MXC Capital plc

('MXC', 'the Company' or 'the Group')

Results for the year ended 31 August 2014 and Notice of AGM

MXC Capital plc (AIM:MXCP), the specialist merchant bank, today announces its full year audited results for the year ended 31 August 2014. Copies of the annual report and accounts have today been posted to shareholders along with the notice of annual general meeting to be held at 11.30am on 29 January 2015 at the offices of DAC Beachcroft, 100 Fetter Lane, London, EC4A 1BN. A copy of the annual report and accounts can also be found on the Company's website www.mxccapital.com.

Highlights

- Transitional year, establishing specialist merchant bank investing and growing value in companies in the Technology, Media and Telecommunications sector.
- Disposal of legacy operating business to facilitate new strategy, raising £4.5 million proceeds.
- Oversubscribed equity placing raising £8.5 million to provide initial investment pool.
- Post year end acquisition of MXC Capital Advisory LLP ('MXCCA') to provide regulatory advisory capability.
- Following acquisition of MXCCA, two advisory mandates successfully concluded, highlighting M&A and Debt Advisory credentials.
- Two investments completed post year end and healthy pipeline of opportunities building.

Marc Young, CEO of MXC commented:

"We are now fully up and running as a specialist investor and advisor in the tech sector. Our first investments have been completed and we have a number of new opportunities in the pipeline. The new year looks promising for MXC".

MXC Capital plc

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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.

Strategic report

Overview

2014 has been a year of significant change for MXC Capital plc ('MXC' or the 'Company' and, together with its subsidiaries, the 'Group'), laying the foundations for the MXC of today - a specialist merchant bank that invests and grows value in companies in the Technology, Media and Telecommunications ('TMT') sector.

In April 2014, the Group completed the disposal of its operating business, 2ergo Limited, to Eagle Eye Solutions Group plc ('Eagle Eye') for £4.5 million. The Board is pleased with the success of this sale; key staff and customers continue to be retained by Eagle Eye, demonstrating MXC's ability to deliver value and stability to both its investee companies and its partners. Following this disposal the Company changed its name to Broca plc, ahead of its subsequent name change to MXC Capital plc in August 2014.

In August 2014, the Group raised £8.5 million (before fees) through an equity placing and in October 2014 completed the acquisition of MXC Capital Advisory LLP, ('MXCCA') a specialist corporate finance firm with significant experience in the TMT sector.

The placing, the acquisition, and a consultancy agreement entered into with experienced technology investors Ian Smith and Tony Weaver have laid the foundations for MXC Capital plc, a specialist merchant banking group that invests in and advises companies in the TMT sector. MXC brings together a particularly powerful set of skills to the benefit of both the companies it invests in and for its own shareholders.

The MXC team has considerable experience in the sector, with a deep understanding of the technology involved. They are experienced hands on managers of businesses, with a track record of growing value. They have a wide network of contacts in the TMT sector that originates a significant flow of opportunity both for MXC and the companies it works with.

The Group has access to a significant pool of funding. A distinguishing feature of the MXC model is that it invests as a principal, sharing in the risk and the reward.

MXC focuses on delivering:

- A deep knowledge of the technology industry with proven management skills in the sector;
- Investment, allowing the team to identify and provide support to growth companies; and
- An experienced advisory capability to manage transactions and financings.

The strategy is already starting to be successfully implemented. Since the completion of the acquisition of MXCCA at the end of October, MXC has:

- Invested in and advised Castleton Technology plc on its acquisition of Documotive Limited, leading an oversubscribed £5.5m equity financing. Following its investment, MXC now holds 23% of Castleton;
- Invested in 365 Agile Limited, taking a 25% stake in an exciting mobile work solutions business; and
- Advised Accumuli plc, the independent specialist in IT security and risk management, on its £10m acquisition of Randomstorm, leading the arrangement of a new debt facility to fund the acquisition.

With a strong pipeline of potential investments and several well progressed opportunities, the Board is confident that MXC is well positioned to take advantage of the significant potential afforded by the Group's combination of technology focused merchant banking, investment and advisory services.

Financial review

At 31 August 2014, the Group's former operating business, 2ergo Limited, had been sold, but the acquisition of MXC Capital Advisory LLP ('MXCCA') had not completed. The disclosures in respect of 'continuing operations' within these financial statements therefore represent the cost base of MXC Capital plc as a stand-alone entity, and do not include any of the revenue generating activities of MXCCA which will be included in future consolidated financial statements.

