

MXC Capital plc

(“MXC” or the “Company”)

Investment in Castleton PLC to fund Acquisition of Documotive

Further step in strategy to build out public sector technology support services

MXC is pleased to announce that it has made its first investment, corner stoning the proposed Castleton plc (“Castleton”) placing and leading its acquisition of Documotive Limited (“Documotive”). MXC has committed to £1.2m of the £5.5m placing to fund the acquisition of Documotive, a leading software supplier in the social housing sector (the “Acquisition”).

Marc Young, CEO of MXC said: **“We are pleased to be supporting Castleton in its strategy to build out a public sector focused managed services and software business. We see an exciting opportunity for growth in this sector and have been encouraged by the strong institutional demand for the placing, which was oversubscribed. We look forward to working closely with the Castleton board as they seek further investment opportunities to grow their business.”**

MXC has committed to £1.2m of the placing and will receive warrants over 5% of the enlarged Castleton share capital at the placing price. Its subscribed shares equate to 10.6% of the entire issued share capital of Castleton as enlarged by the placing. MXC Capital Advisory acted as sole financial adviser to Castleton in connection with the transaction, originating and executing the Acquisition. MXC Capital Advisory is retained by Castleton as its sole financial adviser on the transaction. MXC Capital Advisory assisted finnCap Limited, Castleton’s broker in co-ordinating and arranging the Placing and is pleased with the strong response from institutions, welcoming both new institutional investors, and good support from those that have co-invested with MXC in the past.

Castleton’s stated strategy is to build a public sector focused IT managed services business. The Directors’ of Castleton believe that the public and not for profit sector is a fragmented market due to its bespoke requirements and therefore a significant opportunity exists to capitalise on the ability to address historic under-investment in IT infrastructure. The initial focus of Castleton is on the social housing sector which is a well-funded, large and addressable market with a requirement to use technology to improve working practices and deliver cost savings. For the year ended 31 March 2014 Castleton made a loss on ordinary activities before taxation of £1.25m.

Highlights of the Acquisition:

- Proposed acquisition of Documotive Limited (“Documotive”), a leading software supplier to the social housing sector, for £4m, to be satisfied by:
 - £3 million in cash
 - £1 million of zero coupon convertible loan notes
 - Anticipated enterprise value of £3.85 million (post completion accounts)
 - Current year forecast EV/EBITDA multiple of 5x
 - For the year to 31 October 2014 Documotive is expected to deliver turnover of £3.2 million and EBITDA of £0.8 million
 - Heavily oversubscribed placing welcoming several new institutional shareholders to support the growth of the Company
 - Placing of 500,000,000 new Ordinary Shares at a price of 1.1 pence per Ordinary Share (the “Placing Price”), raising gross proceeds of £5.5 million to be used for:

- cash consideration for Acquisition
- repayment of proportion of Loan Notes
- working capital to fund further acquisitions
- Conversion of £0.2 million Loan Notes by employees at Placing Price

Strategic Rational for Acquisition:

- Documotive brings a strong suite of software specifically tailored to the social housing sector
- Acquisition complements capabilities and offering of Montal, the specialist outsourced IT managed services business acquired on 23 June 2014; limited customer overlap offers up cross-selling opportunities
- Consistent with strategy to build out a managed services and software business for the public and not for profit sectors

The Acquisition is subject to approval by Castleton shareholders at a general meeting to be held on 17 November 2014. MXC Capital Advisory received a fee of £100,000 for corporate finance advice.

Related Party Transaction

Ian Smith and Tony Weaver are directors of Castleton and are considered the ultimate beneficial owners of MXC Holdings Limited (“MXC Holdings”). MXC Holdings is a Substantial Shareholder in MXC. Therefore, MXC’s investment in Castleton, and the advisory fee they received, is classified as a related party transaction for the purposes of Rule 13 of the AIM Rules. Marc Young, CEO of MXC is also a shareholder in MXC Holdings.

Peter Rigg and Paul Guilbert, who are not involved in the transaction and are therefore independent, consider, having consulted with the Company's nominated adviser, Zeus Capital, that the terms of MXC Capital's investment are fair and reasonable insofar as the Company's shareholders are concerned.

MXC Capital plc

Marc Young

+44(0)20 7965 8149

Zeus Capital Limited (Nominated adviser and broker)

Tim Metcalfe/John Depasquale/John Treacy

+44 (0)20 7533 7727

Newgate Threadneedle

Josh Royston / John Coles

+44 (0)20 7653 9850

About MXC Capital

MXC is a specialist merchant bank with a track record of investing in and advising companies in the TMT sector. We bring together a deep knowledge of technology, first-hand experience of managing companies

in the sector, an ability to make meaningful investments and a highly experienced corporate advisory team in support, all of which we combine to grow shareholder value.