MXC CAPITAL LIMITED

ANNUAL REPORT FOR THE YEAR TO 31 AUGUST 2019

MXC | CAPITAL

TECHNOLOGY ADVISER & INVESTOR

THE TECHNOLOGY FOCUSSED ADVISER AND INVESTOR

MXC is a quoted (AIM: MXCP) adviser to and investor in technology companies, building value in the companies we invest in as well as for our own shareholders.

MXC's model of 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 advisory 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.

A YEAR OF SIGNIFICANT PROGRESS

"In the year to 31 August 2019, MXC made significant progress both in terms of trading profitability and with respect to its investments. After a couple of difficult years, I am delighted that the hard work of the MXC team is paying off and that we were able to reward shareholders for their loyalty by way of a return of capital. I continue to be grateful for the diligence, initiative and creativity of the MXC team during the year and, as ever, for the ongoing support of our shareholders. The Board looks to the future with confidence."

PETER RIGG
CHAIRMAN

CONTENTS

SUMMARY

HIGHLIGHTS

- Notable milestones during the year include:
  - Exit from Tax Systems plc, generating total proceeds of £24.2 million, representing an overall return of 1.62x and a cash profit of £9.3 million plus fees;
  - £15.7 million of further equity and loan capital investments made during the year, including:
    - £4.6 million invested into the partnerships with Liberty Global plc and GIF Technology and Innovation Cell;
    - £8.0 million loan capital advanced to IDE Group Holdings plc to replace the company's debt provider; and
  - Completion of the sale of a 25% stake in MXC Capital (UK) Limited, the holding company of MXC's transactional businesses, for £2.25 million to Ravenscroft Limited.
- Strong balance sheet, net assets of £71.3 million as at 31 August 2019 (31 August 2018: £63.9 million) including £21.5 million of cash with no borrowings (31 August 2018 comparative: £12.4 million);
- Net asset value(1) per share as at 31 August 2019 of 117 pence (31 August 2018: 95 pence per share) with the underlying portfolio and liquid assets(2) valued at 102 pence per share (31 August 2018: 81 pence per share);
- Trading EBITDA profit(3) of £1.8 million (2018: loss of £1.2 million); and
- Profit after tax of £9.4 million (2018: loss of £7.6 million) reflecting recovery in value of the Group's public company investments at 31 August 2019.

POST YEAR END

- Completion of tender offer for total amount of £1.7 million, at a price of 116 pence per share;
- £3.5 million debt refinance and £0.1 million further equity investment in Adept4 plc(4); and
- £4.9 million invested into Channel Islands Media Group Limited, a new joint venture with Bailiwick Investments Limited.

(1) total balance sheet net assets plus market value of shares held in the Employee Benefit Trust as at 31 August 2019

(2) comprises cash balances, investments, outstanding loan capital and accrued interest and the market value of shares held in the Employee Benefit Trust as at 31 August 2019

(3) earnings from trading activities before interest payable, tax, depreciation, amortisation, exceptional items, share-based payments and movements in fair value of investments and after interest income under the effective interest method as this is considered to be part of the trading activities of the Group

(4) on 29 November 2019, Adept4 plc changed its name to CloudCoCo Group plc

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 is an experienced chairman with a background in investment banking. For 10 years, he served as chairman of Polarcus Limited, an Oslo listed marine seismic survey company. He is currently non-executive Chairman of Schroders Oriental Income Fund Ltd and of Intership AS, a private equity owned Norwegian shipping and aquaculture services business. Peter was formerly a solicitor and then Head of Asian Equity Capital Markets and Head of Investment Banking North Asia at Credit Suisse First Boston.

IAN SMITH
CHIEF EXECUTIVE OFFICER

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 led strategic change and value accretion at Redstone plc and Accumuli plc and was previously deputy executive chairman at Castleton Technology plc, having formerly been CEO, a role he held since the company's inception. He currently sits on the board of IDE Group Holdings plc.

PAUL GUILBERT
INDEPENDENT NON-EXECUTIVE DIRECTOR

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.

SIMON FREER
INDEPENDENT NON-EXECUTIVE DIRECTOR

Simon has over 20 years' experience operating and investing in technology, media and telecoms companies. He is currently Chief Commercial Officer of Liberty Global Content Investments through which he sits on the board of a number of investee companies. Simon is Chairman of Hong Kong based Formula E Holdings and the UK media group Constructive Media and is Non-Executive Director of All3media. Simon previously led the Technology, Media and Telecoms sector team at 3i and was responsible for setting investment strategy, origination, deal execution and portfolio management. Simon started his career as a strategy management consultant at Arthur Andersen.

CHAIRMAN'S STATEMENT

I am pleased to report on what has been a positive year for MXC Capital Limited ("MXC" or the "Company", together with its subsidiaries, the "Group"), one that has seen a return to profitability for the Group and the successful exit from one of our public company investments, enabling us to revive our policy of returning capital to shareholders, post year end.

Our two remaining public company investments, Adept4 plc[1] ("AD4") and IDE Group Holdings plc ("IDE"), continue on their journey to recovery following significant work from the MXC team and we continue to make good progress with our key private investments. In particular, our partnerships with Liberty Global plc ("Liberty"), and with Ravenscroft Limited ("Ravenscroft") in relation to GIF Technology & Innovation Cell (the "GIF") have each seen an increased level of activity during the year. As previously explained, these partnerships mean that in addition to the return on our own investment we can also be rewarded by a share of the profit on an overall transaction as well as a level of fee income from advisory and professional services, therefore providing an opportunity for enhanced returns to our shareholders. The combination of management fees from these partnerships and transaction and consultancy fees from other investments has enabled the Group to return to profit at Trading EBITDA[2] level in the year under review.

BALANCE SHEET

Our balance sheet remains healthy with net assets at 31 August 2019 of £71.3 million (2018: £63.9 million) including £21.5 million of cash with no borrowings (2018: cash with no borrowings of £12.4 million). The increase in our cash balance reflects the disposal of our investment in Tax Systems plc ("Tax Systems") during the year, and gives us the flexibility to make further investments, as we have done post-period end. The major movement in the year was a £9.2 million net increase in the value of our investments. All of our public company investments increased in value during the year.

INVESTMENT PORTFOLIO

£15.7 million of further equity and loan capital investments were made during the year, including:

- £4.6 million invested into the partnerships with Liberty and the GIF;
- £8.0 million of loan capital advanced to IDE to replace the company's debt provider; and
- £3.0 million of loans advanced to our private company portfolio and subsequently repaid in the year.

In March 2019, we exited from our investment in Tax Systems receiving proceeds of £24.2 million, a total profit since initial investment of £9.3 million plus fees.

Post-period end, we have continued to strengthen our investment portfolio, including:

- £3.5 million debt refinance and £0.1 million further equity investment in AD4; and
- £4.9 million invested into Channel Islands Media Group Limited, a new joint venture with Bailiwick Investments Limited.

We continue to work with the management of all of our investee companies in order to help develop their strategies and maximise value and we continue to be actively involved in the turnarounds currently in progress within IDE and AD4.

(1) on 29 November 2019, Adept4 plc changed its name to CloudCoCo Group plc

(2) earnings from trading activities before interest payable, tax, depreciation, amortisation, exceptional items, share-based payments and movements in fair value of investments and after interest income

CORPORATE FINANCE AND ADVISORY

Our transactional businesses have seen a healthy level of fee income this year as we continue to execute on our advisory and transactional mandates. The fees from these businesses flow to MXC Capital (UK) Limited ("MXCUK"). In September 2018, we completed the sale of 25% of this company to Ravenscroft for £2.25 million. The investment represents a deepening of MXC's relationship with Ravenscroft, which we believe will help to grow and drive further value within MXCUK, as well as providing additional investment opportunities for our investment business.

The Board believes that the value of this division is not fully reflected in MXC's NAV and hence, as we announced in September 2019, we are looking to separate it from the broader MXC Group. We hope to announce further plans regarding this demerger in the new year.

BOARD AND MANAGEMENT CHANGES

On 4 March 2019, Simon Freer joined the Board as non-executive director, replacing Meriel Lenfestey who resigned on 14 February 2019. We are grateful for the contribution which Meriel made to the Board. Simon has extensive experience operating and investing in technology, media and telecoms companies and is currently Chief Commercial Officer of Liberty Global Content Investments.

EMPLOYEE BENEFIT TRUST

During the year we established an employee benefit trust ("EBT"). The purpose of the EBT is to buy MXC shares in the market to be held to satisfy existing and future share incentivisation awards, so reducing any future dilution for shareholders. The EBT has been funded by way of a loan from MXC and as at 31 August 2019 had purchased circa 12 per cent. of the issued share capital of the Company.

TENDER OFFER

In September 2019, the Board announced that it had decided to reward shareholder loyalty by reviving its policy of returning capital to shareholders. The Board's intention is to establish a progressive policy which will see capital being returned to shareholders by way of periodic tender offers. The mechanism of a tender offer gives shareholders the flexibility to either realise a return by allowing the Company to purchase a portion of their shares for cash, or to retain a potentially larger relative holding in the Company so that they might further benefit from any future capital growth. In October 2019, a tender offer was completed for an amount of £1.7 million. The price for the tender offer was 116 pence per share, representing the approximate net asset value of the Group at 31 August 2019, plus the market value of shares held in the EBT at that date.

OUTLOOK

I am pleased that the benefits arising from all the hard work of the MXC team in overcoming the challenges of the previous couple of years are now being seen in all areas of our business.

I continue to be grateful for the hard work, initiative and creativity of the MXC team during the year and, as ever, for the ongoing support of our shareholders. The Board looks to the future with confidence.

PETER RIGG
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

The year to 31 August 2019 was a good year for MXC, and a year in which we got back on the front foot. There was considerable activity across our portfolio, both in terms of further investment and the realisation of one of our public company investments, Tax Systems. We ended the year with £21.5 million in cash on our balance sheet and showing a profit at Trading EBITDA level of £1.8 million.

In March 2019, the take private of Tax Systems by a subsidiary of funds managed by Bowmark Capital LLP, a private equity entity, was completed. The proceeds from the sale of our investment and warrants in Tax Systems amounted to £24.2 million, which represented a blended return of 1.62x in under 3 years. This excludes the £2.0 million fee that was generated at the time of the original IPO of the company which, if added into the return, would have shown a 1.75x return. Furthermore, MXC has received a £0.3 million fee in relation to the take private transaction.

Following the sale of Tax Systems, we now have two public company investments remaining in our portfolio; AD4 and IDE, both of which have experienced turbulent times over the past few years. However, following our involvement within these businesses we continue to believe they will be returned to a level of trading profitability that will allow MXC to exit and recover the lost value. Significant progress has been made within both businesses in that regard.

In August this year, AD4 announced the proposed acquisition of Cloudcoco Limited ("CloudCoCo") alongside the proposed sale of the loan notes held by Business Growth Fund plc ("BGF") to MXC. CloudCoCo is a business that was founded by certain former sales directors of Redcentric plc with whom MXC worked closely whilst a shareholder in Redcentric plc. At the time of creating CloudCoCo, its founders approached MXC to become a shareholder because they believed that we could add value to their business and help them navigate through the minefield of growing a company from inception. This is what the founders of MXC had done themselves several times before, with successful exits.

Just prior to completion of the acquisition of CloudCoCo by AD4 (the "Acquisition"), we sold our initial investment in CloudCoCo to the incoming CEO of AD4 in order that he had a more meaningful stake in the enlarged group going forward. We remain a significant shareholder in the enlarged business, with a shareholding that currently stands at 15.2%. As a further show of our support for the enlarged business, we waived our warrants in AD4. As mentioned above, we have also enabled AD4 to restructure their debt, with MXC purchasing £3.5 million of the £5.0 million loan notes in AD4 which were held by BGF, and BGF cancelling the remaining £1.5 million loan notes they held. This means that the enlarged group has a lower level of debt going forward, with a longer period before repayment, as the terms of the loan notes were revised so that the term was extended to 2024. The team at CloudCoCo has a proven pedigree in sales and business development and could see that, despite the challenges of getting the AD4 business back on track, there was latent value in the company. I have no doubt that over time they will succeed and we are confident that this business is now in good hands.