In respect of continuing operations, administrative expenses and the resultant loss for the year were £1.1 million (2013: £1.1 million). These expenses include ongoing costs of £0.6 million (2013: £0.6 million), primarily relating to salary costs and the Group's regulatory and listing expenses. The non-cash share options charge was £0.1 million in the year (2013: £0.5 million) and £0.4 million (2013: nil) was incurred in respect of legal and professional fees for the acquisition of MXCCA and the associated reverse takeover.

After a deferred tax credit of £15,000 (2013: £0.1 million) in respect of the share option charge, the Group's loss from continuing operations was £1.1 million (2013: £1.0 million).

During the year the Group sold 2ergo Limited, its trading subsidiary, to Eagle Eye for £4.5 million. £2.5 million was received in cash, with the balance satisfied by the allotment and issue to the Company of new ordinary shares in the capital of Eagle Eye, an AIM quoted company. The Group generated a profit on the disposal and trade of 2ergo Limited of £0.3 million (2013: loss of £3.6 million), this is shown in the Consolidated statement of profit or loss as 'profit from discontinued operations'.

Overall, the reported loss for the year was £0.8 million (2013: loss of £4.6 million) with a loss per share of 0.18 pence (2013: loss of 4.04 pence).

Net assets at 31 August 2014 were £12.4 million (2013: £4.8 million). These comprised predominantly cash of £11.1 million (2013: £1.5 million), the shares held in Eagle Eye of £1.8 million (2013: £nil) and creditors of £0.7 million (2013: £1.3 million). The increase in the cash balance was a result of the £8.4 million proceeds (net of fees) received from the equity placing in August 2014 and £2.5 million cash received from the sale of 2ergo Limited. The balance of the sale proceeds of £2 million is shown as a current asset investment on the balance sheet. In accordance with IFRS requirements this investment is stated at fair value at 31 August 2014, resulting in the recognition of a non-cash fair value reduction of £0.2 million.

The net assets and cash balance at 31 August 2014 leave the Group well positioned to begin to execute its strategic intentions.

Subsequent to the year end, on 29 October 2014, MXC completed the acquisition of MXCCA for £6 million, settled by the issue of shares in MXC. This acquisition is classified as a reverse takeover and will be accounted for as such in the interim results to 28 February 2015.

Also subsequent to the year end MXC invested £1.2 million in Castleton Technologies plc ('Castleton'), an AIM listed public sector focused IT managed services business. It also issued 104,089,816 ordinary shares of 1p to acquire MXC Holdings Limited's interest in Castleton. Following the investment and share issue MXC now holds 23.2% of the issued share capital of Castleton.

The Company has also recently completed its investment in 365 Agile Limited, a software enabled mobile working solutions business. MXC has acquired 25% of 365 Agile Limited, providing up to £1 million of funding through a combination of debt and equity.

These investments lay the foundation for the Group's stated strategy; providing investment and advisory services to high growth companies in the TMT sector. To further facilitate this MXC has announced its intention to re-domicile to Guernsey. In order to effect the re-domicile all existing shares in MXC Capital plc will be exchanged for shares in MXC Capital Limited, a company that has been incorporated in Guernsey to become the new holding company for the MXC Capital group of companies. In all other aspects the Group's current board, strategy and investment portfolio will remain unchanged as a result of the re-domicile and it will retain its AIM quotation. In addition, as part of the re-domicile process, the Company has applied to the court to permit a capital reduction which will create distributable reserves. The Board believes these changes, which are expected to complete in early 2015, will offer greater flexibility to achieve the Group's investment aims.

Consolidated statement of profit or loss
for the year ended 31 August 2014

	Note	**2014 £000**	2013 £000
Continuing operations			
Administrative expenses - other		**621**	588
Share based payments charge		**62**	550
Strategic costs included within administrative expenses	5	**387**	-
Total administrative expenses		**(1,070)**	(1,138)
Operating loss		**(1,070)**	(1,138)
Finance income		**3**	2
Loss before taxation		**(1,067)**	(1,136)
Taxation		**15**	106
Loss for the financial year from continuing operations		**(1,052)**	(1,030)
Discontinued operations			
Profit/(loss) for the financial year from discontinued operations	2	**271**	(3,608)
Loss for the financial year attributable to owners of the parent company		**(781)**	(4,638)
Loss per share			
From continuing operations			
Basic and diluted	3	**(0.24)p**	(0.90)p
From continuing and discontinued operations			
Basic and diluted	3	**(0.18)p**	(4.04)p

Consolidated statement of other comprehensive income
for the year ended 31 August 2014

