a material adjustment to the carrying amounts of assets & liabilities within the next financial year. The policies and the related notes to the financial statements are found below:

Recoverability of receivables (note 17)

The recoverability of the receivables is determined by the Group. Management monitors the circumstances relating to the payments due from third parties, together with the recoverability of the amounts due. Any indication of non-recoverability and change in fair value is adjusted for accordingly. Management feel comfortable with the current level of recoverability. Due to a small number of current clients and the closeness of those relationships recoverability is deemed to be low risk, as the number of clients increase and the direct relationship with these clients potentially change management will assess the situation again.

Impairment of Intangible assets and goodwill (note 14)

Intangible assets include the capitalised development costs of the Mporium Platform. These costs are assessed based on management's view of the internal and external development costs relating to time spent on projects that enhance the Mporium Platform, supported by internal time recording and considering the requirements of IAS 38 'Intangible assets'. The development cost of the product is amortised over the useful life of the asset. The useful life is based on the management's estimate of the period that the asset will generate revenue, which is reviewed annually for continued appropriateness. The carrying value is tested for impairment when there is an indication that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future cash flow forecasts and these forecasts would be based upon management judgment. Future events could cause the assumptions to change; which could have an adverse effect on the future results of the Group.

An impairment review of the investment in FWM was performed by management through a discounted cash flow covering 5 years, growth in revenues have been assumed to be between 5 and 15%, this was used with a Weighted Average Cost of Capital (WACC) of 15% , it was concluded no impairment was required to the business.

Share-based payments (note 23)

Share options are measured at their fair value using the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is

adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Going concern (note 2)

The directors have prepared and reviewed a business plan and cash flow forecast. The forecast includes a fund raising and contains certain assumptions about the level of future sales and gross margin achievable. These assumptions are the Directors' best estimate of the future development of the business.

Deferred taxation – potential asset in relation to tax losses carried forward (note 11)

The recoverability of the tax losses carried forward to future accounting periods is determined by the Group. Management monitors the circumstances relating to the future profitability of the Group, together with the anticipated utilisation of the amounts carried forward. Any indication of non-recoverability and change in fair value is adjusted for accordingly. No such asset has been recognised in these financial statements.

4 Financial instruments and treasury risk management

General objectives, policies and processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. All funding requirements and financial risks are managed based on policies and procedures adopted by the Board of directors. The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments.

The Group does not issue or use financial instruments of a speculative nature.

Principal financial instruments

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

- Trade receivables;
- Cash and cash equivalents;
- Trade and other payables;
- AFS financial assets

Financial Assets

Trade and other receivables are initially measured at face value and subsequently at amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
	£	£	£	£
Cash and cash equivalents	2,036,224	1,282,429	1,586,773	949,292
Trade receivables	292,671	429,806	-	-
Available for sale financial assets	347,063	724,005	347,063	724,005
	2,675,958	2,436,240	1,933,836	1,673,297

Trade receivables principally comprise amounts outstanding for services provided to customers. Average credit terms were 30 days and average debtor days outstanding were 34 days during 2017 (2016: 85 days). An impairment review of outstanding trade receivables is carried out at the period end and a specific amount provided for.

Financial Liabilities

Trade, other payables, loans with Mporium Group plc are measured at amortised cost.

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
	£	£	£	£
Current Liabilities				
Trade payables	440,229	369,428	64,401	71,264
	440,229	369,428	64,401	71,264

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group targets the payments of trade payables between 30 to 90 days of receipt of the invoice.

Treasury risk management

The Group manages a variety of market risks, including the effects of changes in foreign exchange rates, liquidity and counterparty risks.

Credit risk

The Group's principal financial assets are cash, trade and other receivables.

The credit risk on liquid funds is limited because the counterparties are UK banks with high credit ratings assigned by international credit rating agencies.

The Group currently operates with positive cash and cash equivalents as a result of issuing share capital in anticipation of future funding requirements. The Group's investment policy is therefore one of achieving high returns with minimal risks.

The maximum exposure due to credit risk for the Group on trade and other receivables during 2017 was £402,894 (2016: £518,861). No collateral is held in respect of these amounts.

	As at 31 December 2017	As at 31 December 2016
	£	£
Outstanding between one and two months	202,040	243,312
Outstanding between two and three months	47,939	121,791
Outstanding more than three months	42,692	64,703
Less: allowance for receivables	-	-
	292,671	429,806

As at the year-end trade receivables of £42,692 were past due but not impaired (2016: £30,135).