The path to recovery for IDE has been a long and difficult one and at times it felt like one step forwards, two steps back. Nonetheless the teams within the business, both executive and operational, have worked wonders and they now have a good platform from which to grow. The business was refinanced at the beginning of 2019 by the issue of £10.0 million secured loan notes. MXC now holds £8.0 million of these loan notes plus accrued interest, alongside 43.1 per cent. of the equity of IDE. The refinancing means that IDE now has secure, long term funding and no external third-party debt as the loan notes are held solely by shareholders. Whilst there remain challenges, in recent times IDE has moved into positive territory by beginning to win significant renewals and new contracts, testament to the will, enthusiasm and dedication to customer service from the operational team. There still exists a general level of customer churn in IDE which has impacted current year revenue and profitability, but this continues to be addressed and once this ceases, we anticipate the business will have turned the corner and should achieve market levels of profitability, which it is more than capable of delivering. We remain confident that we will see a complete return of our capital from IDE.

Outside of AD4 and IDE our focus has been on our private investments. We have previously stated that post the eventual disposal of the above two public company investments our future focus will be entirely on the private sector. At that stage, the only way that investors will be able to access our investments, should they wish, is via MXC itself. Under our existing business model, we have helped to build and successfully exit businesses whilst being only a minority shareholder, and despite the constraints inherent in some of them being public market investments. Having built a balance sheet of size and developed partnerships with like-minded investors, we intend to transition our business to a model more akin to that of Melrose Industries plc, whereby we own, or majority own, our investments and therefore benefit from all of the return from our efforts. I am confident that this model will be far more rewarding over time for both our partners and investors.

A further two businesses were acquired into the joint venture with Liberty in the year under review. Though overall progress in acquiring businesses into the joint venture has been slower than we had hoped, the acquired businesses have been bought cost effectively and are delivering against plan. In the current market place, where there are at least 15 other private equity backed roll ups in the same sector, we have built a very attractive asset that we believe could be worth double that which we paid for it based on the market multiples of other deals completed in the sector in recent times.

The GIF is targeting to have completed around 17 investments and for the original fund of £38.0 million to be fully invested or committed within less than two years from launch in February 2018. The effort required to achieve the progress made to date has been significant and we thank the teams in London and Guernsey who have supported that journey. Given the quality of the investments made by the GIF, we are confident we will see a favourable return on our investment.

Post year end, we took another step in transitioning our business model and strengthening our relationship with Ravenscroft with a £4.9 million investment into Channel Islands Media Group Limited ("CIMG"), a new joint venture with Bailiwick Investments Limited (the "BIL"), a specialist fund which is administered and managed by Ravenscroft. The investment enabled CIMG to acquire The Guernsey Press Company Limited and its wholly owned subsidiary, Guernsey Distribution Limited (together, "The Guernsey Press"). The Guernsey Press is a key source of news and information across the Bailiwick of Guernsey, offering multi-media platforms such as the website and app "GY4U", as well as the production and distribution of the local newspaper and the wholesale and distribution of national newspapers and magazines. Using technology, the intention is to enhance the content and market share of both the website and app and to provide a full managed service for the digital needs of the Guernsey business community.

All of this positive activity contributed to the Group generating £1.8 million of Trading EBITDA for the year ended 31 August 2019. This led us to revive the Group's policy of returning capital to shareholders by way of a tender offer which gives investors the opportunity to realise a small part of their investment at the current net asset value. The tender offer was completed post year end at a price of 116 pence per share. The establishment of the EBT at the beginning of this year has also enabled the Company to benefit shareholders by buying shares in the market at below net asset value to be held to satisfy existing and future share incentivisation awards for employees and directors of MXC.

It is the intention of the Company to continue this theme in the forthcoming years, rewarding loyal shareholders with a dividend-like payment whilst also enabling other investors to exit in whole or in part either by way of tender offer or by the EBT acquiring more shares in the market. It is expected that this will lead to further consolidation of the shareholder base so that in time, the business may look and feel more like a family office rather than a classic public company.

The driving force behind all this activity is the trading division of MXC, MXCUK, which is the holding company of the Group's transactional businesses. It receives the management, transactional and consultancy fees generated by the Group and is the business in which Ravenscroft made a £2.25 million investment in September 2018, valuing it at £9 million. We believe the value of this division is not fully recognised within MXC's NAV and hence believe that greater value will be realised for shareholders by separating it from the rest of the MXC Group. It has been proposed that this separation is achieved by way of a demerger of MXCUK. Work is progressing in this respect and we hope to announce further details in the New Year.

In summary, this has been a good year for MXC. We have learned some valuable lessons from our experiences of the recent past, but I believe we have shown the strength, tenacity and business acumen to emerge from those difficulties with a stronger and more valuable company.

IAN SMITH
CEO

FINANCIAL REVIEW

TRADING RESULTS
Following the challenges of recent years, the Group has returned to profitability at a Trading EBITDA level and has also recovered value in its public company investments.

REVENUE
Total consolidated revenue for the year, reflecting both fee income and interest income, was £3.3 million (2018: £1.1 million). The Group's partnerships with Ravenscroft in relation to the GIF and with Liberty are now generating significant revenue. The analysis of revenue and trading by segment is shown in note 3 to the financial statements.

In addition to its fee income of £2.4 million (2018: £1.0 million), the Group has generated £0.8 million (2018: £34k) of interest income in respect of loans made in the period.

As a result of the adoption of IFRS 9 in the period, the interest income calculated under the effective interest method is shown separately in the consolidated statement of profit or loss. The Board considers this interest income to be part of the trading activities of the Group and therefore it has been presented as a component of revenue. The comparative figures have been restated to reflect this treatment. In accordance with IFRS 9, interest under the effective interest method is recognised over the term of the loan, even if the interest is not physically received until the end of the term, as is the case with the loan notes held in IDE.

MOVEMENT IN VALUE OF INVESTMENTS
The Group prepares its accounts in accordance with IFRS as adopted by the EU, accounting for its investments under IAS 28. This accounting standard mandates that all changes to the fair value of investments are shown in profit or loss, irrespective of whether those changes are considered short-term or permanent. The Group's profit or loss for any given period is, therefore, directly affected by the period-end share price of its quoted investee companies, which, given the stage of development of those companies, can be quite volatile. The Group saw an increase in the fair value of its investment portfolio in the year of £9.2 million (2018: fall of £5.0 million), which is directly reflected in the consolidated statement of profit or loss. The movement in the value of investments is detailed in the investments table on page 9.

OPERATING EXPENSES
Operating expenses were incurred in the running of all Group entities and include the cost of the Board and its advisers, including the fees associated with maintaining the AIM listing. The Group has continued to control its costs during the period, whilst retaining the capability to originate and execute investments and transactions for its investee companies and co-investors.

Total operating expenses for the year were £3.5 million (2018: £4.0 million). This figure includes a non-cash share-based payments charge of £0.2 million (2018: £0.4 million) and a non-cash IFRS 9 expected credit loss provision in respect of the Group's loans receivable of £0.1 million (2018: £nil). In addition, carried interest in the sum of £1.0 million (including related social security costs) became payable to employees of MXC by way of a bonus (2018: £1.2 million). As this bonus relates to the disposal of an investment, as opposed to the generation of Trading EBITDA profits, it is considered exceptional in nature.

Excluding these items, underlying operating expenses fell during the period by £0.2 million from £2.4 million in 2018 to £2.2 million in 2019.

TRADING EBITDA
As any changes in the fair value of the Group's investment portfolio at any given point in time can affect profit or loss significantly, the Board measures the underlying trading performance of the Group excluding the gains or losses on its investments. This is based on a measure of EBITDA[(1)] stated before share-based payments, exceptional items, movements in the value of investments and the IFRS 9 loans receivable expected credit loss provision, but after interest income under the effective interest method as this is considered to be part of the trading activities of the Group ("Trading EBITDA"). The Trading EBITDA for the year to 31 August 2019 was £1.8 million (2018: loss of £1.2 million).

Trading EBITDA, together with revenue, cash balances and the value of the Group's investments are the principal financial key performance indicators used by the Board in monitoring the performance of the business.

PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY
After all costs and income (including the changes in the fair value of investments), together with a tax charge of £0.3 million (2018: credit of £0.4 million), the reported Group profit for the year was £9.4 million (2018: loss of £7.6 million). Of this profit, £9.1 million was attributable to owners of the parent company and £0.3 million was attributable to non-controlling interests, following the disposal of 25% of MXCUK to Ravenscroft in the year. All of the 2018 loss was attributable to owners of the parent company. An interim dividend of £0.2 million payable to non-controlling interests was declared and paid during the year.

(1) earnings before interest payable, tax, depreciation and amortisation

INVESTMENTS AND LOANS

During the year, the Group invested £4.7 million into its equity investment portfolio and advanced loans of £11.0 million. Proceeds of £24.2 million were raised from the disposal of the Group's investment and warrants in Tax Systems, a total profit since acquisition of £9.3 million plus fees. In addition, loans to the value of £3.4 million were repaid to the Group.

At the year end, the Group had outstanding loan capital and accrued interest of £8.7 million (2018: £0.5 million) and its equity investment portfolio was valued at £30.8 million (2018: £41.1 million) as shown in the following table:

	Fair value at 1 September 2018 £000	Investment cost £000	Change in fair value £000	Disposal/ exercise proceeds £000	**Fair value at 31 August 2019 £000**
Adept4 plc	965	124	1,327	–	**2,416**
IDE Group Holdings plc	6,308	–	6,395	–	**12,703**
Tax Systems plc	19,417	–	4,336	(23,753)	**-**
Private companies	13,483	4,560	(2,317)	–	**15,726**
Total investments	40,173	4,684	9,741	(23,753)	**30,845**
Warrants	945	–	(505)	(440)	**-**
Total investments and warrants	41,118	4,684	9,236	(24,193)	**30,845**

CASH FLOW

The Group's cash outflow from operating activities in the period was £0.3 million (2018: £1.9 million). This cash outflow partly reflects the fact that the IDE loan interest receivable, whilst included in the results for the year, is not payable until the end of the loan term. Also included within the cash outflow from operating activities are staff bonuses totalling £1.0 million which were paid in the year. Proceeds from the sale of the Tax Systems investment of £24.2 million were received and £4.7 million was invested into the Group's equity portfolio. Loans advanced, net of loans repaid, totalled £7.6 million. £3.5 million was received in respect of investments in the Group's subsidiaries by non-controlling investments and a dividend of £0.2 million was paid to non-controlling interests. £5.6 million was used to purchase shares of the Company into the Group's newly established Employee Benefit Trust and £0.3 million was spent servicing the Group's borrowings. The cash balance at the end of the period was £21.5 million (2018: £12.4 million).

NET ASSETS

Net assets at the end of the year were £71.3 million (2018: £63.9 million). Of this, £65.9 million (2018: £61.6 million) was attributable to equity holders of the Company and £5.4 million (2018: £2.35 million) was attributable to non-controlling interests. During the year Ravenscroft purchased 25% of the issued share capital in one of the Group's subsidiary companies, MXCUK, and the GIF made a further investment into MXC JV Limited, a subsidiary of the Group which holds the investment in the joint venture with Liberty. Further details of the non-controlling interests are given in note 26.

The Group's shares held in the EBT are shown as a debit to equity in the consolidated statement of financial position. At 31 August 2019, the shares held in the EBT had a market value of £7.2 million (2018: £nil). Adding the value of these shares to the net assets at the end of the year gives an "Adjusted net asset value" of £78.5m (2018: £68.8 million), equivalent to 117 pence per share (2018: 95 pence).

In October 2019, the Company returned £1.7 million to shareholders by way of a tender offer at a price of 116 pence per share as we revived our policy of returning capital to shareholders.