	2014 **£000**	2013 £000
Loss for the financial year	**(781)**	(4,638)
Other comprehensive (loss)/income		
Items that will be reclassified subsequently to profit or loss		
Available-for-sale financial assets, current year loss	**(171)**	-
Tax on items taken directly to other comprehensive income	**(57)**	80
Other comprehensive (loss)/income for the financial year, net of tax	**(228)**	80
Total comprehensive loss for the financial year attributable to owners of the parent company	**(1,009)**	(4,558)

Consolidated statement of financial position
as at 31 August 2014

	Note	**2014 £000**	2013 £000
Non-current assets			
Intangible assets		**-**	3,592
Property, plant and equipment		**-**	283
Deferred tax asset		**161**	-
		161	3,875
Current assets			
Trade and other receivables		**40**	640
Other short-term financial assets	2	**1,829**	-
Current tax asset		**-**	282
Cash and cash equivalents		**11,103**	1,461
		12,972	2,383
Total assets		**13,133**	6,258
Current liabilities			
Trade and other payables		**(734)**	(1,282)
Non-current liabilities			
Deferred tax liability		**-**	(147)
Total liabilities		**(734)**	(1,429)
Net assets		**12,399**	4,829
Capital and reserves attributable to equity holders of the parent			
Share capital	4	**12,484**	3,979
Share premium	4	**12,574**	12,645
Investment in own shares		**(16)**	(1,225)
Merger relief reserve		**-**	496
Merger reserve		**-**	1,512
Other reserves		**(13)**	(304)
Share option reserve		**760**	1,287
Available-for-sale reserve		**(171)**	-
Retained losses		**(13,219)**	(13,561)
Total equity attributable to the owners of the parent		**12,399**	4,829

Consolidated statement of changes in equity

for the year ended 31 August 2014

	Share capital £000	Share premium £000	Investment in own shares £000	Merger relief reserve £000	Merger reserve £000	Other reserves £000	Share option reserve £000	Available for sale reserve £000	Retained losses £000	Total £000
Balance at 1 September 2012	**364**	**10,598**	**(1,225)**	**414**	**1,512**	**(304)**	**873**	**-**	**(9,139)**	**3,093**
Loss for the financial year	-	-	-	-	-	-	-	-	(4,638)	(4,638)
Other comprehensive income										
Tax on items taken directly to equity	-	-	-	-	-	-	-	-	80	80
Total comprehensive loss for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,558)**	**(4,558)**
Transactions with owners										
Issue of share capital	3,615	2,561	-	82	-	-	-	-	-	6,258
Issue costs		(514)	-	-	-	-	-	-	-	(514)
IFRS 2 share based payment charge	-	-	-	-	-	-	550	-	-	550
Fair value of vested options lapsed in the year	-	-	-	-	-	-	(136)	-	136	-
	3,615	2,047	-	82	-	-	414	**-**	136	6,294
Balance at 31 August 2013	3,979	12,645	(1,225)	496	1,512	(304)	1,287	-	(13,561)	4,829
Loss for the financial year	-	-	-	-	-	-	-	-	(781)	(781)
Other comprehensive income										
Tax on items taken directly to equity	-	-	-	-	-	-	-	-	(57)	(57)
Reclassification [1]	-	-	-	(579)	(1,512)	-	-	-	2,091	-
Available-for-sale financial assets – current year loss	-	-	-	-	-	-	-	(171)	-	(171)
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(579)**	**(1,512)**	**-**	**-**	**(171)**	**1,253**	**(1,009)**
Transactions with owners										
Issue of share capital	8,505	-	-	83	-	-	-	-	-	8,588
Issue costs	-	(71)	-	-	-	-	-	-	-	(71)
Fair value adjustment to investment in own shares[2]	-	-	1,209	-	-	-	-	-	(1,209)	-
Fair value adjustment to other reserve[3]	-	-	-	-	-	291	-	-	(291)	-
IFRS 2 share based payment charge	-	-	-	-	-	-	62	-	-	62
Fair value of vested options lapsed in the year	-	-	-	-	-	-	(589)	-	589	-
	8,505	**(71)**	**1,209**	**83**	**-**	**291**	**(527)**	**-**	**(911)**	**8,579**
Balance at 31 August 2014	**12,484**	**12,574**	**(16)**	**-**	**-**	**(13)**	**760**	**(171)**	**(13,219)**	**12,399**

[1]The reclassifications are in respect of the Merger and Merger Relief reserve balances which were eliminated on the disposal of 2ergo Limited.
[2]The reclassification is in respect of the revision to the fair value of treasury shares, based on the market value of the shares at 31 August 2014.
[3]The reclassification is in respect of the revision to the fair value of EBT shares, based on the market value of the shares at 31 August 2014.