Currency risks

The Group's operations are located in the United Kingdom. The Group's transactions are primarily denominated in sterling with little exposure to foreign currency risks. Due to the limited risks to the Group, forward exchange contracts are not considered necessary and are not used. The Group does not operate foreign currency bank accounts.

The translation risk on the Group's foreign exchange payables and receivables is considered to be immaterial due to their short-term nature.

Liquidity risk

Operational cash flow represents on going trading revenue and costs, administrative costs and research and development activities. The Group manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Group's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts.

The financial market turbulence and associated illiquidity in credit markets during the year has had no impact on the Group's ability to meet its financing requirements.

The Group actively manages its working finance to ensure it has sufficient funds for operations and planned research and development activities.

The Group's main financial liabilities are trade and other payables. All amounts are due for payment in accordance with agreed settlement terms with suppliers or statutory deadlines.

Derivative financial instruments

The Group does not currently use derivative financial instruments as hedging is not considered necessary. Should the Group identify a requirement for the future use of such financial instruments, a comprehensive set of policies and systems as approved by the directors will be implemented.

In accordance with IAS 39, "Financial instruments: recognition and measurement", the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet specific requirements set out in the standard.

Capital management

The Group's activities are of a type and stage of development where the most suitable capital structure to continue as a going concern is that of entirely financed by equities. The directors will reassess the future capital structure when projects under development are sufficiently advanced. The Group considers its capital to consist of share capital.

The Group's financial strategy is to utilise its resources and current trading revenue streams to further appraise and test the Group's research and development projects. Mporium Group plc keeps investors informed of its progress with its projects through regular announcements and raises additional equity finance at appropriate times.

5 Operating segments

The Group's operations are centred on providing software as service and supporting services. Revenues and results are reported to the Chief Operating Decision Maker on this basis and management therefore considers there to be one reporting segment covering the Group.

A supplementary analysis of revenue is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Product revenue	1,723,665	1,223,599
Agency project revenue	254,134	600,509
	1,977,799	1,824,108

The geographical split of revenue is as follows:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£

United Kingdom	1,084,434	995,498
Europe	893,365	828,610
	1,977,799	1,824,108

The largest single customer contributed 45% (2016:40%) of total revenues. Revenues from four individual customers exceeded 81% of total Group revenues for the year.

6 Operating Loss

The operating loss is stated after charging the following amounts:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Depreciation of property, plant and equipment		
- owned	197,524	144,403
Amortisation of intangible assets	959,670	312,749
Office rent and services charges	444,846	414,445
Bad debt provision	-	(135,267)
Staff cost	3,212,649	2,900,525
Administration costs	2,009,700	2,098,680
Impairment of research and development costs	-	575,250
	6,824,389	6,310,785

Administrative expense includes the following services obtained from the Group's auditor, Grant Thornton UK LLP.

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Group Audit	49,250	47,750
Total Audit fees	49,250	47,750
Tax compliance work	12,755	12,150
Tax advisory - R&D tax credit advice	20,780	20,025
Tax advisory – tax advice on employment taxes	2,060	2,500
Tax advisory - tax advice on EIS	5,150	-
Tax advisory - Group restructuring	-	2,500
	89,995	84,925

7 Staff costs and numbers

Staff cost (including directors' emoluments) incurred in the year were as follow:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Wages and salaries	2,609,875	2,325,878
Social security costs	378,376	206,847
Pension contributions	73,086	47,603
Share-based payments	151,312	320,197
Net Staff Cost	3,212,649	2,900,525

	Year ended 31 December 2017	Year ended 31 December 2016
Directors	4	5
Administration	5	4

Research and development	10	9
Operations	29	23
Customer services	-	-
Sales	7	6
	55	47

Directors' emoluments

The Directors and Executive Committee are the key management personnel of the company. The remuneration for the periods was:

	Salary/ Fees	Benefits	Employers NI	Total short- term benefits	Post-employment benefits-defined pension contribution	Share- based payments	Total Emoluments
	£	£	£	£	£	£	£
	2017	2017	2017	2017	2017	2017	2017
Executive Directors							
B Moat ¹	250,000	70,500	24,518	345,018	1,897	-	346,915
N De Groot ²	61,538	61,227	14,559	137,324	-	63,310	200,634
R Gordon ³	38,267	-	4,154	42,421	-	-	42,421
Non-executive Directors							
N Walder ⁴	25,692	-	2,419	28,111	-	-	28,111
S Bjornstad ⁵	15,000	-	-	15,000	-	-	15,000
Aidan Casey ⁶	15,000	-	938	15,938	-	-	15,938
Total emoluments	405,497	131,727	46,588	583,812	1,897	63,310	649,109