STRATEGIC REPORT

The directors present their Strategic Report for the year ended 31 August 2019.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A detailed review of the business for the year is set out in the Chairman's Statement, the CEO's Report and the Financial Review. Included in these reviews are comments on the key performance indicators that are used by the Board on a monthly basis to monitor and assess the performance of the business. These indicators include the level of revenue, Trading EBITDA and cash balances together with the value of the Group's investments. Future developments and current trading and prospects are set out in the Chairman's Statement, the CEO's Report and the Financial Review. These reports together with the Corporate Governance Statement are incorporated into this Strategic Report by reference and should be read as part of this report. The Group's strategy is focused on maximising its returns from all elements of its investment and advisory model.

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 19. The key non-financial risks that the Group faces are listed below.

Portfolio of investments and loans receivable

The Group's largest asset is the portfolio of investments and loans receivable it holds in both quoted and unquoted businesses. The Group is therefore subject to a number of risks in this area, both in terms of its own engagement with these companies and also with the performance of those companies themselves. The key risks the Group faces in this area are:

Prospective investments

The value of the Group is dependent, inter alia, upon 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. To mitigate this risk, the Group has a strong pipeline of potential investment opportunities across its target markets.

Ability to realise value of investee companies or loans

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 which could be caused by the trading underperformance of the investee companies themselves or other internal and external factors. Any volatility in the value of one or more of such businesses could have a substantial impact upon the value of the Group. Any such underperformance in an investee company may also affect its ability to repay any loans advanced to it by the Group.

The Group is also reliant upon the integrity of the financial and non-financial governance within the investee companies. The Group's operating model aims to ensure that sufficient oversight is applied to the investee companies to minimise exposure to such risks.

Competition in the market place of the Group's investee companies

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. The Group's strategy is to invest in companies with the ability to build resilience by way of growth, and focus on quality of product to ensure market share.

Early stage of development and limited operating history of investee companies

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 an experienced management team with a strong track record of generating significant gains from early stage companies within the Technology, Media and Telecommunications sector, approved by the Board of MXC and executed by a seasoned group of executives.

Reliance on key personnel and management

The success of the Group is dependent on the services of key management and personnel. Therefore, the directors believe that the ability to attract and retain highly skilled and qualified personnel is crucial. The Group has an incentive scheme in place (see note 21) but there can be no guarantee that such individuals will be retained or new employees identified and employed.

Exit of UK from European Union

The UK has voted in an advisory referendum to leave the European Union (commonly referred to as "Brexit"). Whilst negotiations between the UK and the European Union continue the impact of Brexit is not yet clear, but it may significantly affect the fiscal, monetary and regulatory landscape in the UK (and by extension through Protocol 3 of the Treaty of Accession of the United Kingdom to the EEC, Guernsey), and could have a material impact on its economy and the future growth of its various industries. Depending on the exit terms negotiated between EU Member States and the UK following Brexit, the UK could lose access to the single European Union market and the global trade deals negotiated by the European Union on behalf of its members. The UK could, however, correspondingly acquire the right to secure additional trade deals with non-EU countries and with the EU itself. Such a change in trade terms could affect the attractiveness of the UK as an investment centre and, as a result, could have a detrimental or positive effect on UK companies and financial markets. Although it is not possible to predict fully the effects of an exit of the UK from the European Union, it could have a material effect on the business, financial condition and results of operations of both the Group and its investee companies. The Company pays attention to the progress and direction of the negotiations and will take any actions open to it to mitigate any risk as the impact becomes clearer.

By order of the board

PAUL GUILBERT
DIRECTOR
2 December 2019

DIRECTORS' REPORT

The directors present their report together with the audited consolidated financial statements for the year ended 31 August 2019 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.

PRINCIPAL ACTIVITY

The principal activity of the Group during the year was that of advisor to and investor in technology companies. The Company is a permanent capital vehicle that is responsible for the execution and supervision of the Group's strategy.

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 2019 (2018: £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties are detailed within the Strategic Report, on pages 10 to 11.

Details of the Group's financial risk management objectives and policies are set out in note 19 of the consolidated financial statements.

DIRECTORS

Peter Rigg	(Non-executive Chairman)
Ian Smith	(Chief Executive Officer)
Paul Guilbert	(Non-executive director)
Simon Freer	(Non-executive director, appointed 4 March 2019)
Meriel Lenfestey	(Non-executive director, resigned 14 February 2019)

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

Remuneration in respect of the directors was as follows:

	Basic salary and fees £000	Additional payment/ bonus £000	Benefits £000	2019 total £000	2018 total £000
Peter Rigg	**45**	**–**	**–**	**45**	65
Ian Smith	**165**	**46**	**44**	**255**	485
Paul Guilbert	**35**	**–**	**–**	**35**	50
Simon Freer(1)	**15**	**–**	**–**	**15**	–
Meriel Lenfestey(1)	**14**	**–**	**–**	**14**	45
Marc Young(1)	**–**	**–**	**–**	**–**	38

(1) figures relate to the period of directorship.

DIRECTORS' INTERESTS

As at 31 August 2019 the directors and their beneficial interests and those of their families in the share capital of the Company were as follows:

Number of ordinary shares of nil par value:

	2019	2018
Peter Rigg	**249,947**	217,947
Ian Smith	**10,403,796**	10,371,010
Paul Guilbert	**40,917**	25,425
Simon Freer	**-**	-

To provide a more meaningful comparison, the 2018 shareholdings have been restated to reflect the 50:1 share consolidation that took place on 15 February 2019.

In addition to his above shareholding, Ian Smith was granted awards under the Company's long-term incentive plan in September 2015. The award is based on 2% of shareholder value created, subject to the achievement of share price and employment-related performance criteria. See note 21 for further details.

RELATED PARTY TRANSACTIONS

Details of the Group's transactions and year end balances with related parties are set out in note 24 of the consolidated financial statements.

SUBSEQUENT EVENTS

Full details of post balance sheet events are included in note 27 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 consolidated 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 2019 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
2 December 2019

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

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

Since September 2018 all AIM companies have been required to comply with a recognised corporate governance code. MXC has chosen the Quoted Companies Alliance Corporate Governance Code ("QCA Code") published in April 2018 for this purpose. High standards of corporate governance are a priority for the Board, and details of how the Company addresses the ten broad governance principles defined in the QCA Code are set out below.

Principle 1 – Establish a strategy and business model which promote long-term value for shareholders

The Board has set out the Company's business model and strategy, including key challenges in their execution in the Strategic Report. In addition, further information of how the Company performed against its stated strategy and its strategy for growth can be found in the Chairman's Statement, the CEO's Report and the Financial Review.

As a public company, MXC is focused on delivering value for all of the companies in which we invest as well as our shareholders. Furthermore, the Company's strategy is to maximise the returns from all aspects of our investment and advisory model.

Principle 2 – Seek to understand and meet shareholder needs and expectations

MXC is committed to open communication with all of its shareholders.

Copies of the consolidated financial statements are issued to all shareholders who have requested them, and copies are available on the Group's website http://mxccapital.com. The Group's interim results and other market announcements are also made available on the website. The Group makes full use of its website to provide information to shareholders and other interested parties.

The Board reviews proxy voting reports and any significant dissent is discussed with relevant shareholders and, if necessary, action is taken to resolve any issues. In compliance with best practice, the level of proxy votes (for, against and vote withheld) lodged on each resolution is declared at all general meetings and in future will be announced.

Shareholders are given the opportunity to raise questions at the Annual General Meeting and the directors are available both before and after the meeting for further discussion with shareholders.

Ian Smith, Chief Executive Officer ("CEO"), is primarily responsible for communicating with investors. Meetings via the Company's broker are offered to shareholders to discuss strategy, financial performance and investment activity immediately after the full year and interim results announcements. The non-executive directors are available to meet with shareholders if such meetings are requested. Feedback from such meetings with shareholders is provided to the Board to ensure the directors have a balanced understanding of any issues and concerns raised.

The Board receives share register analysis reports on a regular basis to enable them to monitor the Company's shareholder base to better understand and identify the profile of investors on the register.

Principle 3 – Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group recognises its employees, clients, suppliers, advisors and shareholders as forming part of the wider stakeholder group. Management identifies key relationships within the business and effort is directed to ensuring these relationships are managed appropriately. Regular reviews are undertaken to ensure any issues are addressed promptly. The Board reviews the Group's interaction with its clients and the performance of its investments during quarterly Board meetings and these are summarised in documents provided to the Board.

The Company has a good relationship with its Nomad and broker and other advisers. Feedback from investors is provided by the broker as well as through direct engagement with investors by the Board. The Group meets frequently with clients and communicates regularly with suppliers. Any feedback from clients is brought to the attention of the Board and any issues raised are addressed.

The Company's internal stakeholders are its employees. The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

Staff policies

The Group's employment policies are designed to ensure that they meet the statutory, social and market practices in the United Kingdom and Guernsey. The Group systematically provides employees with information on matters of concern to them, consulting them regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Given the small number of employees, employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees on the financial, strategic and economic factors affecting the Group, plays a major role in maintaining MXC's relationship with its staff.

The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitude and abilities.

The Board believes that its investment in the wider stakeholder network will assist the Company's management in achieving its long-term goals by creating an environment of inclusion, trust and communication which will have positive implications for the long-term success of the Company.

Principle 4 – Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control, corporate governance and risk management.

The Board has established a risk register which is bespoke to the Group's business. At least twice a year the register is reviewed, and the Board considers the appropriateness of the risks identified and the mitigating action taken by management on a risk by risk basis with a particular focus on those deemed most critical. The Group's principal risks and uncertainties are set out on pages 10 to 11 whist details of the Group's financial risk management objectives and policies are set out in the notes to the consolidated financial statements in note 19.

Principle 5 – Maintain the board as a well-functioning, balanced team led by the Chair

The Board, chaired by Peter Rigg, currently comprises one executive and three non-executive directors and it oversees and implements the Company's corporate governance programme.

As Chairman, Peter Rigg is responsible for the Company's approach to corporate governance and the application of the principles of the QCA Code. Peter Rigg, Paul Guilbert and Simon Freer are the Company's independent directors. Further details pertaining to the Board and the roles carried out by each member are set out within Principle 6.

Each board member commits sufficient time to fulfil their duties and obligations to the Board and the Company. They attend quarterly board meetings and join board calls and are available for consultation when needed. The contractual arrangements between the directors and the Company specify the minimum time commitments which are considered sufficient for the proper discharge of their duties. However, all board members understand the need to commit additional time as and when required.

Detailed board packs include information on all business units and investments as well as the financial performance of the Group and are circulated ahead of board meetings. Key issues are highlighted and explained, providing board members with sufficient information to enable an informed discussion in the board meeting.

The Board is supported by its Audit Committee and its Remuneration Committee. Further details of these committees are set out in Principle 9 below. All four quarterly board meetings held during the year have been attended by all directors in post at the time of the meetings. There have been two Audit Committee and three Remuneration Committee meetings during the year. All directors sitting on each committee have attended all meetings.

Principle 6 – Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

The Chairman believes that the Board has a suitable mix of skills and competencies covering all essential disciplines bringing a balanced perspective that is beneficial both strategically and operationally and will enable the Company to deliver its strategy.

The Board consists of one executive director and three independent non-executive directors and comprises four men. The nature of the Company's business requires the directors to keep their skillset up to date. Periodic updates to the Board on regulatory matters are given by Company's professional advisers.

CORPORATE GOVERNANCE STATEMENT
Continued

The Company's Nomad and lawyers are consulted on any significant matters where the Board believes external expertise is required. External advisers attend board meetings as invited by the Chairman to report and/or discuss specific matters relevant to the Company and the markets in which it operates. The Company Secretary also advises the Board on corporate governance and regulatory matters and attends the Board meetings. In keeping with best practice as set out the in the QCA Code, the Company has split the role of Chief Financial Officer and Company Secretary.

