MXC CAPITAL LIMITED

ANNUAL REPORT FOR THE YEAR TO 31 AUGUST 2015

MXC CAPITAL

LONDON'S TECHNOLOGY MERCHANT BANK

LONDON'S TECHNOLOGY MERCHANT BANK

MXC is a quoted (AIM: MXCP) merchant bank specialising in investing in technology companies, building value in the companies we invest in as well as for our own shareholders.

MXC's merchant banking model, investing as a principal, sharing in the risk as well as the reward, unambiguously aligns our management directly with the interests of our shareholders.

MXC Capital Limited is a Guernsey based and incorporated permanent capital vehicle that is responsible for the company's strategy, capital raising and investment decisions as well as the supervision of our London based merchant banking activities. MXC's Advisory Board comprises a number of the company's key professionals all of whom are significant investors in the company. The Advisory Board is responsible for originating investment opportunities and contributing to the day to day management of our investments.

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HIGHLIGHTS
A YEAR OF PROGRESS

"It's been a remarkable first year for MXC. We've shown we can identify great investment opportunities and then bring something extra to them through our merchant banking model of operational and corporate finance support. I'm particularly pleased by the industry talent we are attracting as our pipeline of opportunity grows. I believe we can look to the future of MXC with great confidence."

PETER RIGG
CHAIRMAN

- Underlying profit before tax of £5.7 million (before exceptional and non-recurring costs of £0.6 million relating to establishment of the current Group and re-domicile to Guernsey)
- 3 quoted investments with value of £16.1 million at 31 August 2015 increasing to 4 quoted and 5 private investments with value of £45.4 million at 26 November 2015
- MXC Capital Markets LLP (corporate finance) contributed £1.1 million in the year, advising on 16 transactions
- Acquisition of MXC Holdings Limited concluded post period end, unifying all activities and investments into single entity
- Significant management appointments to support increasing flow of opportunity
- Policy will be adopted to return 20% of realised gains to shareholders via Tender Offer
- Board confident of the outlook for the Group

→ **160%**
GAIN ON UNREALISED INVESTMENTS

→ **2.68X**
MONEY MULTIPLE GENERATED ON QUOTED PORTFOLIO FOR THE FINANCIAL YEAR

→ **£70.5M**
NET ASSETS AT 31 OCTOBER 2015

→ **£28.4M**
CASH AND CASH EQUIVALENTS AT 31 AUGUST 2015

COMPANY AT A GLANCE
FOCUSED ON BUILDING VALUE

CREATING VALUE

From identifying the opportunity, making our investment, setting the strategy and structure, we then work with management to invigorate the business, growing it both organically as well as through acquisitions that are often originated by our Advisory business. Ultimately, we will guide our investment to a capitalising event that releases value which we will then recycle into further investment opportunities.

The MXC merchant banking model combines the provision of capital with the provision of experienced management and corporate finance advice. This blend of strengths allows us to maximise our returns while minimising risk.

Our corporate finance business, MXC Capital Markets LLP has an experienced team leading on transactions, IPOs and financings. It provides acquisition identification and transaction management support, including diligence, to our investee companies and to third parties. MXC Capital Markets LLP is an important part of the MXC model, keeping costs down whilst ensuring value remains within our company, to the benefit of our shareholders.

The DNA of our business is led by individuals with strong technology backgrounds. We have made a number of management appointments in 2015 to strengthen our team as the flow of opportunity continues to grow.

OUR AMBITION

MXC's ambition is to build the leading technology focussed merchant bank in London, building value for the companies we invest in as well as for our shareholders. MXC Capital Limited (AIM: MXCP) has achieved c. £100m capitalisation as a public company in under 2 years and our momentum is building.

The MXC team brings distinct strengths to the companies with which we partner:

DEEP KNOWLEDGE

A deep knowledge of the tech sector, built over many years in the industry.

TRACK RECORD

A track record of successfully operating technology businesses, having experienced the challenges first hand.

SIGNIFICANT FUNDS

Access to significant funds to invest which we can – and do – deploy quickly.

CORPORATE FINANCE

An experienced FCA regulated corporate finance team (MXC Capital Markets LLP), contributing to the speed with which we can complete transactions.

The building blocks now all in place to realise our ambition:

- First year of full operation yields underlying EBITDA of £5.7m
- Management highly motivated, owning 52% of the business
- Significant investment in growth
- Operating team strengthened and that will continue
- Processes and disciplines established
- New office premises
- Unprecedented pipeline of opportunity
- Policy to distribute 20% of realised gains

OUR STRATEGY

We have a UK focus, but are not shy of international opportunity. We make meaningful investments of between 10% to 29.9% of the equity. We prefer B2B over B2C and are as attracted to more mature technologies as we are to newer ones.

We are building on two complementary investment themes:

- A small number of principle investments that are quoted platforms with established track record of organic growth and set for accelerated growth by acquisition.
- A portfolio of high potential, smaller investments that are fast growth, probably first generation managed and undercapitalised.

With the breadth of view we have of the technology market and our experience of spotting, developing and realising value, we believe MXC has a unique investing window on the UK technology market.

Our model is inflexible in as much as we insist on being actively involved. In this way, MXC is in true partnership with management and other shareholders, sharing in the risk and ultimately the reward from growing businesses. We believe that our involvement can be the catalyst that accelerates value creation for all concerned.

www.mxccapital.com/experience

OUR MAIN AREAS OF FOCUS

- Managed Services
- Security
- Government and Public Sector
- FinTech
- IoT (Internet of Things)
- ISPs (Internet Service Providers)
- Robotics
- Analytics

...and we are opportunist, considering investments in undercapitalised or distressed businesses.

OUR INVESTMENT PROCESS

Market knowledge drives investment

Operational skillset delivers restructuring and M&A activity

Customer centric activities deliver organic growth, always with strong sales led programs

Mature and grow

Maximise capital value

OUR MANAGEMENT

MXC CAPITAL LIMITED BOARD

MXC Capital Limited is a Guernsey based and incorporated permanent capital vehicle ("PCV") quoted on AIM with a Board of experienced independent directors setting strategy. The Board is responsible for capital raising, making investment decisions, dividend policy and supervision of the Company's capital markets business and the company's Advisory Board.

PETER RIGG
NON-EXECUTIVE CHAIRMAN

Peter Rigg is an experienced chairman with a background in investment banking. Currently serving as chairman of Polarcus Limited, an Oslo listed marine seismic survey company, Peter is also an independent non-executive director of Schroders Oriental Income Fund Ltd and a director of Cartesius Advisory Network. Peter was formerly Head of Asian Equity Capital Markets and Head of Investment Banking North Asia at Credit Suisse First Boston.

MARC YOUNG
EXECUTIVE DIRECTOR

Marc is a corporate financier and corporate broker with a decade of experience leading numerous M&A mandates, IPOs and secondary fundraisings for quoted companies, following experience at both specialist brokerages and an investment bank. Latterly, Marc was a Director and Head of Technology at finnCap Limited. Marc is a chartered accountant, having trained in the Information, Communication and Entertainment division at KPMG.

PAUL GUILBERT
INDEPENDENT NON-EXECUTIVE

Paul is an experienced non-executive Director with specific long term expertise serving on the boards of both quoted and unquoted investment companies, and private equity fund businesses including Permira, Apollo, Alchemy and Schroders. Through his previous executive role of SVP/Global Head of Private Equity Fund Administration at Northern Trust he was exposed to over 60 separate investment groups. Paul is therefore well placed to both sit on the board of MXC and head the audit and Remuneration committees.

MERIEL LENFESTEY
INDEPENDENT NON-EXECUTIVE

Meriel has significant experience in both technology and investment with more than 17 years' experience at Board level. She worked at Microsoft and the BBC before becoming a successful entrepreneur. Meriel is currently a strategic adviser to Jersey Telecom and a non-executive director of JVM PCC, a Microsoft Ventures backed, early stage technology fund.

MXC ADVISORY LIMITED BOARD

MXC Advisory Limited is the advisory and consultancy division of the company responsible for originating investment opportunities, making recommendations on them and providing operational and strategic guidance to our investee companies. It comprises the Advisory Board which reports to its parent, MXC Capital Limited in Guernsey. The Advisory Board is driven by MXC founders Ian Smith and Tony Weaver who are employed full-time by MXC Advisory Ltd to lead its activities.

MARTIN BOLLAND
CHAIRMAN

Martin founded the private equity group Alchemy, serving as a Partner for 11 years. Martin is currently chairman of Capita plc, a FTSE 100 company. Martin previously held a number of senior operational roles in Lonrho and is a chartered accountant.

IAN SMITH
FOUNDER

Ian has an extensive track record of investing in and managing tech companies. He co-founded the advisory subgroup of MXC Capital. Ian has sat on numerous boards and either led or been involved in a large number of transactions in the TMT sector. Ian has recently led strategic change and value accretion at Redstone plc and Accumuli plc. Ian is currently CEO of Castleton Technology plc.

TONY WEAVER
FOUNDER

Tony has significant experience of sales, operations and management in the TMT sector. He co-founded the advisory subgroup of MXC Capital with Ian Smith. Tony has founded and managed a number of successful private technology companies and Tony has served on the boards of a number of publically quoted companies, including Xploite plc and Redstone plc. Tony is currently a non-executive director of Redcentric plc, having recently stepped down as CEO, a role which he held since IPO.

CHARLES VIVIAN

Charles is also a Director of MXC Capital Markets LLP (biography on page 5).

MXC ADVISORY LIMITED BOARD CONTINUED

MARTIN CHAPMAN
Martin was previously head of corporate banking in London for HSBC Bank plc. Martin provides MXC with a wealth of experience in debt advisory and structuring in support of working capital, leverage and acquisition finance. Martin also serves as a non-executive director of Weston Group plc, The Erith Group and Fulham Shore plc.

ALEX SANDBERG
Alex has spent his career advising businesses on building their reputation within the capital markets as well as their value during growth by acquisition, joint venture and geographic expansion, often with a view to attracting fresh investors or an IPO. Alex founded and was executive Chairman of international business communications consultancy College Group prior to its sale to private equity. Alex has advised a number of companies in the TMT sector.

OPERATIONAL PARTNERS

ANDY ROSS
Andy has over 25 years of experience in the technology sector, leading and transforming businesses through sales led and organic growth strategies. He has worked in a wide variety of different businesses, ranging from large global multinationals to smaller UK mid-market companies, having been Chief Executive at Northgate Managed Services and Valldata Group, UK Sales Director at Atos Origin as well as having held senior roles at Sema Group, EDS and KPMG.

GAVIN LYONS
Gavin has had a distinguished career in the TMT sector, most recently as CEO of Accumuli PLC, a successful MXC backed buy and build in the IT security sector sold to NCC Group plc for £55m. Prior to Accumuli, Gavin was Head of Telecoms & Utilities UK&I at SAP SE and held a senior position at Trend Micro Inc. having also worked at Xerox, Compuware and The Caudwell Group.

JILL COLLIGHAN
Jill is the finance director of the advisory subgroup. She qualified as a chartered certified accountant in 1994, initially joining Lathams, before leaving to set up her own accountancy consultancy business. Jill has worked with the Group since 2002 and has been a director since 2004. Jill has extensive experience of finance, human resources, investor relations and corporate finance.

MXC CAPITAL MARKETS LLP

MXC Capital Markets LLP is the FCA regulated corporate advisory business providing corporate advisory services to investee and other companies.

MARC YOUNG
Marc is a Director of MXC Capital Limited (biography on page 4) and is Managing Partner of MXC Capital Markets LLP.

CHARLES VIVIAN
Charles has worked as an Investment Executive at EPIC Private Equity and Marwyn Capital. Charles specialises in listed, buy-and-build investment strategies and has led numerous acquisitions and disposals as well as managing the investments in portfolio companies. Charles worked for over six years at international law firm Freshfields Bruckhaus Deringer, where he specialised in public and private M&A. Charles also sits on the company's Advisory Board.

CHARLOTTE STRANNER
Charlotte joined MXCCM from finnCap Limited where she was a director of corporate finance. Charlotte is a chartered accountant with over 8 years' experience in equity capital markets and M&A advisory roles, the last five years having focussed on the technology sector.

STRATEGIC REPORT
CHAIRMAN'S STATEMENT

I am pleased to report a strong set of results, our first since establishing MXC as a technology focused merchant banking group. The period under review saw a substantial amount of activity as we established and restructured our Company, raised further capital, acquired our corporate finance business and re-domiciled to Guernsey. Post the year-end, we completed the acquisition of MXC Holdings Limited to consolidate all MXC activities within the same quoted vehicle.

Our first set of results shows our model at work, creating shareholder value and driving returns for both MXC shareholders as well as for co-investors in our investee companies. MXC now benefits from a strong balance sheet of quoted and private companies with significant resources available for investment, a profitable corporate finance business of recognised technology dealmakers and an Advisory Board that both guides MXC on its investing strategy and provides our investee companies with operational management expertise.