	Salary/ Fees	Benefits	Employers NI	Total short- term benefits	Post-employment benefits-defined pension contribution	Share- based payments	Total Emoluments
	£	£	£	£	£	£	£
	2016	2016	2016	2016	2016	2016	2016
Executive Directors							
B Moat	250,000	76,800	-	326,800	-	-	326,800
R Gordon	100,000	2,000	12,681	114,681	-	9,783	124,464
Non-executive Directors							
N Walder	30,000	-	3,474	33,474	-	-	33,474
S Bjornstad	15,000	-	-	15,000	-	-	15,000
Aidan Casey	11,250	-	393	11,643	-	-	11,643
Total emoluments	406,250	78,800	16,548	501,598	-	9,783	511,381

Notes

¹ Mr B Moat resigned as Chief Executive Officer and was appointed Executive Chairman 8 August 2017

² Mr N De Groot was appointed Chief Executive Officer 8 August 2017

³ Mr R Gordon resigned as Finance Director and Company Secretary 30 September 2017

⁴ Mr N Walder resigned as Chairman 8 August 2017

⁵ Mr S Bjornstad was appointed non-executive director 9 June 2015

⁶ Mr A Casey was appointed non-executive director 21 April 2016

During the year agreement was reached with HMRC regarding the amount of additional PAYE and NI due in respect of certain legacy arrangements for remunerating certain Directors. The creditor of £231,687 included in these accounts was paid to HMRC on 5th January 2018.

No share options were exercised by Directors during the year ended 31 December 2017: nil (2016: nil).

8 Operating Income

In November 2017 Mporium received income of £1.1 million from Cxense, a former commercial partner. This income related to non-trading activities associated with the removal of a lock-in agreement.

9 Financial income

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Interest receivable	1,097	4,612
	1,097	4,612

10 Financial expense

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Interest payable	2,907	4,558
	2,907	4,558

11 Taxation

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Research & development tax credits	(702,380)	(626,848)
Total tax credit in income statement	(702,380)	(626,848)

Reconciliation of the tax credit

The tax credit for the year is lower (2016: lower) than the tax credit on ordinary activities at the standard rate of corporation tax in the UK (2017: 19.25% and 2016: 20%) for the reasons set out in the following reconciliation.

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Loss on ordinary activities before taxation	(3,872,434)	(4,805,354)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(745,444)	(961,071)
Expenses not allowed for tax purposes	(232,486)	(131,911)
Losses surrendered for R&D credit	968,800	954,728
R & D enhancement	(547,583)	(539,629)
Losses unrelieved in period - deferred tax not provided	622,435	677,883
Amounts relating to current year R&D credit	636,658	655,388
Amounts relating to prior years R&D credit	-	(28,540)

Tax credit	702,380	626,848
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As at 31 December 2017 Mporium Group plc has trading tax losses available to be carried forward totalling £20,342,497 (2016: £26,386,568). Given the current position of the Group it is considered that there is not sufficient certainty over the utilisation of tax losses carried forward in order to recognise a deferred tax asset in the financial statements.

12 Loss per share

Diluted loss per share is calculated after showing the effect of outstanding options in issue. As the effect of the options would be to reduce the loss per share there is no requirement to disclose a diluted loss per share.

Calculation of loss per share is based on the following loss and numbers of shares:

	Year ended 31 December 2017	Year ended 31 December 2016
	£	£
Loss for the year	(3,546,996)	(3,894,905)
Weighted average ordinary shares in issue during the year	531,235,118	489,348,567
Loss per share	(0.01)	(0.01)

13 Property, plant and equipment

Group	Office equipment £	Furniture and Fixtures £	Computer Hardware £	Computer Software £	Total £
Cost					
1 January 2016	14,864	301,909	54,288	21,945	393,006
Additions	23,722	84,852	47,368	-	155,942
1 January 2017	38,586	386,761	101,656	21,945	548,948
Additions	56,610	158,040	32,258	65	246,973
31 December 2017	95,196	544,801	133,914	22,010	795,921
Depreciation					
1 January 2016	856	23,965	28,750	5,038	58,609
Charge for the year	6,632	116,675	13,787	7,309	144,403
1 January 2017	7,488	140,640	42,537	12,347	203,012
Charge for the year	25,736	137,458	27,069	7,261	197,524
31 December 2017	33,224	278,098	69,606	19,608	400,536
Carrying amount					
31 December 2017	61,972	266,703	64,308	2,402	395,385
31 December 2016	31,098	246,121	59,119	9,598	345,936