The directors of the Company, together with their experience relevant to the Company's business are outlined below:

Peter Rigg, Independent non-executive Chairman: Peter is an experienced chairman with a background in investment banking. For 10 years, he served as chairman of Polarcus Limited, an Oslo listed marine seismic survey company. He is currently non-executive Chairman of Schroders Oriental Income Fund Ltd and of Intership AS, a private equity owned Norwegian shipping and aquaculture services business. Peter was formerly a solicitor and then Head of Asian Equity Capital Markets and Head of Investment Banking North Asia at Credit Suisse First Boston.

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.

Simon Freer, Independent non-executive: Simon has over 20 years' experience operating and investing in technology, media and telecoms companies. He is currently Chief Commercial Officer of Liberty Global Content Investments through which he sits on the board of a number of investee companies. Simon is Chairman of Hong Kong based Formula E Holdings and the UK media group Constructive Media and is Non-Executive Director of All3media. Simon previously led the Technology, Media and Telecoms sector team at 3i and was responsible for setting investment strategy, origination, deal execution and portfolio management. Simon started his career as a strategy management consultant at Arthur Andersen.

Ian Smith, Chief Executive Officer: Ian has an extensive track record of investing in and managing tech companies. He co-founded the advisory subgroup of MXC. Ian has sat on numerous boards and either led or been involved in a large number of transactions in the TMT sector. Ian led strategic change and value accretion at Redstone plc and Accumuli plc and was previously deputy executive chairman at Castleton Technology plc, having formerly been CEO, a role he held since the company's inception. He currently sits on the board of IDE Group Holdings plc.

Principle 7 – Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Chairman is responsible for ensuring the annual evaluation of the Board's performance and that of its committees and individual directors. The first performance evaluation of the Board, its Chairman and its committees was conducted in September 2017 the most recent in October of 2019. This was conducted by questionnaire, evaluating the composition of the Board as a whole, the strength, skills & experience of each director, the effectiveness of the meetings and the monitoring and control mechanisms in place. Based upon the questionnaire responses and individual meetings with the Chairman, it was concluded following discussion, that the Board and its committees are operating efficiently and that the individual directors contribute effectively and demonstrate their commitment to the Company. The next evaluation will take place this year given that the composition of the board has changed.

In all cases board appointments are made after consultation with advisers and in some cases with major shareholders. The Nomad undertakes due diligence on all new potential board candidates. All board members have appropriate notice periods so that if a board member indicates his/her intention to step down, there is sufficient time to appoint a replacement, whether internally or externally.

Principle 8 – Promote a corporate culture that is based on ethical values and behaviours

The Board firmly believes that sustained success will best be achieved by adhering to a corporate culture of treating all stakeholders fairly and with respect. Accordingly, in dealing with each of the Company's principal stakeholders, MXC encourages its staff to operate in an honest and respectful manner.

The Chief Executive Officer takes the lead in developing the corporate culture and encourages all employees to contribute to its evolution. The Board believes that achieving a common awareness across all employees plays a major role in maintaining good employee relations.

MXC is committed to promoting a culture based on ethical values and behaviours across its business. Policies are in place covering key matters such as bribery, protection of intellectual property and sensitive information, conflicts of interest and whistleblowing. These are rigorously enforced.

The Company is committed to building an inclusive culture. Discrimination in all its forms (including on the basis of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation) is not tolerated at any level.

Principle 9 – Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The business and management of the Company and its subsidiaries are the collective responsibility of the Board. At each board meeting, the Board considers and reviews the trading performance of the Group. The Board has a formal written schedule of matters reserved for its review and approval. These include the approval of the annual budget, major capital expenditure, investment proposals, the interim and annual results and a review of the overall system of internal control and risk management.

There are two standing board committees – Audit and Remuneration. Each of these committees acts within defined terms of reference. The roles of the Audit Committee and the Remuneration Committee are set out below:

Remuneration Committee

The Remuneration Committee, which comprises Paul Guilbert as Chairman, Simon Freer 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.

Audit Committee

The Audit Committee comprises Paul Guilbert as Chairman, Simon Freer and Peter Rigg and also meets at least twice a year. The Board is satisfied that the Chairman of the Audit Committee has recent and relevant financial experience. The Board recognises that under the QCA Code the Chairman should not sit on the Audit Committee but considers Peter's experience is of benefit to the committee as a whole.

The Committee's formal terms of reference include the recommendation, appointment, re-appointment and removal of the external auditors, the review of the scope and results of the interim review and external annual audit by the auditors, their cost effectiveness, independence and objectivity. The Audit Committee also reviews the nature and extent of any non-audit services provided by the external auditors. In addition, the Audit Committee reviews the effectiveness of the Group's internal controls and risk management systems and the integrity of the financial statements and formal announcements. A whistle-blowing arrangement exists whereby matters can be confidentially reported to the Audit Committee. The CEO and Chief Financial Officer are not members of the Audit Committee but attend the meetings by invitation, as necessary, to facilitate its business.

Principle 10 – Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company reports formally to its shareholders and the market generally twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors with the interim statement usually subject to a review by the same external auditors. These reports contain full details of all the principal events of the relevant period together with an assessment of current trading and future prospects and the reports are made available via the Company's website to anyone who wishes to review them. Interim announcements are made to the market as required under AIM regulations.

The Company maintains a regular dialogue with stakeholders including shareholders to enable interested parties to make informed decisions about the Company and its performance. The Board believes that transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be listened to.

The Board already discloses the results of general meetings by way of announcement and discloses the proxy voting numbers to those attending the meetings. To improve transparency, the Board has committed to announcing proxy voting results in future. In the event that a significant portion of voters vote against a resolution, an explanation of what actions it intends to take to understand the reasons behind the vote will be included.

Historical annual reports and other governance related material, including notices of all general meetings over the last five years can be found on the Company's website.

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 for Companies 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 confirm that:

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

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

OPINION

Our opinion on the group financial statements is unmodified

We have audited the group financial statements of MXC Capital Limited for the year ended 31 August 2019 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 August 2019 and of its profit for the year then ended;
- are in accordance with IFRSs as adopted by the European Union; and
- comply with the requirements of the Companies (Guernsey) Law, 2008.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the group financial statements is not appropriate; or
- the directors have not disclosed in the group financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the group financial statements are authorised for issue.

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £2,853,000, which represents 4% of the group's net assets;
- Key audit matters were identified as (a) valuation of the financial assets at fair value through profit or loss and recognition of the movement in fair value of investments; and (b) improper recognition of fee income; and
- Our audit approach was based on a thorough understanding of the group's business and was risk-based.

KEY AUDIT MATTERS

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

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

Continued

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT	KEY OBSERVATIONS
Valuation of the financial assets at fair value through profit or loss and recognition of the movement in fair value of investments Investment activities are core to operations, giving rise to valuation risk. Due to the group's investment activity and significant security positions held at the end of the year, this area specifically around the valuation was subject to special audit consideration. The main risk included the accuracy of fair value measurements of the unquoted equity securities and warrants and the appropriateness of models or similar techniques used for hard-to-value assets. We therefore identified the valuation of the financial assets at fair value through profit or loss and recognition of the movement in fair value of investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining an understanding of the valuation techniques used by the group's valuations specialists and considering the rationale for using the methods employed; • where possible, obtaining prices from independent sources and comparing with the share prices applied to quoted equity securities; • recalculating the movement in the fair value of the investments; and • recalculating and confirming that realised gains or losses from the disposal of the quoted and unquoted equity securities and from the exercise of the warrants were correctly recorded and accounted for. The group's accounting policy on investments is shown in note 2 to the group financial statements and related disclosures are included in note 12.	In performing our procedures, we did not identify any material misstatements in relation to the valuation of investments. Furthermore we concluded that the valuation techniques used are appropriate.
Improper recognition of fee income One of the significant revenue streams of the group is the fee income. This income is a charge for professional services rendered by the group's operating segments to the third parties. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. We therefore identified improper recognition of fee income as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the group's accounting policy for revenue recognition is in accordance with IFRSs as adopted by the European Union; • obtaining an understanding of management's process to recognise revenue in accordance with the stated accounting policy; and • performing substantive procedures on material revenue items including reviewing the revenue listing for any unusual amount and performing cut off testing and completeness testing. The group's accounting policy on revenue recognition is shown in note 2 to the group financial statements and related disclosures are included in notes 3 and 4.	Our testing did not identify any material deviations in the application of the group's revenue recognition policies. In addition, our audit work did not identify any material misstatements in the revenue recognised in the year through fraud or error.

OUR APPLICATION OF MATERIALITY

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

Group financial statements as a whole:

Our materiality for the group financial statements as a whole is £2,853,000 which is 4% of net assets. This benchmark is considered the most appropriate because for an investment holding structure, the value of the investments is the key performance indicator and it is the main focus of the shareholders.

Materiality for the current year is the same as the level that we determined for the year ended 31 August 2018.

Performance materiality used to drive the extent of our testing:

60% of group financial statement materiality for the audit of the group financial statements.

Specific materiality

We determined a lower level of specific materiality for certain areas such as legal expenses, Directors' remuneration and expenses and other related party transactions.

Communication of misstatements to the audit committee:

£143,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality;
- understanding and evaluation of the group's internal controls environment including its IT systems and controls;
- for components determined to be significant a full scope or targeted approach was taken based on their relative materiality to the group and assessment of audit risk.
- Significant components audited using a full scope by the group audit team included MXC Capital Limited, MXC Guernsey Limited and MXC JV Limited, representing 85% of the group's total assets.
- A full scope approach by the component team based in the United Kingdom (Grant Thornton UK LLP (Manchester)) was used for other significant components representing 5% of the group's total assets. The group audit team was responsible for the scope and direction of these audits and conducted a comprehensive and detailed analytical review of the work performed by the component team;
- analytical procedures were performed over remaining group components; and
- communication between the group audit team and the component auditor, Grant Thornton UK LLP, was continuous via e-mails and regular conference calls throughout the planning, substantive and completion stages of the group audit.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

Continued

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS FOR THE GROUP FINANCIAL STATEMENTS

As explained more fully in the Statement of Directors' Responsibilities statement set out on page 18, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view , and for such internal control as the directors determine is necessary to enable the preparation of group financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these group financial statements.

We are responsible for obtaining reasonable assurance that the group financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the group financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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

USE OF OUR AUDIT REPORT

This report is made solely to the company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

CYRIL SWALE
FOR AND ON BEHALF OF GRANT THORNTON LIMITED
CHARTERED ACCOUNTANTS
St Peter Port
Guernsey

2 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 August 2019

	Notes	2019 £000	As reported 2018 £000	Restated 2018 £000
Fee income	3	**2,437**	1,034	1,034
Interest income	3,7	**819**	–	34
Revenue		**3,256**	1,034	1,068
Other income	4	**688**	40	40
Movement in fair value of investments	12	**9,236**	(4,973)	(4,973)
Operating expenses		**(3,468)**	(4,018)	(4,018)
Trading EBITDA[1]		**1,810**	(1,241)	(1,207)
Exceptional costs	6	**(977)**	(1,221)	(1,221)
Share-based payments charge	6	**(247)**	(373)	(373)
Movement in fair value of investments	12	**9,236**	(4,973)	(4,973)
Impairment provision on loans receivable	13	**(70)**	–	–
Depreciation	11	**(40)**	(84)	(84)
Amortisation of intangible assets	10	**-**	(25)	(25)
Operating profit/(loss)	5	**9,712**	(7,917)	(7,883)
Finance income	7	**-**	34	–
Finance costs	7	**(52)**	(56)	(56)
Profit/(loss) on ordinary activities before taxation		**9,660**	(7,939)	(7,939)
Tax on profit/(loss) on ordinary activities	8	**(258)**	381	381
Profit/(loss) and total comprehensive income for the year		**9,402**	(7,558)	(7,558)
Profit/(loss) for the year attributable to:				
Owners of the parent		**9,062**	(7,558)	(7,558)
Non-controlling interests		**340**	–	–
		9,402	(7,558)	(7,558)
Earnings/(loss) per share				
Basic earnings/(loss) per share	9	**14.60p**	(0.22)p	(11.25)p
Diluted earnings/(loss) per share	9	**14.39p**	(0.22)p	(11.25)p

(1) earnings from trading activities before interest payable, tax, depreciation, amortisation, exceptional items, share-based payments and movements in fair value of investments.