The Group's underlying profit was £5.7 million before non-recurring restructuring related costs of £0.6 million. This was achieved through a combination of the realisation of investments and corporate finance fees. It was an encouraging outcome for the year given all that had to be achieved and gives me great confidence in the potential performance of our Group.

BALANCE SHEET

At the end of the period under review our balance sheet was robust, with three investments, Castleton Technology plc, Pinnacle Technology Group plc and 365 Agile Group plc. These investments have performed well, generating an unrealised combined increase in value of 160% in the year. We ended the period with cash and cash equivalents available for investment of £28.4 million and with no debt of any significance. The quoted portfolio, following the acquisition of MXC Holdings, now includes a large positon and warrants in Redcentric plc and a larger holding in Castleton Technology plc. These assets also performed well with the combined quoted asset pool generating an IRR of 227% and a money multiple of 2.68x in the year to 31 August 2015.

DISTRIBUTIONS

We have decided that it would be appropriate to reward shareholders as we grow the business by adopting a consistent policy regarding distributions. Accordingly, we have resolved to distribute up to 20% of realised gains on the portfolio via a tender offer mechanism, the first of which we anticipate carrying out in the first quarter of 2016. I will write to shareholders with the details nearer the time.

INVESTMENTS

Post our year end, in September we completed the acquisition of MXC Holdings Limited and its subsidiary companies. This acquisition, which was effected via a share-for-share exchange, completed the process of bringing all of the MXC operations and investments into the Group, aligning the interests of all of our shareholders.

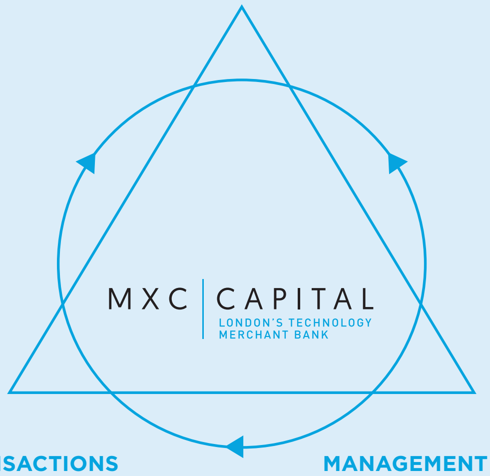
Also in September we invested £4.8 million in Sagacity Solutions Limited, a privately held Big Data Analytics company with an existing blue chip client base, giving us a 19% shareholding in that exciting business.

As a result of these activities, the Group now has holdings in 4 quoted investments and 5 private investments with a combined value of £37.8 million at 31 August 2015 and £45.4 million at 26 November 2015, post the acquisition of MXC Holdings Limited.

We are establishing an interesting mix of quoted and unquoted investee companies with good buy-and-build potential together with high organic growth and IP backed opportunities.

MXC COMBINES THREE COMPLEMENTARY CAPABILITIES RARELY INTEGRATED TOGETHER

INVESTMENT
Proven experience of identifying and investing in growth tech companies



TRANSACTIONS
FCA regulated capital markets business, managing transactions, financings and IPOs

MANAGEMENT
Operational and management skillset with a long track record of creating shareholder value

CORPORATE FINANCE

Our corporate finance business had a busy year advising on 16 transactions, including a mix of acquisitions, disposals, and equity and debt capital financings. Amongst these, our team supported management to establish and grow Castleton Technology plc and 365 Agile Group plc while completing the acquisition, restructuring and subsequent disposal of Calyx Managed Services Limited. The largest transaction completed during the period was acting as financial adviser to our former investee company Accumuli plc in relation to its £55 million sale to NCC Group plc.

Our corporate finance business is integral to the MXC model, allowing us to act swiftly and efficiently when opportunity presents itself. The business continues to grow, ending the period with 5 retained clients, with that number already increasing in the new financial year.

PEOPLE

The MXC merchant banking model combines three complementary sets of skills within one group: the provision of capital, management and board leadership and corporate finance advice and execution. This blend of strengths allows us to maximise our returns while minimising risk. The DNA of our business is led by individuals with strong technology backgrounds.

For this reason I am very pleased that we have made a number of management appointments in 2015 to strengthen our team as the flow of opportunity continues to grow.

I'm pleased to welcome Meriel Lenfestey to the Board as an independent non-executive Director. Meriel brings a strong entrepreneurial background to MXC combined with her experience in technology companies.

In June Andy Ross joined us as a Partner. Andy has over 25 year's management experience in the technology sector, leading and growing businesses. In November Gavin Lyons joined as a Partner. Gavin has had a distinguished career in the TMT industry. Andy and Gavin bring a great depth of operational experience to our investee companies which is a key differentiator of the MXC model.

In May Charlotte Stranner joined our corporate finance business as a Partner. Charlotte joined us from finnCap and is widely recognised for her experience in advising technology companies.

I expect us to continue to strengthen our team during the current year. In recognition of our staff being key to the Group's ongoing success, we put in place a share incentive scheme. I am grateful to everyone for their commitment to taking MXC forward and for their hard work during the year.

OUTLOOK

2015 was the formative year for MXC. As well as successfully completing the many stages required to establish and equip the Company, our team has successfully demonstrated the value our merchant banking model can create for shareholders.

We have an increasing portfolio of investments, each one with substantial opportunity to grow, supported by a strong balance sheet. We have a buoyant pipeline of opportunity and are attracting senior industry talent to support our investee companies. I believe that we can look to the future of MXC with great confidence.

PETER RIGG
CHAIRMAN

STRATEGIC REPORT
MARKET OVERVIEW FROM THE INVESTMENT ADVISOR IAN SMITH, FOUNDER OF MXC AND MEMBER OF THE MXC ADVISORY BOARD

I am excited about what lies ahead for MXC after this first very active year of putting in place the building blocks of our Company. Whilst performance of the leading technology indices has been mixed, we have demonstrated our ability to identify opportunities and create value where others have proved less able to do so. I'll try to identify the special characteristics that give MXC this edge a little later.

In our financial year to August 2015 a huge amount was achieved, which our Chairman Peter Rigg has alluded to in his report. Since the year end, the pace at MXC has if anything accelerated. We are currently working on 4 potential transactions where we have exchanged Heads of Terms and have a number of earlier stage investment opportunities where we are actively engaged in negotiations. Our pipeline of opportunity continues to grow.

OUR INVESTMENTS

QUOTED – VALUED AT 26 NOVEMBER 2015

Company	Shares first acquired by MXC	Investment Cost	Value at 26/11/15	Summary
Redcentric	Apr 2013	£3.2m	£21.5m	UK managed services provider
Castleton	Dec 2013	£4.5m	£14.3m	Provider of software support, consultancy, and managed services to public sector
Pinnacle	Apr 2013	£385k	£816k	Provider of IT and communications for UK SMEs
365 Agile	Oct 2014	£1.3m	£3.2m	Back office mobilisation system developer
		£9.4m	**£39.8m**	

UNQUOTED – VALUED AT COST

Company	Shares first acquired by MXC	Investment Cost	Summary
Sagacity	Sep 2015	£4.8m	Big data analytics business specialising in data quality, revenue assurance and customer value management
Avar Communications	Feb 2015	£250k	A recruitment platform to enable companies to identify well suited job candidates
Maytech Communications	Jul 2013	£340k	Secure cloud data and storage platform company
Others		£170k	
		£5.6m	

Total portfolio value, after rounding to nearest £'000: £45.4m

Whilst working on these identified potential investments, our team continues to work hard to maintain the volume of our pipeline by actively scanning our favoured sub-sectors of the technology market and continually evaluating the commercial application of new technologies. Examples of the latter are our investments in 365 Agile, a company providing "Internet Of Things" technology to the public housing market and Sagacity, a Big Data analytics company with a blue chip client base. Both of these companies have exciting growth trajectories.

At the end of the first quarter of our new financial year, 30th November, we had a portfolio of 4 quoted investments and 5 private company investments, with significant capital still available to deploy.

We are working closely with the management teams of each of these investee companies to pursue their growth strategies, both organically and through buy and build. I am confident that our model of providing capital, corporate finance services and most importantly, experienced operational management support will see these investee companies build significant value for our shareholders.

As well as finding suitable investments, it is critical to creating shareholder value that we also successfully offer our Board the opportunity to realise our investments. Whilst only one year in to our journey, in April we successfully restructured and disposed of Calyx Managed Services Limited and advised on the sale of Accumuli plc (a former MXC investee company) for £55 million. We will continually seek opportunities to realise value and re-apply our capital, whilst never losing sight of managing our risk.

Investors generally – PE and institutional – are hungry to invest in technology companies. But good quality investments in the sector are hard to come by. Part of the power of the MXC model is our deep knowledge of the sector that enables us to create our own pipeline of opportunity.

The economic recovery in the UK has provided favourable conditions for a broad range of technology businesses to grow, which is benefitting our investee companies. A knock on effect has been steadily increasing multiples in both private and public markets. The availability and pricing of debt has also contributed to continued appreciation in the valuations of technology businesses. As a result, the focus across the market has been on businesses with high levels of revenue visibility, free cash generation and organic growth.

Riskier, early stage opportunities are widespread. We have watched the advent of the "unicorn" and for those of us who lived through the dotcom boom of the late 90's, there are signs that give cause for great caution. The profile of this type of investment is not for MXC. We may be considered old fashioned in that we like companies that can demonstrate organic growth augmented by M&A opportunities, and deliver cash. I believe we can continue to access some of the fastest growing segments of the sector without having to sacrifice these fundamental considerations.

I said I'd touch on what I believe gives MXC an edge in its marketplace. Our team is particularly strong at identifying interesting growth opportunities, focusing on businesses with proven revenues and customer bases and helping them to grow both organically and through acquisition. Once an opportunity has been identified, the ability of our team to engage and work in close partnership with owner managers is unusual.

Our growing team of operational managers have all "been there and done it before": they've made the cold calls, dealt with the bank, made the acquisitions, built management teams, and most importantly, have first-hand experience of the significance of a corporate transaction.

A key tenet of our investment strategy is that in our experience, technology businesses consistently underestimate the true cost of customer acquisition, so we work with our investee companies to correct this, driving organic growth and cash flow as a result.

We have demonstrated on more than one occasion that our combination of available capital with quick decision making and a seasoned corporate finance team that carry out diligence and effect our investments is a uniquely powerful set of skills, all residing within one company. Couple all that with deep operational experience and I believe we have created an important set of differentiators at MXC – that edge I spoke of.

We never forget that whilst we build value for our shareholders, that can only happen if we build value for the owners of our investee companies too. A true alignment of interests that is at the heart of our way of doing business.

IAN SMITH
INVESTMENT ADVISOR

STRATEGIC REPORT
OUR INVESTMENTS

Redcentric is a leading UK IT managed services provider that offers a range of IT and Cloud services designed to support organisations in their journey from traditional infrastructure to the Cloud and hybrid combinations in between.

redcentric
business technology. managed.

REDCENTRIC

OPPORTUNITY IDENTIFIED
To build the leading independent UK IT Managed Services operator, creating an end to end ICT, offering cloud solutions to mid-market customers. The business was built combining the assets of Redstone, Maxima, inTechnology and Calyx. Now a leading AIM quoted technology Company it has gone from strength to strength having recently reported in-line interim results with the integration of Calyx now completed.

MXC'S ROLE
MXC has supported the company since the time of its demerger from Redstone and IPO, working closely with the executive management team to identify and execute accretive M&A opportunities while acting as a corner stone investor in each of its public funding rounds. MXC has also provided equity and debt capital markets advice, leading the Company through equity and debt financing rounds.

"As corner-stone investors in Redcentric since its inception we have seen first-hand the value that MXC bring to investments with their ability to source and deliver accretive acquisitions while recruiting top quality management teams and meeting market expectations."