14 Intangible assets

Group	Development product £	Goodwill £	Other intangibles £	Total intangible assets £
Cost less impairment				
1 January 2016	624,381	1,445,523	760,000	2,829,904

Additions	1,080,356	-	-	1,080,356
Impairment	(575,250)	-	-	(575,250)
1 January 2017	1,129,487	1,445,523	760,000	3,335,010
Additions	1,764,205	-	-	1,764,205
Impairment	-	-	-	-
31 December 2017	2,893,692	1,445,523	760,000	5,099,215
Amortisation				
1 January 2016	-	-	140,411	140,411
Charge for the year	62,749	-	250,000	312,749
1 January 2017	62,749	-	390,411	453,160
Charge for the year	709,670	-	250,000	959,670
31 December 2017	772,419	-	640,411	1,412,830
Carrying amount				
31 December 2017	2,121,273	1,445,523	119,589	3,686,385
31 December 2016	1,066,738	1,445,523	369,589	2,881,850

Internal Intangibles

During 2017, the product IMPACT has been further developed with scalability at the forefront, through a combination of the use of an outsource partner Xoomworks, and through the recruitment of an in-house development team and consultants. Under the guidance of a new CTO starting in November 2017, Mporium has continued with an agile methodology approach to the development of the new IMPACT product. This approach, which relies heavily on market and customer feedback, enables us to refine the product and react quickly to customer demand.

Goodwill

The goodwill has been allocated to the Fast Web Media Cash Generating Unit. An impairment review of the investment in FWM was performed through a discounted cash flow covering the next 5 years with a terminal growth rate to perpetuity. FWM has re-aligned and turned its business performance around to complement the Group's vision of the digital marketing agency of the future, following a relatively stagnant period for the business. They re-launched with Mporium Group technology at the core of the FWM offering. The Cash Flow included a discounted terminal value to reflect the value of ongoing operations of the business. This was calculated using a 2.0% growth rate in line with GDP at the time. Revenue growth has been included at a rate of between 5% to 20% over the 5 year period. A Weighted Average Cost of Capital (WACC) of 15% was used and it was concluded that no impairment was required to the goodwill.

Other Intangibles

The licence of Cxense software continued to be amortised over the 3-year licence period.

Company

	Intellectual Property	Other intangible assets	Total intangible Assets
	£	£	£
Cost			
1 January 2016	-	750,000	750,000
Additions	250,000	-	250,000
1 January 2017	250,000	750,000	1,000,000
Additions	-	-	-
31 December 2017	250,000	750,000	1,000,000
Amortisation			
1 January 2016	-	140,411	140,411
Charge for the year	13,889	250,000	263,889

1 January 2017	13,889	390,411	404,300
Charge for the year	83,334	250,000	333,334
31 December 2017	97,223	640,411	737,634
Carrying amount			
31 December 2017	152,777	109,589	262,366
31 December 2016	236,111	359,589	595,700

During 2016 it was decided to transfer the IP in InTELEgentsia acquired as part of the FWM acquisition in 2015 to Mporium Plc. The IP transferred up to PLC for a consideration of £250k and the balance settled through an intercompany dividend during 2016.

15 Investments

On 8 June 2015, the Company entered into a share swap agreement with Cxense ASA, the Norwegian specialists in data management and personalized online experiences, to licence Cxense's technology.

The equity securities and debentures are denominated in NOK and are publicly traded in Norway. Fair value of this investment has been estimated by reference to quoted bid prices in active markets at the reporting date and are categorised within Level 1 of the fair value hierarchy. A loss of £376,942 to reflect the movement in market value was recognised in other comprehensive income.

Dates	Number of Shares	NOK Price	FX NOK/£	Fair Value £
31 December 2016	53,113	145.00	10.64	724,005
Additions	-	-	-	-
31 December 2017	53,113	59.00	9.03	347,063
Revaluation				(376,942)

16 Investments in subsidiaries

	FWM £	InTELEgentsia £	Total £
Cost			
1 January 2016	1,202,492	249,999	1,452,491
Impairment	-	(249,999)	(249,999)
31 December 2016	1,202,492	-	1,202,492
31 December 2017	1,202,492	-	1,202,492

No impairment of FWM was provided for in 2017 (2016: £Nil). No impairment of InTELEgentsia was provided in 2017 (in 2016 InTELEgentsia was impaired as a result of that company's Intellectual Property, its only asset, being transferred to Mporium Group plc and recognised as an intangible asset, see note 14).