The notes on pages 27 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 August 2019

	Notes	31 August 2019 £000	31 August 2018 £000
Non-current assets			
Intangible assets	10	**11,416**	11,416
Property, plant and equipment	11	**113**	148
Financial assets at fair value through profit or loss	12	**30,845**	41,118
Loans receivable	13	**8,748**	182
		51,122	52,864
Current assets			
Trade and other receivables	14	**819**	1,044
Cash and cash equivalents	15	**21,454**	12,433
		22,273	13,477
Total assets		**73,395**	66,341
Current liabilities			
Trade and other payables	16	**(1,140)**	(1,506)
Income tax payable		**(258)**	–
Finance lease liabilities	17	**(21)**	(19)
Other financial liabilities	18	**(200)**	(194)
		(1,619)	(1,719)
Non-current liabilities			
Finance lease liabilities	17	**(38)**	(59)
Other financial liabilities	18	**(419)**	(619)
		(457)	(678)
Total liabilities		**(2,076)**	(2,397)
Net assets		**71,319**	63,944
Equity			
Share premium	20	**59,464**	59,464
Shares held in Employee Benefit Trust	20	**(5,559)**	–
Share-based payments reserve		**4,956**	6,052
Merger reserve		**(23,712)**	(23,712)
Retained earnings		**30,804**	19,790
Equity attributable to the owners of the parent		**65,953**	61,594
Non-controlling interests	26	**5,366**	2,350
Total equity		**71,319**	63,944

The notes on pages 27 to 55 form an integral part of these consolidated financial statements.

These financial statements were approved by the Board on 2 December 2019 and signed on its behalf by:

I SMITH
DIRECTOR

P GUILBERT
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 August 2019

	Share premium £000	Shares held by Employee Benefit Trust £000	Share-based payments reserve £000	Merger reserve £000	Retained earnings £000	Total attributable to owners of the parent £000	Non-controlling interests £000	Total £000
Balance at 1 September 2017	**59,464**	**–**	**5,679**	**(23,712)**	**27,348**	**68,779**	**–**	**68,779**
Loss and total comprehensive loss for the year	–	–	–	–	(7,558)	(7,558)	–	(7,558)
Transactions with owners								
Share-based payments charge	–	–	373	–	–	373	–	373
Sale of NCI in subsidiary without a change in control	–	–	–	–	–	–	2,350	2,350
	–	**–**	**373**	**–**	**–**	**373**	**2,350**	**2,723**
Balance at 31 August 2018	**59,464**	**–**	**6,052**	**(23,712)**	**19,790**	**61,594**	**2,350**	**63,944**
Profit and total comprehensive income for the year	–	–	–	–	9,062	9,062	340	9,402
Transactions with owners								
Share-based payments charge	–	–	247	–	–	247	–	247
Transfer on exercise/ cancellation of share options	–	–	(1,343)	–	1,343	–	–	–
Sale of NCI in subsidiary without a change in control	–	–	–	–	609	609	2,866	3,475
Purchase of shares by EBT	–	(5,559)	–	–	–	(5,559)	–	(5,559)
Dividends paid to NCI	–	–	–	–	–	–	(190)	(190)
	–	**(5,559)**	**(1,096)**	**–**	**1,952**	**(4,703)**	**2,676**	**(2,027)**
Balance at 31 August 2019	**59,464**	**(5,559)**	**4,956**	**(23,712)**	**30,804**	**65,953**	**5,366**	**71,319**

The notes on pages 27 to 55 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 August 2019

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Cash used in operations	23	**(283)**	(1,850)
Corporation tax received		**–**	10
Net cash flows used in operating activities		**(283)**	(1,840)
Cash flows from investing activities			
Payments to acquire property, plant and equipment		**(5)**	(49)
Disposal of property, plant and equipment		**–**	6
Purchase of investments		**(4,684)**	(14,269)
Proceeds from disposal of investments		**24,193**	21,539
Loans advanced		**(11,030)**	(122)
Loans repayments received		**3,396**	39
Net cash flows from investing activities		**11,870**	7,144
Cash flows from financing activities			
Proceeds from sale of NCI in subsidiaries		**3,475**	2,350
Dividend paid to NCI		**(190)**	–
Purchase of shares by Employee Benefit Trust		**(5,559)**	–
Interest paid		**(52)**	(56)
Borrowings and other liabilities repaid		**(240)**	(240)
Net cash flows (used in)/from financing activities		**(2,566)**	2,054
Net increase in cash and cash equivalents in year		**9,021**	7,358
Cash and cash equivalents at beginning of year		**12,433**	5,075
Cash and cash equivalents at end of year		**21,454**	12,433

The notes on pages 27 to 55 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

1 GENERAL INFORMATION

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.

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 and the investments in liquid securities that 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 STANDARDS AND INTERPRETATIONS

The following new standards impacting the Group which were adopted in the annual financial statements for the year ended 31 August 2019 and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 'Financial instruments' (effective 1 January 2018[(1)])
- IFRS 15 'Revenue from contracts with customers' (effective 1 January 2018[(1)])

The following new standards and interpretations, which have not been early adopted by the Group, will be adopted in future accounting periods:

- IFRS 16 'Leases' (effective 1 January 2019[(1)])

IFRS 9 'Financial Instruments'

The Group implemented IFRS 9 as of 1 September 2018 and has also considered the impact on the comparative results. The new standard includes revised guidance on the classification and measurement of financial instruments.

IFRS 9 introduces principle-based requirements for the classification of financial assets, using the following measurement categories: (i) Amortised cost; (ii) Fair value through other comprehensive income with cumulative gains and losses reclassified to profit or loss upon derecognition; and (iii) Fair value through profit or loss. IFRS 9 also introduces a new impairment model, the expected credit loss ("ECL") model.

The adoption of IFRS 9 has had no impact on the classification of the Group's financial assets. The Group's equity investments and warrants continue to be accounted for at fair value through profit or loss. In the case of the Group's other financial assets, these are held to collect the associated contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding, and therefore these continue to be accounted for at amortised cost.

The Group now reviews the amount of credit loss associated with its financial assets based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. Having assessed the requirements according to the new standard, the Group has concluded that no significant impairment to the carrying values of the assets was required in any prior period. Details of the ECL for loan receivables is shown in note 13 and that for trade receivables is shown in note 14.

(1) Effective for annual reporting periods beginning on or after the dates above

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

1 GENERAL INFORMATION CONTINUED

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Group initially applied IFRS 15 on 1 September 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Group's fee income from contracts with customers was not impacted by the adoption of IFRS 15. The impact of IFRS 15 was limited to the enhanced disclosure requirements.

IFRS 16 'Leases'

The new IFRS 16 standard covering the accounting for leases will replace IAS 17 and associated interpretations. It introduces a standard accounting model for lessees. As a result, lessees are obliged to recognise right-of-use assets and liabilities for all contracts that are, or contain, a lease. The impact of IFRS 16 on MXC is being assessed. The main impact is expected to be around property leases of which the Group currently has one that would be impacted.

Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However trading EBITDA results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under IFRS 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, until the effective date of disposal, as applicable.

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.

The Group applies the acquisition method in accounting for business combinations, with the exception of a business combination in 2015 which was regarded to be outside the scope of IFRS 3 and, as such, management used judgement in determining the appropriate accounting treatment. Under the circumstances, merger accounting was deemed suitable.

Under the acquisition method, the cost of acquisition is measured as the aggregate of the consideration transferred by the Group to obtain control of a subsidiary, which 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.

The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests where it is considered material to do so.

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

2 ACCOUNTING POLICIES

SEGMENTAL REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM 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.

During the year the CODM reassessed the Group's operating segments and concluded that the Group is now comprised of the transactional segment and central segment. These are defined in note 3.

REVENUE

Revenue comprises fee income and interest income. The Board considers the interest income to be part of the trading activities of the Group and therefore it has been presented as a component of revenue.

FEE INCOME

Fee income 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.

Revenue arises mainly from the services rendered by the Group to its customers.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied.

In each identified contract with a customer there are two distinct performance obligations: (a) the Group's stand-ready obligation to render advisory activities as and when required which is referred to as the "Retainer fees"; (b) the Group's obligation to render advice for specific corporate finance transactions which is referred to as the "Transaction revenue". These fees are the Group's primary source of fee income. These are considered to be distinct performance obligations as the customer can benefit from each service on its own and the Group's promise to transfer each service to the customer is separately identifiable from other promises in the contract.

The recognition of the revenue is described below for each distinct performance obligation:

(i) Retainer fees

The Group has a stand-ready obligation to provide advisory services to customers as and when required. This performance obligation is in place for the life of the contract with the customer and satisfaction of this obligation is considered to be met on an ongoing basis as the scope of this arrangement is generally not considered reconcilable to input or output criteria to measure progress towards complete satisfaction of this obligation. For this reason, revenue is recognised straight-line over the performance of the contract via a fixed monthly retainer fee agreed as part of the contract. This fixed fee is specifically set out in the contract as the transaction fee allocated to this performance obligation. As the amount of work required to perform under these contracts does not vary significantly from month-to-month, the monthly billing provides a faithful depiction of the transfer of services. This is considered to align revenue recognition with the satisfaction of the stand-ready performance obligation. Accrued revenue is recognised when the revenue recognition criteria were met but in accordance with the underlying contract, the sales invoice has not been issued yet.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

2 ACCOUNTING POLICIES CONTINUED

(ii) Transaction revenue

This income stream comprises fees in relation to the Group's transactional services, such as corporate finance deal fees. For each corporate transaction entered into by a customer, the Group has an obligation to provide advisory services including executing acquisitions and disposals. This obligation is satisfied at the point when the transaction has completed, being when the customer has received the full benefit of the advisory services rendered. The transaction price allocated is the variable fee specifically presented in the contract for advisory services. This price is variable as it is determined based on an agreed percentage of the enterprise value of any corporate transactions or capital raisings concluded. There is no accrual of the revenue and it is only recognised on the completion of the relevant transaction. As the transaction price is based on a fixed percentage of a known enterprise value, there are no significant judgements applied by management in recognising transaction revenue.

INTEREST INCOME

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any ECL allowance (or impairment allowance before 1 September 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any ECL allowance.

As a result of the adoption of IFRS 9 in the period, the interest income calculated under the effective interest method is shown separately in the consolidated statement of profit or loss. The Board considers this interest income to be part of the trading activities of the Group and therefore the interest income calculated under the effective interest method has been presented as a component of revenue. The comparative figures have been restated to reflect this treatment.

EXCEPTIONAL COSTS

Costs which are material either because of their size or their nature, are highlighted separately on the face of the consolidated statement of profit or loss. The separate reporting of exceptional costs helps provide a better picture of the Group's underlying performance. Items which may be included within the exceptional category include, inter alia, acquisition and restructuring costs and other particularly significant or unusual items.

Exceptional items are excluded from the headline profit measures used by the Group and are highlighted separately in the consolidated statement of profit or loss as management believe that they need to be considered separately to gain an understanding of the underlying profitability of the trading businesses.

LEASES
Management applies judgement in considering the substance of the lease agreement. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term. Where the Group has substantially all the risks and rewards of ownership, the assets are capitalised as property, plant and equipment and depreciated over the shorter of their useful economic life and the lease term. The resulting lease obligations are included in borrowings net of finance charges. Interest costs on finance leases are charged to the consolidated statement of profit or loss so as to produce a constant periodic rate of charge on the remaining balance of the liability for each period.

TAXATION
The Company is eligible for exemption from taxation in Guernsey under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and has paid the annual exemption fee of £1,200.