JAMIE BROOKE
HENDERSON GLOBAL INVESTORS
MXC Investor and Co-Investor

2015/2016 INVESTMENT PERFORMANCE

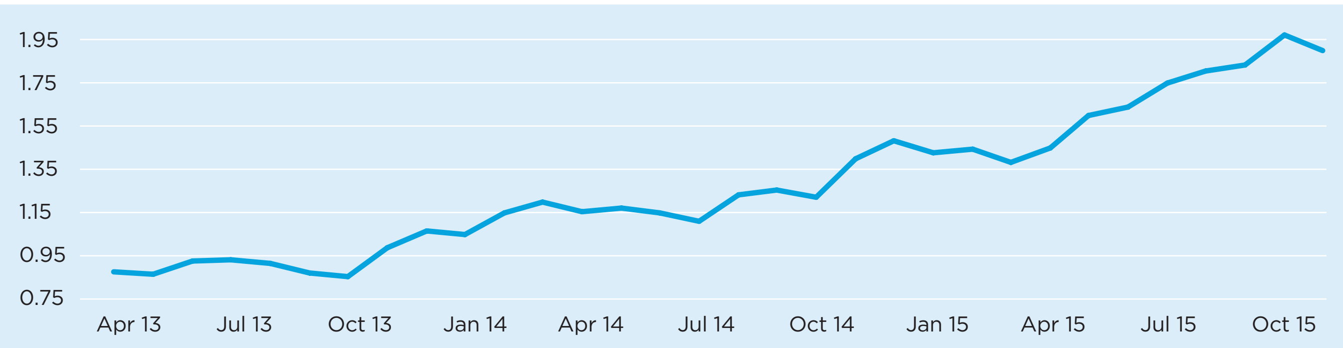
IRR: 182%
Money Multiple: 1.97x at fiscal year end

£	Original cost of investment	Value at 31 August 2014	Value at 31 August 2015
Shares	3.2m	7.2m	10.5m
Options and Warrants (profit on positions)	–	4.5m	9.5m
	3.2m	11.7m	20.0m

MAJOR SHAREHOLDERS

Investor	% ownership
Hargreave Hale Ltd.	**9.7%**
Henderson Global Investors Ltd	**8.9%**
BlackRock Investment Management	**7.2%**
Kestrel Partners LLP	**6.5%**
Soros Fund Management LLC	**6.03%**
MXC Capital	**4.0%**

SHARE PRICE



Castleton is a go-to expert on software and infrastructure in the housing association, commercial and wider public sectors. Its portfolio solutions reduces cost, streamline processes and improves customer services.

CASTLETON

OPPORTUNITY IDENTIFIED

To develop a leading software and IT managed services provider to the public and not for profit sectors, focussing initially on building a platform by acquiring providers to the housing association sector.

MXC'S ROLE

MXC has supported the company since the time of its demerger from Redstone and IPO, working closely with the executive management team to identify and execute accretive M&A opportunities while acting as a corner stone investor in each of its public funding rounds. MXC has also provided equity and debt capital markets advice, leading the Company through equity and debt financing rounds.

"Having benefitted from MXC's track record at Redcentric and Redstone, we have been corner-stone investors in Castleton from the beginning. We like software businesses with strong vertical differentiation and a solid growth strategy that focuses on cash generation. We have been impressed by the speed at which a meaningful public sector software business has been built."

MAX ROYDE
KESTREL INVESTMENT PARTNERS
MXC Investor & Co-Investor

2015/2016 INVESTMENT PERFORMANCE

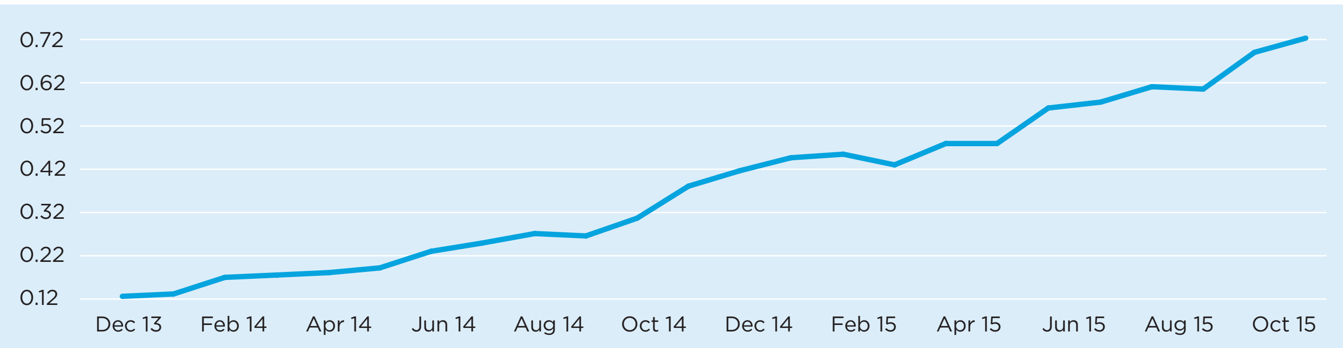
IRR: 327%
Money Multiple: 2.69x at fiscal year end

£	Original cost of investment	Value at 31 August 2015
Shares	4.5m	11.1m
Options and Warrants (profit on positions)	–	1.3m
	4.5m	12.4m

MAJOR SHAREHOLDERS

Investor	% ownership
MXC Capital	23.1%
Kestrel Partners LLP	13.5%
Hargreaves Lansdown Stockbrokers Ltd	6.0%
Nigel Wray	5.1%
Jonathan Holyhead	4.1%
Slater Investment Ltd.	4.0%

SHARE PRICE



STRATEGIC REPORT
OUR INVESTMENTS
Continued

Agile provides mobile working solutions to allow access to corporate systems, data and documents from smart phones and tablets and to facilitate the automation of tasks and alerts from back office systems to improve operational efficiency, reduce costs and improve customer service.

365 AGILE

OPPORTUNITY IDENTIFIED
MXC backed the management with private funding round to prove opportunity ahead of successful IPO.

MXC'S ROLE
MXC provided pre IPO financing and advisory services in preparation for successful IPO. Providing continuing advice as retained M&A and Corporate advisors.

"We follow a number of the MXC investments, their ability to identify opportunity, execute and recruit good management teams to deliver the strategy really sets them apart"

ANDREW DARLEY
RESEARCH DIRECTOR
finnCap, No.1 broker to AIM quoted technology companies

2015/2016 INVESTMENT PERFORMANCE

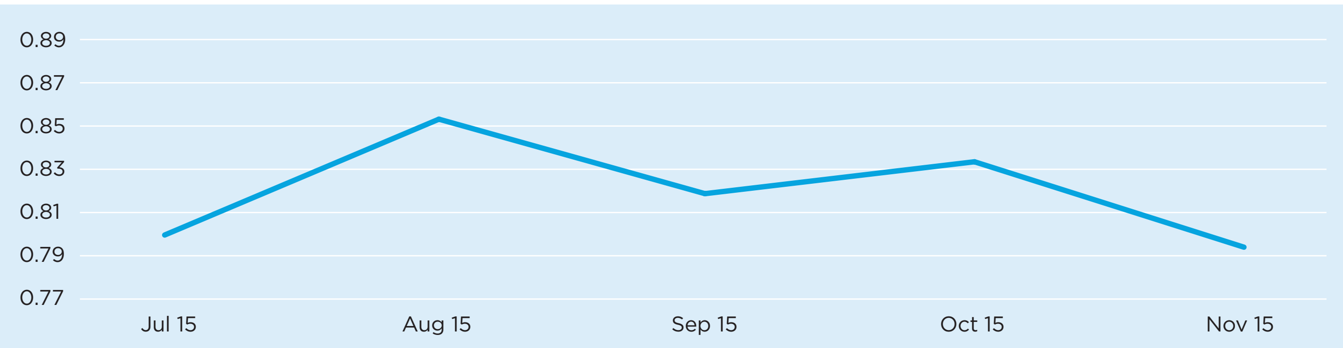
IRR: 646%
Money Multiple: 2.50x at fiscal year end

£	Original cost of investment	Value at 31 August 2015
Shares	1.3m	3.4m
Options and Warrants (profit on positions)	–	0.09m
	1.3m	3.5m

MAJOR SHAREHOLDERS

Investor	% ownership
Jonathan Holyhead	44.4%
MXC Capital	23.2%
Henderson Global Investors Ltd	13.4%
Miles Hodkinson	4.8%
City Financial	4.4%
Maria Crouchley	3.0%
	4.0%

SHARE PRICE *(post reverse takeover)*



CALYX MANAGED SERVICES

BUSINESS ACTIVITY

Prior to its acquisition by MXC, Calyx Managed Services provided a range of IT solutions including: managed, professional and infrastructure services, converged network services, and hardware replacement and support services.

OPPORTUNITY IDENTIFIED

MXC identified the opportunity to acquire and then restructure the company and its operations, splitting it into three distinct businesses and then running disposal processes to selected purchasers.

MXC ROLE

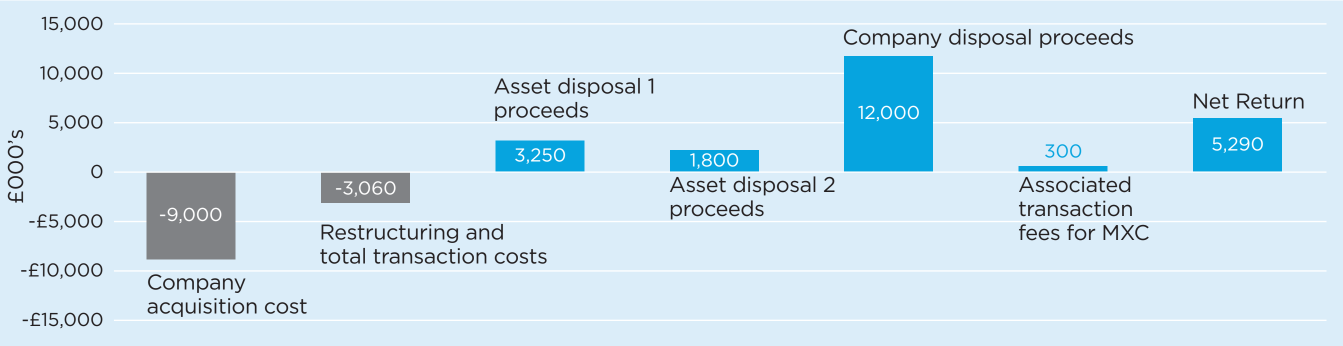
To run four transactions over a two month period: acquisition of the company in a competitive process, then simultaneously running two asset disposals and the on sale of the company. In addition, MXC oversaw the internal reorganisation as well as the day-to-day operations of the company during the interim period of its ownership.

OUTCOME

A significant return for MXC shareholders and an earnings enhancing acquisition for MXC investee Redcentric.

Value at investment	**£9.0m**
Value on exit	**£17.1m**
Gross return on MXC investment	**90%**

RETURNS ANALYSIS



ACCUMULI

BUSINESS ACTIVITY

A specialist in IT security and risk management.

OPPORTUNITY IDENTIFIED

MXC identified the plc as undervalued and with little support (called Netservices at the time with a market capitalisation of c. £1m). MXC acquired a 15% holding and joined the board in early 2010.

MXC ROLE

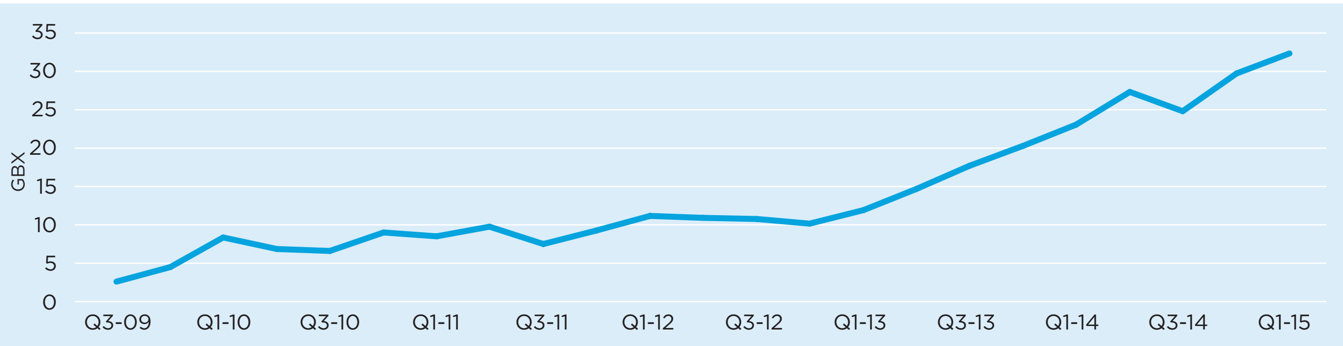
To restructure the company and initiate a buy and build strategy in IT security. MXC disposed of a legacy business for £3.25m, raised £5m of new cash and made 7 further acquisitions. Further non-core assets were sold to Juniper Networks Inc. for $10m.

OUTCOME

In March 2015 NCC Group plc (LSE:NCC) made a 32.8p per share offer representing £55m of equity value and an EV of £65m.

Value at investment	**£1m**
Current EV of whole	**£65m**
MXC investment	**£1.2m**
MXC realisation	**£4.4m**
Uplift in MXC investment	**267%**

SHARE PRICE



STRATEGIC REPORT
FINANCE REVIEW

The re-domicile to Guernsey during the year is accounted for under the principles of predecessor value method accounting. Consequently the prior year financial results have been restated to show the position as if the MXC Group had always been in existence in its current form.

The Group's reported revenue in the year of £2.1 million (2014: £nil) comprises fees charged to clients, primarily from MXC Capital Markets LLP – the Group's corporate finance division. Following the post-period end acquisition of MXC Holdings Limited, revenue in future years will also include advisory fees charged to clients as we help our investee companies maximise their business opportunities.