The principal subsidiaries of the Company, all of which have been included in the consolidated financial information and are all exempt from audit, are as follows:

Subsidiary	Status	Nature of business	Country of incorporation	Percentage of equity capital and voting rights
Mporium Limited	Active	m-commerce	England & Wales	100%
Fast Web Media Limited	Active	m-commerce	England & Wales	100%

17 Trade and other receivables

	Group		Company	
	As at 31 December 2017 £	As at 31 December 2016 £	As at 31 December 2017 £	As at 31 December 2016 £
Trade receivables	292,671	429,806	-	-
Accrued Income	1,867,681	126,919	1,778,080	-
Prepayments	176,729	336,202	136,551	283,775
VAT recoverable	-	-	-	-
R&D Tax credits	702,380	679,497	-	-
Intercompany	-	-	-	752,595
Other receivables	103,371	124,328	89,640	89,640
	3,142,832	1,696,752	2,004,271	1,126,010

Within Accrued Income is £1,778,080 for funds received post year end in relation to the December 2017 Share Issue totalling £3,200,000. Trade receivables have been reviewed for impairment at the statement of financial position date and no impairment (2016: £Nil) has been recognised in these accounts.

Due to an uncertainty of when Mporium Ltd would be able to settle the intercompany loan owed to Mporium Group PLC a cumulative impairment of £16,927,394 (2016: £13,207,714) was made in the Company accounts.

Due to an uncertainty of when Fast Web Media Ltd would be able to settle the intercompany loan owed to Mporium Group Plc an impairment of £831,061 (2016: £nil) was made in the company accounts.

Aged analysis of Trade receivables

	As at 31 December 2017 £	As at 31 December 2016 £
Outstanding between one and two months	202,040	243,312
Outstanding between two and three months	47,939	121,791
Outstanding more than three months	42,692	64,703
Less: allowance for receivables	-	-
	292,671	429,806

18 Cash and cash equivalents

	Group		Company	
	As at 31 December 2017 £	As at 31 December 2016 £	As at 31 December 2017 £	As at 31 December 2016 £
Bank balances	2,036,224	1,282,429	1,586,773	949,292
	2,036,224	1,282,429	1,586,773	949,292

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Cash and cash equivalents are held in Pounds Sterling and placed on deposit in UK banks.

19 Trade and other payables

	Group		Company	
	As at 31 December 2017 £	As at 31 December 2016 £	As at 31 December 2017 £	As at 31 December 2016 £
Due within one year				
Trade payables	440,229	369,428	64,401	71,264
Taxation and social security cost	79,072	38,583	159,155	138,029
Provision for PAYE & NI shortfall	231,687	250,000	231,687	250,000
Accruals and Deferred income	452,889	548,701	411,976	229,318
Other payables	19,061	26,942	-	-
Trade and other payable due within one year	1,222,938	1,233,654	867,219	688,611

During the year agreement was reached with HMRC regarding the amount of additional PAYE and NI due in respect of certain legacy arrangements for remunerating certain Directors and employees. The creditor of £231,687 included in these accounts was paid to HMRC on 5th January 2018.

Aged analysis of trade payable

	As at 31 December 2017 £	As at 31 December 2016 £
Outstanding between one and two months	300,137	164,994
Outstanding between two and three months	93,701	121,087
Outstanding more than three months	46,391	83,347
	440,229	369,428

20 Share capital

Ordinary shares of £0.005 carry the right to 1 vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling and translated at the historic rate.

The table below shows the movements in share capital for the year:

	Number issued and fully paid shares		Share capital (£)		Share premium (£)	
	2017	2016	2017	2016	2017	2016
Balance at the beginning of year	514,205,406	470,132,520	2,571,027	2,350,663	17,493,454	14,614,568
Issue of new shares	73,681,133	44,072,886	368,406	220,364	5,912,943	2,965,710
Cost of share issue	-	-	-	-	(198,032)	(86,824)
Balance at the end of year	587,886,539	514,205,406	2,939,433	2,571,027	23,208,365	17,493,454

On 24th March 2017, the Company placed 20,333,000 ordinary shares of 0.05p at 15p per share raising £2,994,950 net of expenses. A further placing on 22nd December 2017 of 53,333,333 ordinary shares of 0.05p at 6p per share raised £3,088,793 net of expenses. In addition, options on 14,800 shares were exercised in the year at an exercise price of £0.005 per share.