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.

Deferred income taxes are calculated in certain of the Group's subsidiaries using the liability method on temporary differences. Deferred tax is generally provided for on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided for 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 for 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 for 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. 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.

INVESTMENTS
Investments of the Group include equity securities, warrants and loans. Equity securities classed as investments are designated as fair value through profit and loss ("FVTPL") on initial recognition, as is allowed by the relevant standard for a group of financial assets, financial liabilities or both that is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

Certain subsidiaries of the Company hold investments in investees which are classed as associates and joint ventures as the subsidiary companies are deemed to hold significant influence over these investees. In the opinion of the directors, these subsidiary companies operate akin to venture capital companies and therefore the Group has taken advantage of the exemptions from applying the equity method to account for associates and joint ventures available under IAS 28 and has designated such investments as FVTPL on initial recognition.

Warrants, being derivatives, are by default FVTPL since they classify as held for trading. Loans are classified as loans and receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

2 ACCOUNTING POLICIES CONTINUED

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 as follows:

Office equipment, furniture and fittings	3 – 5 years, straight line basis
Motor vehicles	25% reducing balance basis

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

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. Customer contracts are amortised over their estimated useful lives of 3 years on a straight-line basis.

(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.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and demand deposits held on call at banks.

FINANCIAL ASSETS

In accordance with IFRS 9, from 1 September 2018 the Group classifies its financial assets as either those to be measured at fair value (either through profit or loss, or other comprehensive income), or at amortised cost. At the reporting date the Group's financial assets are classified as detailed below.

From 1 September 2018 impairment of the Group's loans and trade and other receivables is assessed using a forward-looking ECL, as detailed in notes 13 and 14.

(i) Loans and receivables
Trade and other receivables are recognised initially at fair value less any transaction costs and subsequently amortised cost less any expected credit loss provision. Any transaction costs are taken to profit or loss.

The Group's loans receivable comprise loans which are initially recognised at fair value and stated at amortised cost at each reporting period end less any expected credit loss provision. Interest calculated using the effective interest method is recognised in consolidated statement of profit or loss within revenue.

(ii) Financial assets at fair value through profit or loss
The Group's equity investments are designated as at fair value through profit or loss on initial recognition. Any transaction costs are taken to profit or loss. Gains or losses arising from revaluation of the investments at each reporting period are recognised directly in the Group's consolidated statement of profit or loss.

The Group's warrants are classified as held for trading. Gains or losses arising from revaluation of the warrants at each reporting period are recognised directly in the Group's consolidated statement of profit or loss.

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 financial instrument. The Group's financial liabilities include trade payables, borrowings and an obligation to purchase preferred ordinary shares issued in a subsidiary company. These are measured initially at fair value and subsequently at amortised cost using the effective interest rate method.

DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES
Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial assets and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

SHARE-BASED PAYMENTS
(i) Share options and Long Term Incentive Plan ("LTIP")
The Group has issued equity-settled share options and awards under LTIPs to certain current and former employees. The fair value of these options and awards 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 and awards 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 equity.

Upon exercise of share options, the proceeds received, net of attributable transaction costs, are credited to share capital and, where appropriate, share premium. 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 21 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

2 ACCOUNTING POLICIES CONTINUED

EQUITY

Equity comprises the following:

- Share premium, representing the fair value of consideration received for shares, net of expenses of the share issue;
- Shares held by Employee Benefit Trust, representing the cost price of investments in the Company's own shares;
- Share-based payments reserve, representing the cost of equity-settled share-based payments until such share options and awards are exercised or lapse;
- 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;
- Retained earnings, representing the aggregate of all current and prior period retained profits and losses.

EMPLOYEE BENEFIT TRUST

The Group has established the MXC Employee Benefit Trust (the "EBT"), the purpose of which is to provide benefits through a trust to such employees whether directly or by way of entering into arrangements with the Group in support of its Employee Share Scheme. The assets and liabilities of the EBT are included in the Group's consolidated statement of financial position. Investments in the Group's own shares are shown as a deduction from equity. See note 20 for further details.

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 IFRSs.

(i) Definition of business activities

The Board has exercised judgement in relation to the definition of the Company's business activities. The Board has assessed the Company's business model in detail against the criteria set out in IFRS 10 and is of the opinion that, although certain of its subsidiaries are investment holding companies, the Company itself does not meet the definition of an 'Investment Company' under IFRS 10, due, in part, to its broader advisory and corporate finance proposition. All subsidiaries of the Company, including those which are investment holding companies, are therefore consolidated into the Group financial statements as described elsewhere in these accounting policies.

(ii) Accounting for investments

Certain subsidiaries of the Company hold investments in investees which are classed as associates and joint ventures as the subsidiary companies are deemed to hold significant influence over these investees. In the opinion of the directors, these subsidiary companies operate akin to venture capital companies and therefore the Group has taken advantage of the exemptions from applying the equity method to account for associates and joint ventures available under IAS 28 and has designated such investments as fair value through profit or loss on initial recognition. In the opinion of the Board this gives a true and fair view of the Group's operations and financial position to shareholders.

(iii) Fair value measurement of investments

The Group holds investments in the form of quoted and unquoted securities and warrants measured at fair value. The fair value of these investments is estimated at the reporting period end, under methods detailed in note 12. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

(iv) Fair value measurement of share-based payments
The fair value of the Group's share-based payments is a significant estimate, calculated as detailed in note 21. Estimated fair values may vary from actual prices that would be achieved in an arm's length transaction at the reporting date.

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

(vi) Recoverability of loans receivable, trade and other receivables
As detailed in notes 13 and 14, the Group has outstanding loans receivable. Other than in respect of the expected credit loss provision, the directors do not believe there are any signs of impairment in respect of the loans at the reporting period end. Given the quantum of the loans and the timescales until redemption the recoverability of these loans is a significant estimate.

(vii) Recognition of retainer fees
The revenue from the provision of advisory services is recognised over time by the billing of the annual fee on a monthly basis. The timing of the satisfaction of performance obligations and in assessing that this method faithfully depicts the transfer of services requires the application of judgement by management.

3 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 CODM assesses the performance of the operating segments based on the Trading EBITDA generated by each segment. Assets and liabilities per segment are not monitored by the CODM and therefore that analysis is not provided below.

All revenue originates from the United Kingdom or Guernsey. Third party revenue is detailed in the segmental analysis as are charges for professional services rendered between the Group's operating segments. Recharges of costs between segments are excluded from the revenue analysis, in line with the internal reporting to the CODM.

During the year the CODM reassessed the Group's operating segments and concluded that the Group is now comprised of the following main operating segments:

Transactional segment – this segment comprises the Group's FCA regulated corporate finance and related services, together with the Group's advisory and consultancy activities, including originating and advising on investment opportunities for the Group, and providing operational and strategic guidance to clients.

Central – all other activities of the Group in performing its principal activity of advisor to and investor in technology companies, including the management of its investments, are considered together by the CODM.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

3 SEGMENTAL ANALYSIS CONTINUED

Results for the year ended 31 August 2019

	Transactional £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:				
Third party fee income	1,811	626	–	2,437
Third party interest income	–	819	–	819
Inter-segment	1,814	–	(1,814)	–
Total revenue	**3,625**	**1,445**	**(1,814)**	**3,256**
Trading EBITDA[(1)]	**2,434**	**(624)**	**–**	**1,810**
Exceptional costs	(512)	(465)	–	(977)
Share-based payments charge	(247)	–	–	(247)
Depreciation	(40)	–	–	(40)
Impairment provision on loans receivable	–	(70)	–	(70)
Movement in fair value of investments	–	9,236	–	9,236
Operating profit	**1,635**	**8,077**	**–**	**9,712**
Finance costs	(4)	(48)	–	(52)
Profit before taxation	**1,631**	**8,029**	**–**	**9,660**

(1) earnings from trading activities before interest paid, tax, depreciation, amortisation, exceptional items, share-based payments and movements in fair value of investments.

During the year, revenue from five of the Group's customers each represented more than 10% of total revenue. Revenue related to those customers was £1,039,000, £756,000, £398,000, £387,000 and £371,000 respectively. The revenue in respect of these customers was generated from both of the Group's operating segments.

Results for the year ended 31 August 2018

	Transactional £000	Central £000	Inter-segment transactions £000	Total £000
Revenues:				
Third party fee income	1,034	–	–	1,034
Third party interest income	–	34	–	34
Inter-segment	1,029	–	(1,029)	–
Total revenue	**2,063**	**34**	**(1,029)**	**1,068**
Trading EBITDA(1)	**558**	**(1,765)**	**-**	**(1,207)**
Exceptional costs	(808)	(413)	–	(1,221)
Share-based payments charge	(373)	–	–	(373)
Depreciation	(32)	(52)	–	(84)
Amortisation of intangible assets	(25)	–	–	(25)
Movement in fair value of investments	–	(4,973)	–	(4,973)
Operating loss	**(680)**	**(7,203)**	**-**	**(7,883)**
Finance costs	(3)	(53)	–	(56)
Loss before taxation	**(683)**	**(7,256)**	**-**	**(7,939)**

(1) earnings from trading activities before interest paid, tax, depreciation, amortisation, exceptional items, share-based payments and movements in fair value of investments.

During the year ended 31 August 2018, revenue from four of the Group's customers each represented more than 10% of total revenue. Revenue related to those customers was £273,000, £220,000, £186,000 and £107,000 respectively. The revenue in respect of each of these customers was generated from the Transactional segment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

4 OTHER INCOME

	2019 £000	2018 £000
Dividends received	**688**	–
Profit on disposal of property, plant and equipment	**–**	40
	688	40

5 OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging to operating expenses:

	2019 £000	2018 £000
Amortisation of intangible assets	**–**	25
Depreciation of owned assets	**14**	52
Depreciation of assets held under finance leases	**26**	32
Employee costs, excluding share-based payments charge and exceptional costs (see note 6)	**821**	1,256
Exceptional costs (see note 6)	**977**	1,221
Share-based payments charge (see note 21)	**247**	373
Operating lease rentals	**63**	103
Auditor's remuneration		
Audit of consolidated accounts	**25**	24
Audit of the Company's subsidiaries	**40**	31
Non-audit services		
Taxation services	**12**	14
Other non-audit services	**–**	3

6 PARTICULARS OF STAFF

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

	2019 No	2018 No
Fee earners and administration	**9**	10

The aggregate payroll costs of these persons were:

	2019 £000	2018 £000
Wages and salaries	**1,593**	2,225
Social security costs	**195**	244
Pension costs-defined contribution plan	**10**	8
Total payroll costs (see below)	**1,798**	2,477
Share-based payments charge (see note 21)	**247**	373
Total employment costs	**2,045**	2,850

EXCEPTIONAL COSTS

Included in total payroll costs is £977,000 (2018: £1,221,000) in respect of staff bonuses and the related social security expense. The bonuses were paid as a result of the profit realised by MXC on the exit of certain of the Group's investments rather than as a result of the trading performance of the Group. Given this and the size of the total bonus expenses, they are therefore considered exceptional in nature.

DIRECTORS' REMUNERATION

Remuneration of directors, who were the key management personnel during the year, was as follows:

	2019 £000	2018 £000
Aggregate emoluments including short-term benefits and fees	**364**	683

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

	2019 £000	2018 £000
Aggregate emoluments including short-term employee benefits	**255**	485

The remuneration of individual directors, who are the key management personnel of the Group, is disclosed in the Directors' Report on page 12. No retirement benefits in respect of defined contribution schemes are accruing to any directors.

In September 2015 the Group made awards to certain directors and employees under its Long Term Incentive Plan ("LTIP"). Ian Smith, a director of the Company, is entitled to 2% of the shareholder value created under the scheme. For further details, see note 21.