The other main component of our operating model is the generation of capital returns on our investments. Movements in the value of our investments are shown through the fair value reserve on the statement of financial position and are taken to the profit and loss account when the investments are sold. During the year we sold one listed investment and bought, restructured and sold a private company investment, generating a realised profit on these disposals of £5.4 million (2014: £nil), a 44% return.

Our reported profit before tax for the year was £5.1 million (2014: loss of £1.1 million). However, £0.6 million was incurred in the year (2014: £0.4 million) in respect of non-trading costs relating to the Group's restructuring and the establishment of its operating model. In aggregate therefore we generated a profit before tax of £5.7 million from our trading activities in the year (2014: loss of £0.7 million).

The Group is domiciled in Guernsey and thus profits made on its Guernsey operations are subject to income tax at 0%. The Group utilised tax losses brought forward from prior periods in respect of its UK profits. The tax charge for the year of £0.2 million relates to the release of a deferred tax asset on the re-domicile to Guernsey.

At 31 August 2015 the Group's investments had a value of £16.1 million (2014: £1.8 million). These comprised investments and related warrants in 3 listed entities stated at fair value. The cost to the Group of these investments was £6.2 million. This increase in value of 160% is reflected in the increase in the fair value reserve.

As a result of an equity raise during the year and the profits generated on the disposal of investments, the Group's cash balances increased to £28.4 million at 31 August 2015 (2014: £11.1 million), with net assets at the period end of £49.9 million (2014: £12.4 million).

After the year end the Group made an investment of £4.8 million in Sagacity Solutions Limited, a privately held Big Data Analytics company, and acquired shares in a further listed entity and 3 private companies as a result of its acquisition of MXC Holdings Limited, increasing the Group's investment portfolio to a value of £45.4 million at 26 November 2015.

JILL COLLIGHAN
FINANCE DIRECTOR
MXC CAPITAL (UK) LIMITED

STRATEGIC REPORT
RISKS AND RISK MANAGEMENT

Identifying, evaluating and managing the principal risks and uncertainties facing the Group is an integral part of the way we do business. We have policies and procedures in place throughout our operations that enable us to do so, embedded within our management structure and as part of our normal operating processes. Market and economic conditions are recognised as one of the principal risks in the current trading environment. This risk is mitigated by the close monitoring of trading conditions and the performance of our investment portfolio.

The Group is affected by a number of risks and uncertainties, not all of which are wholly within its control as they relate to the wider macroeconomic and legislative environment within which the Group operates. The key financial risks of the Group are detailed in note 17. The key non-financial risks that the Group faces are listed below:

RELIANCE ON KEY PERSONNEL AND MANAGEMENT

The success of the Group will be dependent on the services of key management and personnel. Thus the directors believe that the ability to attract and retain highly skilled and qualified personnel is crucial. The Group has recently implemented an incentive scheme (see note 24) but there can be no guarantee that such individuals will be retained or identified and employed.

PROSPECTIVE PORTFOLIO INVESTMENTS

The value of the Group is dependent, inter alia, upon the Group acquiring interests in other businesses. There can be no guarantee that suitable companies will be available for investment or acquisition, or that the Group will successfully identify and invest in such businesses. Once the Group has acquired an interest in a business it is likely that such asset may not be realisable immediately, particularly given the nature of the sectors of interest, the size of the targeted businesses and that targeted businesses may be private companies. In addition, smaller companies frequently lack the financial strength, diversity and resources to overcome or survive periods of economic slowdown. Furthermore, the share prices of such companies, if publicly traded, are often subject to significant fluctuations and any volatility in the value of one or more of such businesses could have a substantial impact upon the value of the Group. It is the intention of the Board that, over time, the Group will create an even more diverse portfolio of businesses, thereby spreading its investment risk.

COMPETITION IN THE MARKET PLACE

Investee companies may be companies which operate in highly competitive markets characterised by evolving customer needs and rapid technological change. Such businesses may well compete with a number of other companies, some of which may well have significantly greater financial, technical and marketing resources. In addition, those competitors may have the ability to respond more quickly to new or emerging technologies, adapt more quickly to changes in customer requirements, have stronger customer relationships, have greater name recognition, and may devote greater resources to the development, promotion and sale of their products than the investee companies. In the markets in which such companies operate, competition may also be based on a variety of factors including product performance, functionality, value, and breadth of sales and service organisation. Competition could result in price reductions, reduced margins, and loss of market share by businesses.

EARLY STAGE OF DEVELOPMENT AND LIMITED OPERATING HISTORY

Many of the businesses in which the Group invests may be companies at an early stage of commercial development. The commencement of such businesses' generation of material revenues is difficult to predict and there is no guarantee that such businesses will generate any material revenues after investment by the Group or any revenues at all. The resources available to such businesses may not be sufficient to fund the businesses until they are profitable. Some of the businesses may be companies which have a limited sales and operating history upon which their performance and prospects can be evaluated and they may well face the risks frequently encountered by developing companies. These risks include the potential inability to retain key personnel, as well as uncertainty as to which areas to target for growth and expansion. In addition, there can be no assurance that the businesses' proposed operations will be profitable or produce a reasonable return, or any return, on investment. The Group's strategy is, however, formulated by management with a strong track record of generating significant gains from early stage companies within the Technology, Media and Telecommunications sector and is executed by an experienced team.

DISPOSAL OF SUBSIDIARIES

As is common with such transactions, the Group faces the risk of potential claims being made pursuant to the warranties and indemnities given under sale and purchase agreements that were entered into with the buyers of its subsidiary companies. Further details of an ongoing claim in this respect are given in note 22 to these financial statements. The warranties and indemnities given are customary for transactions of this nature.

By order of the board

PETER RIGG
CHAIRMAN
30 November 2015

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 31 August 2015 for MXC Capital Limited (the 'Company') and its subsidiaries (together the 'Group').

CORPORATE STATUS

The Company is domiciled in Guernsey and was incorporated and registered in Guernsey on 19 August 2014 with company number 58895. Its registered office is 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW.

During the year the Group was restructured as a result of the acquisition of MXC Capital Markets LLP and the re-domicile to Guernsey, effected by the insertion of MXC Capital Limited as the new ultimate parent company of the Group and of MXC Guernsey Limited as an intermediate holding company. The latter two transactions, which are explained further in the Basis of Consolidation Accounting Policy on page 28, do not meet the definition of a business combination under IFRS3. They have, therefore, been accounted for under the principles of predecessor value method accounting, with the effect that the financial results are presented as if MXC Capital Limited and MXC Guernsey Limited had always been part of the Group. The 2014 comparatives have therefore been restated to reflect this position. In accordance with IAS 1 and as a result of the restatement of the 2014 comparatives, restated figures as at 1 September 2013 have also been presented for the Consolidated Statement of Financial Position. These 2013 figures include results from operations which were disposed of in 2014 prior to the formation of the MXC Group.

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was that of a merchant bank specialising in investing in technology companies and building value in the companies it invests in. The Company is a permanent capital vehicle that is responsible for the Group's strategy, capital raising and investment decisions as well as the supervision of the Group's London based merchant banking activities.

RESULTS AND DIVIDENDS

The trading results for the year and the Group's financial position at the end of the year are shown in the financial statements set out on the following pages. The review of the year and the directors' strategy and objectives for the future are set out in the Strategic Report.

The directors do not recommend the payment of a dividend for the year ended 31 August 2015 (2014: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are detailed within the Strategic Report, on page 15.

Details of the Group's financial risk management objectives and policies are set out in note 17 of the consolidated financial statements.

DIRECTORS

Peter Rigg	(Non-executive Chairman)
Paul Guilbert	(Non-executive Director)
Meriel Lenfestey	(Non-executive Director, appointed 27 October 2015)
Marc Young	(Chief Executive Officer)

The Company has agreed to indemnify its directors against any third party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

DIRECTORS' REMUNERATION AND SHARE OPTIONS

Remuneration in respect of the directors was as follows:

	Basic salary and fees £000	Bonus £000	Benefits £000	2015 total £000	2014 total £000
Peter Rigg	**80**	**-**	**-**	**80**	2
Paul Guilbert	**53**	**-**	**-**	**53**	2
Marc Young	**150**	**150**	**-**	**300**	8

Fees for Peter Rigg and Paul Guilbert include £35,000 and £20,000 respectively in recognition that the time spent by them in respect of the Company during the year was considerably more than had been anticipated in their appointment letters. This one-off additional payment, which is likely to be settled by the issue of new ordinary shares, is predominantly a result of the corporate restructuring undertaken by the Group during the year.

For the new financial year, in the interests of salary control and oversight, the Remuneration Committee has implemented a salary cap of £150,000 for all partners and employees. This limit is renewed annually. The maximum cash bonus is expected to be capped at 100% of salary.

At 31 August 2015 and 2014 the directors did not hold any share options in the Company. On 28 September 2015 Marc Young was granted awards under the Company's recently established long term incentive plan. The award is based on 2% of shareholder value created, subject to the achievement of share price and employment-related performance criteria. See note 24 for further details.

The market price of the Company's shares at the end of the financial year was 2.83p and the range of the market price during the year was between 1.43p and 4.05p.

CORPORATE GOVERNANCE

As a Guernsey incorporated company and under the AIM rules for companies, the Company is not required to comply with The UK Corporate Governance Code published by the Financial Reporting Council. However, the directors place a high degree of importance on ensuring that high standards of Corporate Governance are maintained and therefore the Company applies all principles the directors consider appropriate to a public company of MXC's size quoted on AIM, taking into account the recommendations contained within the QCA Guidelines.

The board of MXC holds meetings as issues arise which require the attention of the Board. Quarterly board meetings take place where overall performance against the business plan, its strategy and targets are considered. The Board is responsible for setting the strategic direction of the Group, for making all investment decisions, establishing the policies of the Group and for the overall management of the business of the Group. It is the Board's responsibility to oversee and monitor the financial position, the business and affairs of the Group on behalf of the shareholders, to whom the directors are accountable. The primary duty of the Board is to act in the best interests of the Group at all times. The Board also addresses issues relating to internal control and the Group's approach to risk management.

The Group has also established a remuneration committee (the 'Remuneration Committee') and an audit committee (the 'Audit Committee') with formally delegated duties and responsibilities. The revised written terms of reference of these committees were adopted on 19 September 2014. The Remuneration Committee, which comprises Paul Guilbert as Chairman and Peter Rigg, meets not less than twice each year. The committee is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options (or similar arrangements) with due regard to the interests of the shareholders and the performance of the Group.

The Audit Committee, which comprises Paul Guilbert as Chairman and Peter Rigg, meets not less than twice a year. The committee is responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Group is properly monitored and reported. In addition, the Audit Committee receives and reviews reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Group.

DIRECTORS' REPORT
Continued

RELATED PARTY TRANSACTIONS
Details of the Group's transactions and year end balances with related parties are set out in note 21 of the consolidated financial statements.

SUBSEQUENT EVENTS
On 8 September 2015 the Group increased its investment portfolio by making an initial investment of £4.8 million for a 19% stake in Sagacity Solutions Limited, a privately held specialist Big Data Analytics company.

On 24 September 2015 the Group completed the acquisition of MXC Holdings Limited and its subsidiary companies, whilst on 28 September 2015 a share incentive scheme was put in place for certain staff.

Full details of post balance sheet events are included in note 24 to the consolidated financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR
The directors who were in office on the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the directors has confirmed that they have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor. The annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

AUDITOR
Grant Thornton Limited were appointed for the year ended 31 August 2015 and have expressed their willingness to continue to act as Auditor to the Company. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

By order of the board

PAUL GUILBERT
DIRECTOR
On behalf of the Board
30 November 2015

Registered Office:
1st & 2nd Floor
Elizabeth House
Les Ruettes Brayes
St Peter Port
Guernsey
GY1 1EW

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic report, the Directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for the Group for each financial year. As required by the AIM rules of the London Stock Exchange the directors have prepared financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs).

The consolidated financial statements are prepared in accordance with IFRS and The Companies (Guernsey) Law, 2008 (as amended) for each financial period and give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for that period.

In preparing each of the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Group consolidated financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 (Guernsey) Law, 2008 (as amended). 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 are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MXC CAPITAL LIMITED

We have audited the consolidated financial statements of MXC Capital Limited for the year ended 31 August 2015 which comprise Consolidated statement of profit or loss, Consolidated statement of other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008 (as amended). 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities on page 19, the directors are responsible for the preparation of the consolidated financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the consolidated financial statements in accordance with applicable legal and regulatory requirements and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 August 2015 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the consolidated financial statements comply with The Companies (Guernsey) Law, 2008 (as amended).

