

1 December 2015

MXC Capital Limited

("MXC" or the "Company", together with its subsidiaries, the "Group")

Final Results for the year to 31 August 2015

MXC is pleased to report on a period of intense activity that has seen the Group establish itself as a merchant bank offering technology businesses growth capital, management support and a range of corporate finance services.

Highlights of the period:

- Underlying profit before tax of £5.7 million (before exceptional and non-recurring costs of £0.6 million relating to establishment of the current Group and re-domicile to Guernsey)
- 44% return realised on investment disposals, 160% gain on unrealised investments
- Our quoted portfolio generated an IRR of 227% for the financial year and a money multiple of 2.68x*
- 3 quoted investments with value of £16.1 million at 31 August 2015 increasing to 4 quoted and 5 private investments with value of £45.4 million at 26 November 2015
- MXC Capital Markets LLP (corporate finance) contributed £1.1 million in the year, advising on 16 transactions
- Acquisition of MXC Holdings Limited concluded post period end, unifying all activities and investments into single entity
- Net Assets of £49.9 million at year end, increasing to £70.5million at 31 October following acquisition of MXC Holdings Limited
- £28.4 million cash and cash equivalents available for investment at 31 August 2015
- Significant management appointments to support increasing flow of opportunity
- Policy will be adopted to return 20% of realised gains to shareholders via Tender Offer
- Board confident of the outlook for the Group

Peter Rigg, Chairman of MXC said:

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

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*Assumes all assets owned at start of financial year, some were in fact acquired during the year as part of the acquisition of MXC Holdings

Chairman's Statement

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

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

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

Balance sheet

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

asset pool generating an IRR of 213% and a money multiple of 2.58x in the year to 31 August 2015.

Distributions

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

Investments

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

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

As a result of these activities, the Group now has holdings in 4 quoted investments and 5 private investments with a combined value of £37.8 million at 31 August 2015 and £45.4 million at 26 November 2015, post the acquisition of MXC Holdings Limited. We are establishing an interesting mix of quoted and unquoted investee companies with good buy-and-build potential together with high organic growth IP backed opportunities.

Corporate finance

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

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

People

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

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

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

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

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

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

Outlook

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

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

Peter Rigg
Chairman

Market Overview from the Investment Advisor Ian Smith, Founder of MXC and Member of MXC Advisory Board

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

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

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

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

Our Investments:

Quoted – valued at 26 November 2015

Company	Shares first acquired by MXC	Investment Cost	Value at 26/11/15	Summary
Redcentric	Apr-13	£3.2m	£21.5m	UK managed services provider
Castleton	Dec-13	£4.5m	£14.3m	Provider of software support, consultancy, and managed services to public sector
Pinnacle	Apr-13	£385k	£816k	Provider of IT and communications for UK SMEs
365 Agile	Oct-14	£1.3m	£3.2m	Back office mobilisation system developer
		£9.4m	£39.8m	

Unquoted – valued at cost

Company	Shares first acquired by MXC	Investment Cost	Summary
Sagacity	Sep-15	£4.8m	Big data analytics business specialising in data quality, revenue assurance and customer value management
Avar Communications	Feb-15	£250k	A recruitment platform to enable companies to identify well suited job candidates
Maytech Communications	Jul-13	£340k	Secure cloud data and storage platform company.
Others		£170k	
		£5.6m	

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

We are working closely with the management teams of each of these investee companies to pursue their growth strategies, both organically and through buy and build. I am confident that our model of providing capital, corporate finance services

and most importantly, experienced operational management support will see these investee companies build significant value for our shareholders.

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

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

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

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

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

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

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

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

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

Directors' Finance Review

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

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

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

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

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

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

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

After the year end the Group made an investment of £4.8 million in Sagacity Solutions Limited, a privately held Big Data Analytics company, and acquired shares in a further listed entity and 4 private companies as a result of its acquisition of MXC Holdings Limited, increasing the Group's investment portfolio to a value of £45.4 million at 26 November 2015.

Consolidated statement of profit or loss
for the year ended 31 August 2015

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

Consolidated statement of other comprehensive income
for the year ended 31 August 2015

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

Consolidated statement of financial position
as at 31 August 2015

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

Consolidated statement of changes in equity
for the year ended 31 August 2015

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

Consolidated statement of cash flows
for the year ended 31 August 2015

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

Notes to the consolidated financial statements

The results for the year to 31 August 2015 have been extracted from the audited consolidated financial statements, which are expected to be published on the Group's website (www.mxccapital.com) shortly.

The financial information set out above does not constitute the Company's statutory financial statements for the year to 31 August 2015 but is derived from those financial statements.

The auditors, Grant Thornton Limited, have reported on the accounts for the years ended 31 August 2015 and 31 August 2014; their reports in both years were (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under The Companies (Guernsey) Law, 2008 (as amended).

Accounting policies

MXC Capital Limited (the 'Company') is a company incorporated and domiciled in Guernsey, whose shares are publicly traded on the AIM division of the London Stock Exchange. The registered office is 1st & 2nd Floors, Elizabeth House, Les Ruettes Brayes, St Peter Port, Guernsey, GY1 1EW and the principal place of business is Guernsey. The principal accounting policies, which have been applied consistently in the preparation of the consolidated financial statements throughout this year and by all subsidiary companies, are set out below:

Basis of preparation

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

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

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

Going concern

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

Basis of consolidation

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

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

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

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

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

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

Segmental reporting

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

Revenue

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

Rendering of services

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

Investments

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

Intangible assets and impairment

(i) Goodwill

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

(ii) Customer contracts

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

(iii) Impairment of intangibles and goodwill

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

Taxation

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

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

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

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

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

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

Financial assets

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

(i) Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original value and recoverable amounts. Provision is made where there is evidence that the balances will not be

recovered in full. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows.

(ii) Available for sale (AFS) financial assets

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

Share-based payments

(i) Share options

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

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

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

(ii) Shares used to settle consultancy services

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

Business combinations

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

Equity

Equity comprises the following:

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

Critical accounting estimates and judgements

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

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

(i) Value of investments

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

(ii) Treatment of business combinations and restructuring

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

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

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

(iii) Impairment assessment

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

(iv) Estimated valuation of intangibles

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

Segmental analysis

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

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

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

Corporate Finance Division

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

Other

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

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

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

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

Realised profit on disposal of assets

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

Taxation

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

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

Earnings per share

Earnings per share ('EPS') is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year. The weighted average number of ordinary shares in issue during the year is:

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

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

Business Combinations

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

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

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

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

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

The consideration was settled via the issue of equity.

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

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

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

Investments

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

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

Fair value measurement

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

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

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

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

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

Subsequent events

Acquisition of MXC Holdings Limited

On 24 September 2015, the Group completed the acquisition of the entire issued share capital of MXC Holdings Limited ('MXCH') and its subsidiaries. Prior to the acquisition, MXCH owned 40.1% of the issued share capital of the Company. The long term strategic objective and commercial rationale for the acquisition was to unify the MXC Group organisation, management and investment interests into

a single structure beneath an AIM quoted company, thereby aligning the interests of all of the shareholders of the Company and MXC Holdings.

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

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

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

Share incentive scheme

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

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

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

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

Investment portfolio

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

Issue of shares

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

Restatement of 2014 consolidated statement of financial position

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

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

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