7 FINANCE INCOME AND COSTS

	2019 £000	2018 £000
Finance income		
Interest on loans receivable	**796**	34
Interest in cash and cash equivalents	**22**	–
Other interest	**1**	–
	819	34

	2019 £000	2018 £000
Finance cost		
Interest on finance lease obligations	**5**	3
Interest on other financial liabilities	**47**	53
	52	56

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

8 TAXATION

(a) Tax on loss on ordinary activities

	2019 £000	2018 £000
Current tax		
Current year charge	**258**	–
Adjustment in respect of prior periods	**–**	(34)
	258	(34)
Deferred tax		
Movement in provision re fair value of investments	**–**	(347)
Total tax charge/(credit)	**258**	(381)

The Company is eligible for exemption from taxation in Guernsey under the provision of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, and has paid the annual exemption fee of £1,200.

(b) Reconciliation of the total income tax charge

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before taxation	**9,660**	(7,939)
UK corporation tax rate of 19.0% (2018: 19.0%) payable on UK profit/(loss)	**258**	–
Prior year adjustment to current income tax	**–**	(34)
Deferred tax credit re temporary differences	**–**	(347)
Total tax charge/(credit)	**258**	(381)

(c) Deferred tax liability

	£000
At 1 September 2017	347
Credit to income statement	(347)
At 31 August 2018 and 31 August 2019	**–**

9 EARNINGS PER SHARE

Earnings per share ("EPS") is based on the profit or loss attributable to shareholders of the parent company divided by the weighted average number of ordinary shares in issue during the year, excluding the shares held by the EBT.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2019 Number
Weighted average shares used to calculate basic EPS	**62,073,560**
Dilutive effect of share incentive awards	**908,121**
Weighted average shares used to calculate diluted EPS	**62,981,681**

On 15 February 2019, the Company completed a share capital consolidation, being the consolidation of every 50 existing ordinary shares of no par value each into 1 ordinary share of no par value. For comparative purposes, the weighted average number of ordinary shares in issue has been restated as if the share capital consolidation had occurred prior to the 2018 reporting period end as follows:

	2018 Loss per share (pence)	2018 Loss £000	2018 Weighted average number of ordinary shares
Basic and diluted loss per share (reported)	(0.22)p	(7,558)	3,360,167,484
Consolidation of share capital (50:1)		–	(3,292,964,135)
Basic and diluted loss per share (restated for comparative purposes)	(11.25)p	(7,558)	67,203,349

In 2018, the weighted average number of ordinary shares for the purpose of calculating the basic and diluted measures was the same. This is because the outstanding share incentives, details of which are given in note 21, would have the effect of reducing the loss per ordinary share and therefore would be anti-dilutive under the terms of IAS 33.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

10 INTANGIBLE ASSETS

	Goodwill £000	Customer contracts and related relationships £000	Total £000
Cost			
At 1 September 2017	11,416	73	11,489
At 31 August 2018 and 2019	**11,416**	**73**	**11,489**
Amortisation			
At 1 September 2017	–	48	48
Charge for the year	–	25	25
At 31 August 2018 and 2019	**–**	**73**	**73**
Net book value			
At 31 August 2019	**11,416**	**–**	**11,416**
At 31 August 2018	11,416	–	11,416

The amortisation charge is included in the consolidated statement of profit or loss within administrative expenses.

GOODWILL

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is supported by calculating the discounted cash flows arising from value-in-use calculations based on each applicable cash generating unit ("CGU") as detailed below:

Capital Markets CGU

The goodwill arising from the acquisition of MXC Capital Markets LLP of £5,927,000 is allocated to this CGU. The value-in-use calculations use cash flow projections based on financial budgets approved by management until 31 August 2024. A terminal value calculation has been applied, with a terminal value growth rate assumed of 2%.

Investments CGU

This goodwill arising from the acquisition of MXC Holdings Limited of £5,489,000 is allocated to this CGU. The value-in-use calculations use cash flow projections over a 5 year period based on management-approved assumptions regarding the time an investment will be held for and the growth in value achieved. Exit multiples of up to 2.4 times are assumed based on historic averages achieved.

In the case of both CGUs, a pre-tax discount rate of 8.0% has been applied to the extrapolated cash flows, which reflects management's risk-adjusted estimate of the weighted average cost of capital. A reasonably possible adverse movement in any of the above key assumptions made would not give rise to impairment.

11 PROPERTY, PLANT AND EQUIPMENT

	Office equipment, furniture and fittings £000	Motor vehicles £000	Total £000
Cost			
At 1 September 2017	242	215	457
Additions	48	116	164
Disposals	(147)	(215)	(362)
At 31 August 2018	**143**	**116**	**259**
Additions	5	–	5
At 31 August 2019	**148**	**116**	**264**
Depreciation			
At 1 September 2017	183	89	272
Charge for the year	52	32	84
On disposal	(138)	(107)	(245)
At 31 August 2018	**97**	**14**	**111**
Charge for the year	14	26	40
At 31 August 2019	**111**	**40**	**151**
Net book value			
At 31 August 2019	**37**	**76**	**113**
At 31 August 2018	46	102	148

As at 31 August 2019, included in motor vehicles are assets held under finance leases with a carrying value of £76,000 (2018: £102,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Quoted company investments £000	Private company investments £000	Warrants £000	Total £000
Cost				
At 1 September 2017	42,796	7,746	2,186	52,728
Additions	8,970	5,932	–	14,902
Disposals of investments and exercise of warrants	(19,684)	(193)	(1,662)	(21,539)
Movement in fair value of investments	(5,392)	–	419	(4,973)
At 31 August 2018	**26,690**	**13,485**	**943**	**41,118**
Additions	124	4,560	–	4,684
Disposals of investments and exercise of warrants	(23,753)	–	(440)	(24,193)
Movement in fair value of investments	12,057	(2,318)	(503)	9,236
At 31 August 2019	**15,118**	**15,727**	**-**	**30,845**

The Group's investments relate to equity securities and warrants held in both AIM quoted and unquoted, private companies. These investments are accounted for at fair value through profit or loss and presented as financial assets at fair value through profit or loss 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 equity securities and warrants are measured at fair value. The quoted equity securities are categorised as level 1 fair values, the warrants and the unquoted equity securities as level 3.

In the case of the warrants, a valuation exercise to estimate their fair value at 31 August has been undertaken. The fair value of the warrants in previous financial years involved the production of a Black-Scholes valuation with estimates made in respect of items such as the timing of the achievability of performance criteria, share price volatility and exercise date. The historic volatility, which is a significant input to the valuation model, constitutes unobservable data in accordance with the relevant standard. The average historical volatility used in 2018 was 9.7%. The fair value of the Group's warrants at 31 August 2018 comprised warrants held in Tax Systems plc. On the disposal of the Group's investment in Tax Systems plc during the year ending 31 August 2019, certain of these warrants were exercised and the remainder were waived by the Group.

The fair value of the unquoted equity securities is based on a market approach, using either the latest fund raising valuation if applicable, or the application of market-average multiples (EV/EBITDA or EV/Revenue) to the companies' own data. The financial data of the valued companies themselves is not observable on the market, and whilst the market-average multiples are based on observable market data, the selection of comparable companies used is a significant judgement. The unquoted investees all operate within the technology sector and the key observable inputs were:

Valuation technique	**Observable input**	**Multiple**
Market comparable companies	EBITDA multiple	9.06
	Revenue multiple	6.2

During the year there were no transfers between categories (2018: £nil).

Categorisation of the fair values at 31 August 2019 was:

	Level 1 £000	Level 2 £000	Level 3 £000
Quoted equity securities	15,118	–	–
Unquoted equity securities	–	–	15,727
Derivatives – warrants	–	–	–
	15,118	**–**	**15,727**

Categorisation of the fair values at 31 August 2018 was:

	Level 1 £000	Level 2 £000	Level 3 £000
Quoted equity securities	26,690	–	–
Unquoted equity securities	–	–	13,485
Derivatives – warrants	–	–	943
	26,690	**–**	**14,428**

13 LOANS RECEIVABLE

	2019 **£000**	2018 £000
Loan notes	**8,759**	–
Less: provision for impairment of loan notes	**(70)**	–
Loan notes – net	**8,689**	–
Other loans	**59**	182
	8,748	182

During the year, the Group subscribed for £8.0 million of secured loan notes with a six-year term and an effective interest rate of 12% ("Secured LNs"). The subscribed amount plus the fees directly attributable to Secured LNs is the basis of the carrying value of the Secured LNs. The determined carrying value is not materially different from the fair value. The counterparty to the Secured LN's is a company in which the Group holds an investment as an associate and has board representation. Given its influence within, and therefore its knowledge of, the counterparty, together with the level of security held in respect of the Secured LN's, the Group considers the ECL in respect of the Secured LN's to be low. The Group also considers there has been no change in its assessment of its risk since the subscription for the Secured LNs and therefore considers it appropriate to reflect a 12 month ECL provision. After applying a sensitised valuation to the security held and an estimate of the likelihood of a default event in the next 12 months, the Group considers an ECL provision of £70,000 is appropriate (2018: £nil). The movement on the provision is therefore £70,000 and this is included within operating expenses in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

14 TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Trade receivables	**663**	547
Less: provision for impairment of trade receivables	**(33)**	–
Trade receivables – net	**630**	547
Prepayments and accrued income	**189**	186
Loans receivable	**–**	302
Other receivables	**–**	9
	819	1,044

The ageing of trade receivables at 31 August was:

	2019 £000	2018 £000
Not past due	**663**	547

In adopting IFRS 9, the Group now reviews the amount of credit loss associated with its trade receivables based on forward looking estimates that take into account current and forecast credit conditions as opposed to relying on past historical default rates. In adopting IFRS 9 the Group has applied the Simplified Approach to measure lifetime expected credit losses and has assessed individual customer balances and their current and forecast trading conditions in deriving the ECL provision. The ECL provision of £33,000 (2018: £nil) is included within operating expenses in the consolidated statement of profit or loss.

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 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances:

	2019 £000	2018 £000
Cash at bank	**2,434**	12,433
Short-term deposits	**19,020**	–
	21,454	12,433

16 TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Current		
Trade payables	**78**	78
Other payables	**1**	1
Tax and social security	**79**	66
Accruals and deferred income	**982**	1,361
	1,140	1,506

17 FINANCE LEASE LIABILITIES

	2019 £000	2018 £000
Current		
Finance leases	**21**	19
Total current	**21**	19
Non-current		
Finance leases	**38**	59
Total non-current	**38**	59

FINANCE LEASE LIABILITY

The present value of finance lease liabilities as at 31 August is as follows:

	Minimum lease payments 2019 £000	Interest 2019 £000	Principal 2019 £000
Less than one year	24	3	21
Between one and five years	40	2	38
Total	**64**	**5**	**59**

	Minimum lease payments 2018 £000	Interest 2018 £000	Principal 2018 £000
Less than one year	24	5	19
Between one and five years	64	5	59
Total	**88**	**10**	**78**

18 OTHER FINANCIAL LIABILITIES

The Group has a future obligation to purchase preferred ordinary shares issued in MXC Holdings Limited for a total of £660,000. The amortised cost of this obligation is £619,000 which is analysed in the table below and is based on a discount rate of 3.25%, being the Group's borrowing rate at inception.