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under The Companies (Guernsey) Law, 2008 (as amended) we are required to report to you, if in our opinion:

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

GRANT THORNTON LIMITED
CHARTERED ACCOUNTANTS
St Peter Port
Guernsey
Channel Islands

30 November 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 August 2015

	Notes	2015 £000	2014 £000
Continuing operations			
Revenue	2	**2,094**	–
Realised profit on disposal of assets	3	**5,385**	–
Cost of sales	2	**(66)**	–
Gross profit	2	**7,413**	–
Restructuring and non-recurring costs included within administrative expenses	4	**604**	387
Share based payments charge		**–**	62
Administrative expenses – other	4	**1,764**	621
Total administrative expenses		**(2,368)**	(1,070)
Operating profit/(loss)	4	**5,045**	(1,070)
Finance income	6	**23**	3
Profit/(loss) before taxation		**5,068**	(1,067)
Taxation	7	**(161)**	15
Profit/(loss) for the financial year from continuing operations		**4,907**	(1,052)
Discontinued operations			
Profit for the financial year from discontinued operations (net of tax credit of £61,000)		**–**	271
Profit/(loss) for the financial year attributable to owners of the parent company		**4,907**	(781)
Earnings/(loss) per share			
From continuing operations			
Basic	8	**0.23p**	(0.10)p
Diluted	8	**0.23p**	(0.10)p
From discontinued operations			
Basic	8	**–**	0.03p
Diluted	8	**–**	0.03p

The notes on pages 27 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 August 2015

	Notes	2015 £000	Restated 2014 £000
Continuing operations			
Profit/(loss) for the financial year		**4,907**	(1,052)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Fair value movement on investments and short-term financial assets	12,15	**10,513**	(171)
Less: reclassification for gains included in profit	15	**(439)**	–
Tax on items taken directly to other comprehensive income		**–**	(57)
Other comprehensive income for the financial year, net of tax		**10,074**	(228)
Total comprehensive profit/(loss) for the financial year attributable to owners of the parent company from continuing operations		**14,981**	(1,280)
Discontinued operations			
Profit/(loss) for the financial year and total comprehensive income, net of tax		**–**	271
Total comprehensive profit/(loss) for the financial year attributable to owners of the parent company		**14,981**	(1,009)

The notes on pages 27 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2015

	Notes	**31 August 2015 £000**	Restated 31 August 2014 £000	Restated 1 September 2013 £000
Non-current assets				
Intangible assets	10	**6,000**	–	3,592
Property, plant and equipment	11	**8**	–	283
Investments	12	**16,093**	–	–
Deferred tax asset	13	**-**	161	-
		22,101	161	3,875
Current assets				
Trade and other receivables	14	**1,020**	40	640
Other short-term financial assets	15	**-**	1,829	–
Current tax asset		**-**	–	282
Cash and cash equivalents		**28,447**	11,103	1,461
		29,467	12,972	2,383
Total assets		**51,568**	13,133	6,258
Current liabilities				
Trade and other payables	16	**(1,661)**	(733)	(1,282)
Non-current liabilities				
Deferred tax liability	13	**-**	–	(147)
Total liabilities		**(1,661)**	(733)	(1,429)
Net assets		**49,907**	12,400	4,829
Capital and reserves attributable to equity holders of the parent				
Share premium	18	**37,538**	15,012	6,578
Investment in own shares		**-**	(16)	(1,225)
Fair value reserve		**9,903**	(171)	-
Share option reserve		**760**	760	1,287
Merger reserve		**(23,712)**	(23,712)	(23,712)
Retained earnings		**25,418**	20,527	21,901
Total equity attributable to the owners of the parent		**49,907**	12,400	4,829

The notes on pages 27 to 48 form an integral part of these financial statements.

These financial statements were approved by the Board on 30 November 2015 and signed on its behalf by:

P RIGG
DIRECTOR

P GUILBERT
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2015

	Share premium £000	Investment in own shares £000	Fair value reserve £000	Share option reserve £000	Merger reserve £000	Retained losses £000	Total £000
Balance at 1 September 2013 (restated)	6,578	(1,225)	–	1,287	(23,712)	21,901	4,829
Loss for the financial year	–	–	–	–	–	(781)	(781)
Other comprehensive income							
Available-for-sale financial assets, losses arising during the year	–	–	(171)	–	–	–	(171)
Tax on items taken directly to equity	–	–	–	–	–	(57)	(57)
Total comprehensive loss for the financial year	**-**	**-**	**(171)**	**-**	**-**	**(838)**	**(1,009)**
Transactions with owners							
Issue of share capital	8,505	–	–	–	–	–	8,505
Issue costs	(71)	–	–	–	–	–	(71)
Other equity movement	–	–	–	–	–	84	84
Reduction in value of investment in own shares	–	1,209	–	–	–	(1,209)	–
IFRS 2 share based payment charge	–	–	–	62	–	–	62
Release of lapsed share options	–	–	–	(589)	–	589	–
	8,434	**1,209**	**-**	**(527)**	**-**	**(536)**	**8,580**
Balance at 31 August 2014 (restated)	**15,012**	**(16)**	**(171)**	**760**	**(23,712)**	**20,527**	**12,400**
Profit for the financial year	–	–	–	–	–	4,907	4,907
Other comprehensive income							
Available-for-sale financial assets, gains arising during the year	–	–	10,513	–	–	–	10,513
Reclassification for gains included in profit	–	–	(439)	–	–	–	(439)
Total comprehensive loss for the financial year	**-**	**-**	**10,074**	**-**	**-**	**4,907**	**14,981**
Transactions with owners							
Issue of share capital	22,950	–	–	–	–	–	22,950
Issue costs	(424)	–	–	–	–	–	(424)
Reduction in value of investment in own shares	–	16	–	–	–	(16)	–
	22,526	**16**	**-**	**-**	**-**	**(16)**	**22,526**
Balance at 31 August 2015	**37,538**	**-**	**9,903**	**760**	**(23,712)**	**25,418**	**49,907**

The notes on pages 27 to 48 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2015

	2015 £000	2014 £000
Cash flows from operating activities		
Profit/ (loss) before taxation	**5,068**	(1,067)
Adjustments for:		
Profit on disposal of assets held for sale	**(5,385)**	–
Depreciation	**3**	–
Share based payment expense	**-**	62
Net finance income	**(23)**	(3)
(Increase)/decrease in trade and other receivables	**(960)**	(45)
Increase in trade and other payables	**463**	324
Net cash flows from operating activities – continuing operations	**(834)**	(729)
Cash flows from investing activities		
Interest received	**23**	3
Cash acquired on acquisition of subsidiary undertaking	**444**	–
Payments to acquire property, plant and equipment	**(10)**	–
Purchase of investments	**(16,544)**	–
Proceeds from disposal of investments	**17,739**	–
Net cash flows from investing activities – continuing operations	**1,652**	3
Cash flows from financing activities		
Net proceeds from issue of equity	**16,526**	8,429
Net cash flows from financing activities	**16,526**	8,429
Net cash flows from operating activities – discontinued operations	**-**	1,939
Net increase in cash and cash equivalents in the year	**17,344**	9,642
Cash and cash equivalents at beginning of year	**11,103**	1,461
Cash and cash equivalents at end of year	**28,447**	11,103

The notes on pages 27 to 48 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

1 ACCOUNTING POLICIES

MXC Capital Limited (the 'Company') is a company incorporated and domiciled in Guernsey, whose shares are publicly traded on the AIM division of the London Stock Exchange. The registered office is 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW and the principal place of business is Guernsey.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board and adopted by the European Union (IFRS).

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability or expense. The detailed measurement bases and principal accounting policies of the Company and its subsidiaries (the 'Group') are set out below. The accounting policies have been applied consistently throughout the Group for the purposes of the preparation of these consolidated financial statements. The presentational currency of the Group and functional currency of the Company is Sterling. The consolidated financial statements have been rounded to the nearest thousand.

During the year the Group was restructured as a result of the acquisition of MXC Capital Markets LLP (formerly MXC Capital Advisory LLP) and the re-domicile to Guernsey, effected by the insertion of MXC Capital Limited as the new ultimate parent company of the Group and of MXC Guernsey Limited as an intermediate holding company. The latter two transactions do not meet the definition of a business combination under IFRS3. They have, therefore, been accounted for under the principles of predecessor value method accounting, with the effect that the financial results are presented as if MXC Capital Limited and MXC Guernsey Limited had always been part of the Group. The 2014 comparatives have therefore been restated to reflect this position. In accordance with IAS 1 and as a result of the restatement of the 2014 comparatives, restated figures as at 1 September 2013 have also been presented for the Consolidated Statement of Financial Position. These 2013 figures include trade from operations which were disposed of in 2014 prior to the formation of the MXC Group.

The principal accounting policies applied during the year are set out below. These accounting policies incorporate those adopted by the discontinued operations during the period prior to disposal.

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its existing cash reserves which are sufficient to meet currently maturing obligations as they fall due. The directors have reviewed the Group's financial projections and, given the cash balances the Group holds, are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

ADOPTION OF NEW ACCOUNTING STANDARDS

The following standards or interpretations have been adopted in the current period. Their adoption has not had any impact on the amounts reported in these consolidated financial statements and it is not expected to have any impact in future financial statements:

- IAS 27 (Revised) – Separate financial statements
- IAS 28 (Revised) – Investments in associates and joint ventures
- IAS 32 – Offsetting financial assets and financial liabilities
- IAS 36 – Impairment of assets
- IAS 39 – Financial instruments
- IFRS 10 – Consolidated financial statements
- IFRS 11 – Joint arrangements
- IFRS 12 – Disclosure of interests in other entities
- IFRIC 21 – Levies

An overview of standards, amendments and interpretations to IFRSs issued but not yet effective is provided on page 31.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

1 ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The consolidated financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 August each year. All subsidiaries have a reporting date of 31 August.

Other than as detailed below, subsidiaries are fully consolidated from the date on which control is transferred to the Group under the acquisition method. This involves the recognition at fair value of the assets, liabilities and contingent liabilities of the subsidiary at the acquisition date. These fair values are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On 6 February 2015 the Company issued 1,965,630,992 shares in exchange for the entire issued share capital of MXC Capital (UK) Limited. The acquisition of its principal subsidiary by the Company did not meet the definition of a business combination and therefore falls outside the scope of IFRS 3. As IFRS does not provide specific guidance in relation to group reorganisations the Company followed the principles under International Accounting Standards (IAS) 8 'Changes in Accounting Estimates and Errors' paragraphs 10,11 and 12 to exercise judgement in developing and applying an accounting policy that it believes to be appropriate for the business combination. The Company has therefore accounted for this acquisition in accordance with the principles of predecessor value method accounting. Accordingly the financial information for the Group has been presented as if MXC Capital (UK) Limited has been owned by the Company throughout the current and preceding periods. The comparative figures for the previous year include the results of the merged entity, and its assets and liabilities at the previous balance sheet date. The difference between the nominal value of the shares issued and the net assets acquired has been taken to reserves via the 'merger reserve'. Subsequent to this transaction MXC Capital (UK) Limited was granted court approval permitting a Reduction of Capital following completion of the above transaction. This created distributable reserves in MXC Capital (UK) Limited via the cancellation of its share premium account and the reduction of its issued share capital.

The Company sold its investment in MXC Capital (UK) Limited to MXC Guernsey Limited on 17 February 2015. This disposal was effected by way of a share for share exchange, with 100 1p ordinary shares in MXC Guernsey Limited being issued to the Company. This transaction has been accounted for in accordance with the principles of predecessor value method accounting.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Directors of the Company, which reviews the Group's internal reporting in order to assess performance and allocate resources.

REVENUE

Revenue comprises the fair value of the consideration received or receivable for services provided in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax where applicable and after eliminating sales within the Group.

RENDERING OF SERVICES

The Group's primary sources of revenue are retainers and transaction fees charged in respect of its corporate finance activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the goods or services have been provided. The amount is not considered to be reliably measurable until all contingencies relating to the service have been resolved. In the case of retainers charged, these are recognised on a monthly basis in accordance with the provision of services. In the case of transaction fees these are recognised on completion of the relevant transaction.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Depreciation is provided to write down the cost to the residual value over the assets' estimated useful economic lives on a straight line basis with the following lives:

Computer equipment	3 years
Office furniture and fittings	3 years

The residual values and economic lives of assets are reviewed by the directors on at least an annual basis and are amended as appropriate.

INVESTMENTS

The Group's investments comprise non-derivative financial assets comprising listed equity securities and warrants which are held as available-for-sale assets. Temporary unrecognised gains or losses arising from revaluation of the asset at each reporting period are transferred directly to the Group's other comprehensive income then to the fair value reserve. Dividend income and impairment losses are recognised within the profit and loss account. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in the fair value reserve is reclassified from the fair value reserve to the profit and loss account. Investments are classified as current assets if the company intends to realise its investment within 12 months of the balance sheet date, otherwise they are included in non-current assets.

IMPAIRMENT TESTING OF PROPERTY, PLANT AND EQUIPMENT

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell, and value in use based on an internal discounted cash flow valuation. Any impairment loss is charged pro rata to the assets in the cash-generating unit.