Consolidated statement of cash flows
for the year ended 31 August 2014

	2014 £000	2013 £000
Cash flows from operating activities		
Loss before taxation	**(1,067)**	(1,136)
Adjustments for:		
Share based payment expense	**62**	550
Net finance income	**(3)**	(2)
(Increase)/decrease in trade and other receivables	**(45)**	449
Increase/(decrease) in trade and other payables	**324**	(1,116)
Net cash flows from operating activities - continuing operations	**(729)**	(1,255)
Cash flows from investing activities		
Interest received	**3**	2
Net cash flows from investing activities - continuing operations	**3**	2
Cash flows from financing activities		
Net proceeds from issue of equity	**8,429**	5,656
Net cash flows from financing activities	**8,429**	5,656
Net cash flows from operating activities - discontinued operations	**1,939**	(3,479)
Net increase in cash and cash equivalents in the year	**9,642**	924
Cash and cash equivalents at beginning of year	**1,461**	537
Cash and cash equivalents at end of year	**11,103**	1,461

Notes to the consolidated financial statements

1 Accounting policies

Basis of preparation
The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the year ended 31 August 2014 has been extracted from the Group's audited financial statements which were approved by the Board of Directors on 30 December 2014 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales. The report of the auditors on the financial statements for the year ended 31 August 2014, which was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006. The financial information included in this preliminary announcement has been based on the Group's financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The principal accounting policies are set out in the Group's 2014 statutory accounts.

The comparative figures for the financial year ended 31 August 2013 are based on the statutory accounts for that year, restated to reflect the discontinued activities. The report of the auditors on the financial statements for the year ended 31 August 2013, which were prepared in accordance with IFRS, was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the financial year ended 31 August 2013 have been delivered to Companies House.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

2 Discontinued operations

On 16 April 2014, the Group disposed of 2ergo Limited which entailed the sale of the mobile coupon and loyalty business carried on by the Group. In accordance with IFRS 5 the results of this unit are classified as discontinued operations in these financial statements.

The results of the discontinued operations up until the point of disposal, which have been disclosed separately in the consolidated statement of profit or loss, as required by IFRS 5, are as follows:

	2014 **£000**	2013 £000
Revenue	**1,516**	3,521
Administrative expenses	**(2,674)**	(7,455)
Loss before tax	**(1,158)**	(3,934)
Taxation on loss before tax	**61**	326
Profit on disposal of discontinued operations	**1,368**	-
Net profit/(loss) attributable to discontinued operations	**271**	(3,608)

Cash flows from discontinued operations:

	2014 **£000**	2013 £000
Net cash flows from operating activities	**(128)**	(2,407)
Net cash flows from investing activities	**(191)**	(1,072)
Sale of business, net of cash disposed	**2,258**	-
Net cash flows	**1,939**	(3,479)

The net assets and liabilities at disposal and the profit on disposal were as follows:

	2014 £000
Total proceeds	**4,500**
Goodwill	(511)
Intangible assets	(2,709)
Property, plant and equipment	(99)
Trade and other receivables	(645)
Trade and other payables	784
Deferred tax liability	290
Net assets disposed of	**(2,890)**
Transaction and other costs of disposal	(242)
Profit on disposal	**1,368**

The total proceeds of the disposal of 2ergo Limited were £4,500,000. £2,500,000 was received in cash and £2,000,000 in shares in Eagle Eye Solutions Group plc. The fair value of these shares at 31 August 2014 was £1,829,000.

3 Loss per share

The calculation of basic and diluted loss per share from continuing and discontinued operations is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive.

Basic and diluted loss per share from continuing operations is calculated as follows:

	Loss per share pence	**Loss £000**	**2014 Weighted average number of ordinary shares**	Loss per share pence	Loss £000	2013 Weighted average number of ordinary shares
Basic and diluted loss per share	**(0.24)**	(1,052)	438,230,759	(0.90)	(1,030)	114,870,138

Basic and diluted loss per share from discontinued operations is calculated as follows:

	Profit per share pence	**Profit £000**	**2014 Weighted average number of ordinary shares**	Loss per share pence	Loss £000	2013 Weighted average number of ordinary shares
Basic and diluted profit/(loss) per share	**0.06**	**271**	438,230,759	(3.14)	(3,608)	114,870,138

Basic and diluted loss per share from continuing and discontinued operations is calculated as follows:

	Loss per share pence	**Loss £000**	**2014 Weighted average number of ordinary shares**	Loss per share pence	Loss £000	2013 Weighted average number of ordinary shares
Basic and diluted loss per share	**(0.18)**	(781)	438,230,759	(4.04)	(4,638)	114,870,138

4 Share capital

The authorised share capital of the Company is unrestricted (2013: 500,000,000 ordinary shares of 1p each). The share capital allotted, called up and fully paid at 31 August 2014 was 1,248,446,902 (2013: 397,891,130) ordinary shares of 1p each, of which 899,726 (2013: 899,726) were held in treasury.