21 Financial commitments

The Group leases all its properties. The terms of property leases vary between properties, although they all tend to be tenant-repairing with periodic rent reviews and break clauses.

The total future minimum lease payments which exclude services are due as follows:

	Group		Company	
	As at 31 December 2017	As at 31 December 2016	As at 31 December 2017	As at 31 December 2016
	£	£	£	£
Not later than one year	303,418	123,429	161,400	101,829
Later than one year and not later than five years	785,078	-	310,385	-
	1,088,496	123,429	471,785	101,829

22 Related party transactions

The Group's related parties are its directors and Executive Committee members. Compensation paid to the Group's Board and members of the Executive Committee is disclosed in note 7.

There were related party transactions during the period of:

Expenditure of £27,753 (2016: £31,596) between Mporium and Cxense ASA. The amounts outstanding at the end of the period are £39,449 (2016: £4,675) payable and £42,692 (2016: £37,670) receivable, prepayment of £65,342 (2016: £215,342) and creditor of £200,000 (2016: £200,000), other income of £1,131,234 was received from Cxense during the year as disclosed in note 8. Cxense are a related party by virtue of having a common Director, being Staale Bjornstad

Payments totalling £9,900 (2016: £Nil) was paid by Mporium to 3 Hare Court and recognised in administrative expenses, this was in relation to legal works provided regarding a supplier dispute that was resolved prior to the end of the financial year. 3 Hare court is owned by Aidan Casey who is a Non-executive director of Mporium Group Plc.

An amount of £36,000 (2016: Nil) was due from BM Consulting to Mporium. BM Consulting is owned by Barry Moat who is the Executive Chairman of Mporium Group Plc.

23 Share-based payments

The first share option scheme was adopted by the then parent company, Mporium Limited, on 17 October 2008. Further schemes were adopted by the Group on 24 April 2013, 27 February 2014, 22 May 2014 and 8 June 2015. The schemes were established to attract and retain the best available personnel for positions of responsibility, to provide additional incentive to employees or officers of the Company and to promote the success of the Company's business.

As part of the process surrounding the acquisition of Mporium Limited by Mporium Group Plc, the holders of all outstanding options under the Mporium Limited Share Scheme surrendered their entitlements in exchange for the grant, by Mporium Group plc, of replacement options that were on equivalent terms. All share options are valued on the same basis as before.

The share option schemes are administered by the directors of Mporium Group Plc.

Share options are issued as part of a long-term incentive scheme ("LTIS") or in lieu of salary or bonus due. LTIS options typically vest 3 years from the date of issue, however, some options issued under the 2015 Share Option Scheme vest in equal amounts on the 1st, 2nd and 3rd anniversaries of the issue date. Vesting is contingent upon the option-holder being an employee of the company at the vesting date. All options have a maximum term of 10 years. A summary of options, movements and average prices are shown in the table below.

		2017			2016	
	No. of shares	Weighted average exercise price	Weighted average share price	No. of shares	Weighted average exercise price	Weighted average share price
Outstanding at the year end	67,111,676	£0.033	-	80,961,364	£0.042	-
Granted during the period	4,500,000	£0.074	-	24,907,362	£0.075	-
Forfeited during the period	18,262,017	£0.081	-	9,016,892	£0.088	-
Exercised during the period	14,800	£0.005	£0.105	2,693,878	£0.031	£0.107
Expired during the period	72,871	£0.566	-	4,257,196	£0.038	-
Exercisable at the year end	59,445,010	£0.028	-	60,311,178	£0.031	-

The Group recognised total expenses of £151,312 related to equity-settled, share-based payment transactions during 2017 (2016: £320,197).

The options outstanding at the end of the year have a weighted average remaining contractual life of 7.7 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The weighted average fair value of an option granted during the year was £0.019. The fair value of the options were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Date of issue	Weighted average share price	Weighted average exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield
21/12/2017	0.0700	0.0738	28.2%	10 years	0.36%	-
21/12/2017	0.0700	0.0738	33.1%	10 years	0.46%	-
21/12/2017	0.0700	0.0738	61.5%	10 years	0.56%	-

Details of the number of options outstanding at the beginning of the year, movements in the year and outstanding at the end of the year together with their exercise dates and prices are shown in the table below.