INTANGIBLE ASSETS AND IMPAIRMENT

(i) Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. The Group determines whether goodwill is impaired on at least an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires the directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Customer contracts

On acquisition of a subsidiary the directors assess the business acquired to identify any intangible assets. Customer contracts meet the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset would be exchanged between knowledgeable and willing parties in an arm's length transaction. The fair value of customer contracts is calculated using the discounted cash flows arising from existing customer contracts and relationships based on both contracted and anticipated future fees.

(iii) Impairment of intangibles and goodwill

In assessing impairment, management estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. In 2015, no impairment loss on goodwill was recognised by the Group.

TAXATION

The Company is taxed in Guernsey at the standard rate of 0%.

The Group's subsidiaries' current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date in the jurisdictions certain of the Group's subsidiaries operate in.

1 ACCOUNTING POLICIES CONTINUED

TAXATION CONTINUED

Deferred income taxes are calculated in certain of the Group's subsidiaries using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or of any other asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Tax losses which are available to be carried forward and other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying temporary differences will be able to be offset against future taxable income.

Current and deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period of realisation based on tax rates and laws that have been enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

FINANCIAL ASSETS

Financial assets are recognised when the Group becomes a party to the contractual provisions of the contract. They are assigned to the categories described below by management on initial recognition, depending on the purpose for which they were acquired. The designations of financial assets are re-evaluated at every reporting date at which a choice of classification or accounting treatment is available, and are as follows:

(i) Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original value and recoverable amounts. Provision is made where there is evidence that the balances will not be recovered in full. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

(ii) Available for sale (AFS) financial assets

The Group's AFS financial assets are non-derivative financial assets comprising listed securities and warrants measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the fair value reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the fair value reserve to profit or loss. Interest calculated using the effective interest method and dividends are recognised in profit or loss within finance income. AFS equity investments impairment reversals are not recognised in profit and loss and any subsequent increase in fair value is recognised in other comprehensive income.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the contract. The Group's financial liabilities include trade payables which are measured initially at fair value and subsequently at amortised cost using the effective interest rate method, based on management's expectations of performance.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

A financial asset or liability is generally derecognised only when the contract that gives rise to it is settled, sold, cancelled or expires.

EMPLOYEE BENEFITS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension costs charged in the statement of profit or loss are the contributions payable to the scheme in respect of the accounting period.

SHARE-BASED PAYMENTS

(i) Share options

The Group has issued equity-settled share options to certain current and former employees. The fair value of these options is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the Group's estimate of shares or options that will eventually vest. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made where a change occurs to the expectation of a market based vesting condition. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

The fair value of the options is measured by the Black-Scholes pricing method. All equity-settled share-based payments are ultimately recognised as an expense in the consolidated statement of profit or loss with a corresponding credit to the share option reserve.

Upon exercise of share options the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium. Where vested share options have lapsed, the value previously credited to the share option reserve in relation to those options is transferred to retained profits. Where share options are modified the fair value of those options is reassessed and any revised value is expensed over the vesting period of the modified option. See note 19 for further details.

(ii) Shares used to settle consultancy services

The Group on occasion issues equity-settled share-based payments to settle consultancy agreements. The fair value of these payments is determined at the deemed date of grant and is expensed on a straight line basis over the period of the provision of the relevant services.

BUSINESS COMBINATIONS

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

EQUITY

Equity comprises the following:

- Share premium, representing the fair value of consideration received for shares, net of expenses of the share issue;
- Investment in own shares, representing the cost of purchasing issued shares in the Company into treasury;
- Merger reserve, representing the excess of the Company's cost of investment over the nominal value of MXC Capital (UK) Limited's shares acquired using the principles of predecessor value method accounting;
- Share option reserve, representing the cost of equity-settled share-based payments until such share options are exercised or lapse; and
- Fair value reserve, representing unrealised gains/losses arising from fair value adjustments to the carrying value of assets designated as available for sale until such assets are disposed of.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

At the date of issue of these financial statements, the following relevant Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. The directors anticipate that the adoption of these Standards and Interpretations, which is expected to occur on their effective dates, will not have a material impact on the Group's financial statements.

- IFRS 9, Financial Instruments (effective date for annual periods beginning on or after 1 January 2018)
- IFRS 15, Revenue from Contracts with Customers (effective date for annual periods beginning on or after 1 January 2018)
- Annual improvements 2010 – 2012 (effective date for annual periods beginning on or after 1 February 2015).

1 ACCOUNTING POLICIES CONTINUED

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and judgements and their underlying assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenue and expenses during the periods presented. Actual results may differ significantly from the estimates, the effect of which is recognised in the period in which the facts that give rise to the revision become known. The following paragraphs detail the critical accounting estimates and judgements the Group believes to have the most significant impact on the annual results under IFRS.

(i) Value of investments

The Group holds investments in the form of listed securities and warrants measured at fair value. The listed securities are valued at fair value at 31 August, based on the closing mid-market share price. The warrants are held in respect of listed entities and a valuation exercise to estimate their fair value at 31 August has been undertaken. This exercise involves the production of a Black-Scholes valuation with estimates made in respect of items such as the achievability of performance criteria, share price volatility and exercise date. An external expert has been engaged for valuation purposes. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date (see note 12).

(ii) Treatment of business combinations and restructuring

The Board has exercised judgement in relation to the accounting treatment of the business combinations and the restructuring carried out during the year, which are further explained in the Basis of Consolidation Accounting Policy, as follows:

In relation to the acquisition of MXC Capital Markets LLP (the 'LLP'), the LLP was acquired from MXC Holdings Limited ('Holdings'), which held the membership rights in the LLP. Prior to this transaction Holdings held 27.65% of the issued share capital of the MXC Capital (UK) Limited (formerly MXC Capital plc) ('UK'). Following the acquisition of the LLP, for which shares in UK were issued as consideration, Holdings held 51.5% of the issued share capital of UK. At the time of the acquisition, Holdings entered into a binding agreement with the Company's Nomad that, inter alia, it would not use its voting rights to take control of the Board of UK, or subsequently the board of the Company. It also expressly acknowledged within this agreement that the Board of UK is responsible for all decisions concerning the operations and investment decisions of UK. The Board of UK was unchanged following the acquisition of LLP and did not comprise any representatives from Holdings. Taking these factors into account, in addition to the relative sizes of the net assets of the two businesses, the directors of the Company believe that UK is both the legal and accounting acquirer of the LLP.

The acquisition of MXC Capital (UK) Limited by the Company was effected via a share for share exchange with each shareholder in MXC Capital (UK) Limited receiving one share in the Company in exchange for each share they held in MXC Capital (UK) Limited. As a result of this transaction there was no change in ownership of the Group. The directors therefore consider the insertion of the new parent company of the Group to be a 'common control combination'. Such a combination is outside the scope of IFRS 3. The directors therefore have followed the principles set out under IAS 8 and have determined that the acquisition should be accounted for in accordance with the principles of predecessor value method accounting. This approach means that the results of the Group are shown as if the Group has always existed in its current form which the directors believe is the appropriate presentation.

(iii) Impairment assessment

The Group tests annually whether goodwill and intangible assets have suffered any impairment, in accordance with the accounting policy stated on page 29. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(iv) Estimated valuation of intangibles

On acquisition of a new business, the Group identifies intangible assets. This calculation involves estimates about future revenues, costs, cash flows and the cost of capital for the Group. It also involves estimating the life of customer relationships.

2 SEGMENTAL ANALYSIS

Operating segments are reported in a manner consistent with the internal reporting to the Chief Operating Decision Makers ('CODM'). The CODM has been identified as the Board of Directors.

The Board is responsible for strategic decision making and for assessing the performance of the operating segments. The operating segments are defined by distinctly separate product offerings or markets. The CODMs assesses the performance of the operating segments based on profit before tax.

All revenue originates in the United Kingdom or Guernsey. The Group is comprised of the following main operating segments:

CORPORATE FINANCE DIVISION

In this segment are the results of MXC Capital Markets LLP for the current year. The results of this division are stated after eliminating trade with other group companies. The LLP was acquired in October 2014 therefore there are no comparative figures presented.

OTHER

All other activities of the Group in performing its principal activity of a merchant bank specialising in investing in technology companies and building value in the companies it invests in are considered together by the CODM.

	Corporate Finance 2015 £000	**Other 2015 £000**	**Total 2015 £000**	Total 2014 £000
Revenue	**1,998**	**96**	**2,094**	–
Realised profit on disposal of assets	**–**	**5,385**	**5,385**	–
Cost of sales	**(31)**	**(35)**	**(66)**	–
Gross profit	**1,967**	**5,446**	**7,413**	–
Administrative costs before depreciation	**(947)**	**(1,418)**	**(2,365)**	(1,069)
Depreciation	**(1)**	**(2)**	**(3)**	(1)
Operating profit	**1,019**	**4,026**	**5,045**	(1,070)
Finance income	**–**	**23**	**23**	3
Profit/(loss) before taxation	**1,019**	**4,049**	**5,068**	(1,067)
Taxation	**–**	**(161)**	**(161)**	15
Segment non-current assets	**1**	**22,100**	**22,101**	161
Segment current assets	**1,692**	**27,775**	**29,467**	12,972
Segment liabilities	**(420)**	**(1,241)**	**(1,661)**	(733)
Segment net assets	**1,273**	**48,634**	**49,907**	12,400

During the year sales to the following customers were greater than 10% of revenue:

	2015 £000	2014 £000
Accumuli plc	**754**	–
Castleton Technology plc	**663**	–
Redcentric plc	**320**	–
365 Agile Group plc	**303**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

3 REALISED PROFIT ON DISPOSAL OF ASSETS

Part of the Group's business model is to generate capital returns from its investments. During the year the Group acquired, restructured and disposed of the entire share capital of Calyx Managed Services Limited and also disposed of its equity holding in Eagle Eye Solutions Group plc (see note 15). The cost of these investments during the year was £10,354,000 (2014: £2,000,000) and disposal proceeds were £17,739,000. The profit generated from these disposals was £5,385,000.

4 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging to administrative costs:

Continuing operations	2015 £000	2014 £000
Depreciation of owned tangible assets	**3**	–
Employee costs (see note 5)	**1,152**	487
Operating lease rentals	**50**	2
Auditor's remuneration:		
Audit of parent and consolidated accounts	**19**	21
Audit of the Company's subsidiaries	**21**	–
Non-audit services:		
Other non-audit services	**10**	25
Restructuring and non-recurring costs (1)	**604**	387

(1) Restructuring and non-recurring costs relate to the restructuring of the MXC Group, including the acquisition of MXC Capital Advisory LLP and the re-domicile to Guernsey. In addition, costs have been incurred in relation to the acquisition of MXC Holdings Limited after the year end. See note 24 for details.

5 PARTICULARS OF STAFF

The average number of persons employed by the Group, including executive directors, during the year was:

Continuing operations	2015 No	2014 No
Fee earners and administration	**7**	3

The aggregate payroll costs of these persons were:

Continuing operations	2015 £000	2014 £000
Wages and salaries	**1,014**	381
Social security costs	**134**	25
Pension costs– defined contribution plan	**4**	19
Total payroll costs	**1,152**	425
Share based payments(1)	**–**	62
Total employment costs	**1,152**	487

(1) The share based payments primarily relate to share options issued in the July 2013 fundraising and are a non-cash item.

DIRECTORS' REMUNERATION

Remuneration of directors during the year was as follows:

	2015 £000	2014 £000
Aggregate emoluments including short-term employee benefits	**300**	8
Fees	**133**	4
	433	12

The remuneration of the highest paid director during the year was:

	2015 £000	2014 £000
Aggregate emoluments including short-term employee benefits	**300**	8

The remuneration of individual directors is disclosed in the Directors' report on page 17. No retirement benefits in respect of defined contribution schemes are accruing to any directors.

6 FINANCE INCOME

	2015 £000	2014 £000
Interest income on short-term bank deposits	**23**	3

7 TAXATION

	2015 £000	2014 £000
The tax charge represents:		
Current tax	**-**	-
Deferred tax		
Reversal of temporary differences	**161**	(15)
Tax on profit/(loss) on ordinary activities	**161**	(15)
Tax reconciliation		
Profit/(loss) on ordinary activities before taxation	**5,068**	(1,067)
Tax using the applicable Guernsey income tax rate of 0% (2014: 0%)	**-**	-
UK corporation tax rate of 20.58% (2014: 22.16%) payable on UK profits/(losses)	**156**	-
Utilisation of tax losses	**(156)**	-
Deferred tax charge/(credit) re temporary differences	**161**	(15)
Tax on profit/(loss) on ordinary activities	**161**	(15)

The Company is taxed in Guernsey at the standard rate of 0%.

8 EARNINGS PER SHARE

Earnings per share ('EPS') 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 ordinary shares in issue during the year is:

	2015 Number	2014 Number
Weighted average shares used to calculate basic EPS	**2,088,266,583**	1,041,266,910
Dilutive impact of share options	**48,338,440**	41,807,080
Weighted average shares used to calculate diluted EPS	**2,136,605,023**	1,083,073,990

The weighted average number of shares for the purpose of calculating the basic and diluted EPS from continuing operations in 2014 is the same. This is because the outstanding share options, detailed in note 19, would have the effect of reducing the loss per ordinary share from continuing operations and therefore would be anti-dilutive.