	Number of shares	Share capital £000	Share premium £000	Merger relief reserve £000
At 31 August 2013	397,891,130	3,979	12,645	496
Issue of share capital	850,555,772	8,505	-	83
Issue costs	-	-	(71)	-
Release from merger relief reserve on disposal of subsidiary	-	-	-	(579)
At 31 August 2014	**1,248,446,902**	**12,484**	**12,574**	**-**

On 13 August 2014, the Company issued 850,000,000 1p ordinary shares through a placing and subscription with new and existing shareholders at a price of 1p per ordinary share. The purpose of the placing and subscription was to provide funding to allow the Group to make acquisitions and/or investments within the TMT sector in line with its investment strategy.

On 13 August 2014, the Company issued 555,772 1p ordinary shares pursuant to the final tranche of the contingent consideration due on the acquisition of the entire issued share capital of Activemedia Technologies Limited in 2009.

On 12 August 2014 the Company revoked the restriction on its authorised share capital and therefore now has no limit on the number of authorised ordinary shares.

5 Subsequent events

Acquisition of MXC Capital Advisory LLP

On 29 October 2014, the Company completed the acquisition of MXC Capital Advisory LLP ("MXCCA") and the associated reverse takeover which was announced on 28 July 2014. In consideration for its acquisition of MXCCA, a corporate finance advisory business, the Company issued 600,000,000 ordinary shares of 1p each. The acquisition was completed to provide the Group with sufficient in-house experience to take full advantage of a strengthened balance sheet, and to allow the Group to generate capital gains by increasing the value of future investments whilst generating income and profits from the advisory business.

In MXCCA's audited financial statements for the 14 month period from formation to 31 March 2014 it generated revenues and gross profits of £1,110,000 and profit before members' remuneration and profit share of £925,000. For the six months to 30 September 2014 the comparable figures in the unaudited accounts were £345,000 and £294,000 respectively.

The initial accounting for the business combination has not yet been finalised and as such disclosures in relation the fair value of assets and liabilities acquired have not been presented within these financial statements.

During the year to 31 August 2014 costs of £387,000 were incurred in relation to the acquisition and reverse takeover.

Investments

On 5 November 2014 the Company issued 104,089,816 ordinary shares of 1p to acquire MXC Holdings Limited's interest in Castleton Technologies plc ('Castleton'), an AIM listed public sector focused IT managed services business. On 18 November 2014, the Company invested £1.2 million in Castleton. Following the investment and share issue, the Company holds 23.2% of the issued share capital of Castleton.

On 18 November 2014, the Company completed its investment in 365 Agile Limited, a software enabled mobile working solutions business. The Company has acquired 25% of 365 Agile Limited, providing up to £1 million of funding through a combination of debt and equity.

Equity transactions

On 30 October 2014, the Company cancelled the 899,726 ordinary shares of 1p each held in treasury by the Company. Following the cancellation, the Company holds no shares in treasury. There is no impact on the retained losses or net asset position of the group arising from this transaction.

On 6 November 2014 the Group issued 3,000,000 ordinary shares of 1p each in satisfaction of outstanding consultancy fees. There is no significant impact on the retained losses or net asset position of the group arising from this transaction.

On 24 December the Group issued 5,347,000 ordinary shares of 1p each in satisfaction of a consultancy agreement. A further 5,347,000 ordinary shares of 1p each will be issued on 5 January 2015. These fees relate to costs incurred post year end and will be reflected in the results for year ended 31 August 2015.

At 24 December 2014 and at the date of this report the Company's issued share capital was 1,959,983,992 ordinary shares of 1p each.

Re-domicile

To further facilitate its investment strategy, on 17 November 2014 the Group announced its intention to re-domicile to Guernsey. In order to effect the re-domicile, all existing shares in MXC Capital plc will be exchanged for shares in MXC Capital Limited, a company that has been incorporated in Guernsey to become the new holding company for the MXC Capital group of companies. In all other aspects, the Group's current board, strategy and investment portfolio will remain unchanged as a result of the re-domicile and it will retain its AIM quotation. In addition, as part of the re-domicile process the Company has applied to the court to permit a capital reduction which will create distributable reserves. The Board believes these changes, which are expected to complete in early 2015, will offer greater flexibility to achieve the Group's investment aims.