Date of grant	Number of options	Issued in year	Forfeited / exercised / lapsed during the year	Number of options	Exercisable from	Exercisable to	Exercise price per option
22/10/2008	170,000	-	-	170,000	22/10/2011	31/08/2018	£0.0050
15/04/2009	10,000	-	(10,000)	-	15/04/2012	15/04/2019	£0.0050
05/05/2011	119,980	-	-	119,980	30/06/2011	05/05/2021	£0.0050
05/05/2011	39,130	-	-	39,130	22/10/2011	05/05/2021	£0.0050
05/05/2011	51,780	-	-	51,780	31/12/2013	05/05/2021	£0.0050
05/05/2011	20,758	-	-	20,758	31/12/2013	05/05/2021	£0.5250
05/05/2011	239,980	-	-	239,980	01/09/2016	31/08/2018	£0.0050
01/08/2011	120,000	-	-	120,000	01/08/2011	01/08/2021	£0.0050
01/08/2011	60,000	-	-	60,000	30/06/2014	01/08/2021	£0.0050
01/08/2011	79,340	-	-	79,340	01/09/2016	31/08/2018	£0.0050
18/10/2013	90,000	-	(90,000)	-	31/12/2013	18/10/2023	£0.5250
18/10/2013	30,860	-	(4,800)	26,060	18/10/2013	18/10/2023	£0.0050
18/10/2013	233,080	-	(50,240)	182,840	31/12/2014	18/10/2023	£0.5250
18/10/2013	129,716	-	(108,356)	21,360	31/12/2015	18/10/2023	£0.5250
19/06/2014	45,495	-	(34,224)	11,271	30/06/2015	19/06/2024	£0.7000

19/06/2014	60,000	-	-	60,000	01/09/2016	19/06/2024	£0.5250
19/06/2014	100,000	-	-	100,000	01/09/2016	19/06/2024	£0.0050
19/06/2014	42,513	-	(23,284)	19,229	31/12/2016	19/06/2024	£0.7000
31/10/2014	98,200	-	-	98,200	01/11/2015	31/10/2018	£0.0050
31/10/2014	98,200	-	-	98,200	01/11/2016	31/10/2018	£0.0050
08/06/2015	42,571,960	-	-	42,571,960	08/06/2015	08/06/2025	£0.0200
08/06/2015	4,257,196	-	-	4,257,196	08/06/2015	08/06/2025	£0.0375
08/06/2015	4,257,196	-	-	4,257,196	08/06/2015	08/06/2025	£0.0375
08/06/2015	4,257,196	-	-	4,257,196	08/06/2015	08/06/2025	£0.0375
30/09/2015	1,000,000	-	-	1,000,000	03/05/2016	08/06/2025	£0.0500
26/04/2016	1,419,065	-	(1,419,065)	-	26/04/2017	26/04/2026	£0.0838
26/04/2016	1,419,065	-	(1,419,065)	-	26/04/2018	26/04/2026	£0.0838
26/04/2016	1,419,066	-	(1,419,066)	-	26/04/2019	26/04/2026	£0.0838
26/09/2016	2,128,598	-	(2,128,598)	-	26/10/2016	26/10/2026	£0.0713
26/09/2016	709,532	-	(709,532)	-	22/04/2017	22/04/2027	£0.0713
26/09/2016	1,419,065	-	(1,419,065)	-	22/09/2017	22/09/2027	£0.0713
26/09/2016	2,128,598	-	(2,128,598)	-	26/10/2017	26/10/2027	£0.0713
26/09/2016	709,532	-	(709,532)	-	22/04/2018	22/04/2028	£0.0713
26/09/2016	1,419,065	-	(1,419,065)	-	22/09/2018	22/09/2028	£0.0713
26/09/2016	2,128,598	-	(2,128,598)	-	26/10/2018	26/10/2028	£0.0713
26/09/2016	709,534	-	(709,534)	-	22/04/2019	22/04/2029	£0.0713
26/09/2016	1,419,066	-	(1,419,066)	-	22/09/2019	22/09/2029	£0.0713
07/10/2016	1,916,667	-	(333,333)	1,583,334	07/10/2017	07/10/2027	£0.0738
07/10/2016	1,916,667	-	(333,333)	1,583,334	07/10/2018	07/10/2027	£0.0738
07/10/2016	1,916,666	-	(333,334)	1,583,332	07/10/2019	07/10/2027	£0.0738
21/12/2017	-	1,500,000	-	1,500,000	21/12/2018	21/12/2027	£0.0738
21/12/2017	-	1,500,000	-	1,500,000	21/12/2019	21/12/2027	£0.0738
21/12/2017	-	1,500,000	-	1,500,000	21/12/2020	21/12/2027	£0.0738