9 BUSINESS COMBINATIONS

On 29 October 2014 MXC Capital (UK) Limited (formerly MXC Capital plc) acquired the membership interest in MXC Capital Markets LLP (formerly MXC Capital Advisory LLP) ('LLP') from MXC Holdings Limited for a total consideration of £6 million. The consideration was settled by the issue of 600,000,000 1p shares in MXC Capital (UK) Limited. As a result of the acquisition, MXC Capital (UK) Limited is entitled to all of the profits generated by the LLP, other than the first £10.

LLP is a corporate finance and corporate broking advisory business and the primary reason for the business combination was to give the Group access to its own corporate finance facility.

From the date of acquisition to 31 August 2015, the portion of LLP held within continuing activities achieved revenue of £2.2 million and a profit before taxation of £1.1 million. Assuming the combination had taken place at the beginning of the year, the reported revenue from LLP would also have been £2.2 million and the profit for the year before taxation would have been £1.1 million. Acquisition costs incurred in the year were £17,000 (2014: £387,000).

The total provisional goodwill and intangible assets arising from the acquisition is the difference between the fair value of consideration less the provisional fair value of assets acquired:

	LLP £000
Fair value of purchase consideration	6,000
Less fair value of assets acquired:	
Property, plant and equipment	1
Trade receivables	20
Cash and cash equivalents	444
Trade and other payables	(465)
Goodwill and intangibles	6,000

The consideration was settled via the issue of equity.

On the acquisition of the LLP the directors assessed the business acquired to identify any intangible assets. Customer contracts met the criteria for recognition as intangible assets as they are separable from each other and have a measurable fair value, being the amount for which an asset would be exchanged between knowledgeable and willing parties in an arm's length transaction. For the customer contracts the fair value of the intangible assets was calculated by using the discounted cash flows arising from the existing customer contracts based on both contracted retainer fees and anticipated transaction fees. A discount rate of 5% was then applied. The reasonable economic life of the customer relationships was assumed to be three years. The identifiable intangible assets are as follows:

	£000
Customer contracts	73
Goodwill	5,927
	6,000

The goodwill arising on the acquisition mainly represents the economic benefits the Group is expecting from the current and future business of the LLP and is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount of the business was based on a value in use calculation using cash flow projections until August 2024 from forecast revenue streams. Forecast revenue and costs were based on sensitised management expectations, with revenue growth projected at 8% and an increase in costs of 4% for each of the next 3 years and no growth thereafter. Cash flows were discounted at a rate of 5% which reflects management's risk-adjusted estimate of the weighted average cost of capital. Following the impairment review of goodwill, the directors considered it unnecessary to record a goodwill impairment charge in the year ended 31 August 2015. A reasonably possible adverse movement in any of the above key assumptions made would not give rise to an impairment.

10 INTANGIBLE ASSETS

	Goodwill £000	Customer contracts and related relationships £000	Intellectual property £000	Total £000
Cost				
At 1 September 2013	7,914	–	19,280	27,194
Additions	–	–	188	188
Disposal of subsidiaries	(7,914)	–	(19,468)	(27,382)
At 31 August 2014	**–**	**–**	**–**	**–**
Business combinations	5,927	73	–	6,000
At 31 August 2015	**5,927**	**73**	**–**	**6,000**
Amortisation and impairment				
At 1 September 2013	7,403	–	16,199	23,602
Charge for the year	–	–	560	560
Disposal of subsidiaries	(7,403)	–	(16,759)	(24,162)
At 31 August 2014 and 31 August 2015	**–**	**–**	**–**	**–**
Net book value				
At 31 August 2015	**5,927**	**73**	**–**	**6,000**
At 31 August 2014	–	–	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

11 PROPERTY, PLANT AND EQUIPMENT

	Computer equipment £000	Office furniture and fittings £000	Total £000
Cost			
At 1 September 2013	1,858	729	2,587
Disposal of subsidiaries	(1,858)	(729)	(2,587)
At 31 August 2014	**–**	**–**	**–**
Additions	9	1	10
Business combinations	1	–	1
At 31 August 2015	**10**	**1**	**11**
Depreciation			
At 1 September 2013	1,625	679	2,304
Charge for the year	56	131	187
Disposal of subsidiaries	(1,681)	(810)	(2,491)
At 31 August 2014	**–**	**–**	**–**
Charge for the year	3	–	3
At 31 August 2015	**3**	**–**	**3**
Net book value			
At 31 August 2015	**7**	**1**	**8**
At 31 August 2014	–	–	–

12 INVESTMENTS

	Total £000
Cost	
At 1 September 2013 and 31 August 2014	–
Additions	6,190
At 31 August 2015	**6,190**
Fair value movement	
At 1 September 2013 and 31 August 2014	–
Fair value movement in the year	9,903
At 31 August 2015	**9,903**
Net book value	
At 31 August 2015	**16,093**
At 31 August 2014	–

The Group's investments at 31 August 2015 relate to equity securities and warrants held in AIM listed companies. These investments are accounted for as available for sale non-current assets, presented as investments in the Consolidated statement of financial position.

FAIR VALUE MEASUREMENT

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: not traded in an active market but the fair values are based on quoted market prices or alternative pricing sources with reasonable levels of price transparency; or
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The available-for-sale equity securities and warrants are measured at fair value. The equity securities are categorised as level 1 fair values and the warrants as level 2. The warrants are held in respect of listed entities and a valuation exercise to estimate their fair value at 31 August has been undertaken. The fair value of the warrants involves a three-model approach which includes the production of a Black-Scholes valuation with estimates made in respect of items such as the achievability of performance criteria, share price volatility and exercise date. An external expert has been engaged for valuation purposes.

There have been no transfers between levels 1 and 2 in 2015 or 2014. Categorisation of the fair values at 31 August 2015 was:

	Level 1 £000	Level 2 £000	Level 3 £000
Listed investments	14,301	–	–
Warrants	–	1,792	–
	14,301	**1,792**	**–**

13 DEFERRED TAX (ASSET)/LIABILITY

The elements of deferred taxation are as follows:

	2015 £000	2014 £000
Share option charge	**–**	161
Deferred tax asset	**–**	161

Movement in deferred tax (asset)/liability:

	Accelerated capital allowances and intellectual property £000	**Research and development tax credit £000**	**Share option charge £000**	**Total £000**
At 1 September 2013	350	–	(203)	147
Credited to income statement	–	(61)	(15)	(76)
Charged to equity	–	–	57	57
Released on disposal of subsidiaries	(350)	61	–	(289)
At 31 August 2014	–	–	(161)	(161)
Charged to profit or loss	–	–	161	161
At 31 August 2015	**–**	**–**	**–**	**–**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

14 TRADE AND OTHER RECEIVABLES

	2015 £000	2014 £000
Trade receivables	**730**	–
Prepayments and accrued income	**289**	14
Other receivables	**1**	26
	1,020	40

The ageing of trade receivables at 31 August was:

	2015 £000	2014 £000
Not past due	**303**	–
Up to 3 months past due	**337**	–
More than 3 months past due	**90**	–
	730	–

No past due receivables at the balance sheet date are considered impaired therefore no provision against trade receivables has been made in the consolidated financial statements. The Group trades only with recognised, credit-worthy third parties, typically where the Group has detailed knowledge of the financial position of the counterparty. Receivable balances are monitored on an ongoing basis with the aim of minimising the Group's exposure.

The other classes of assets within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable disclosed above. The carrying amounts of the Group's trade and other receivables are all denominated in sterling.

15 OTHER SHORT-TERM FINANCIAL ASSETS

	£000
Cost	
At 1 September 2013	–
Acquired during the year	2,000
At 31 August 2014	**2,000**
Disposals	(2,000)
At 31 August 2015	**–**
Fair Value Movement	
At 1 September 2013	–
Fair value movement in the year	(171)
At 31 August 2014	**(171)**
Fair value movement in the year	610
On disposal	(439)
At 31 August 2015	**–**
Net book value	
At 31 August 2015	**–**
At 31 August 2014	1,829

16 TRADE AND OTHER PAYABLES

	2015 £000	2014 £000
Current		
Trade payables	**203**	248
Other payables	**376**	10
Accruals	**1,082**	475
	1,661	733

17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

RISK MANAGEMENT OBJECTIVES AND POLICIES

The investment objective of the Group is to maximise its total return primarily through the capital appreciation of its investments. The Group holds investments in the form of equities and warrants. In addition, the Group holds cash and liquid resources as well as having receivables and payables that arise directly from its operations. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The main risks that the Group is exposed to are market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The most significant financial risks to which the Group is exposed are described below and relate to the following financial instruments:

PRINCIPAL FINANCIAL INSTRUMENTS

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

- Available-for-sale financial assets
- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables

	2015 £000	Restated 2014 £000
Financial assets		
Available-for-sale financial assets	**16,093**	1,829
Cash and cash equivalents	**28,447**	11,103
Trade and other receivables	**731**	26
	45,271	12,958
Financial liabilities		
Trade and other payables	**1,661**	733

17 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

FINANCIAL RISK MANAGEMENT

Market Risk

Currency Risk

The Group has no direct exposure to currency risk. However, the Group is indirectly exposed to currency risk through the companies it invests in. The Group does not hedge against the currency risk, which the Board of Directors believe is a low risk to the Group.

Interest Rate Risk

The Group finances its operations through a mixture of Shareholders' capital and reserves. During the year the Group received interest of £23,000 on its cash and cash equivalents (2014: £3,000). All other assets and liabilities of the Group are non-interest bearing.

At 31 August 2015, cash and cash equivalents of £28,447,000 (2014: £11,103,000) are potentially exposed to movements in interest rates. Due to the generally low rates available, a movement in interest rates would not have a material financial impact on the Group. Therefore, the Group does not hedge against the interest rate risk to which it is exposed.

Other Price Risk

The Group's exposure to other price risk consists mainly of movements in the value of the Group's investments. The Board manages the price risks inherent in the investment portfolio by ensuring full and timely access to relevant information on current and potential investments. The Board meets regularly and at each meeting reviews investment performance. For the Group's listed equity securities, an average volatility of 14% has been observed during 2015 (2014: 9%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity could have been affected by changes in other price risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, other comprehensive income and equity would have changed by £2,253,000 million (2014: £164,000). The Group's investments are classified as available-for-sale assets therefore there would be no effect on profit or loss unless any decline in fair value below cost is determined to be an impairment (for example if the decline is significant or prolonged).

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk principally in respect of cash deposits with financial institutions. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at 31 August, as summarised in the 'Principal financial instruments' table above.

The Group's management considers that all of the above financial assets that are not impaired or past due for each of the 31 August reporting dates under review are of good credit quality.

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Liquidity risk analysis

Liquidity risk is that the Group might be unable to meet its financial obligations as they fall due. The Group manages its cash flows to ensure that it will always have sufficient liquidity to meet its liabilities when due. The Board of Directors manages liquidity risk by regularly reviewing the Group's cash requirements by reference to cash flow projections prepared by management.

CAPITAL MANAGEMENT

The Group's capital structure is comprised entirely of shareholders' equity. The objective of the Board when managing capital is:

- to ensure the Group can meet its liabilities as they fall due; and
- to maximise the Group's total return primarily through the capital appreciation of its investments.

The capital structure is managed and adjusted to reflect changes in economic conditions. The Group funds its expenditure on commitments from existing cash and cash equivalent balances, primarily received from operating cash flows, the realisation of investments and the issuances of shareholders equity. There are no externally imposed capital requirements. Financing decisions are made by the Board based on forecasts of the expected timing and level of capital, the operating expenditure required to meet the Group's commitments and development plans and the performance of the Group's current and potential investment portfolio.

18 SHARE PREMIUM

	Number of shares	Share Premium £000
At 31 August 2013 (restated)	397,891,130	6,578
Issue of share capital	850,555,772	8,434
At 31 August 2014 (restated)	**1,248,446,902**	**15,012**
Issue of share capital	1,317,803,816	22,526
Cancellation of shares held in treasury	(899,726)	–
At 31 August 2015	**2,565,350,992**	**37,538**

The company is authorised to issue an unlimited number of Ordinary Shares at no par value.

During the year the Company cancelled all of the treasury shares held at 31 August 2014.

2015 SHARE ISSUES AND CANCELLATIONS

In order to augment existing investment funds, on 2 June 2015 the Company completed a placing of 600,000,000 new ordinary shares at a price of 2.5p per share, raising gross proceeds of £15 million.

On 12 November 2014, the company issued 104,089,816 1p ordinary shares to MXC Holdings Limited at a price of 1.7p per share pursuant to its investment in Castleton Technology plc.

On each of 18 December 2014 and 5 January 2015, the company issued 5,357,000 1p ordinary shares at a price of 1.4p per share in settlement of consultancy services. See note 19 for further details.