	2019 £000	2018 £000
Due within one year	**200**	194
Due after more than one year	**419**	619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

19 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, warrants and loans. 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:

- Financial assets at fair value through profit or loss
- Loans, trade and other receivables ("loans and receivables")
- Cash and cash equivalents
- Trade and other payables
- Other financial liabilities

	2019 £000	2018 £000
Financial assets		
Financial assets at fair value through profit or loss	**30,845**	41,118
Loans and receivables	**9,408**	1,040
Cash and cash equivalents	**21,454**	12,433
	61,707	54,591
Financial liabilities		
Trade and other payables – excluding statutory liabilities	**1,061**	1,370
Other financial liabilities	**619**	813
	1,680	2,183

The maturity analysis of the Group's financial assets is as follows:

	On demand £000	<3 months £000	1-5 years £000	More than 5 years £000	**Total £000**
2019:					
Financial assets at fair value through profit or loss	30,845	–	–	–	**30,845**
Loans and receivables	–	660	59	8,689	**9,408**
Cash and cash equivalents	21,454	–	–	–	**21,454**
	52,299	660	59	8,689	**61,707**

	On demand £000	<3 months £000	1-5 years £000	More than 5 years £000	Total £000
2018:					
Financial assets at fair value through profit or loss	41,118	–	–	–	41,118
Loans and receivables	–	858	182	–	1,040
Cash and cash equivalents	12,433	–	–	–	12,433
	53,551	858	182	–	54,591

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, together with leases. During the year the Group received interest of £22,000 on its cash and cash equivalents (2018: £nil). The Group has issued loans and loan notes, which are interest bearing. During the year the Group charged interest of £796,000 (2018: £34,000), at a fixed interest rate, on its loans and loan notes. All other assets and liabilities of the Group are non-interest bearing.

At 31 August 2019, cash and cash equivalents of £21,454,000 (2018: £12,433,000) 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 quoted equity securities, an average overall change in fair value of 45% has been observed during 2019 (2018: 10%). This is considered to be a suitable basis to apply to the Group's quoted investments 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. However, this figure is considered too high to apply to the Group's unquoted investments given their values are less affected by external factors. The 2018 rate of 10% is deemed appropriate to apply to these investments. If the valuation of the Group's investments increased or decreased by these rates, profit or loss and equity would have changed by £3,845,000 in either direction (2018: £4,112,000).

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 and its loans receivable. 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 of AA- and above.

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.

Concentration risk analysis

Concentration risk is the risk that the Group may be adversely affected by its investments being focussed on a relatively small numbers of companies, all of whom operate within the technology sector. See 'Other price risk' for details of how the Group mitigates this risk and the impact it may have on reported results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT CONTINUED

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.

20 SHARE PREMIUM

Ordinary shares of no par value	Number of shares	Share Premium £000
At 1 September 2017	3,351,367,484	59,464
Issue of share capital	8,800,000	–
At 31 August 2018	**3,360,167,484**	**59,464**
Consolidation of share capital (50:1)	(3,292,964,135)	–
At 31 August 2019	**67,203,349**	**59,464**

The Company is authorised to issue an unlimited number of ordinary shares of no par value.

B SHARES OF NO PAR VALUE

During a previous financial year the Company issued 1,049,089,816 B shares of no par value as part of the acquisition of MXC Holdings Limited. This is the total number of B shares in issue at 31 August 2019 and 2018. These shares are redeemable shares and are held by MXC Holdings Limited, a wholly-owned subsidiary of the company, and are therefore eliminated in full on consolidation.

As at 31 August 2019, the EBT held 8,057,677 shares (2018: nil). These shares are held as 'treasury shares'. The trustees of the EBT have voting rights in relation to these shares unless otherwise agreed with the Company. Unless otherwise requested by the Company, the trustees shall waive any and all dividends payable in respect of the shares held by the EBT. For further details of the EBT refer to page 34.

2019 ORDINARY SHARE CONSOLIDATION

On 15 February 2019, the Company completed a share capital consolidation, being the consolidation of every 50 existing ordinary shares of no par value each into 1 ordinary share of no par value.

2018 ORDINARY SHARE ISSUES

In November 2017 and June 2018 6,400,000 ordinary shares and 2,400,000 ordinary shares respectively were issued at a price of 0.0p per share to satisfy the exercise of share options.

21 SHARE BASED PAYMENTS

SHARE OPTION SCHEME

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

	2019 Number of share options	**2019 Weighted average exercise price £**	2018 Number of share options	2018 Weighted average exercise price £
Outstanding at the beginning of the year	**36,644,176**	**0.01**	45,444,176	0.01
Exercised in the year	–	**0.01**	(8,800,000)	0.01
Consolidation of share capital (50:1)	**(35,911,293)**			
Outstanding at the end of the year	**732,883**	**0.01**	36,644,176	0.01
Exercisable at the end of the year	**732,883**	**0.01**	36,644,176	0.01

Share options with an option life of 10 years were granted in 2013 and, as the performance criteria has been 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. See note 20 for details of the share consolidation in the year.

Options outstanding under the Company's share option schemes at 31 August 2019 were as follows:

Name of scheme	**2019 No of options**	**2018 No of options**	**Calendar year of grant**	**Exercise period**	**Exercise price per share**
2013 Enterprise Management Incentive scheme:	532,883	26,644,176	2013	2013-2023	£0.01
	200,000	10,000,000	2013	2013-2023	£ nil

The weighted average remaining contractual life of these options is 4 years (2018: 5 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 was determined by reference to the fair value of the share options granted, calculated using the Black-Scholes option pricing model.

The share-based payments charge in respect of these share options has been fully expensed in previous financial years.

LONG TERM INCENTIVE PLAN ('LTIP')

On 28 September 2015 the Group made awards to certain directors and employees under its Long-Term Incentive Plan ('LTIP').

The beneficiaries of the LTIP are entitled to receive a share in a pool of up to 12.5% 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 August 2014, taking into account dividends and capital returns, if any. The base value is defined as the aggregate value of all of the ordinary shares in the capital of the Company in issue in August 2014 as adjusted for the issue or cancellation of new ordinary shares after that date.

Initially the LTIP is 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.

As at 31 August 2019, awards over 8.4% of shareholder value are in place (2018: 10.43%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

21 SHARE BASED PAYMENTS CONTINUED

The LTIP scheme has the following broad principles:

Participants at 31 August 2019 are entitled to share in a pool equivalent to 8.4% of shareholder value created in excess of the base value of the Company as at August 2014, subject to the share price performance of the Company. Share price performance was initially to be measured at August 2017 or August 2018 (depending when employment commenced), with an extension to August 2019 if the performance condition was not met by those dates. The share price performance condition has been met.

The fair value of the LTIP is calculated by an external valuations' expert using a two-tiered Black-Scholes option pricing model together with an empirical model. The fair value of the LTIP at date of implementation, adjusted for subsequent starters and leavers, was £4,497,000 (2018: £5,539,000), generating an expense for equity-settled share-based payments in respect of employee services received during the year to 31 August 2019 of £247,000 (2018: £373,000). The significant inputs into the model were the LTIP expiry date of August 2020, the expected exercise date of within 12 months, the weighted average share price of 3.05 pence per share at the grant date, a risk-free rate of 0.5% and an average volatility of 49.0% which is based on an average of the short and longer-term historical volatility of the Company's share price.

22 OPERATING LEASE COMMITMENTS

At 31 August 2019, the Group had aggregate minimum lease payments under non-cancellable operating leases in relation to property as follows:

	2019 £000	2018 £000
Due within one year	**72**	72
Due from one to five years	**169**	241
	241	313

23 NET CASH FLOWS FROM OPERATING ACTIVITIES

	2019 £000	2018 £000
Profit/(loss) on ordinary activities before taxation	**9,660**	(7,939)
Adjustments for:		
Movement in fair value of investments	**(9,236)**	4,973
Profit on disposal of PPE	**–**	(40)
Depreciation	**40**	84
Amortisation	**–**	25
Share-based payment charge	**247**	373
Net finance (income)/charges	**(496)**	22
Impairment provision on loans receivable	**70**	–
Increase in trade and other receivables	**(77)**	(255)
(Decrease)/increase in trade and other payables	**(491)**	907
Cash used in operations	**(283)**	(1,850)

24 RELATED PARTY TRANSACTIONS

Transactions between the Company and its wholly-owned subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Certain of the Group's investee companies are deemed to be related parties, because they are classed as associates or joint ventures of the Group. Transactions entered into, and trading balances outstanding at 31 August with these related parties, are as follows:

Related party:	Services provided to related party £000	Amounts owed by related party £000
Associates		
2019	**1,011**	**660**
2018	490	126
Joint venture		
2019	**756**	**302**
2018	273	302
Other		
2019	**398**	**-**
2018	–	–

Amounts owed by related parties are stated gross of VAT.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made on an arm's length basis. Outstanding balances with entities other than group companies are unsecured, interest free and cash settlement is expected within agreed payment terms. Terms and conditions for transactions with group companies are the same, with the exception that balances are placed on intercompany accounts with no specified credit period. The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the year ended 31 August 2019, the Group has made a provision for ECLs relating to amounts owed by related parties of £33,000 (2018: nil).

In addition, at 31 August 2019, the Group had loans outstanding due from an associate as disclosed in note 13.

The directors are the key management personnel of the Company and their remuneration is disclosed in the Directors' Report. Social security costs in respect of directors' emoluments were £9,000 (2018: £9,000).

The directors are not aware of any ultimate controlling party.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 August 2019

25 SUBSIDIARIES

At 31 August 2019 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*	Advisory services	England & Wales	100%
MXC Holdings Limited*	Investment company	England & Wales	100%
MXC JV Limited*	Investment company	Guernsey	50%
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

26 SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The Group includes two subsidiaries, MXC Capital (UK) Limited and MXC JV Limited, with material non-controlling interests ("NCI").

MXC JV LIMITED

At 31 August 2019 an NCI held 50% of the ownership interests and none of the voting rights of MXC JV Limited, a Guernsey based company. The accumulated NCI at 31 August 2019 was £3,575,000. The losses incurred in MXC JV Limited during the year are not considered material to allocate to the NCI. No dividends were paid to the NCI.

Summarised financial information for MXC JV Limited, before intragroup eliminations, is set out below:

	2019 £000	2018 £000
Revenue	**–**	–
Loss and total comprehensive income for the year	**(11)**	(35)

	2019 £000	2018 £000
Non-current assets	**7,150**	4,700
Current assets	**1**	1
Total assets	**7,151**	4,701
Current liabilities	**(47)**	(36)
Net assets	**7,104**	4,665
Net cash inflow in the year	**–**	–

MXC CAPITAL (UK) LIMITED

In September 2018, an NCI acquired 25% of the ownership interests and 25% of the voting rights of MXC Capital (UK) Limited, a UK based company ("MXC UK"). This was the ownership interest of the NCI at 31 August 2019. The NCI acquired its ownership interest in MXC UK as the holding company of MXC's UK trading entities. For the purposes of presenting information on the subsidiary that enables users to understand the interest that non-controlling interests have in the Group's activities and cash flows it is therefore necessary to look at group headed by MXC UK. No statutory consolidation is required for this group, however proforma consolidated information has been presented below. The NCI acquired its interest during the year ended 31 August 2019 therefore no comparative information has been provided.

The accumulated NCI at 31 August 2019 was £1,791,000 (2018: £nil). Profits of the MXC UK group amounting to £340,000 (2018: £nil) were allocated to the NCI during the year. A dividend of £190,000 (2018: £nil) was paid to the NCI.

Summarised proforma financial information for the MXC UK group, before intragroup eliminations in respect of transactions with the rest of the Group, is set out below:

	2019 £000
Revenue	**3,630**
Profit and total comprehensive income for the year	**1,391**

	2018 £000
Non-current assets	**6,097**
Current assets	**3,053**
Total assets	**9,150**
Current liabilities	**(1,139)**
Non-current liabilities	**(38)**
Net assets	**7,973**
Net cash inflow in the year	**339**

27 SUBSEQUENT EVENTS

On 25 October 2019 the number of exercisable voting rights in the Company was reduced to 65,742,407 following the purchase by the Company of 1,460,942 ordinary shares by means of a tender offer. All shares purchased by the Company under the tender offer have been cancelled.

COMPANY INFORMATION

DIRECTORS

PETER RIGG
(Non-executive Chairman)

IAN SMITH
(Chief Executive Officer)

PAUL GUILBERT
(Non-executive Director)

SIMON FREER
(Non-executive Director, appointed 4 March 2019)

MERIEL LENFESTEY
(Non-executive Director, resigned 14 February 2019)

SECRETARY

Carey Commercial Limited

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Printed by **KW Partners**

MXC CAPITAL

TECHNOLOGY ADVISER & INVESTOR