80,961,364	4,500,000	(18,349,688)	67,111,676
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NOTICE OF ANNUAL GENERAL MEETING

Mporium Group plc

(Registered in England and Wales No. 08696120)

Notice is hereby given that the 2018 Annual General Meeting (“**Meeting**”) of Mporium Group plc (“**Company**”) will be held at the offices of Mporium at 106 New Bond Street, London W1S 1DN on 21st May 2018 at 9:00 a.m.

You will be asked to consider and vote on the resolutions below. Resolutions 1 to 6 will be proposed as ordinary resolutions. Resolution 7 will be proposed as a special resolution.

ORDINARY RESOLUTIONS

To consider and (if thought fit) to pass the following resolutions as ordinary resolutions:

- 1) That Nelius De Groot, having consented to act, be appointed as a director of the Company following his retirement from office as a director pursuant to article 57 of the Company’s articles of association.
- 2) That Nicholas Bertolotti, having consented to act, be appointed as a director of the Company (and as a Non-Executive Officer of the Company) following his retirement from office as a director pursuant to article 57 of the Company’s articles of association.
- 3) That Barry Moat, having consented to act, be appointed as a director of the Company following his retirement from office as a director pursuant to article 58 of the Company’s articles of association.
- 4) That the Company’s annual accounts for the financial year ended 31 December 2017, together with the directors’ report and the auditor’s report on those accounts, be and hereby are received and adopted.
- 5) That Grant Thornton UK LLP be and hereby are reappointed as the Company’s auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company, and the Company’s directors are hereby authorised to agree the remuneration of the auditors.
- 6) That the directors of the Company be and hereby are generally and unconditionally authorised under section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot ordinary shares in the Company and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company (“Rights”) subject to the following conditions:
 - a) that the maximum aggregate nominal number of shares to be allotted in pursuance of such authority shall be £979,810 representing approximately 33.3 per cent of the nominal value of the current issued ordinary share capital of the Company; and
 - b) that this authority shall expire on the earlier of the date which is 15 months from the passing of this resolution and the conclusion of the Company’s next Annual General Meeting (unless previously renewed, varied or revoked by the Company) save that the Company may, before such expiry, make an offer or agreement which would or might require ordinary shares to be allotted or Rights to be granted after the authority has expired and the directors may allot ordinary shares or grant Rights in pursuance of any such offer or agreement notwithstanding that this authority has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

SPECIAL RESOLUTION

To consider and (if thought fit) to pass the following resolution as a special resolution:

- 7) That subject to the passing of resolution 6, the directors of the Company be and hereby are given the general power to grant Rights and to allot equity securities (as defined in section 560 of the Act) under the authority conferred by resolution 6 as if section 561 of the Act did not apply to such allotment subject to the following conditions:
- a) that this power shall be limited to the grant of Rights and allotment of equity securities up to an aggregate nominal amount of £293,943 representing approximately 10 per cent of the nominal value of the current issued ordinary share capital of the Company; and
 - b) that the power granted by this resolution shall expire on the earlier of the date which is 15 months from the passing of this resolution and the conclusion of the Company's next Annual General Meeting save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors of the Company may allot equity securities in pursuance of that offer or agreement notwithstanding that the power has expired.

This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares and grant rights to subscribe for or convert any securities into shares in the Company but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

By Order of the Board



Joeline Smith
Company Secretary

24 April 2018

Registered Office:

First Floor
106 New Bond Street
London
W1S 1DN

Notes to the Annual General Meeting:

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a form of proxy and believe that you should have one, or if you require additional forms, please contact Link Asset Services on +44 (0) 871 664 0300. Calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44 371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. We are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.
2. To be valid any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 9.00 a.m. on 17 May 2017.
3. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in Note 6 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register close of business on 17 May 2017 (or, in the event of any adjournment, 48 hours before the adjourned meeting (excluding any part of a day that is not a Business Day)). Changes to the Register after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
6. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by 9.00 a.m. on 17 May 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
7. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.