On 30 October 2014, the company issued 3,000,000 1p ordinary shares at a price of 1p per share in settlement of consultancy services.

On 29 October 2014, the company issued 600,000,000 1p ordinary shares to MXC Holdings Limited at a price of 1.0p per share pursuant to its acquisition of MXC Capital Markets LLP.

2014 SHARE ISSUES

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.

Also 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.

MERGER RESERVE

The acquisition of its principal subsidiary, MXC Capital (UK) Limited, by the Group did not meet the definition of a business combination and therefore fell outside the scope of IFRS 3. The acquisition was therefore accounted for in accordance with the principles of predecessor value method accounting as detailed in the Critical accounting estimates and judgements accounting policies on page 32. The consideration paid to the shareholders of MXC Capital (UK) Limited was 1,965,350,992 ordinary shares of nil par value. A merger reserve arises on consolidation being the difference between the nominal value of the shares issued on acquisition and the net assets acquired.

19 SHARE BASED PAYMENTS

(i) Share option scheme

The Company has a share option scheme for certain employees and former employees of the Group. Share options outstanding at the end of the year were:

	2015 Number of share options	**2015 Weighted average exercise price £**	2014 Number of share options	2014 Weighted average exercise price £
Outstanding at the beginning of the year	**66,660,842**	**0.01**	67,848,142	0.02
Lapsed in the year	**–**	**–**	(1,187,300)	0.66
Outstanding at the end of the year	**66,660,842**	**0.01**	66,660,842	0.01
Exercisable at the end of the year	**66,660,842**	**0.01**	66,660,842	0.01

Share options were granted in 2011 and 2013 and, as the performance criteria were achieved, all options have fully vested. Where applicable, the Board has exercised its discretion so that options granted to former employees continue to be exercisable.

Options outstanding under the Company's share option schemes at 31 August 2015 were as follows:

Name of scheme	**2015 No of options**	**2014 No of options**	**Calendar year of grant**	**Exercise period**	**Exercise price per share**
2011 Management incentive schemes	16,666	16,666	2011	2014-2021	£0.01
2013 Enterprise Management Incentive scheme	20,000,000	20,000,000	2013	2013-2016	£0.01
	26,644,176	26,644,176	2013	2013-2023	£0.01
	20,000,000	20,000,000	2013	2013-2023	£ nil

The weighted average remaining contractual life of these options is 5.9 years (2014: 6.9 years).

The fair value of the employees' services received in exchange for the grant of share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted. Fair value is determined by reference to the Black-Scholes option pricing model.

The inputs into the option pricing models are as follows:

	2015	2014
Weighted average exercise price	**£0.01**	£0.01
Expected volatility	**0.00%-86.81%**	0.00%-86.81%
Expected life	**0.0-7.1 years**	0.0-7.1 years
Risk free interest rate	**0.00%-2.69%**	0.00%-2.69%
Expected dividends	**Nil**	Nil

The volatility of the Company's share price on each date of grant was calculated as the average of annualised standard deviations of daily continuously compounded returns on the Company's stock, calculated over 1, 2, 3, 4, 5, 6 and 7 years back from the date of grant, where applicable.

The Group recognised a charge of £nil (2014: £62,000) related to equity-settled share options in the year.

As a result of the Group's re-domicile to Guernsey the outstanding share options in MXC Capital (UK) Limited (formerly MXC Capital plc) were replaced by options in MXC Capital Limited. There was no change to any of the terms of the options nor to their quantum as a result of this transaction and the fair value of the share options immediately before and after the replacement was the same. There is therefore no change to the IFRS 2 charge previously recognised.

(ii) Share based payments in respect of consultancy services
During the year the Company settled certain agreements with consultants by the issue of Ordinary Shares. Further details are given in note 18. The fair value of the shares issued are based on the market value at grant date and the services received. The Group recognised a charge of £50,000 (2014: £30,000) related to equity-settled share based payments in the year.

20 OPERATING LEASE COMMITMENTS

At 31 August 2015, the Group had aggregate minimum lease payments under non-cancellable operating leases in relation to property as follows:

	2015 £000	2014 £000
Due within 1 year	**-**	–
Due from one to five years	**-**	50
	-	50

21 RELATED PARTY TRANSACTIONS

Ian Smith and Tony Weaver are significant shareholders in the Company. Jill Colligham is a director of MXC Capital (UK) Limited, an indirect subsidiary of the Company. During the year Ian Smith, Tony Weaver and Jill Colligham were directors of companies which were supplied with services by the Group as follows:

	Profit and Loss 2015 £000	Profit and Loss 2014 £000	**Due 2015 £000**	Due 2014 £000
Sales:				
Castleton Technology plc	**663**	122	**357**	10
Redcentric plc	**320**	603	**12**	6
365 Agile Group plc	**303**	–	**319**	–
Montal Group Limited	**-**	140	**-**	–
Calyx Managed Services Limited	**10**	–	**-**	–
Expenses:				
Mathian Limited (subsidiary of MXC Holdings Limited)	**267**	375	**154**	13

During the year the Company issued shares to MXC Holdings Limited as consideration for the acquisition of MXC Holdings Limited's investment in Castleton Technology plc and for the membership interests in MXC Capital Markets (LLP). See note 18 for further details.

The directors are the key management personnel of the Company and their remuneration is disclosed in the Directors' Report.

The directors are not aware of any ultimate controlling party.

22 ONGOING LITIGATION

Pursuant to the disposal of Telitas US Inc ("Telitas") in 2012, as is common in such transactions, Georgia Holding Company Inc ("Georgia"), a subsidiary of the Company, agreed to indemnify the acquirer, SoundBite Communications Inc ("SoundBite"), against certain claims that might arise relating to the period prior to SoundBite's acquisition of Telitas. Notice of a claim under this indemnity was received by Georgia in 2012 as a result of Telitas's inclusion in a class action suit filed against sixteen defendants across the US mobile telecommunications market, including the major network carriers, alleging violation of the US Sherman Act. This class action is ongoing and any successful claim made under this indemnity could have a material adverse effect on the Group's financial condition. The indemnity is, however, contractually capped at US$3,800,000. $750,000 of the consideration for the disposal of Telitas was placed into an escrow account to be used to settle any indemnification claims and legal costs arising, $400,000 remains in escrow. The amount held in escrow is not included in the Group's cash balances.

23 SUBSIDIARIES

At 31 August 2015 the Company had the following subsidiary undertakings.

Investment	Principal activity	Country of incorporation	% ordinary share capital/members' interests owned
MXC Guernsey Limited	Investment and intermediate holding company	Guernsey	100%
MXC Capital (UK) Limited*	Investment and intermediate holding company	England & Wales	100%
MXC Capital Markets LLP*	Corporate Finance	England & Wales	100%
MXC Advisory Limited*	Dormant	England & Wales	100%
Broca (3) Limited*	Dormant	England & Wales	100%
Broca (1) Limited*	Dormant	England & Wales	100%
Broca Communications Limited*	Dormant	England & Wales	100%
Lammtara Industries EBT Trustees Limited*	Dormant	England & Wales	100%
2ergo Inc*	Dormant	United States	100%
Georgia Holding Company Inc*	Dormant	United States	100%
M-Invent Inc*	Dormant	United States	100%
Proteus Movil SA*	Dormant	Argentina	100%

*held indirectly

24 SUBSEQUENT EVENTS

ACQUISITION OF MXC HOLDINGS LIMITED

On 24 September 2015, the Group completed the acquisition of the entire issued share capital of MXC Holdings Limited ('MXCH') and its subsidiaries. Prior to the acquisition, MXCH owned 40.1% of the issued share capital of the Company. The long term strategic objective and commercial rationale for the acquisition was to unify the MXC Group organisation, management and investment interests into a single structure beneath an AIM quoted company, thereby aligning the interests of all of the shareholders of the Company and MXC Holdings.

The consideration for the acquisition was the issue of 1,649,089,816 new ordinary shares in the Company to the shareholders of MXCH. The share price of the Company at 24 September 2015 was 3.05p, giving a fair value of the consideration of £50.3 million. Immediately after the completion of the acquisition the 1,049,089,816 ordinary shares held by MXCH in the Company were reclassified as unlisted B shares.

The unaudited consolidated financial statements for MXCH and its subsidiaries for the period from 1 April 2014 to 31 August 2015 show revenue of £0.9 million and profit before tax of £3.5 million. At 31 August 2015 the unaudited net assets of MXCH and its subsidiaries were £44.9 million, this value based on the listed investments held by MXCH being stated at market value at 31 August 2015. Excluding the shares held in the Company by MXCH, the net assets of MXCH and its subsidiaries at 31 August 2015 were £15.2 million.

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.

SHARE INCENTIVE SCHEME

On 28 September 2015 the Group made awards to certain directors and employees under its recently established long term incentive plan ('LTIP').

The beneficiaries of the LTIP will be entitled to receive a share in a pool of up to 12.5 per cent of shareholder value created, subject to share price performance criteria, and need to have been employed by the Group for a minimum period of three years. Shareholder value is defined as the growth in the market capitalisation of the Company from the base value of at least three years from the date of the intended grant, which was the time of the reverse acquisition of MXC Capital Markets LLP, taking into account dividends and capital returns, if any. The base value is defined as the aggregate value of all the ordinary shares in the capital of the Company in issue in July 2014 as adjusted for the issue of new ordinary shares after that date.

Initially the LTIP will be implemented by way of an unapproved share option scheme. However, should certain share price targets be achieved then the unapproved share option scheme will be replaced in part or in whole by an employee shareholder share scheme. The overall entitlement of the beneficiaries and therefore potential dilution to shareholders will remain the same regardless of how the LTIP is implemented.

The initial awards over 10.25 per cent of shareholder value created have been made to 10 key staff and include Marc Young, CEO of the Company, Ian Smith and Tony Weaver, each of whom will be entitled to 2.0 per cent of shareholder value created.

INVESTMENT PORTFOLIO

On 8 September 2015 the Group increased its investment portfolio by making an initial investment of £4.8 million for a 19% stake in Sagacity Solutions Limited, a privately held specialist Big Data Analytics company. A further £1 million of development capital may be invested at the option of MXC. In addition the Group has been granted options over a further 7.5% of Sagacity Solutions Limited's issued share capital.

ISSUE OF SHARES

As stated in the Directors' Report on page 17 it is the likely intention of the Company to issue shares with a fair value of £35,000 to Peter Rigg and of £20,000 to Paul Guilbert as settlement of a one-off additional payment to them relating to time spent in respect of the Company during the year being considerably more than anticipated in their appointment letters, predominantly as a result of the corporate restructuring of the Group during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2015

25 RESTATEMENT OF 2014 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As detailed in the accounting policies on page 27, during the year the Group was restructured as a result of the re-domicile to Guernsey, effected by the insertion of MXC Capital Limited as the new ultimate parent company of the Group and of MXC Guernsey as an intermediate holding company. The restructure, which is explained further in the Basis of Consolidation Accounting Policy on page 28, does not meet the definition of a business combination under IFRS3. It has, therefore, been accounted for under the principles of predecessor value method accounting, with the effect that the financial results are presented as if all companies had always been part of the Group. The 2014 comparatives have therefore been restated to reflect this position as follows.

	MXC Capital plc **Reported** 31 August 2014 £000	Restructure(1) £000	MXC Capital Limited **Restated** 31 August 2014 £000
Non-current assets			
Deferred tax asset	161	–	161
	161	–	161
Current assets			
Trade and other receivables	40	–	40
Other short-term financial assets	1,829	–	1,829
Cash and cash equivalents	11,103	–	11,103
	12,972	–	12,972
Total assets	13,133	–	13,133
Current liabilities			
Trade and other payables	(733)	–	(733)
Total liabilities	(733)	–	(733)
Net assets	12,400	–	12,400
Capital and reserves attributable to equity holders of the parent			
Share capital	12,484	(12,484)	–
Share premium	12,574	2,438	15,012
Investment in own shares	(16)	–	(16)
Fair value reserve	(171)	–	(171)
Share option reserve	760	–	760
Other reserves	(13)	13	–
Merger reserve	–	(23,712)	(23,712)
Retained earnings	(13,218)	33,745	20,527
Total equity attributable to the owners of the parent	12,400	–	12,400

(1) The restatement reflects the share capital and premium of MXC Capital Limited following the acquisition, together with the creation of the merger reserve and the subsequent capital reorganisation of MXC Capital (UK) Limited making the share capital and share premium accounts of MXC Capital (UK) Limited distributable.

COMPANY INFORMATION

DIRECTORS
PETER RIGG
(Non-executive Chairman)

PAUL GUILBERT
(Non-executive Director)

MERIEL LENFESTEY
(Non-executive Director, appointed 27 October 2015)

MARC YOUNG
(Executive Director)

SECRETARY
Carey Commercial Limited

COUNTRY OF INCORPORATION AND REGISTRATION
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